

# **Organisational Transformation of Chinese Media Groups: The Gradual Emergence of Strategic Actors**

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**Vorgelegt von Silvan R. Meier**

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**Erstgutachter**

Prof. Dr. Jörg Sydow

Management-Department, Fachbereich Wirtschaftswissenschaft / Betriebswirtschaftslehre,  
Freie Universität Berlin

**Zweitgutachter**

Prof. Dr. Klaus Mühlhahn

Sinologie – Chinastudien, Fachbereich Geschichts- und Kulturwissenschaften,  
Freie Universität Berlin

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韬光养晦，决不当头，有所作为  
邓小平

*Avoid the limelight, never take the lead, and try to accomplish something.*

Deng Xiaoping

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## List of Abbreviations:

CPC	Communist Party of China
GAPP	General Administration of Press and Publication of the People's Republic of China
GDP	Gross Domestic Product
GDPG	Guangdong Daily Press Group
GVIO	Gross Value of Industrial Output
OMP	Oriental Morning Post
PRC	People's Republic of China
SAIC	State Administration for Industry and Commerce of the People's Republic of China
SARFT	State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SCIO	State Council Information Office of the People's Republic of China
SOE	State-Owned Enterprise
SUMG	Shanghai United Media Group
SXMC	Shanghai Xinhua Media Corporation
ZDPG	Zhejiang Daily Press Group

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## **ORGANISATIONAL TRANSFORMATION OF CHINESE MEDIA GROUPS: THE GRADUAL EMERGENCE OF STRATEGIC ACTORS**

**Abstract:** This study examines the emergence of Chinese media groups as strategic actors within a highly coercive field. By adopting a multi-level approach, the study traces how media organisations in China effectively exploit economic development spaces without dismantling institutional imperatives. Based on an in-depth case analysis of the “Shanghai United Media Group”, the study points to the creation of a new organisational form as the driving mechanism in building and extending strategic capabilities. The study seeks to contribute to existing discourses on the paradox of embedded agency by providing an enhanced understanding of the factors that propel agency on the level of the individual organisation.

*Keywords: Chinese media groups, organisational forms, structure and strategy, institutional work, media management*

# I. Introduction

## 1 Context of Research: Chinese Media within a Transitional Environment

The Chinese media industry is a field that is characterised by dynamic shifts; not only are institutional frameworks in China undergoing rapid change, with the advent of digital technologies, new economic imperatives have evolved as well. The economic reforms, which were launched by the Communist Party of China (hereafter: CPC) under the lead of Deng Xiaoping in the late 1970s, have transformed the former command economy and have gradually introduced market principles<sup>1</sup>. As part of an incremental process, the reforms have successfully steered the Chinese economic system into the direction of a competitive market economy. Even though the elevated growth rates of the country's GDP since the 1980s confirm the success of the reforms, the development of economic institutions is still incomplete and does not meet the requirements of a sophisticated market environment (Naughton, 2007, pp. 85-110). The Chinese media industry had also been reframed and marketised, against the backdrop of the general economic reforms, although at a much slower pace than other industries. Given the institutional relevance of media entities for the political system of the People's Republic of China (Heilmann, 2004, pp. 217-221; Stockmann, 2013), the implementation of reform measures has been limited to managerial and organisational aspects (L. Yang & Huang, 2005). Leading media organisations were reorganised as large "media groups" with the aim to strengthen their managerial capabilities, to consolidate existing resources and to allow access to new resources. While media entities have become economically more independent in their business operation, their institutionalised role in maintaining political stability through the production and dissemination of favourable information content has remained unaltered and is under strict control of the party-state (Esarey, 2005; Z. Guo, 2001; Lee et al., 2006; X. Zhang, 2011). Caught between divergent logics, Chinese media groups reflect the fundamental contradictions of the country's reform process within their organisational layout; increasing economic flexibility on the one side and persistent institutional constraint on the other side. This tension between the emerging imperatives of the economic reforms and the underdevelopment of corresponding institutions has produced transitional arrangements that are unlikely to be stable over time (Tang & Iyengar, 2012, pp. 1-4).

Due to their institutional significance, the transformation of media entities substantially differs from the reform process of more conventional business corporations. In China, organisations that produce media (媒体 or 传媒)<sup>2</sup>, subsumed as newspapers, magazines and broadcasting, have gradually institutionalised their functions (e.g. political communication) over time. In the pre-reform era or

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<sup>1</sup> The reforms that are commonly known as *gaige kaifang* (改革开放), "reform and opening up", marked the beginning of China's economic rise.

<sup>2</sup> The term *meiti* (媒体) is a phonetic translation for media, while *chuanmei* (传媒) is an abbreviation for *chuanbo meijie* (传播媒介), which can be literally translated as "dissemination means".

Maoist era (1949-1978), the CPC installed a “state socialist media field”, whereas all media were nationalised, centralised and homogenised<sup>3</sup>. During this period, media organisations acted as non-commercial and non-production units (事业单位) of the party-state. Concepts of business management were completely refuted and the media became a full part of the organisational framework of the CPC and its affiliated agencies (Sukosd & Wang, 2013, pp. 4-8). Moreover, media organisations were entirely funded by the state and subscriptions were allocated to other state-owned enterprises (Fischer, 2001, pp. 6-14). Economic inefficiency and severe mismanagement were the result of soft budgeted constraints and pervasive political intervention. In the aftermath of the Maoist era, however, a comprehensive reform process has incrementally evolved along the endeavour to make media entities more competitive.

In a first step, media units were commercialised by encouraging more efficient management procedures. The overall goal was to enhance the market orientation of Chinese media entities (Esarey, 2005, pp. 41-43). By considerably reducing state subsidies, media entities had to find alternative sources of financial funding (private subscriptions as well as advertisement became the main revenue sources). At the same time, they were allowed to retain a certain amount of their profits in order to build financial reserves. As a consequence, media units were able to transform from non-profit units to commercialised public units<sup>4</sup> (Sukosd & Wang, 2013, pp. 8-9). It is argued that with the commercialisation efforts, the party lost its absolute monopoly over the media (Hachten, 2010, p. 22); the cut of financial links greatly increased the economic scope of media ventures, improved their profitability and reinforced entrepreneurial concepts.

In a second step, the Chinese media became more diversified and decentralised. Along the traditional party newspapers, urban tabloids, weekend and evening editions as well as special interest newspapers were established. In an attempt to provide more readable and critical publications for an emerging consumer market, the production of content had become more flexible. Even though all media had to adhere to party principles, the political orientation of emerging commercial papers declined, whereas entertainment, business and sports content have been increasingly highlighted. To a certain extent, commercial papers have become advocates of specific consumers segments (Y. Zhao, 1998, 2000). These so-called “semi-independent papers” developed strong economic purposes (e.g. aim to increase subscriptions and readership) and were politically less constrained than traditional party publications (C. Huang, 2000, pp. 650-655). As part of the commercialisation, a new niche started to take shape; popular mass media with diversified content directed at China’s growing urban

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<sup>3</sup> In the so-called Republican period (1912-1949) the Chinese media landscape had been a “laboratory of cultural and political experimentation”; especially in the 1930s the Chinese press had been relatively pluralistic and featured some traits of investigative journalism (MacKinnon, 1997).

<sup>4</sup> Non-commercial units are subsumed under the organisational concept of *shiyè danwèi* (事业单位) or “public service units”. With the increased commercialisation of the media in China, media entities became so-called “public service units under business management” (事业单位企业化管理), which is translated here as “commercialised public units”.

middle class, and funded by private subscriptions and advertising (Z. Guo, 2001, p. 21). As a consequence of the diversification, the number of publications dramatically increased in the years 1980-1987 and 1992-1996, which led to a decentralisation and expansion of the Chinese media (Sukosd & Wang, 2013, p. 11). Media units were no longer concentrated in the capital and run by the central government only. Decentralisation meant that provincial and local governments have become able to establish and manage their own publications – a measure that implied a fragmentation of power. Furthermore, non-state actors (women’s federation or business associations) became more significant as their interests were increasingly reflected in special interest papers, such as women’s magazines or business issues (G. Wu, 2000, pp. 47-57). However, the increasing decentralisation and fragmentation of the media field also gave rise to concerns among leading policy makers. In principle, the reforms were mainly supported by the liberal reformers within the CPC. Zhao Ziyang for instance, the party secretary at the time, was a strong supporter of the media reforms. But, after the Tiananmen incident in 1989<sup>5</sup> and the fall of comrade Zhao, the reforms suffered a temporal setback (B. Liu, 1990, p. 106; Q. Liu & McCormick, 2011), and only resumed after central party principles were re-enforced. Until 2002, the number of print publications in China rose from 1,116 publications in 1978 to 11,166 titles (Esarey, 2005, p. 48). Compared to the newspaper sector, which has become more diverse, the impact of the diversification and decentralisation on the broadcasting sector has only been marginal. Although both sectors bear high political relevance, the fact that setting up a newspaper is less resource-intensive than a broadcasting station, makes the print media sector more versatile and prone to change (Y. Zhao, 1998, pp. 127-128).

The third major reform measure has been the so-called “conglomeration policy”<sup>6</sup> that initiated the reorganisation of Chinese media entities. Following the authorisation of central decision takers in the late 1990s, influential media units were allowed to form comprehensive media groups<sup>7</sup>. The first group had been established in 1996, with the Guangzhou Daily Press Group. The new setup featured more diversified organisational structures (to serve different consumer segments) and allowed the integration of economically powerful commercial papers and more unprofitable party-papers (Lee et al., 2006, pp. 585-586). While the ownership structures have remained untouched, the “conglomeration” is regarded as a considerable fortification of media organisations as economic entities (Fischer, 2009, p. 182). However, it is also argued that the reorganisation of media units is

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<sup>5</sup> In 1989 student protesters demonstrated on Beijing’s Tiananmen Square for more political rights, including “democracy”. To prevent a further spread of the protests across the country, policy makers reacted with a political crackdown that culminated in a massacre on 04.06.1989 (Spence, 1991, pp. 738-747).

<sup>6</sup> In Chinese the structural transformation of Chinese media organisations is commonly referred to as “*jituan hua*” (集团化), which can be literally translated as “group transformation” (F. Wu, 2013, pp. 115-116). Studies in English language, however, usually use the term “conglomeration”, which is only partially appropriate. In the sections below the term will be further elaborated.

<sup>7</sup> The term “media group” corresponds to the Chinese terms “*baoye jituan*” (报业集团) and “*chuanmei jituan*” (传媒集团). Depending on the context, *baoye jituan* can be translated as “media group” or “press group”.

nothing but an efficient way to centralise control, as the more commercialised publications have become under the authority of the party papers (Stockmann, 2013, p. 58). Without denying these concerns, it has been observed that the restructuring has strengthened the managerial side and reintroduced refined concepts of media management, which contributed to more rationalised structures, enhanced efficiency, improved self-development capabilities and facilitated capitalisation (Y. Zhao, 2000; 2008, pp. 97-102). Also, the propaganda function of media organisations has declined and coercive censorship or pre-publication censorship was replaced by self-censorship (Fischer, 2009, pp. 175-177). Although formally media groups are fully or partially owned by the state, it has been found that the ownership structures have become increasingly complex as spaces for private domestic investors are slowly emerging (Sukosd & Wang, 2013, pp. 12-14). Overall, the restructuring of media entities can be perceived as a continuation of the commercialisation, decentralisation and diversification initiatives, which have produced institutional imperatives for the media industry.

Ever since the establishment of the People's Republic of China in 1949, the media (especially print media) have played an outstanding role in the institutional transition of China. Even though various new types of media have been emerging over the last two decades, traditional print media, such as newspapers, still act as "opinion leaders" that are of high significance for policy-makers in China today (K. Guo, 2010, p. 44). However, the advent of innovative digital technologies and disparate field conditions are increasingly challenging the institutionalised role of the traditional media. In fact, the commercialisation and diversification of media organisations had not been the result of state planning, but of shifting economic dynamics and changing institutional arrangements (Cao, 2004, p. 1). The media reforms can, therefore, be grasped as an incremental counteraction in response to unfolding field conditions, which have provided media entities with extended leeway for development; within the stiff control framework of the party-state, they gained improved economic flexibility. Sukosd and Wang (2013, p. 18) conclude that Chinese media organisations have been undergoing "a slow, gradual widening of managerial autonomy" in the last 40 years. But because the coercive media control remains firmly in place, media organisations are confronted with ambiguous provisions. Despite improved capabilities, they are still restrained by governmental actors. Not only do the newly established media groups lack clear-cut ownership relations, there is also a deficiency of explicit structures that coordinate resources and define authorities. This in turn, constrains the managerial autonomy of media groups (Chuan, 2013, pp. 55-56). In effect, there is no accurate consensus about the formal nature of media groups between the responsible ministries, the media managers and the scientific world (i.e. media management studies). Although they are formally framed as non-commercial public service units (*shiyè danwèi*)<sup>8</sup>, media groups increasingly act as profit-seeking entities with a strong market orientation (Shao & Chen, 2005, p. 108).

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<sup>8</sup> The conceptual understanding of *shiyè danwèi* (事业单位) will be further developed in the forthcoming chapters.



Due to immature regulations on the configuration of media groups, different media units have adopted different organisational structures. As media entities have adapted and extended their structure in accordance with their respective needs, different forms of media groups have evolved over time (L. Yang & Huang, 2005). As such, media groups have become experimenting units (试点) of the organisational-structural reform. They started to inductively shape the transformation of the media field by modifying their structures and strategies and, thus, creating new organisational forms (Ceng, 2013, pp. 20-27). Whereas in the past the CPC exerted full authority in engineering and implementing the reform process, media organisations (especially media groups) have gradually gained negotiating power (C. Huang, 2007). It can be assumed that by experimenting with particular structures and strategies, media groups increasingly co-contribute to the elaboration of the reform process. In what way the development of new organisational forms have enabled media groups to emerge as actors – against the backdrop of a coercive media system – builds the basic issue on which this research draws.

## **2 Towards an Organisational Analysis of the Chinese Media**

Although the reform process of Chinese media entities entails strong organisational-structural imperatives, it has predominantly been addressed from perspectives that are grounded in the disciplines of political economy, political communication, media economics or journalism studies. In this light, the integration of an organisational science approach is assumed to provide fresh insights.

Previous studies with a focus on political dynamics conceptualise media entities as political players that act as instruments of policy makers. Their emphasis is on political control mechanisms (i.e. censorship), party organs and governmental actors, as well as on the development of the “authoritarian environment” in which the media are embedded (Hassid, 2008; Z. He, 2000, 2003; Q. Liu & McCormick, 2011; Shirk, 2011; Stockmann, 2013; G. Wu, 2000). Studies with a background in media and communication science have perceived the media as units that increasingly engage in mitigating the conflicting forces of political agents and the rising public sphere, whereas priority is given to concepts of political communication (Gang & Bandurski, 2011; C. Huang, 2000; Lee, 1994; Pan, 2000; Pan & Lu, 2003; Polumbaum, 1990; Saether, 2008; X. Zhang, 2011; Y. Zhao, 1998, 2008). From their respective standpoint, the studies engage in discussing the media’s commercialisation and structural adaption, but neglect organisational implications. It is argued that the commercialisation of the Chinese media has produced conflicting arrangements, a dichotomy between state and market, and a more diversified media landscape (Gang & Bandurski, 2011; Lee, 1990, 2003; McCormick & Liu, 2003; G. Wu, 2000; Y. Zhao, 1998, 2008). The organisational transformation of media entities is generally conceptualised as a “conglomeration” that has brought new economic capabilities to media units but has also strengthened the control mechanisms of the party-state (Esarey, 2005; Lee et al., 2006; Stockmann, 2013; X. Zhang, 2011; Y. Zhao, 2008). Despite acknowledging some

“organisational advantages”, Stockmann (2013) reasons that the reforms may even stabilise the authoritarian regime of the CPC. In her book, “Media Commercialisation and Authoritarian Rule”, she perceives the “conglomeration” as a centralisation of control and a way by which commercial papers subsidise official party papers. Even though X. Zhang (2011) highlights that the “conglomeration” has added to the existing political function of media organisations an economic function, she assumes that the reforms will only stabilise institutional arrangements. In contrast, Y. Zhao (2000, p. 22) notes that “[...] *as an organizational form, these conglomerates may well outlive one-party rule and have a long-lasting impact on the future shape of the Chinese press.*” To her, media groups should be perceived as a formal integration of common interests between business and party elites. Y. Zhao (2008, p. 102) adds that with “the conglomerates” capabilities for self-development have been strengthened, the organisational structure has been rationalised and efficiency has increased, the accumulation of capital has been facilitated and entities with different roles and target audiences could be established. Although the importance of the so-called “media conglomeration” has been increasingly acknowledged in recent years, organisational aspects are only rudimentarily considered. Accordingly, the notions applied are often ambiguous or imprecise. Strictly speaking, the press and media groups that have emerged since the late 1990s do not represent “conglomerates”. While conglomerates are commonly conceived as multi-industry groups that are engaged in unrelated business activities (Mintzberg, 1979, pp. 380-414), the operation of Chinese media groups is predominantly limited to the media industry and related sectors, as will be discussed in the upcoming chapters.

Some studies, however, account for the economic aspects and the organisational-structural dimension of the transformation of media units in a more systematic way (Fischer, 2001, 2005, 2009; Lee et al., 2006; Sukosd & Wang, 2013). In their case study of the “Shenzhen Press Group”, Lee et al. (2006) investigate the factors that have led to a “conglomeration” and provide an overview of the outcomes of the organisational shift, such as adaptations in the group’s management and “journalistic norms”. Even though the article only superficially analyses the organisational structure of the press group and its implications, it provides a new perspective by determining an individual organisation as the unit of analysis. On the other hand, Sukosd & Wang (2013) investigate the principal-agent (state-media) relationship from an organisational viewpoint. By drawing on agency theory, they reason that there is a “[...] bifurcation of the contract in the principal-agent relationship”, which provides media entities with enhanced managerial independence (2013, pp. 15-16). Furthermore, Fischer (2009) broadly introduces institutional theory to elaborate on the shifting role of media organisations. She argues that the institutional framework is endogenously constructed and shaped by players (i.e. party-state and media organisations) that act on the basis of rational choice. Fischer, thereby, bases her argument upon theories of “New Institutional Economics”, which are heavily influenced by Aoki (2001) and North (1990). Despite the limitations of the concepts applied, the article is an initial attempt to consider concepts of institutional theory in the study of Chinese media organisations.

Besides the studies available in Western languages, Chinese scholars have strongly emphasised the relevance of the organisational-structural transformation and the evolving organisational forms that have resulted thereof. In his seminal work, Ceng (2013, p. 4) conceptualises the “media group” (报业集团) as a specific organisational form (组织形态), that reflects the transitional character of the Chinese media field. L. Yang and Huang (2005) have found that the formal structures of media groups are not stable but are adapted and extended in accordance with the respective organisational strategies. Similarly, W. Wu (2006) has emphasised that media groups have developed distinct structural configurations to cope with different field conditions. Based on an individual case (Nanfang Media Group), N. Liu (2005) has analysed the development of formal structures in relation to the strategic orientation of a media group. The article proposes that the organisational forms of media groups evolve as a result of mutually beneficial structures and strategies. However, it is also argued by Shao and Chen (2005) that the structural reforms have created considerable ambiguity, as the organisational capabilities that media groups have engineered stand in partial conflict with the coercive arrangements of the field. Although the organisational forms have become more refined and sophisticated, the corresponding regulative arrangements have not developed at the same pace; officially media groups are not acknowledged as marketised corporations. Nevertheless, it has been found that media groups have still been able to gain limited autonomy. Numerous studies provide evidence that Chinese media groups experiment with distinct structural arrangements to enhance the managerial capabilities of the core entities and their respective subsidiaries (She & Duan, 2008; Song, 2006; W. Wu, 2006; Zhuang & Li, 2008). Moreover, according to Chuan (2013, p. 56) the management boards of the media groups are gradually becoming “bodies of strategic thinking” (战略思维的主体) within the scope provided by the party-state. This implies a (partial) transfer of operational decision-making power from governmental agents to media groups. From the existing research it becomes evident that the reform of Chinese media units has strong organisational-structural implications; the underlying ambiguity of the transitional reform arrangements has produced a proliferation of organisational forms, which in turn has enhanced managerial discretion within the strict boundaries of the party-state.

Although there is an increasing body of literature that addresses the organisational-structural dimension of the media reforms in China, only few studies have been published that account for appropriate conceptual and theoretical frameworks. On the one hand, terms of organisational science are often contradictory and inconsistently conceptualised. For instance, to accurately trace the transformation of media entities it is required to make a clear distinction between organisational concepts (regulatory definition of media groups as “public service units”), structural arrangements (actual structural configuration of media groups) and organisational forms (combination of structures and strategies of media groups). On the other hand, in order to systematically grasp the mechanisms and implications of the organisational-structural development of Chinese media groups it is inevitable to adopt a suitable theoretical framework. In other research contexts, the evolution of new

organisational forms within well-established fields has been evaluated by using a neo-institutional approach (DiMaggio, 1988; Fortwengel & Jackson, 2016; Greenwood & Suddaby, 2006). Divergent forms not only require institutionalisation, but they also generate institutional imperatives for the field at large. Linking neo-institutional theory to organisational analysis allows embracing the constraining and enabling forces that shape organisations within their environment by considering socio-cognitive legitimation (DiMaggio & Powell, 1983; Scott, 2008, pp. 42-44; Zucker, 1987). Neo-institutional theory is especially suitable to analyse organisations that are part of specific fields, such as “[...] *those that are highly institutionalized and have a weak technical base [...] or those in which the legitimacy of member organizations is largely based in traditional authority [...]*” (DiMaggio, 1988, p. 6). Indeed, media organisations in China are greatly intertwined with their environment and constitute a highly institutionalised field. In this way, it is conjectured that an organisational analysis that is informed by neo-institutional theory is able to provide a fresh perspective on the transformation of media entities in China and evaluate the development of new organisational forms in a consistent manner.

For a study on changing frameworks in China, it is especially important to refer to new approaches of neo-institutionalism, including institutional entrepreneurship and institutional work. Major adaptations in organisational fields may only be implemented, provided that institutional arrangements adapt and relevant agents enable change. As the above discussion has supposed, media organisations and their environment are mutually constitutive. This does not only mean that the state, as a dominant actor of the field, constrains or promotes the development of the media, but that media organisations themselves are increasingly exerting influence on prevalent arrangements. The evolution of new organisational patterns is in the first place conditioned by emerging field imperatives and regulatory agencies. At the same time, it can be expected that organisations with enhanced structural and strategic capabilities may also contribute to the setup of divergent forms. On a larger scale, it has been found that organisational transformations are the outcome of both “environmental effects *and* intentional strategic adaptation” by organisations (Lewin & Volberda, 1999; Rodrigues & Child, 2008, p. 249). In the institutional context of China, R. Jing and McDermott (2013) have similarly highlighted the crucial role of strategic action by change agents (non-governmental actors) in the transformation of state-owned enterprises. So, it can be assumed that even in China the evolution of new organisational forms is not only conditioned by the environment, but also promoted by strategic agents. Thus, the concept of institutional work, as an extension of institutional entrepreneurship, provides a viable approach to investigate the transformation of Chinese media groups, as it appropriately accounts for the recursiveness of field conditions and organisational actions.

By assuming that both “field effects” and “intentional strategic adaptation” drive the evolution of divergent organisational forms, it is conjectured that media organisations gradually emerge as embedded actors. In fact, existing research (as noted above) already provides strong evidence that media organisations gained increased managerial discretion and enhanced strategy-making capabilities as part of the structural realignment. However, the process of *how* the incremental transformation of

media entities induced strategic agency remains largely unresolved. In this context, the study at hand raises the following research question:

*RQ: How has the evolution of divergent structural templates enabled Chinese media groups to emerge as embedded actors against the backdrop of a highly coercive institutional environment?*

On the basis of this research question, it is aimed to assess the gradual emergence of media groups as increasingly reflective actors within the highly coercive politico-legal system of the People's Republic of China. The research question entails the following assumptions: (1) Chinese media organisations are institutionalised entities with a high degree of political and social relevance; (2) the institutional setting of the People's Republic of China represents an exceptional environment that is characterised by highly authoritarian control mechanisms as well as transitional arrangements; (3) through the endorsement of new structural templates (configuration of media groups), media entities have gradually gained partial managerial autonomy and limited strategic weight and are emerging as reflective embedded actors. Accordingly, the underlying puzzle of the research question is the "paradox of embedded agency". While ample research has been conducted on "enabling field conditions", only little is known on why particular organisations engage in strategic agency in spite of constraining forces (Battilana & D'Aunno, 2009). This study, therefore, envisages explaining the foundations of embedded agency on the level of the individual organisation by referring to exceptionally constrained actors, Chinese media groups.

The question of strategic agency in the context of Chinese media organisations has not been specifically raised by previous studies. This study, however, assumes that a widening in managerial discretion, induced by improved organisational forms, has offered media groups extended space for agency. A similar thread of argumentation is pursued by Bell and Feng (2014). They explain the "rising monetary policy influence and authority" of the "People's Bank of China" (the central bank of China) in relation to the leadership of the CPC, which they describe as the "ultimate authority" within the institutional setting of China. The article opens a new avenue by investigating how the People's Bank of China – as an organisation with rising authority – interacts with institutions despite its firm embeddedness within the party-state. China's central bank is not only closely interwoven with the leadership of the CPC, until 1978 it had been an integral part of the Ministry of Finance. Yet, Bell and Feng (2014) have found that "enhanced institutional capacities" and modified structures have enabled the People's Bank of China as a partially autonomous organisational actor. Although their study does not directly address the paradox of embedded agency, the case of the Chinese central bank shows that entities that are tightly intertwined with the institutional setting and the party apparatus are still able to develop capabilities that augment organisational agency within fixed boundaries. As the CPC with its governmental agencies sets the basic institutional arrangements, agency by other organisational entities needs to be directly (through laws and regulations) or indirectly (through tacit consent)

endorsed (Child et al., 2007). Consequently, the institutional environment of China, with the CPC as the ultimate authority, represents an outstanding arena to study the emergence of central organisations (which have a strong affiliation to the party-state, but are not directly subordinated entities thereof) as proactive institutional actors. Like the People's Bank of China, Chinese media groups represent central organisations of high significance. Given the institutional and political relevance of the media field in China, analysing “the rise” of powerful media organisations is assumed to provide an original contribution to the discussion of the paradox of embedded agency.

In the particular case of Chinese media groups, new resources have become accessible and new space for development has been created along the reform process. Simultaneously, the party-state has also established new methods to oversee and control the media. In other words, the organisational transformation of media entities has produced both constraining and enabling conditions, which are overlapping in some instances. It is, therefore, required to uncover the nuances within the newly constructed framework by applying an organisational perspective (H. Yu, 2011, pp. 70-71). Most studies of the Chinese media reform rather conceptualise media units as fully submissive state entities than as organisations with gradually increasing capabilities. Without denying the overarching prowess of the party, the study at hand seeks to relativize this assumption by pointing to thus far neglected spaces of embedded agency which have allowed Chinese media organizations to strategically modify their organisational layout in order to create the highest possible degree of managerial autonomy within the politico-legal limits set by the party-state.

To ensure a sufficient depth of focus, the study tackles the research question by investigating an individual case within a wider context. As will be explained in more detail in the methodological chapter, the case selected is the “Shanghai United Media Group” (上海报业集团). It has been selected as it is among the economically most powerful media groups in China and has developed a particular organisational form. The media group is, moreover, supposed to represent a “model” for the organisational transformation of the media field in China (X. Zhang, 2013).

By answering the research question, it is aimed to contribute to the domains of organisational studies as well as Chinese studies: Firstly, it is aimed to enhance the understanding of how media organisations are transforming in the institutional context of the People's Republic of China. More generally, this should also improve the understanding of how central organisations in China evolve and develop new roles. Secondly, it is envisaged to unlock new perspectives on the constitution of embedded agency by considering the role of organisational properties. Moreover, the analysis seeks to provide new insights into the discipline of organisational studies by investigating how central organisations might be able to affect and shape their institutional environment – a research issue that is still insufficiently researched (Greenwood & Suddaby, 2006).

The research question is addressed in three closely connected empirical chapters that are preceded by a theoretical and a methodological chapter. In chapter II, the applicability of neo-institutional theory in connection to organisational agency, and its limitations will be elaborated in

more detail. Also, the chapter provides a theoretical concept that builds the foundation for the subsequent analysis. Chapter III provides an account of the research design, research methods and techniques used for the data evaluation. In chapter IV, the Chinese media industry with its most important actors will be mapped and the respective institutional arrangements identified. The chapter argues that conflicting arrangements provide enabling conditions for organisational agency. Chapter V traces the structural transformation of media organisations in a systematic way. It is proposed that media organisations engage in an incremental process of “organisational bricolage” with the intent to establish new organisational forms. Based on the case of the “Shanghai United Media Group”, chapter VI evaluates how a specific organisational form is both a trigger for and an instantiation of embedded agency. Given the finding that the media group’s strategic efforts – induced by the organisational form – are aimed at shaping existing arrangements, the chapter uncovers specific traits of institutional work. The final chapter summarises the findings of the research and discusses their theoretical contributions to corresponding conversations in the disciplines of organisational science and Chinese studies.

## **II. Theoretical Conceptualisation**

### **1 Theoretical Foundations: Neo-Institutional Theory in the Study of Organisations**

Given the specific features of the research context as explored in the introduction chapter, it is reasonable to develop a conceptual framework that is informed by a neo-institutional approach. Since the field with its socio-political peculiarities largely shapes the organisational design of Chinese media entities, an institutional approach is required that accounts for the interplay between the environment and the organisation. Neo-institutional concepts, in contrast to other organisational theories, emphasise the interweavement of organisations and their environment that defines and legitimises structures and practices (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 2008).

Early attempts to integrate institutional aspects into the study of organisations have been undertaken by Philip Selznick who has argued that organisations are “adaptive social structures” that are “subject to the pressure of an institutional environment” (Selznick, 1948, pp. 25-26). Talcott Parsons has further emphasised the relevance of the institutional environment in relation to organisations by arguing that “wider normative structures within societies serve to legitimate the existence of organisations [...]” and their “functional patterns” (Scott, 2008, p. 24). New institutional perspectives on organisations have been largely influenced by Meyer and Rowan (1977) as well as by Zucker (1977). The presumption that formal organisational structures merely serve the purpose of coordinating and controlling operational activities has been challenged by Meyer and Rowan (1977). Instead they stress the relevance of so-called “myths” in the institutional environment that shape organisations; “[...] the elements of rationalized formal structure are deeply ingrained in, and reflect, widespread understandings of social reality“ (1977, p. 343). Their principal argument is that organisations are not only shaped by environmental dynamics, but that they also incorporate the basic traits of the environment, which leads to organisational isomorphism and increased legitimacy. By highlighting the importance of institutionalised contexts, the authors object the view that efficiency aspects are the only source of formal structures. In a slightly different way, Zucker (1977) explains how different degrees of institutionalisation affect “cultural persistence” and “taken-for granted” practices in organisations. Her article implies that the more institutionalised practices are, the higher their maintenance and resistance to change. Moreover, the argument of isomorphism has been further developed by the seminal article of DiMaggio and Powell (1983). It is argued that within established fields organisations adapt their forms in a way that they become increasingly homogenous. Irrespective of efficiency considerations, “[...] organisational characteristics are modified in the direction of increasing compatibility with environmental characteristics” (1983, p. 149). The phenomenon of isomorphism takes place, because organisations do not only compete for resources and market share, but also for legitimacy in the field. The basic perspective of neo-institutional theory, which is rooted in the works cited above, is that organisations gradually incorporate norms and values



of their embedding field to increase their legitimacy. In this way, the institutional environment with its persistent beliefs and socially-constructed ideals has a constraining impact on the formation of organisational structures and characteristics, which is manifested in the homogeneity and conformity of organisational forms within given fields.

A basic definition of institutions has been proposed by W. Richard Scott: “Institutions are comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life” (Scott, 2008, p. 48). This understanding of institutions is deemed particularly relevant as it not only highlights the cultural-cognitive element of institutions but also accounts for the “associated resources”. Whereas some theorists, such as Aoki (2001) or North (1990), predominantly refer to the constraining-regulative character of institutions and other theorists perceive institutions as constructs that mostly depend on values and norms, Scott emphasises the cognitive “pillar” upon which institutions are based, in addition to the regulative and normative views. The cognitive element implies the importance of the “socially mediated construction” of meaning (Scott, 2008, pp. 56-59), as discussed above. Also, Scott’s view accounts for the centrality of the surrounding environment that is linked to institutions through resources and activities.

More concretely, institutions may refer to organisational entities, such as a university or a church, to political organs, legal and economic arrangements (Haggard, 2004; P. A. Hall & Soskice, 2001) as well as to social conventions and practices (Keister, 2002). For the analysis at hand, the principal institutions that are relevant for the structural transformation of Chinese media organisations are the political and economic arrangements of the media field. According to Zucker (1987, pp. 445-446), an “environment-as-institution approach” assumes that institutions are state-linked and external to organisations (although they are closely intertwined), whereas “system-wide social facts” are being reproduced by the embedding environment. As will be further elaborated in chapter IV, the formal institutional order of the People’s Republic of China is based on the paramount leadership of the CPC and its affiliated state agencies, whose authority penetrates all spheres of the country’s society, economy, political system, and administration (Heilmann, 2004, p. 65). Hence, the basic constraining forces that affect Chinese (media) organisations stem from the environment and its socio-political arrangements.

The conception of the “organisational field” was developed to delineate the environment in which organisations are embedded more accurately. DiMaggio and Powell (1983, p. 148) conceive of an organisational field as an aggregate of relevant actors: “*key suppliers, resource and product consumers, regulatory agencies, and other organisations that produce similar services and products.*” Fligstein and McAdam (2012) further expand this concept of the field with their definition of the “strategic action field”:

*“[...] strategic action fields are the fundamental units of collective action in society. A strategic action field is a constructed mesolevel social order in which actors (who can be individual or collective) are attuned to and interact with one another on the basis of shared (which is not to say consensual) understandings about the purposes of the field, relationships to others in the field (including who has power and why), and the rules governing legitimate action in the field.”* (2012, p. 9)

While both approaches share an actor-centred perception of the organisational field, the “strategic action field” interpretation emphasises that actors of a specific field interact with each other and share a corresponding understanding of how it is constituted and governed. Leblebici et al. (1991) highlight that in addition to actors, “technology, regulations and practices” are constituent elements of organisational fields. They propose that the interaction between actors is conditioned by resources and methods that “endow capabilities to agents” (technology), rights and obligations (regulations) as well as by practices, i.e. specific recurring actions and conventions (1991, pp. 338-339). This perception emphasises that organisational fields are endogenously produced and reproduced by actors and their interactions. Similarly, Fligstein and McAdam (2012, pp. 12-13) argue that fields are not stable, but constantly reproduced due to contentious interrelations between actors. As such, organisational fields are not only constituted by actors but also reproduced by the “institutional life” that takes place among actors. Consequently, organisational fields are defined in relation to the empirical context (DiMaggio & Powell, 1983, p. 148). In line with this argument, the Chinese media environment is conceived of as an organisational field that is constituted by dominant actors and their respective interrelations. As will be further elaborated in chapter IV, the Chinese media field is characterised by regulatory agencies (e.g. party-state)<sup>9</sup> and media organisations, by an evolving set of technologies as well as by regulations and institutional conventions.

## **2 Reintroducing Agency to Neo-Institutional Theory**

Deriving from the above discussion, neo-institutional theory has a strong tendency to presuppose inertia and organisational passivity. However, already Meyer and Rowan (1977, p. 348) noted that especially powerful organisations also “play active roles” in shaping their institutional context, in addition to more passive roles of adaption. Other influential analysts of neo-institutional theory have built on this perception. Closely connected to the actor-based understanding of “fields”, it is argued that actors create and reproduce institutional environments according to their interests and resources available (DiMaggio, 1988; Fligstein, 1997; Lawrence, 1999). Similarly, Greenwood and

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<sup>9</sup> The main regulatory agencies of the media industry are the GAPP (SARFT since 2013), which is the overall supervisory body of the central government, and the SCIO, which is responsible for monitoring content production (Fischer, 2014).

Hinings (1996) have found that organisations possess values, interests, power and capabilities through which they can enforce stability, but also change. With regard to the often overlooked meaning of agency in institutional theory, the term “*institutional entrepreneurs*” has been proposed to offer new perspectives (DiMaggio, 1988; Eisenstadt, 1980; Zucker, 1987); so-called institutional entrepreneurs are “organised actors with sufficient resources” that create new institutions in which they see “[...] an opportunity to realize interests that they value highly” (DiMaggio, 1988, p. 14). This theoretical contribution provides new avenues to conceptualise agency in neo-institutional theory and highlights the curial role that resources play for organised actors. Whereas other theoretical streams emphasise the persistence of institutions and their constraining influence on action, *institutional entrepreneurship* is suitable to explain institutional innovation (DiMaggio, 1988; Garud et al., 2002). In contrast to institutional economics, that includes game theory and rational-choice models, the concept of institutional entrepreneurship proposes that action largely depends on resources (e.g. social capital) as well as on the contextual environment (Fligstein, 1997, pp. 397-398). Actors (individuals or organisations) are conceptualised as “entrepreneurs” that struggle for resources and stakes to exert influence on the institutional setting (Maguire et al., 2004). Consequently, it is argued that the capabilities of institutional entrepreneurs depend on whether they are able to access crucial resources in their environments (Battilana & Leca, 2009, pp. 83-87; Stinchcombe, 1965, pp. 147-148; Wijen & Ansari, 2007, pp. 1079-1081). In line with this argument, Rao et al. (2000, p. 276) have found that institutional entrepreneurs undertake leading initiatives in “[...] framing new practices, mobilizing resources (including constituencies), and garnering legitimacy for new forms.” Against this backdrop, institutional entrepreneurs are also referred to as “field makers”, “strategic actors” or “powerful agents” (Child et al., 2007, p. 1016). Hence, institutional entrepreneurs are embedded actors that proactively initiate and implement institutional shifts, by introducing new practices or products that may reorganise their industry or environment. However, there is some critique that the role of institutional entrepreneurs in catalysing institutional change is exaggerated. Lounsbury and Crumley (2007), therefore, argue that institutional entrepreneurs should be conceived of as being a constituent part of their wider field.

A less “heroic” perception of agency in neo-institutional theory has been adopted by the theoretical approach of “*institutional work*”, which is largely influenced by Lawrence and Suddaby (2006). The concept of institutional work (together with “institutional logics”) has actually emerged in recent years as a dominant stream in the debate on institutional dynamics (Zilber, 2013, pp. 77-79). In fact, Lawrence and Suddaby (2006) do not refute the idea of institutional entrepreneurship, they rather build on the works of DiMaggio (1988) and Oliver (1991). Increasingly, the concept is also underpinned by structurationist arguments of knowledgeability of agents and the duality of agency and structure (Giddens, 1984). Incorporating structurationist perspectives accentuates the interdependence of institutions and actions as a recursive process (Barley & Tolbert, 1997). The structurationist notion is well reflected in the argument that, in addition to creating and disrupting, “[...] maintaining

practices involves developing and policing the normative, cognitive, and regulative structures [...]” (Zietsma & Lawrence, 2010, p. 195). Accordingly, institutional work is understood as “[...] the knowledgeable, creative and practical work of individual and collective actors aimed at creating, maintaining and transforming institutions” (Lawrence & Suddaby, 2006, p. 219). While acknowledging the existence of a recursive interrelation between institutions and actions, institutional work emphasises those forms of action that are directed at institutions (Lawrence et al., 2009, p. 7); “[...] institutional work can be understood as physical or mental effort done in order to achieve an effect on an institution or institutions” (2009, p. 15).

Moreover, Lawrence and Suddaby (2006) have attached three defining features to the concept of institutional work. Firstly, they conceive agents as “culturally competent actors with strong practical skills and sensibility who creatively navigate within their organizational fields” (2006, p. 219). This perception emphasises that actors require competence and appropriate skills that are specific to the respective field. Also, the authors stress the creativity of actors to dynamically adapt to changing conditions. Secondly, institutional work is primarily concerned with understanding the different “sets of practices in which institutional actors engage” that maintain, create or disrupt institutions (2006, p. 220). Focusing on the understanding of practices (by actors) stands in contrast to approaches that highlight “emergent properties of society”. In this way, the concept of institutional work reemphasises the actor-centred production of institutional environments. Thirdly, it is argued that not only actions aimed at maintaining institutions, but also actions that are directed at transforming institutional arrangements are recurring and, therefore, need to be grasped as “practices”. Lawrence and Suddaby (2006) hold that “[...] practices which might lead to institutional innovations are themselves institutionally embedded and so rely on sets of resources and skills that are specific to the field or fields in which they occur” (2006, p. 220). With these three core characteristics, institutional work specifically accounts for the reflexivity and creativity of potential institutional actors and the field-specificity of resources and skills on which practices rely. Also, the theorem makes a strong argument in highlighting the institutional embeddedness of practices, even if they are aimed at changing persistent arrangements. So, it becomes evident that in contrast to institutional entrepreneurship that tends to overemphasise the actor (institutional entrepreneur), the principal focus of institutional work is on purposive actions as practices. This implies that institutional work is primarily concerned with activities rather than accomplishments (Lawrence et al., 2009, pp. 10-11; Zilber, 2013, p. 88). In other words, priority is given to *how* actors interact with institutions, rather than if actors are successful. However, it is important not to disclaim the contributions of institutional entrepreneurship, but rather to consider actors, actions and institutional context in an integrated fashion (Zilber, 2013, p. 89). Yet, by determining action as sets of practices that are able to maintain, create and disrupt institutions, the concept of institutional work is able to deviate from the notion of “entrepreneurship” as influenced by Schumpeter (1942). In this way, it offers a more nuanced view of agency in neo-institutional theory.

### 3 The Paradox of Embedded Agency – An integrative Perspective

A fundamental challenge in conceptualising action with regard to institutional theory is posed by “the paradox of embedded agency”; the issue of how organisations are able to unlock structures and institutional arrangements that constitute their very existence and meaning (Battilana & D'Aunno, 2009; Battilana & Leca, 2009; Garud et al., 2007). This paradox has already been noted by DiMaggio and Powell (1983) in their discussion on structure and agency. The fact that embedding environments condition actors, provide them with legitimacy and determine their responses is a core aspect of neo-institutional perspectives (Battilana & D'Aunno, 2009, pp. 32-35). However, under specific conditions, organisations (or even individuals) engage in embedded agency despite the constraining character of the surrounding institutional arrangements. In this regard, the concept of agency is understood as the ability of actors “to operate somewhat independently of the determining constraints of social structure” (2009, p. 45). It is crucial to note that embedded agency is about the *ability* of actors to operate *somewhat* independently. While there is a certain degree of independence, the constraining dynamics of social structure are not fully dissolved.

On the field-level, factors such as technological changes, regulatory adaptations or resource scarcity “might disturb the socially constructed field-level consensus and invite the introduction of new ideas” (Battilana & Leca, 2009, p. 74). For instance, Child et al. (2007) have argued, in their analysis on the development of China’s environmental protection system, that a gradual extension of field boundaries and the inclusion of new constituents have provided the source for new forms of agency. Another example is the study by Greenwood et al. (2002) which have traced “increasing market pressures and technological shifts” as the origin of agency. Also, Garud et al. (2002) suppose that “[...] new technologies break open taken-for-granted assumptions that constitute the institutional ‘black box’ ” (2002, p. 197). On this basis, Battilana and Leca (2009, pp. 74-75) argue that the “heterogeneity of institutional arrangements in a field” is a general enabling condition for agency within institutionalised environments. This means that institutional heterogeneity, as a variance of different arrangements that might be contradicting, may enable actors (Giddens, 1984). The argument of contradiction has been taken up by Seo and Creed (2002, p. 223) who suppose that continuous “tension” and “contradictions” in a specific system can transform actors into “change agents”. Contradictions can be both process-related, and of structural nature, but “[...] they exist only when there is dynamic tension between oppositions that are interdependent, which together compose a unity, and which logically presuppose each other” (Hargrave & Van de Ven, 2009, p. 122). Similarly, Fligstein (1997) highlights the relevance of field conditions and argues that the use of particular skills by actors “[...] depends very much on whether or not an organisational field is forming, stable, or in crisis” (1997, p. 398).

Although studies on field-level conditions are abundant, much less is known about organisational-level conditions. It is argued that “organisational characteristics” play an important role

in explaining why specific actors engage in institutional work, whereas priority has thus far been given to considerations about the field positions of organisations (Battilana & D'Aunno, 2009, pp. 40-41). On the one hand, some studies have proposed that organisations with limited power and resources that stand at the periphery of specific fields are able to engage in embedded agency (Maguire et al., 2004; Marti & Mair, 2009). On the other hand, there are substantial studies that emphasise the ability of powerful, central organisations (Greenwood & Suddaby, 2006; Greenwood et al., 2002). Greenwood and Suddaby (2006) argue that as central organisations dispose of an increased amount of resources, they are more likely to shape institutional arrangements than their peripheral counterparts. At the same time, they argue that organisations which occupy a central position within a field, “are embedded within, and privileged by prevailing institutional logics” (2006, p. 42). So, actually there is no intrinsic force that motivate central organisations to strive for alternatives. Dominant actors may be reluctant to introduce change, as they are “[...] *embedded in an institutional field and subject to regulative, normative and cognitive processes that structure their cognitions, define their interests and produce their identities [...]*” (Garud et al., 2007, p. 961). Nonetheless, under specific conditions, central organisations may have an impetus to introduce alternatives. Greenwood and Suddaby (2006, pp. 35-40) have identified four conditions under which, embeddedness can be reduced: (1) adverse performance; (2) boundary bridging; (3) boundary misalignment; and (4) resource asymmetries. First, economic interests may enable agency; actors that are confronted with adverse economic performance may have an increased propensity to seek institutional alternatives. Second, central organisations that have diversified their business and operate in multiple fields are more aware of alternatives, which in turn may reduce their embeddedness. Third, a misalignment of regulatory (institutional) and market boundaries has an adverse effect on embeddedness. If the institutional boundaries mismatch evolving market dynamics, organisations are confronted by contractions that lessen their embeddedness. Fourth, resource asymmetries happen in situations where objects of regulators become more powerful than the regulators themselves; provided that they dispose of relevant resources, organisations may circumvent institutional pressures. So, the four conditions reflect situations in which organisations are confronted with structural contradictions. Hence, with the existence of contradictions and inconsistencies, central organisations have an interest to shape and create institutions.

Nevertheless, as can be seen above, both discussions on the field characteristics and on the field position of organisations put strong emphasis on the conditions under which organisational agency can occur in institutionalised environments. The question of *how* organisations are empowered as actors while at same time being constrained is often neglected. Accordingly, Lawrence and Suddaby (2006, p. 249) have located a “gap between structure and action”. Against this backdrop, it is believed that the concept of institutional work provides a viable avenue as it accounts for the “duality of structure” – meaning that structure is “both constraining and enabling” (Giddens, 1984, p. 25). Structurationist perspectives argue that “structures form from action” and “actions flow from structures” (Sydow & Windeler, 1998, p. 266). Empirical studies have found that if constituents of a

field are able to absorb the structural characteristics of their embedding environment (Garud & Karnoe, 2003), they become “knowledgeable actors with a capacity to reflect and act” (Garud et al., 2007, p. 961). The structural characteristics (or dimensions of social structure) are here understood as resources (of dominations) and rules (of signification and legitimation) as theorised by (Giddens, 1984, pp. 29-31). Similarly, it has been supposed that if actors embrace contradiction it can be “a source of creativity” (Hargrave & Van de Ven, 2009, pp. 134-136). As such, institutional work as embedded action is able to bridge the constraining and enabling dynamics that are inherent in institutional arrangements. Accordingly, the concept contributes to an enhanced understanding of how agency is constituted. Indeed, Lawrence et al. (2011, p. 55) argue that “institutional work fits nicely with emergent institutional processes”. Thus, an institutional work perspective allows accurately explaining agency within highly embedding institutional structures, as it applies a structurationist framework in conceiving action and, thereby, systematically considers the enabling and constraining forces in the constitution of agency.

#### **4 Evolution of New Organisational Forms as Institutional Work?**

Although the pivotal role of new organisational forms has been acknowledged by analysts in the field of organisational science (Greenwood & Suddaby, 2006; Ingram, 1998; Rao et al., 2000; Romanelli, 1991), studies on organisational forms that apply an institutional perspective are still relatively scarce and key questions remain unresolved (Suddaby & Greenwood, 2005; Tracey et al., 2011). At the same time, institutional work constitutes a relatively new theoretical stream, that has only started to become popular among scholars recently (Zilber, 2013, p. 87). The analysis at hand, therefore, aims to make a contribution by conceptualising the establishment of new organisational forms in the context of Chinese media organisations as an empirical instance of institutional work.

In his seminal article, DiMaggio (1988) has pointed to the institutional dimension in connection to new organisational forms: “When new organisational forms are institutionalized, much institutional work goes on [...]” (1988, p. 14). In fact, the establishment of new organisational forms is not only an origin of institutional effects, but does itself represent an “institutionally laden” process. Rao et al. (2000) have proposed that the adaption of new organisational forms goes beyond technical considerations, but that it is a process, in which different social actors are involved, that infuse structures with value and meaning. In a similar way, structurationist perspectives highlight that organisational structures both emerge from and influence actions (Barley & Tolbert, 1997, p. 96). In the context of institutional entrepreneurship, Greenwood and Suddaby (2006) have conceptualised the introduction of a new organisational form as a process that can lead to institutional change. The emergence of a new organisational form in a given institutional context can be recognised by the contestation over its legitimacy, and by the conflicts it may trigger within the field (2006, p. 30). This

has also been confirmed by Ingram (1998, p. 258) who proposed that: “[...] new organisational forms are an important source of institutional change”. More broadly, Haveman and Rao (1997) have argued that there is a recursive relationship between organisational forms and institutions. On the one hand, the authors suppose, that “[...] the persistence and evolution of organizational forms makes possible the concurrent persistence and evolution of institutions” (1997, p. 1613). At the same time, they acknowledge that organisational forms require legitimacy which implies that they need to be congruent with the “normative, cognitive and regulatory character” of the institutional environment (1997, p. 1613). Connected to this argument, Fortwengel and Jackson (2016) suppose that in the process of establishing a new organisational form, actors creatively engage with the different pillars of institutions in the field. In other words, the introduction of a new organisational form is associated with shaping existing institutions or even creating new institutions. So, the evolution of organisational forms is itself an incremental institutional process. To some extent an analogy can be drawn between embedded action and the evolution of organisational forms. Both processes stand in a recursive relationship to the specific institutions in which they are ingrained (Haveman & Rao, 1997; Lawrence et al., 2009, p. 7). Additionally, organisational forms are also underpinned by beliefs and values as they serve specific aims and intentions. Ingram (1998, p. 269) has found that within a given institutional context, “an organizational form represents a nexus of interests”. Accordingly, the development of an organisational form instantiates the interest of the actors involved. Finally, it is held that new organisational forms mostly stem from existing arrangements or evolve from transitional arrangements. In a process of “bricolage”, actors recombine existing “institutional principles” to resolve inconsistencies in prevailing arrangements and establish new organisational forms (Campbell, 1997). This implies that the establishment of new forms should be perceived as an incremental process that is embedded in prevalent structures, rather than as a radical shift or break with existing arrangements. In this light, it can be reasoned that there exists a certain degree of congruence between the process of installing new organisational forms and the qualifying characteristics that determine action as institutional work. The conceptual understanding of organisational forms provides further evidence for this assumption.

As a basic principle, organisational forms are “[...] defined as the combination of an organizational structure and an organizational strategy [...]” (Ingram, 1996, p. 85), whereas specific structural properties induce specific strategic properties and vice versa. Accordingly, an organisational form is a particular combination of corresponding structures and strategies (Miller, 1986). To a large extent it is the embedding environment of organisations that restricts and defines possible structure/strategy configurations (Miller, 1986, pp. 236-237; Miller & Friesen, 1983). Environmental conditions, such as market competition or political/institutional constraints, influence which forms are able to survive in the long run (Campbell, 1997). Although coherent structure/strategy configurations have a tendency toward stability, changing environmental conditions urge organisations to adapt and



realign their structures and strategy-making processes accordingly (Miller & Friesen, 1983). This calls for an integrated view of structures, strategies and environment.

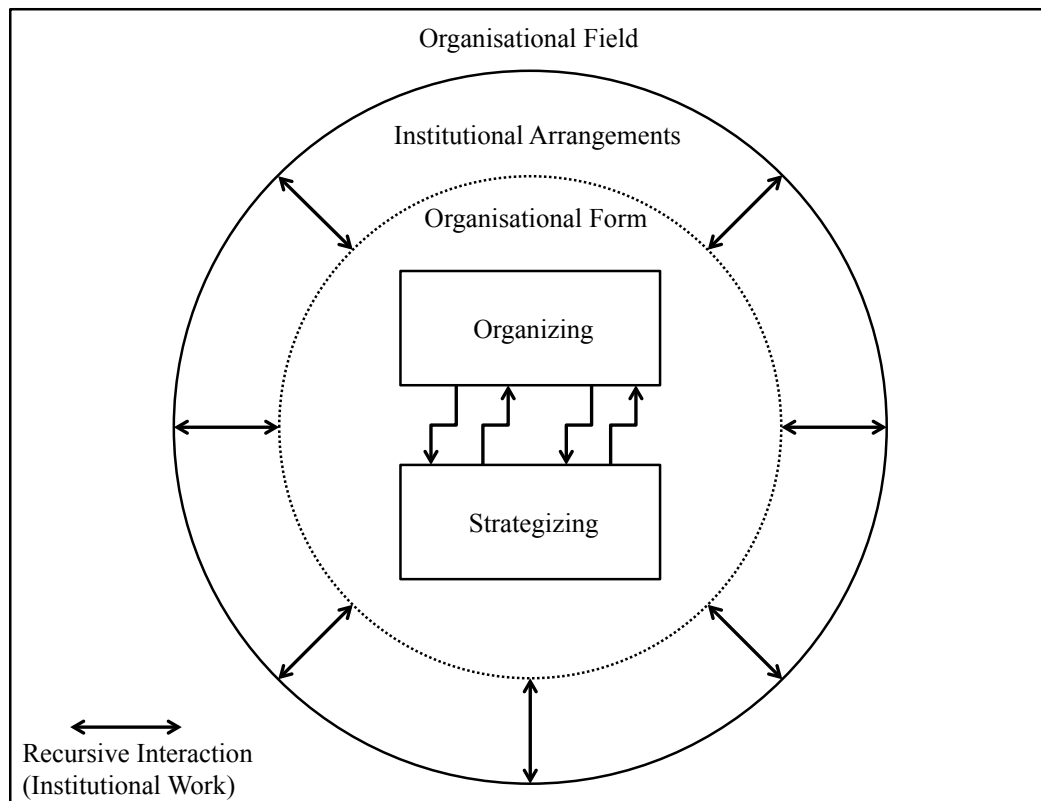
For a consistent conceptualisation, the two central constituents of organisational forms, “structure” and “strategy”, need to be defined in the context of organisations. Formal structures refer to formal arrangements that are concerned with the division and allocation of tasks, responsibilities and authorities within organisations (Kieser & Walgenbach, 2010, p. 17; Lunenburg, 2012). It has been found that “structure is the conceptual and functional framework of an organization, as well as the configuration of its resources” (D. J. Hall & Saias, 1980, p. 152). By dividing tasks and determining the configuration of resources, organisational structures define hierarchies and internal authority. Beyond considerations of efficiency, formal structures also infuse organisations with meaning and legitimacy. This implies that organisational structures are not constituted independently of their field, but evolve and develop in response to the demands and expectations of their respective environment (Kieser & Walgenbach, 2010, pp. 17-18; Miller, 1986). On the other hand, “strategy” is understood as the formulation of the principal missions, the targets that have to be achieved, as well as the “ways in which the resources available are to be used” (D. J. Hall & Saias, 1980, p. 151). From the definition of both structure and strategy it becomes evident that resources play a defining role. In a more simplified way, it can be argued that formal structures set the internal allocation of resources, while strategy determines how resources are used. Consequently, the role of resources is central to the understanding of organisational structures and strategies. Moreover, just as with formal structures, the development of strategy is largely dependent on the embedding environment (Miller & Friesen, 1983). So, organisational structures and strategies can be perceived as functions of their environment and the resources available. But, environments not only shape structures and strategies, environments are also dependent on organisations, particularly central organisations. According to D. J. Hall and Saias (1980, p. 162), it is the “weight of an organisation’s resources” that enable strategies to shape the environment. Put differently, the access to crucial resources allows organisations to implement strategies that have the potential to modify their field.

In a similar fashion as the structure/agency debate in neo-institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), the relation between organisational structures and organisational strategies has spawned controversy among scholars. Alfred D. Chandler was one of the first scholars to discover that organisational structures are conditioned by the actual strategies that corporations adopt. In his work, *“Structure and Strategy – Chapters in the History of the Industrial Enterprise”*, first published in 1962, he proposes that “structure follows strategy”. In his view the environment of corporations set specific resource configurations. In accordance with the environmental conditions, corporations adopt specific strategies, which are subsequently reflected in the organisational structure of corporations (Chandler, 1993). This argument, that primarily highlights the role of strategies in the formation of structures, has been further developed in the course of time. In contrast, D. J. Hall and Saias (1980) have proposed that in the attempt to meet environmental

demands, organisations adapt their formal structures and as a result implicitly adopt new strategies. Their fundamental argument is, that “strategy grows out of structure and in turn may lead to its modification” (1980, p. 150). The authors have not only found that the organisational structure determines strategy, they have also highlighted that in the process of strategy implementation, structures may have to be readapted in accordance with the new strategic orientation. By proposing that organisational structures and strategies are recursive, they have extended the findings of Chandler (1993), while at the same time arguing that “strategy follows structure”. Recently, the discussion has been further developed. Ortmann and Sydow (2001) have proposed an integrative perspective of structure and strategy that rejects the idea that one follows the other. Similarly, Whittington and Melin (2003) have found that structures and strategies coevolve. With this assumption, they advocate a fully integrative view that does not treat organisational structures and strategies as elements that are separate from each other. As a consequence thereof, Whittington and Melin (2003) have proposed to grasp structure and strategy as two interdependent processes of “*organizing*” and “*strategizing*”. According to their understanding, organizing embraces the “evolving character of organisations”, while strategizing refers to the “process where strategists are involved in strategy making” (2003, p. 37). With this conceptualisation they highlight the progressive nature of organisational structure and strategy and, thereby, establish a clear contrast to more static perceptions. Following this argument, implies that an organisational form – as a combination of organising (or structuring) and strategizing – itself represents an inductive process in instead of a stable construct.

On this basis, organisational forms consist of recurring practices that maintain prevalent arrangements and provide stability to organisations. However, it is essential to note that these processes are not detached from their embedding environment. From a structurationist perspective, upon which the theorem of institutional work also draws, recursive practices that instantiate specific organisational forms are assumed to be shaped by structures of signification, legitimation and domination. In other words, actions are enabled and constrained by social structures that produce meaning, determine different degrees of authority (conditioned by resources) and set social norms (Sydow & Duschek, 2011, pp. 29-30; 246-249; Sydow & Windeler, 1998). Hence, organisational forms are conceived as a recursive process that is constituted by embedded practices of organising and strategizing via creative interactions with the institutional environments. They reinforce the embedding structures of the environment, while at the same time inducing strategic responses to prevalent arrangements. In line with this argument, the development of new organisational forms represents an embedded interaction with prevalent institutional arrangements. With the adaptation of a particular organisational form, organisations incorporate the enabling and constraining characteristics of their embedding fields, which in turn empowers them to exploit the highest possible degree of agency within the given boundaries. Indeed, the effort to adopt a new organisational form is also associated with the mobilisation of relevant resources provided by the field, such as tangible (i.e.

financial capital or human resources) and/or intangible (i.e. political or social capital) resources (Greenwood & Suddaby, 2006; Tracey et al., 2011).



**Figure II-1: Understanding of Organisational Form**

Deriving from this discussion, the introduction of new organisational forms is supposed to constitute a specific example of institutional work. In a nutshell, the evolution of new organisational forms is an inductive process that entails structural and strategic components, that reinforces the interest of knowledgeable actors, which are conditioned by their social environments, and that recursively interacts with prevalent arrangements.

## **5 A Neo-Institutional Approach in Analysing Chinese Media Organisations**

The fundamental puzzle of this research is the question of how modified formal structures have enabled Chinese media entities to develop capabilities for strategic agency. In essence, the “paradox of embedded agency” conceptualises this issue in a meaningful way; in China governmental agencies, as dominating leaders of the field, not only control and constrain media organisations, but have also defined their functions (Goldman, 1994; Hassid, 2008; Hood, 1994). It is assumed that embeddedness represents the degree to which organisations are constrained and defined by their

respective field, whereas the more central the position of organisations within a field is, the higher is their embeddedness and the more “forceful the paradox of embedded agency” (Greenwood & Suddaby, 2006, p. 43). As such, powerful media groups, as key constituents of their field, are more embedded than actors of the periphery, and in this way are significant instances of highly embedded organisations. Under the condition of high embeddedness, strategic capabilities can only be developed if certain enabling conditions emerge, such as contradicting logics or unstable external arrangements, as proposed by (Seo & Creed, 2002). In fact, the Chinese media field is marked by emerging arrangements that provide a certain degree of uncertainty (Z. He, 2003; C. Huang, 2007; Lee, 1994; Y. Zhao, 1998, 2008). Nevertheless, despite these potentially enabling conditions, within the coercive institutional setting of China it is highly unlikely that media entities are able to develop strategic capabilities that stand in conflict with the interests of the CPC. Yet, it can be assumed that they are potentially able to develop actions that are themselves embedded and partially reproduce prevalent arrangements. Therefore, institutional work is deemed as a suitable approach to investigate the paradox of embedded agency in the context of Chinese media entities.

So applying a renewed neo-institutional perspective, as developed in the above sections, provides a suitable theoretical framework, as it

- i) allows explaining the formation of organisational structures beyond considerations of efficiency;
- ii) implies an interweavement of institutional environment and organisations that constrains and enables activity of organisations;
- iii) conceives of the organisational field as an aggregation of relevant actors and their interrelations.

These three key characteristics of the theoretical framework are particularly relevant for the case under investigation. Firstly, the reorganisation of Chinese media units cannot be explained by referring to rational models of efficiency. Along adhering to economic aspects of competitiveness and productivity, Chinese media organisations are also obliged to fulfil political and institutional functions. So, in the process of constructing new structural configurations, economic as well as political requirements need to be accommodated (C. Huang, 2000; Y. Zhao, 2000). Secondly, the extent of the media reforms is largely determined by the CPC and its governmental agencies. The operation and development of media organisations is heavily dependent on the institutional environment. On the other hand, to a certain degree, policy makers also depend on the political functions of media organisations (Fischer, 2009; Shirk, 2011). Consequently, there is a high degree of interdependence between media entities and governmental agents. Finally, conceptualising the organisational field as an aggregate of key actors, namely key suppliers (media organisations) and

state agents, as well as relevant technologies, regulations and conventions, reflects the Chinese context in an appropriate way.

Furthermore, the selected theoretical sub-concept of institutional work, has particular strengths in conceptualising the organisational-structural transformation of Chinese media entities, as it:

- i) conceives actions of organisations as a set of embedded practices, while attributing knowledgeability and reflexivity to actors;
- ii) allows considering structure *and* agency and thereby offers an illuminating avenue to investigate the paradox of embedded agency on the level of individual organisations;
- iii) provides a frame to analyse the evolution of new organisational forms.

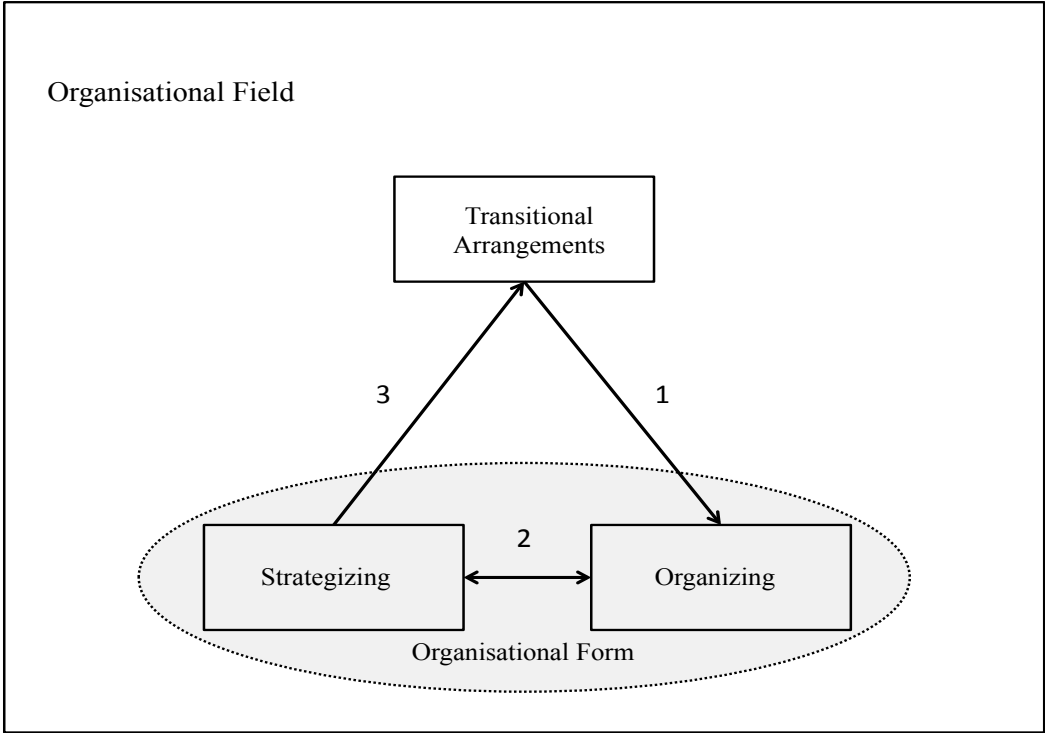
At first, it is essential to acknowledge that any form of organisational agency that arises within the institutional setting of the People's Republic of China, is subject to the regulatory boundaries set by the CPC. This means that knowledgeable actors are only able to shape prevalent through an incremental extension of their practices (Child et al., 2007). Secondly, the structurationist underpinning of institutional work highlights the duality between structure and agency, which allows investigating the paradox of embedded agency from the perspective of individual (or collective) actors. With regard to the case under investigation, the institutional arrangements, which are primarily engineered by governmental agencies, not only constrain media entities but may also provide them with new spheres for activity (C. Huang, 2007; Sukosd & Wang, 2013). Accordingly, it is meaningful to use a theoretical concept, such as institutional work, that appropriately controls for constraining and enabling forces. Thirdly, the understanding of institutional work provides a particularly suitable frame to study the evolution of new organisational forms in the context of the Chinese media field. Investigating the gradual development of new organisational forms with an institutional work lens, allows accounting for the incremental activity of media entities in extending embedded practices to craft new arrangements.

## **6 Conceptual Model: Embedded Agency Model**

In accordance with the above elaboration, a theoretical model needs to be devised that conceptualises the proposed research question. As part of their study, in which they explore how institutional entrepreneurs create new organisational forms, Tracey et al. (2011) propose a multilevel model that appropriately depicts the different types of work in which institutional actors engage as well as the creation of new organisational forms. At first, organisations undergo a “process of problem framing”, in which they recognise the deficiencies and conflicts in the institutionalised arrangements. As a consequence of this process, actors might explore alternative forms that are able to tackle the

problems posed by the field. The ability to come up with divergent forms is often associated with “counterfactual thinking” by the actors (2011, pp. 69-71). In a second step, appropriate “organizational templates” are assembled and organisations garner the support of relevant stakeholders for their new organisational form (2011, pp. 71-73). In a last phase, actors have to reproduce the structures and practices that constitute the new form and infuse it with social value and legitimacy. On the one hand, organisations have to relate to and connect with existing institutions and discourses. On the other hand, organisations need to “align with highly legitimate actors” of the field; they have to foster relationships with other organisations or individuals, such as managers or high-ranking politicians, to gain the legitimacy that new organisational forms need to be socially accepted within a wider field (2011, pp. 73-74). In line with the three steps proposed by Tracey et al. (2011), it is implied that the incremental creation of new organisational forms goes beyond the mere adaption of formal organisational structures. Instead it represents a consecutive process that may trigger institutional activity. It is proposed that inducing new forms to a wider organisational field requires knowledgeable organisations to engage in purposive action on different levels. Especially, the contestation over legitimacy and the mobilisation of resources and support within the field is supposed to build the core of institutional work in the establishment of new organisational forms (Greenwood & Suddaby, 2006; Tracey et al., 2011).

On this basis, a conceptual diagram has been developed that incorporates the main elements of the proposed research issue.



**Figure II-2: Theoretical Model**

Within a given organisational field, transitional arrangements that embody contradictory and/or ambiguous field conditions have the potential to impact the constitution of prevalent organisational forms. In the light of tensions and contradictions that arise in the field, shifting institutional arrangements and resource configurations enable organisations to reconsider their structural and strategic properties (1). Consecutively, organisations revise the strategic and structural practices that constitute their organisational forms (2). As a result of the two preceding activities, the new organisational form is produced and reproduced within the field, a process that endows it with value and legitimacy (3). As this latter activity is conceived as institutional work, it is assumed that it will influence the arrangements of the field. By assuming a recursive interaction between the organisation and the prevalent arrangements, the model emphasises the interdependence of organisational forms and their embedding environment. Although acknowledging that structures and strategies are not detached from each other (Ortmann & Sydow, 2001; Whittington & Melin, 2003), it is presumed that shifting environmental conditions (shifting resource availability) have an impact on how resources are allocated and coordinated (structural design), whereas modified strategy-making practices (use of resources) have an influence on how transitional arrangements adapt (D. J. Hall & Saias, 1980). In this way it is argued that structural practices (process of organising) represent reflections of environmental conditions, whereas strategic practices (process of strategizing) represent responses to field developments, which is depicted by arrow (1) and (3) respectively. At the same time, however, these relations are relativized by arrow (2), which highlights their interdependence. Actually, it can be argued that the proposed conceptual model represents a detailed perspective of the recursive interrelation between organisational forms and their embedding environments, as depicted in figure II-1. Accordingly, it is proposed that – under the condition of transitional arrangements – the recursive interaction between organisational form and environment enables institutional work of knowledgeable organisations.

Thus, the model provides an integrated conceptualisation of action, organisation and environment that allows tracing how organisational agency is constituted within a highly embedded environment. In the following analysis, the proposed relations of the conceptual model will be applied to evaluate the empirical data. It is aimed to extend and enrich the understanding of how the interactions between a central organisation and its environment induce strategic agency.

### III. Methodological Approach

#### 1 Research Design: Case Study Research

The fundamental methodological approach used for the projected analysis is *case study research* (Eisenhardt, 1989; Siggelkow, 2007; Yin, 2009). It is considered as an efficient methodological framework to study an organisation in its contextual environment, while most evidence derives from (in-depth) interviews and written documents, such as annual reports, memos, organisation charts and minutes of meetings (Eisenhardt, 1989; Myers, 2009, pp. 76-80). The triangulation of data from multiple sources, represents a major advantage of case study research (Blumberg et al., 2008, pp. 377-379; Woodside, 2010, p. 16). According to Hakim (2000), a “case study design” has the following objective: Case studies take one or more examples of an entity (i.e. media group) to illustrate specific issues. A study can look at a single case or several cases. However, not the quantity of cases is crucial but their quality, critical and relevant cases have to be identified (George & Bennett, 2005, pp. 109-124; Hakim, 2000, pp. 59-75; Siggelkow, 2007). Case studies with a small sample are suitable to analyse “extreme or unique cases” and require a well-developed theory (Blumberg et al., 2008, pp. 376-377). While case study research is not an appropriate methodology to establish representative generalisations, it is useful to “sharpen existing theory” with the help of illustrative cases (Siggelkow, 2007). A previous study that has analysed the transformation of the Danish and Italian media sector shows the centrality of a crucial case. It is argued that in contrast to key players, marginal players (media organisations) only dispose of limited authority (Mazza & Strandgaard-Pederson, 2004, pp. 890-891). Consequently, the focus on a substantial case is of particular importance to investigate the proposed research issue.

For the analysis, the “Shanghai United Media Group” (上海报业集团 - SUMG) has been selected as a crucial case that is considered to be of utmost significance. Following the decision of the Shanghai Municipal Committee of the CPC<sup>10</sup>, the SUMG was formally founded on October 28 2013, as a merger of the Jiefang Daily Press Group and the Wenhui-Xinmin United Press Group. At the time of its establishment the Group controlled 30 print publications, 11 online products and 2 publishing houses. The total assets owned by the group had a value of RMB 20.871 billion and net assets a value of RMB 7.626 billion (Blue Book of Shanghai, 2014, p. 22). As a result, the SUMG has become China’s largest and economically most powerful media group. In 2012, the Xinmin Evening News (新民晚报), an affiliated daily newspaper of the SUMG, has reached 3,683,765 readers, which is the second highest reach (highest reach: Guangzhou Daily, 3.9 million) of a newspaper nationally (CTR Market Research, 2013, p. 4). Other renowned products of the media group include, “Jiefang Daily

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<sup>10</sup> The “Shanghai Municipal Committee of the CPC” (中国共产党上海市委) is the highest local authority of the city of Shanghai.



Newspaper” (解放日报), “Wenhui Newspaper” (文汇报) and “Oriental Morning Post” (东方早报).

Observers of the industry assume that the SUMG may play a strategic role for the media sector in China: “Within the scope of the political policies, the Shanghai United Media Group may implement diverse innovations on many levels, ranging from [new] concepts and industry designs to content and technology; taking the long and broad view, it will explore completely new development and transformation paths” (Blue Book of Shanghai, 2014, pp. 26-27). On the basis of its expertise (in traditional print media), the media group seeks to thoroughly embrace new media forms (跨媒体), such as news websites, micro-blogs or smartphone applications, and thereby set new standards (Xuwei Yang, 2007). To implement this aim, ambitious projects are envisaged: (1) Through a cooperation with Baidu (百度), the main search engine in China, the SUMG aims to establish an innovative news channel, that combines both the expertise of traditional media (SUMG) and new technologies (Baidu) (W. Zhou & He, 2013). (2) With the support of financial investors, the SUMG plans to build a financial news giant, a “Chinese Bloomberg” (A. Li, 2014). The selected case is consequently suitable for the research project, because the integration of two traditional newspaper groups has created an economically powerful media group with a divergent strategic and structural alignment. Under these aspects the SUMG can be identified as a salient case that resembles the media transformation in China in an outstanding way.

Even though the SUMG represents a single organisational entity, it consists of several affiliated constituents. For the case study, the subunits of the organisation played a particularly important role. The most relevant subsidiaries of the Group include the Jiefang News Corporation (解放日报社), the Wenhui News Corporation (文汇报社) and the Xinmin Evening News Corporation (新民晚报社) as well as the Oriental Morning Post Corporation (东方早报社)<sup>11</sup>. The corporations produce distinct print and digital offerings, all of which have their own characteristics; Jiefang primarily produces media products with a (party) political focus, Wenhui is specialised in products with a cultural and intellectual emphasis, while Xinmin has its focus on urban mass media. As such, the single-case involves more than one unit of analysis. Accordingly, the research was designed as an *embedded single-case study*. Although special attention is given to subunits in an embedded case study, the overarching unit of analysis (entire organisation) plays a pivotal role (Yin, 2009, pp. 50-53). Hence, the study strives to ensure a balanced view of the subunits and the media group as a whole.

Using case study research allows exploring, challenging and expanding existing theories (Eisenhardt, 1989; Saunders et al., 2009, pp. 145-147; Woodside, 2010, pp. 39-63). Theory building – in contrast to a deductive approach – allows to come up with new hypotheses and conclusions or to extend existing inferences (Gill & Johnson, 2011, pp. 39-63). Indeed, the study at hand, seeks to investigate a unique case in an empirical context with the aim to build on existing theories and

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<sup>11</sup> A more detailed account of the composition of the media group will follow in the subsequent chapters.

findings. Consistent with the research design, the study is essentially of qualitative nature. In order to understand organisations and their implications, it is inevitable to understand the mechanisms of social actions. It is assumed that reality (environment of research) is constructed and reconstructed by social interaction. Consequently, exploring how individual actors (e.g. managers, employees) make sense of their environment is central to grasp the key features of an organisation (Saunders et al., 2009, p. 111). But, social actions are not independent of background conditions that adjust their meanings. “*All organizations or collectives ‘consist of’ systems of interaction, and can be analysed in terms of their structural properties [...]*” (Giddens, 1993, p. 165). As this epistemological stance already suggests, theory and methodology are closely linked. So, the research question with its theoretical underpinning has guided the methodological approach to ensure an efficient and systematic process of data collection (Eisenhardt, 1989).

## **2 Data Collection & Sources: Negotiating Access to the Organisation**

To conduct a proper case study, it is vital to provide a detailed account of how data had been collected (Blumberg et al., 2008, pp. 380-381). For the analysis at hand, fieldwork had been undertaken in Shanghai, People’s Republic of China, from January 2015 until July 2015. Additionally, to validate the acquired insights, supplementary data had been collected in Shanghai in April 2016. Empirical data was primarily acquired from the SUMG and its subsidiaries. In order to generate systematic findings, the data collection put emphasis on (1) the organisational structures (especially formal structures) as well as on (2) the resource coordination of the SUMG and its subsidiaries.

A crucial qualitative method that has been used to acquire data in the field is the (semi-structured) interview (Eisenhardt, 1989). While semi-structured interviews may be less suitable for generalisations over a large amount of cases, they contribute to the process of “generalising results to a theory”, provided that a “critical case” had been selected (Woodside, 2010, pp. 267-268). The main prerequisite of any effective interview is the formulation of “good questions” (Yin, 2009, pp. 69-70). Composing meaningful questions required translating the theoretical conceptualisations into tangible and unbiased questions that leave enough room for the interviewees to express their own interpretations. Also, while formulating the questions it had to be made sure, that questions were not simply leading into a desired direction or affirming some pre-assumptions of the research. Before going to the field, questions were developed in a way that they are able to provide useful data, but also that they seem interesting and relevant for the practitioners of the field. Although, semi-structured interviews consist of non-standardised questions, a catalogue of potential interview questions<sup>12</sup> was compiled. This allowed selecting and customising pre-formulated questions in accordance with the

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<sup>12</sup> Set of predetermined questions can be found in appendix.

concrete interview situations. Despite having developed a set of predetermined question, interviewees had also been offered the opportunity to raise issues that seemed relevant to them. Moreover, besides the formulation of meaningful questions, establishing personal contact with participants and attracting their interest is a fundamental condition for the non-standardised interview (Saunders et al., 2009, pp. 323-324). Woodside (2010, p. 264) argues “[...] *the long interview is a method that selects informants who are representative of unique sub-populations using pre-qualification selection routines and not by random selection from a general population*”. This implies selecting and getting access to key-informants is central to semi-structures interviews. Especially, accessing informants that dispose of relevant knowledge had been among the main challenges of the fieldwork.

Doing fieldwork is a process where researchers cross the “*boundaries that separate insiders (those who are or have been there) from outsiders*” (Saether, 2006, p. 42). Crossing the boundaries of organisations can be particularly challenging. Saunders et al. (2009) highlight that access to the unit of analysis can be restricted because organisations are unwilling to engage in voluntary work, fail to perceive the value and benefit of the research, appraise the topic as too sensitive or question the competence of the researcher. They describe the initial stages of physically approaching organisations as a process of “negotiating access”. Consequently, it is proposed to develop personal strategies to convince “gatekeepers” to provide access to the respective organisations (Saunders et al., 2009, pp. 168-173). In addition to the challenges of accessing organisations, China as a research field poses further difficulties. For any fieldwork in East Asia the contextual environment is a crucial factor to be taken into consideration before getting engaged in the data collection process; this especially applies for China. Fieldwork in China often diverges from being a gradual and rational process (Saether, 2006). This perception can be confirmed, as the socio-cultural environment of China consists of challenges and peculiarities that cannot be completely controlled for. Gaining access to a central organisation that is of high political and institutional relevance, such as the case selected (SUMG), is a particularly demanding task (especially for foreign researchers).

The socio-cultural concept of *guanxi*, meaning social relations as a substitute for institutional support (Xin & Pearce, 1996), is still very common in the business environment of China. This means that for a researcher it is crucial to build a network of social relations that has a supportive function in establishing ties to relevant informants. Consequently, the preparation of the fieldwork started well in advance, as fostering relations is time-consuming. Gaining access to interview participants through social networks is inevitable, whereas people holding powerful positions (e.g. professors) are able to offer the most effective assistance (Liang & Lu, 2006). In establishing preliminary contacts, the host university in China played an important role. But simply being affiliated to a renowned university alone is not enough. The individual relations of the supervising professor to practitioners of the field were more relevant. Hence, the first step had been the selection of a suitable host university (“Shanghai Jiao Tong University”) and a supervising professor who was not only willing to support the project but who was also experienced and well connected to the field. Indeed, the affiliation to the

university and the support from the supervising professor proved to be invaluable for establishing crucial contacts. Moreover, in a second step, scholars that are working on similar topics or projects, including scholars from Germany, the Netherlands, the United States and Hong Kong, were contacted and introduced to the proposed research. While some of them were more interested than others, it helped getting some prior advice or even further contact details. Since in China it is nearly impossible to get access to an organisation without prior relations or personal recommendations, interview partners were only contacted after having been introduced by third parties. Directly contacting the media group or some of its members would most likely have been ineffective. Unsuccessful attempts would have been counterproductive for introductions by third parties. Accordingly, a network of intermediaries (gatekeepers) had been established before going to the field. The intended interview partners were only contacted after arriving in the field and with the help of intermediaries.

The prerequisites for interviews or other sorts of meetings differed from sub-unit to sub-unit and from interviewee to interviewee. Whereas lengthy relationship building is an absolute condition, the individual requirements differed. For some counterparts an informal résumé of the research project was sufficient, for others it was necessary to provide the envisaged questions in advance, while still others demanded a formal invitation letter by the host university. It can be argued that the task of arranging interview appointments and maintaining relations requires skills comparable to those of more comprehensive business negotiations. Just like negotiating with Chinese business people, arranging an interview with leaders of the media group required building and maintaining mutual trust, respecting social hierarchies and a counterpart's "face" (面子), as well as endurance (Fang, 1999). Moreover, it has been found that shared meals (or banquets) and other social events are opportunities to push negotiations forward and to build up reputation and respect for the counterpart (Blackmann, 1997). These aspects have not only been crucial when arranging but also while conducting interviews. So, it has been a common requirement to meet people for lunch, dinner or tea to build trust in a relaxed environment. Exchanging business cards at the beginning of every meeting signified a first trust-building move. Also, it had been important to engage in social small talk and to show empathy for the interviewee before starting with the actual interview procedure. It became evident from the conducted interviews that the more confident people felt the more substantial were their replies, which meant that the most important or frankest answers mostly came towards the end of an interview. As a result, relatively significant questions were only formulated, after some preliminary questions. After the interviews, all of the participants offered further assistance for the research project; this can be seen as a positive outcome of long-term relationship building.

Furthermore, the "way of communication" has been another aspect that had to be carefully considered. In contrast to European or other East Asian countries, the communication with Chinese counterparts, even high-ranking employees or professors, is relatively informal and spontaneous (Saether, 2006, p. 46). While communicating by email is more common between business people or researchers in Europe, professors and interview partners preferred getting contacted by telephone or

short messages, and sometimes even by using messaging applications such as “WeChat” (or “Weixin”). Phone calls are a common way to contact people for the first time. Emails mostly remained unanswered, especially if the respective person has not been contacted before. Moreover, appointments were usually arranged at short notice, which had made it almost impossible to schedule meetings in advance. Certainly, the unpredictability of potential appointments increases the uncertainty of doing fieldwork in China. Additionally, Saether (2006) mentions language difficulties or even barriers as a core challenge. In order to communicate with important informants and to undertake professional interviews, excellent language skills are needed. It is, therefore, required, in addition to having a refined research question and a clear research design, to invest a considerable amount of time in language development. Besides building a specialised vocabulary, it is also required to become familiar with the local dialect and intonation. As the Chinese language is composed of several “language varieties”, the dialects and intonations vary across the different regions of China. Although all communication has been conducted in standard Chinese (and not in Chinese varieties such as Wu or Cantonese), the local intonation as well as the use of words still is distinct. For the data collection in Shanghai, it had been required to become familiar with the local language variety. However, because asking questions and simultaneously taking notes can be challenging, interviews were recorded, with prior permission by the interviewees.

The last aspect that should not be underestimated is the “political environment”. It is commonly known that the political administration under the rule of the CPC constrains various aspects of daily life, while setting specific political and economic priorities. This affected the research process directly, as for instance relevant websites (e.g. Google, Google Scholar, New York Times), blogs and social media channels (e.g. Facebook), are blocked and only accessible with a foreign VPN-connection. Additionally, it also affected the design of interviews, as certain political issues (“press freedom” or party membership) might be too sensitive or could make the counterpart lose his “face”. When dealing with Chinese counterparts it is important to “be sensitive to issues of national pride and national interest” and “to currents of political ideology” (Pye, 1982, p. 13).

Eventually, access was granted to the SUMG’s managing unit (the holding), the Xinmin Evening News Corporation, Wenhui News Corporation and Oriental Morning Post Corporation. In total, 11 formal interviews were conducted with key people of the media group, whereas each interview lasted around 70 minutes on average. Interviewees included mid-level editors and leading decision-takers of the different subsidiaries as well as a member of the leadership of the SUMG. On the other hand, attempts to get access to the Jiefang Daily News Corporation had been unsuccessful<sup>13</sup>.

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<sup>13</sup> Although the Shanghai Jiao Tong University issued a formal request to arrange an interview, Jiefang Daily News Corporation declined with the explanatory statement that foreigners are not granted access. It became evident from the research on the ground that despite its political and symbolic relevance for the group, Jiefang does not have an active role in driving or inhibiting organisational change. In this way, the lack of access could be counterbalanced by information from other interview partners and written documents.

However, information could still be retrieved through written documents, talks with members of the other subsidiaries and a short interview with a former journalist at Jiefang Daily. Interviewing the Group's leading decision-takers had been framed as rather formal and official occasions. Before starting the actual interviews, the research project had been introduced and the main aspects discussed. The official parts of the interviews that followed were recorded with the permission of the participants. After the interviews the participants provided short guided tours of the respective corporations. So, gaining physical access to the SUMG's headquarter and its subunits allowed holding short background talks with regular employees of the corporations in addition to the formal interviews, which enhanced the understanding of the group. In contrast, the interviews with mid-level editors were more informal and unofficial. While most semi-structured interviews with leading personnel had been conducted at the headquarters of the SUMG in Jing An (静安区), a central business district of Shanghai, the interviews with the mid-level editors were conducted at locations where they felt more comfortable. Also, they preferred not to be recorded in order to be able to provide frank and unreserved answers. In this way, it was not only possible to get insightful views, but also to verify the information provided by more senior members of the media group. In general, the relationship with the informants had not been terminated with the end of the interviews. Through email exchanges, minor information flaws could be resolved and complemented where needed. Two editors even came to Germany for business trips, which provided the opportunity for further informal talks. So, the information from the interviews could be enriched and substantiated.

Furthermore, to ensure an accurate insight into the SUMG, the data generated by interviews were triangulated with data deriving from written documents. As part of other sources, written documents provide invaluable information, provided that they are of significance for the case under investigation (Yin, 2009, pp. 101-105). Since the SUMG is central to the research, the written documents collected are primarily case-related. In addition to press releases, public speeches and reports, the media group's leadership provided internal documents on the organisation's strategy and corporate governance.

Moreover, to assess the case in its contextual environment, primary data on the structure of the media industry and on other media organisations had been collected as well. Industry data mainly derive from various volumes of the "China Statistical Yearbook" (中国统计年鉴) provided by the "National Bureau of Statistics of China" (中华人民共和国国家统计局), the "China Media Industry Report" (新闻出版产业分析报告) provided by the "State Administration of Press, Publication, Radio, Film and Television" (中华人民共和国国家新闻出版广电总局) as well as of the "Blue Book of China's Media Industry" (传媒蓝皮书) and the "Blue Book of Shanghai" (上海蓝皮书) provided by the Social Sciences Academic Press China (社会科学文献出版社). Data on the other major media groups derive from their own accounts as well from online databases of which "Duxiu" (读秀) proved

to be the most useful. Finally, further secondary data on the organisational development of media organisations had been acquired by public and academic libraries in Shanghai.

Hence, accessing the SUMG and establishing contacts to relevant informants had been the main challenge of the fieldwork. In fact, the process of approaching the right people can be described as a way of negotiating for access.

### **3 Analytical Method: Pattern Matching**

The task of analysing the qualitative data already started during the collection process and continued afterwards. Shortly after the interviews had been conducted, they were reproduced as a written account. Transcribing the Chinese voice recordings into English accounts had been an extremely time consuming process<sup>14</sup> that allowed a preliminary analysis of the data collected. It has been found that concurrently collecting and analysing data can further “*shape the direction of data collection*” and facilitate identifying relevant patterns (Saunders et al., 2009, pp. 488-489). Following the fieldwork, the data had been analysed in accordance with the theoretical framework that had been partially developed before data collection and partially extended during the process. In a first step, the interviews and written documents were summarised to identify the key points that they share. Like that, recurring themes could be determined. Thereafter, suitable categories were developed to allocate data chunks accordingly. The collected material was divided into two basic data units (1) *formal structures*; and (2) *corporate strategy*. These two categories were selected as they reflect the main elements that constitute a new organisational form, as discussed in the theory chapter. Moreover, the data in the two overarching categories were further arranged according to the organisational entity (e.g. holding, subsidiary) on which they provide information. Thereby a matrix consisting of an organisational element (structure or strategy) and the respective organisational entity had been created. Based on this categorisation, the data units could be utilised to trace the organisational setup of the respective entities. With regard to the “corporate strategy” category, further data codes were required. As outlined in the theory chapter, to analyse how an organisational form stimulates strategic agency, the nature of corporate activities needs to be traced. Deriving from the theoretical understanding that institutions are comprised of three different dimensions (Scott, 2008), according data codes were determined: (1) *cultural-cognitive dimension*; (2) *normative dimension*; and (3) *regulative dimension*. So, purposive efforts directed at a particular institutional dimension were subsumed under the respective category. Simultaneously, different strategy dimensions were defined. With reference to Fortwengel and Jackson (2016), the following categories were set: (1) *vision*; (2) *support*; and (3) *sustain*. Corporate strategies were divided into activities that frame a vision, support its

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<sup>14</sup> Transcribing 70 minutes of voice material took around 5 working days. Additional time was required for data cleaning, such as correcting mistakes in language and content.

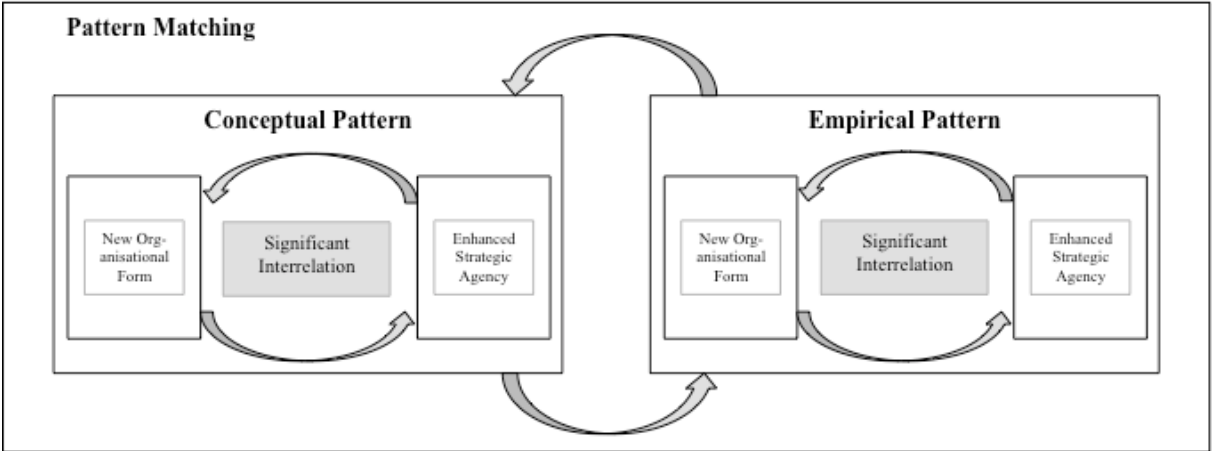
implementation and sustain it in the long run. Again, a mental matrix could be constituted that facilitated arranging the data. As will be shown in chapter VI, this matrix allowed determining how strategic efforts arise from a new organisational form.

The analytic technique used for the investigation of the research question is *pattern matching* as suggested by Trochim (1985, 1989). Pattern matching is a deductively based analytical procedure for qualitative data that is supposed to be particularly efficient for case study research (Blumberg et al., 2008, pp. 383-384; Saunders et al., 2009, p. 500). Basically, the method is framed as follows: “*Pattern matching always involves an attempt to link two patterns where one is a theoretical pattern and the other is an observed or operational one*” (Trochim, 1989, p. 356). Accordingly, the method consists of three integral elements; a conceptual pattern (theoretical pattern), an operational pattern, and a match between the patterns. Conceptual patterns correspond to relationships between units of analysis that have been determined based on theoretical concepts. In contrast, operational patterns correspond to relationships between units of analysis that have been empirically observed in a specific field. If a match can be established between the two patterns, the “internal validity” of a case study can be strengthened (Yin, 2009, p. 136). It is evident that the more precisely the patterns are developed, the more unique the corresponding match (Trochim, 1985, p. 576). The defining feature of patterns is that they incorporate concepts and their theoretical interrelationships on the one side, and empirical observations and their interrelationships on the other side. In that way, patterns are not random listings of concepts and observations. Correspondingly, both theoretical and observed patterns need to be well developed in order to establish a significant link; it is argued that a higher specification will result in a higher validity (Trochim, 1989, pp. 359-365).

Of particular relevance for the investigation at hand is the so-called *outcome pattern matching*; its focus is on “specifying how the constructs are expected to be affected by the program [potential causal agent]” (Trochim, 1985, p. 581). In a more tangible way, the conceptual pattern needs to be developed in a way that its relationships exhibit how a specific causal agent affects an expected outcome. Developing a consistent conceptual pattern requires a sound theoretical model that is specific enough to address the envisaged research issue. It is, therefore, proposed to use a theoretical concept, such as institutional work, that is more refined and less broad than general tenets that are directed at a wider range of issues. However, even though a high degree of specificity is required for pattern matching, conceptual models also need to account for the contextual environment of the units under investigation (Trochim, 1985, pp. 384-387). Provided that a causal relation is also apparent in the collected data, which is manifested in the operational pattern, a match between the patterns can be traced. So, if expected relations are confirmed by the data, the assumptions proposed by a case are bound to be of high validity (Blumberg et al., 2008, p. 383). Nevertheless, comparisons between the conceptual and observed patterns are not based on absolute quantitative or numerical criteria. So, the absence of clear-cut determinants allows for interpretative discretion in establishing a significant link (Yin, 2009, pp. 140-141).



In line with this analytical procedure, the theoretical model devised in the theory chapter had been translated into a conceptual pattern. It is assumed that there exists an interactive process between a “*new organisational form*” (which could be determined as the causal factor) and “*enhanced strategic agency*” (which could be determined as the expected outcome). As proposed by the theoretical model that is informed by institutional work and structuration theory (figure II-2), a recursive interrelation between an organisational form (that is informed by field-based conditions) and enhanced organisational agency is expected. Accordingly, figure III-1 below depicts the conceptual pattern with the assumed interrelation between organisational form and strategic agency. Provided that the empirical findings reveal a comparable inference, a match between conceptual and observed pattern can be established.



**Figure III-1: Pattern Matching Model**

Hence, the empirical data had been mapped and analysed in order to examine whether a significant link between the *new organisational form* and *enhanced strategic agency* exists. Provided that the empirical data reveal a significant interrelation, a match between the conceptual pattern and the observed pattern can be established, which strengthens the validity of the findings.

## **IV. Chinese Media Industry: An Organisational Field in Transition**

In this first chapter of the main empirical body, the organisational field of media groups will be systematically analysed. The analysis is divided into two parts: Firstly, the industry's composition, its shaping forces and its main actors will be investigated and evaluated; secondly, the institutional arrangements that define, constrain and enable the actors of the field will be compiled and analysed. As a result, this section proposes that the media industry in China represents an organisational field that is characterised by transitional and partially conflicting arrangements, which are assumed to propel the organisational transformation of media organisations.

### **1 The Composition and Dynamics of the Media Industry**

#### **1.1 Basic Understanding of the Chinese Media Industry**

Since China is still an emerging economy, its different organisational fields and industries are constantly forming and reshaping in accordance with changing institutional arrangements (Child et al., 2007). This particularly applies to the Chinese media field; despite relative stability in the development, the field is constantly adapting to changing conditions. In effect, the understanding of the media field as an industry is a comparably recent conception. As Chinese media have primarily fulfilled political propaganda functions in the past and their economic capabilities remained comparably underdeveloped, they have not been recognised as entities that form an industry. Therefore, scholars have often used the term “media structure” or simply “media field” to encompass the different media units and the associated agencies (Sukosd & Wang, 2013; Y. Zhao, 1998). However, the gradual commercialisation of media units that started in the early 1980s (as a result of the reforms) marked the beginning of an increasing industrialisation of the Chinese media. Along the growing importance of business aspects, such as rational production and operation, the media field has gradually transformed in the direction of a more conventional industry<sup>15</sup> (Ceng, 2013, pp. 8-10). In fact, with the “Provision on the Accelerated Development of the Tertiary Sector Industries” of 1992<sup>16</sup>, media units were for the first time formally accredited to the tertiary sector (Central Committee of the CPC & Central Government, 1992). Based on this decision, media groups were officially acknowledged as “cultural entities” that belong to the tertiary sector. Correspondingly, the term media industry is increasingly used to refer to the media field.

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<sup>15</sup> The process is described as “意识形态媒介向产业经营的媒介过渡”, which can be translated as “transition from ideological media to industry run media” (Ceng, 2013, p. 8).

<sup>16</sup> Full appellation: “Provisions on the Accelerated Development of the Tertiary Sector Industries by the Central Committee of the CPC and the Central Government” (中共中央, 国务院关于加快发展第三产业的决定)

In its current form, the media industry in China is a constitutive part of the “Culture and Sports Industry” (文化与体育产业), while it is composed of two different sections: “Press and Publication” (新闻出版) and “Radio, Film and Television” (广电). The press and publication section not only entails newspapers, magazines, periodicals and books, but also audio and video products (CDs and DVDs) as well as digital and online products. On the other hand, the radio, film and television section mainly consists of broadcasting products (Statistical Bureau of the People's Republic of China, 2014, p. 728). The press and publication sector has profound social and political relevance for the institutional setting of China, which has been acknowledged by numerous scholars of the field (Goldman, 1994; Lee, 1994; Stockmann, 2013). Ever since the formation of the People's Republic of China, the press has played a key role in maintaining and supporting the political regime (Goldman, 1994). The traditional functions of print media in China include: “information gathering, factional struggle, maintaining social order and national integration” (Hood, 1994, p. 38). Correspondingly, print media units have been deeply ingrained in the institutional setting since 1949 (formation of the People's Republic of China) and perform functions that are closely connected to the institutional development of China and the party-state – even to a higher degree than the broadcasting sector (Y. Zhao, 1998, pp. 127-128; 2001, pp. 37-41).

However, with the emergence of new technologies, the boundaries between the two sectors have become increasingly blurred. Gradually media organisations start to incorporate products from different sectors. But, given the high institutional relevance of media units that have their origins in production of print media, the press and publication sector is particularly important for the study at hand. Consequently, the following analysis on the composition and structure is limited to the press and publication section, which will be referred to as “press and publication industry”.

## **1.2 Macro Perspective of the Media Industry in China**

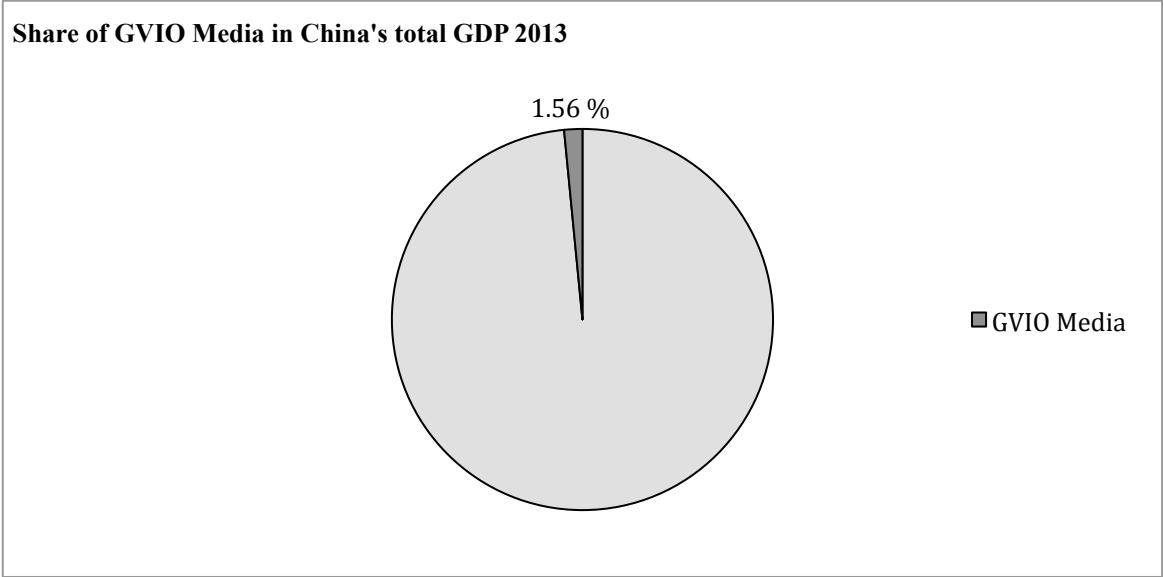
In the past, the media industry had not been a major industry pillar of the Chinese economy. Although, from a mere economic stance, the media industry in China may seem marginal, it is actually evolving and growing at fast pace. The recent decline of the traditional print media, which can be seen as a global phenomenon, is contrasted by the digitalisation of products and the rise of the Internet as a communication platform that provides new growth potential for the industry. The following data will illustrate that the industry is undergoing far-reaching structural change that is driven by the advent of new technologies and products.

In fact, measured by the country's gross national product (GDP), the industrial output of the media industry constitutes a relatively small proportion. As table IV-1 shows, the gross value of industrial output (GVIO) of the media industry (传媒产业总产值) in 2013 has been at RMB 890,240,000,000 while the GDP for the same year has been at RMB 56,884,520,000,000.

Year	GVIO Media (100,000,000 RMB)	Gross Domestic Product (100,000,000 RMB)	Real GVIO Growth Rate (in %)	Real GDP Growth Rate (in %)
2008	4.366,0	314.045,4	14,0	9,6
2009	5.252,0	340.902,8	20,3	9,2
2010	6.179,2	401.512,8	17,7	10,4
2011	6.822,6	473.104,0	10,4	9,3
2012	7.664,2	519.470,1	12,3	7,7
2013	8.902,4	568.845,2	16,2	7,7

**Table IV-1: GVIO Chinese Media Industry<sup>17</sup>**

According to the chart below that illustrates the data of the year 2013, the GVIO of the Chinese media sector only accounts for approximately 1.56% of China’s annual GDP.



**Figure IV-1: GVIO Media Share**

For the other years the numbers are similar; 1.48% (2012), 1,44% (2011), 1.54% (2010), 1.54% (2009), 1.39% (2008). So, in terms of absolute size, the media industry’s GVIO makes for only a very small portion of the country’s total GDP. However, by looking at the respective growth, it becomes evident that the growth rates of the media industry’s GVIO have been significantly higher than the growth rates of the GDP in the last few years.

<sup>17</sup> Source: Blue Book of China's Media 2014; China Statistical Yearbook 2014, p. 50

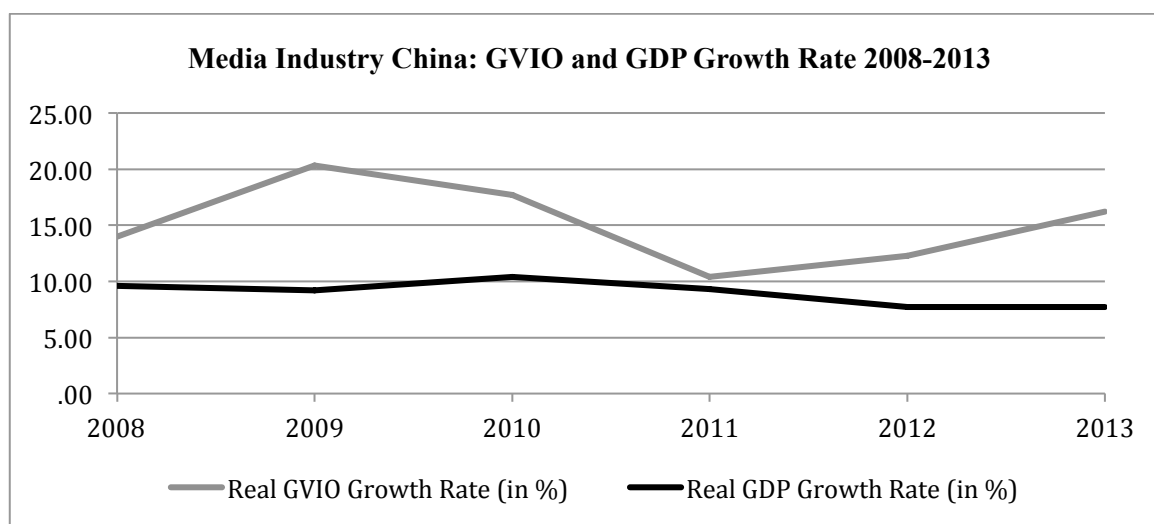


Figure IV-2: GVIO Growth Rate Media Industry

Figure IV-2 indicates that in spite of the noticeable downward bend in 2010/11, the growth rate of the GVIO (media industry) has been consistently higher than the country's GDP growth rate. Contrasting the stagnant growth rate of the GDP in 2011 and 2012, the GVIO of the media sector has increased by four percentage points in the same period. So although its share in the national output is minor, it can be reasoned that the media sector is a growing industry with significant growth rates. Forecasts for the period until 2017 indicate that growth rates of the media industry's GVIO will maintain high levels, averaging at around 16.2% (Blue Book of China's Media, 2014, p. 14).

The high growth rate of the GVIO is also reflected in the revenue, profit and total assets of the press and publication industry (a constituent of the media industry), as table IV-2 below shows for the years 2010 to 2014. In 2012 the operating revenue of the industry increased by 14.19 %, while profits grew by 16.79%. A similar image is visible in 2013, when revenue and profits increased by 9.68% and 9.32% respectively. Accordingly, the growth rate of total assets and owner's equity are at relatively high levels.

Industry Overall (in 100 mio RMB, 亿元)									
Indicator	2010	2011	2012	2013	2014	Change 10/11 %	Change 11/12 %	Change 12/13 %	Change 13/14 %
Operating Revenue	12.375,20	14.568,60	16.635,34	18.246,40	19.967,11	17,72	14,19	9,68	9,43
Total Assets	12.737,40	14.417,50	15.729,58	17.207,70	18.726,72	13,19	9,10	9,40	8,83
Owner's Equities	6.531,90	7.344,80	8.164,17	9.023,17	9.543,61	12,45	11,16	10,52	5,77
Total Profit	1.075,90	1.128,00	1.317,39	1.440,19	1.563,73	4,84	16,79	9,32	8,58

Table IV-2: Economic Indicators Press and Publication Industry<sup>18</sup>

Comparing the industry's total revenue with the total profits, a net profit margin of 8.69% in 2010, 7.74% in 2011, 7.91% in 2012, 7.89% in 2013 and 7.83% in 2014 can be calculated. The net

<sup>18</sup> Source: Own compilation, based on "Press and Publication Industry Analysis Report", 2010 to 2014.

profit margin shows the ratio between profits and revenue. According to the ranking of Sageworks, a financial information company, that has analysed “the 15 industries with the highest net profit margin” in the US in 2014, the net profit margin of the top industries range from 10.5% (support activities for mining) to 19.8% (accounting, tax preparation, bookkeeping, and payroll services) (Sageworks, 2014). With reference to this ranking, a net profit margin of around 8% in the case of the Chinese media industry can be regarded as relatively high. Moreover, calculating the return on assets ratio (ROA), by comparing profits and assets, the efficiency of total assets employment can be evaluated. From 2010 to 2014, the values for the industry’s return on assets ratio had been 8.44% 7.82%, 8.38%, 8.37% and 8.35% respectively. As the return on assets ratio largely vary across industries due to differing asset intensities, it does not make any sense to compare the values of the media industry with other industries. For this analysis it is just important to acknowledge that the return of assets has not remarkably decreased, but stayed constant over time. This implies that the industry seems to strive for maintaining and optimising its processes.

It has been observed that the main reason for the industry’s high growth rates is the growing potential of the Internet and digital media, including new mobile phone services, gaming platforms, social media, online video channels or innovative news providers (Blue Book of China's Media, 2014, p. 2). In the wake of emerging technologies and information channels, the print media are increasingly challenged, but new business opportunities and revenue models are arising as well. Therefore, it is believed that the growing influence of new technologies and products has a lasting impact on the industry structure. In the subsequent section, this assumption will be analysed in more detail.

### **1.3 Structure of the Press and Publication Industry**

The Chinese press and publication industry is divided into eight constitutive sectors; the newspaper sector, periodical and magazine sector, book sector, audio and visual product sector, electronic publication sector, digital publication sector, printing and copying sector, and the state publication sector.

#### ***1.3.1 Characteristics of the Industry’s Sectors***

##### **a) Newspaper Sector**

Daily newspapers as well as weekly newspapers compose this sector. In 2014, a total of 1,912 different newspapers were published in China, with a total circulation of 46.39 billion.

Newspaper Sector (亿=100mio, 元=RMB)									
Indicator	2010	2011	2012	2013	2014	Change 10/11 %	Change 11/12 %	Change 12/13 %	Change 13/14 %
No. of Publications (种)	1,939,00	1,928,00	1,918,00	1,915,00	1,912,00	- 0,57	- 0,52	- 0,16	- 0,16
No. Of Copies (亿份)	452,10	467,40	482,26	482,41	463,90	3,38	3,18	0,03	3,84
Operating Revenue (亿元)	729,4	818,9	852,32	776,65	697,81	12,27	4,08	8,88	10,15
Total Profit (亿元)	100,8	98,6	99,24	87,67	76,44	- 2,18	0,65	- 11,66	- 12,81

**Table IV-3: Economic Indicators Newspaper Sector<sup>19</sup>**

Table IV-3 shows that from 2010 to 2014 the number of publications had been relatively constant, while a slightly falling tendency can be observed. Although the annual circulation had increased in 2011 and 2012 by 3.38% and 3.18% respectively, the circulation had declined by 1.39% over the total time span of four years. Correspondingly, there had been a sharp decline of the total operating revenue of the sector. After the revenue had still grown from 2010 to 2012, it decreased in 2013 and 2014 by around 10%. Simultaneously, total profits drastically decreased by more than 10%. According to the industry data, it can be reasoned that revenue and profit levels had decreased as an effect of a declining circulation. In this way, economic pressure on producing units to maintain profitability is rising in this sector.

#### **b) Periodicals and Magazines Sector**

This sector consists of magazines and periodicals that are published on a weekly, fortnightly or monthly basis. Compared to newspapers, the selection of magazines published in China is much broader. This is largely due to the diversity of special-interest magazines that provide specific content for niche markets. In 2014 there were 9,966 different publications available. However, the total circulation of magazines and publications is considerably lower than that of the newspaper sector, with only 3.095 billion copies in the same year.

Magazines & Periodicals Sector (亿=100mio, 元=RMB)									
Indicator	2010	2011	2012	2013	2014	Change 10/11 %	Change 11/12 %	Change 12/13 %	Change 13/14 %
No. of Publications (种)	9,884,00	9,849,00	9,867,00	9,877,00	9,966,00	- 0,35	0,18	0,10	0,90
No. Of Copies (亿册)	32,20	32,90	33,48	32,72	30,95	2,17	1,76	- 2,27	- 5,41
Operating Revenue (亿元)	150,6	162,6	220,86	221,99	212,03	7,97	35,83	0,51	4,49
Total Profit (亿元)	18,5	22,9	25,28	28,59	27,06	23,78	10,39	13,09	5,35

**Table IV-4: Economic Indicators Magazines and Periodicals Sector<sup>20</sup>**

By and large, the number of different magazines and periodicals published in China had remained relatively constant in the given period, with new publications being released every year. Even though the circulation had decreased in 2013 and 2014 by 2.27% and 5.41% respectively, the variety of magazines had increased at the same time. The table shows that the sector had been highly

<sup>19</sup> Source: Own compilation, based on "Press and Publication Industry Analysis Report", 2010 to 2014.

<sup>20</sup> Source: Own compilation, based on "Press and Publication Industry Analysis Report", 2010 to 2014.

profitable until 2014, with a revenue growth rate of almost 36% in 2012 and profit growth rates of more than 10 % in 2012 and 2013. In 2014, however, the total annual revenue and profit both had shrunk by around 5%, amounting to RMB 21.203 billion and RMB 2.706 billion respectively. In this sector, revenue and profit growth rates had been rising throughout 2013. However, with a beginning fall of the circulation in 2013, the trend of shrinking revenue and profit levels that can be observed in the newspaper sector is similarly pertaining the periodicals sector. Consequently, it can be argued that production units operating in this sector are confronted with adverse economic indicators, a trend that is unlikely to diminish in the near future.

### c) Book Publishing Sector

The number of books published in China is continuously rising year by year. While 328,000 different book titles were released in 2010, the number rose to 448,400 in 2014, an increase by 36.7% within four years. The number of produced copies had been constantly rising in the same period from 7.14 billion copies to 8.185 billion copies, with only a minor decrease of 1.5% in 2014.

Book Publishing Sector (亿=100mio, 元=RMB)									
Indicator	2010	2011	2012	2013	2014	Change 10/11 %	Change 11/12 %	Change 12/13 %	Change 13/14 %
No. of Publications (万种)	32,80	37,00	41,40	44,44	44,84	12,80	11,89	7,34	0,90
No. Of Copies (亿册)	71,40	77,10	79,25	83,10	81,85	7,98	2,79	4,86	- 1,50
Operating Revenue (亿元)	537,9	664,4	723,51	770,78	791,18	23,52	8,90	6,53	2,65
Total Profit (亿元)	77,2	94,2	115,22	118,58	117,07	22,02	22,31	2,92	- 1,27

**Table IV-5: Economic Indicators Book Publishing Sector<sup>21</sup>**

In the given period, the total revenue of book publishing in China had been continuously rising, although at increasingly lower growth rates. Similarly, profit growth rates had considerably slowed down from previously high levels. It can be reasoned that while the actual annual figures had remained constant, growth rates had been rapidly declining. Overall, the sector remains relatively stable, while it seems that book publishers will be increasingly confronted by diminishing growth levels.

### d) Audio-visual Publication Sector

This sector incorporates products that feature sound and visual components, or combined products (i.e. sound recordings, video recordings, CDs, DVDs). The number of different audio-visual products has been shrinking by almost 10% every year, from 21,552 different products in 2010 to

<sup>21</sup> Source: Own compilation, based on “Press and Publication Industry Analysis Report”, 2010 to 2014.



15,355 in 2014. A negative trend is also clearly visible in the total amount of products; 420 million publications in 2010, compared to only 328 million in 2014, a reduction of 21.9% in four years.

Audio-visual Publication Sector (亿=100mio, 元=RMB)									
Indicator	2010	2011	2012	2013	2014	Change 10/11 %	Change 11/12 %	Change 12/13 %	Change 13/14 %
No. of Publications (种)	21.552,00	19.408,00	18.485,00	16.972,00	15.355,00	- 9,95	- 4,76	- 8,19	- 9,53
No. of Publ. Prod. (亿盒)	4,20	4,60	3,94	4,06	3,28	9,52	- 14,35	3,05	- 19,21
Operating Revenue (亿元)	20,2	26,1	28,34	24,72	29,21	29,21	8,58	- 12,77	18,16
Total Profit (亿元)	2,4	2,8	3,44	3,35	4,11	16,67	22,86	- 2,62	22,69

**Table IV-6: Economic Indicators Audio-Visual Publication Sector<sup>22</sup>**

Contrary to the sinking product numbers, the annual revenue of the sector is still growing. Also, significantly high profit growth rates can be observed, growing from RMB 280 million in 2011 to RMB 411 million in 2014, the values have almost doubled in four years' time. This implies that even though the overall production of products had been reduced, profits had still been significantly rising. It can be argued here that the advent of new technologies has improved processes and reduced production cost. So, although this sector is slowly losing its appeal, solid revenue and profit growth levels are still achieved.

#### e) Electronic Media Sector

According to the regulations of the GAPP, products of the electronic publications sector include “mass media that have intellectual and ideological information stored [...]”; primarily electronic data carriers, such as hard drives, floppy disks, writable and readable CDs and DVDs as well as memory cards (GAPP, 2008). In 2011, the total amount of different electronic information media had been 11,154, a figure that stayed relative constant over the given period (11,823 in 2014). The production of electronic information media had sharply risen from 260 millions in 2010 to 350 millions in 2014, an increase of 34.6%.

Electronic Media Sector (亿=100mio, 元=RMB)									
Indicator	2010	2011	2012	2013	2014	Change 10/11 %	Change 11/12 %	Change 12/13 %	Change 13/14 %
No. of Publications (种)	11.175,00	11.154,00	11.822,00	11.708,00	11.823,00	- 0,19	5,99	- 0,96	0,98
No. of Prod. (亿份)	2,60	2,10	2,63	3,52	3,50	- 19,23	25,24	33,84	- 0,57
Operating Revenue (亿元)	7,4	6,2	9,23	10,23	10,89	16,22	48,87	10,83	6,45
Total Profit (亿元)	1	1,3	2,27	2,77	1,84	30,00	74,62	22,03	- 33,57

**Table IV-7: Economic Indicators Electronic Media Sector<sup>23</sup>**

<sup>22</sup> Source: Own compilation, based on “Press and Publication Industry Analysis Report”, 2010 to 2014.

<sup>23</sup> Source: Own compilation, based on “Press and Publication Industry Analysis Report”, 2010 to 2014.

The corresponding revenue and profit growth rates had been extraordinarily high in the years 2012 and 2013, while they had decreased again in 2014. Although the decline of profits in 2014 seems relatively high, absolute profits have remained relatively stable from 2010 to 2014.

#### f) Digital Publication Sector

Digital publications entail information websites, digital newspapers, mobile applications and other online news services. As no print (or physical) products are produced in this sector, there are no data available on the actual circulation of digital publications.

Digital Publication Sector (亿=100mio, 元=RMB)									
Indicator	2010	2011	2012	2013	2014	Change 10/11 %	Change 11/12 %	Change 12/13 %	Change 13/14 %
Operating Revenue (亿元)	1.051,80	1.377,90	1.935,49	2.540,35	3.387,70	31,00	40,47	31,25	33,36
Total Profit (亿元)	89,10	106,70	151,95	199,42	265,72	19,75	42,41	31,24	33,25

**Table IV-8: Economic Indicators Digital Publication Sector<sup>24</sup>**

The total revenue of the digital publication sector had amounted to RMB 338.77 billion in 2014, which signifies an increase of 33.36% compared to 2013. With an increase of more than 40% compared to the preceding year, revenue growth rates were particularly high in 2012. The data from table IV-8 show that this sector had grown at a remarkably rapid pace from 2010 to 2014. In the given period, revenues and profits have risen by exceeding rates of 222.08% and 198.2% respectively. These exceptionally high growth rates make the digital publication sector by far the fastest growing sector of the Chinese print and publication industry. Within only four years' time, revenues have more than tripled, while profits have similarly multiplied. With an estimated 641,601,070 internet users in China in 2014 (which is only 46.03% of the total population) and annual average growth rates of 4% (Internet Live Stats, 2015), the rates are likely to maintain their extraordinarily high levels. In contrast to the print sectors, the digital sector provides considerable growth potential and new business opportunities. It is, moreover, presumable that the sharp growth rates will counterbalance the decline of other sectors. As has been showed above, the growth of the industry's GVIO is relatively elevated despite the shrinking numbers of the traditional media.

#### g) Printing and Copying Sector

Although this sector does not produce any media products, it is officially attributed to the print and publication industry. Printing and copying of publications, but also the fabrication of packing and

<sup>24</sup> Source: Own compilation, based on "Press and Publication Industry Analysis Report", 2010 to 2014.

wrapping material is part of this sector. There is no data on the circulation or number of products, as it is an affiliated service sector of media production units.

Printing and Copying Sector (亿=100mio, 元=RMB)									
Indicator	2010	2011	2012	2013	2014	Change 10/11 %	Change 11/12 %	Change 12/13 %	Change 13/14 %
Operating Revenue (亿元)	7,918.10	9,305.40	10,360.00	11,094.00	11,740.16	17.52	11.33	7.08	5.82
Total Profit (亿元)	578.40	614.60	721.81	775.78	814.66	6.26	17.44	7.48	5.01

**Table IV-9: Economic Indicators Printing and Copying Sector<sup>25</sup>**

With RMB 1,174 billion, the printing and copying sector has by far the highest annual revenue, compared to the other sectors of the industry. The sector is also marked by substantial annual growth rates; 17.52% in 2011, 11.33% in 2012, 7.08% in 2013 and 5.82% in 2014. Similarly, the annual total profit is relatively elevated, with considerably high growth rates. Profits have increased from RMB 57.84 billion in 2010 to RMB 81.466 billion in 2014, a growth of 40.84%. In absolute numbers, revenue and profits are above all other sectors. This is largely due to the fact that the sector's scope is not limited to the printing of media products, as it includes also printing services and the production of packaging material for other industries. Therefore, the sector exhibits solid growth rates.

#### **h) State Publication Sector**

The 8<sup>th</sup> and final sector, incorporates national publications of the state press agency "Xinhua" (新华书店系统和出版社); books directly released by the state as well as other official state publications are included. As publications produced by Xinhua, range from reports, papers, statistics, to books, there are no data on the effective circulation. However, data on the sector's total revenue and profits are presented below.

State Publication (亿=100mio, 元=RMB)									
Indicator	2010	2011	2012	2013	2014	Change 10/11 %	Change 11/12 %	Change 12/13 %	Change 13/14 %
Operating Revenue (亿元)	1,898.50	2,162.90	2,418.65	2,710.74	3,023.76	13.93	11.82	12.08	11.55
Total Profit (亿元)	206.80	185.10	196.03	221.11	254.91	10.49	5.90	12.79	15.29

**Table IV-10: Economic Indicators State Publication Sector<sup>26</sup>**

As can be seen in table IV-10, with RMB 302.376 billion the total annual revenue in 2014 is relatively elevated, with considerable growth rates, that had been stable over the given time period. In the same way, profits had grown at relatively solid levels; with the exception of 2011, profits had been growing on average by more than 10% from 2012 to 2014. The steadiness of the figures of this sector

<sup>25</sup> Source: Own compilation, based on "Press and Publication Industry Analysis Report", 2010 to 2014.

<sup>26</sup> Source: Own compilation, based on "Press and Publication Industry Analysis Report", 2010 to 2014.

is not surprising, as the production is coordinated and funded by state actors, that in turn also form the consumption basis for state publications. Because the demand by state actors is likely to be stable, constant revenue and profit levels will presumably persist over time.

### 1.3.2 Implications of the Different Sectors

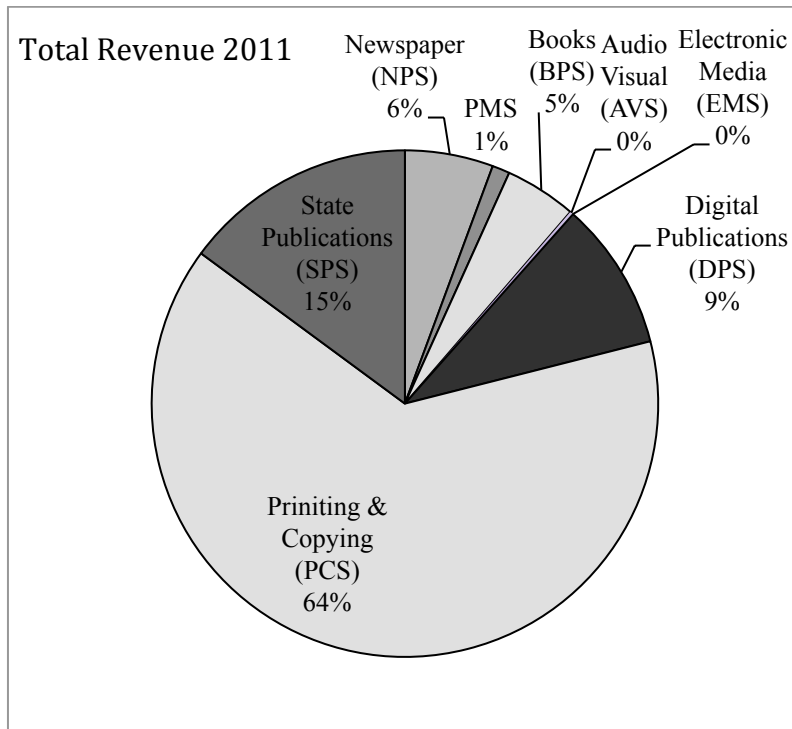
In the era of digitalisation, the media are undergoing rapid shifts. Increased competition, high pressure for rationalisation and the emergence of “new technologies” are challenging the major media forms of the past. New formats like e-papers or mobile applications and changing ways of interaction (i.e. blogs, social media) are leading to a decline of traditional media. The crisis of print media products, such as daily newspapers, magazines or weekly journals can be regarded as a global phenomenon, which is also apparent in China. As new products evolve, the structure of the media industry is being reshaped and transformed, which brings about new challenges and opportunities.

Having depicted the eight sectors of the industry and its key figures, it will now be analysed how the different sectors are related to each other. Firstly, the total operating revenue of each sector will be taken as an indicator to compare the different parts of the industry.

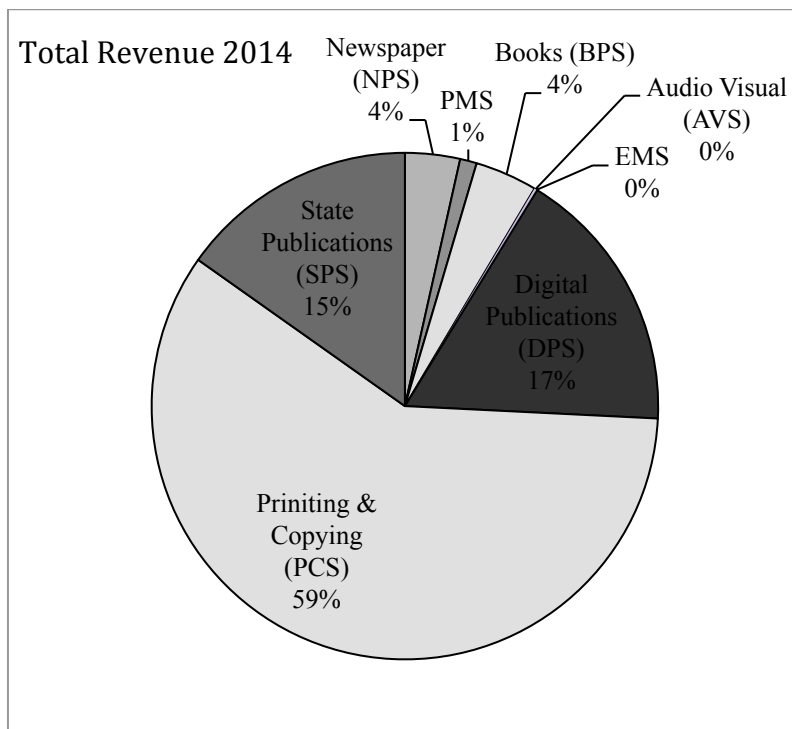
Total Revenue by Sector					
Sector	2010	2011	2012	2013	2014
Newspaper (NPS)	729,4	818,90	852,32	776,65	697,81
Periodicals & Magazines (PMS)	150,6	162,60	220,86	221,99	212,03
Book Publishing (BPS)	537,9	664,40	723,51	770,78	791,18
Audio & Visual Publications (AVS)	20,2	26,10	28,34	24,72	29,21
Electronic Media (EMS)	7,4	6,2	9,23	10,23	10,89
Digital Publications (DPS)	1.051,80	1377,9	1935,49	2540,35	3387,7
Printing & Copying (PCS)	7.918,10	9305,4	10360	11094	11740,16
State Publications (SPS)	1.898,50	2162,9	2418,65	2710,74	3023,76

**Table IV-11: Total Revenue of Press and Publication Industry Sectors**

Based on the data from table IV 11 (above), the following charts have been generated.



**Figure IV-3: Sector Share of Press and Publication Industry Revenues 2011**

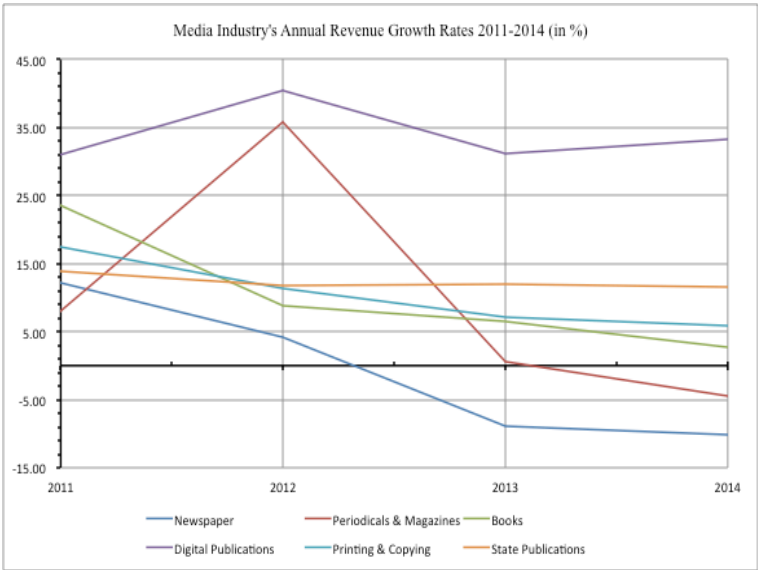


**Figure IV-4: Sector Share of Press and Publication Industry Revenues 2014**

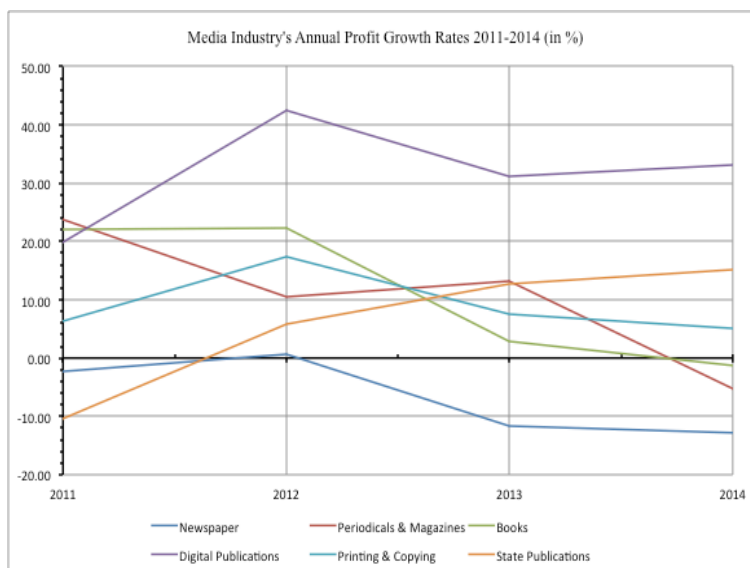
Figures IV-3 and IV-4 illustrate the relative size of the eight sectors and their relative change in four years' time. The share of the print media (newspapers, books and magazines) sectors in the industry's total revenue had been 11% in 2010, whereas it decreased to only 9% in 2014. This

negative trend is the result of declining revenue sources. Moreover, the printing and copying sector generates the bulk of the industry’s revenue with over 50% of total revenues, while the revenue of audio-visual publications and electronic publications is almost negligible in comparison to the other sectors (below 1%). The state publication sector’s share of total revenues is relatively high and has remained stable, with a slight increase in absolute numbers. It is striking that the total revenue of both, the state publications sector and the printing and copying sector have grown from 2010 to 2014 by 59.27% and 48.28% respectively, while on the other hand their share in the industry’s revenue has declined; in the case of the state publication sector by 1 percentage point and by 5 percentage points in the case of the printing sector. This is largely due to the rapid growth of the digital sector. Its share in the total revenue has almost doubled in four years’ time, from 9% in 2010 to 17% in 2014. Based on this chart, it can be argued that the industry is undergoing a profound restructuring process; the digital media that rely on innovative technology are growing at the expense of traditional media and traditional production methods.

This trend becomes even more visible by looking at the growth numbers (as opposed to absolute numbers above) of the sectors’ annual revenue and profits. In chart IV-5 and IV-6 the revenue and profit growth rates of the digital and the print sectors, including the SP and PC sector, are compared.



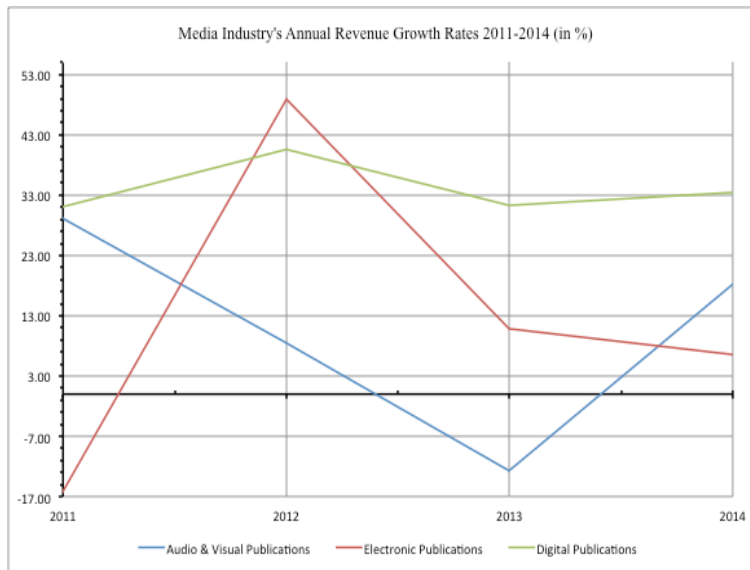
**Figure IV-5: Revenue Growth Rates of Print and Digital Sectors**



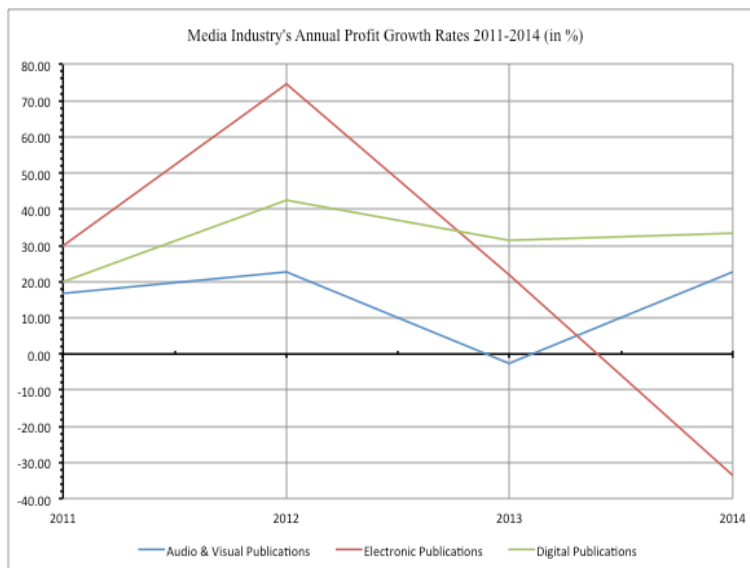
**Figure IV-6: Profit Growth Rates of Print and Digital Sectors**

As the growth of total revenues and profits are closely linked to each other, the above charts show a very similar picture. On the one hand, there are the revenue and profit growth rates of the print media sectors that are gradually moving below 0%. The decreasing growth rate of the advertisement market negatively affected the development of the print sector, as the advertising business represents the most important revenue source for print media. Also, the fact that investments are increasingly directed at new media and the digitalisation of the media, has intensified the pressure on the print media (Blue Book of China's Media, 2014, pp. 21-22). Given its diversified characteristics, the printing sector is relatively constant, with a minor decline of revenue and profit growth rates. Likewise, the growth of revenues in the state publication sector is constant at high levels, while its profit growth rates are increasing. On the other hand, revenues and profits of the digital sector exhibit the highest growth rates, constantly above 30%. The table shows in a convincing way, that the gap between print and digital media becomes increasingly wider.

Moreover, there is not only a growing divide between digital and print sector, but also among non-print sectors. In figures IV-7 and IV-8 (below), the revenue and profit growth rates of the digital sector and the non-print sectors (AV and EM sectors) are compared. Even though the growth rates of the latter two sectors seem striking, the absolute growth numbers are relatively insignificant for the industry as a whole; absolute growth of revenues and profits (revenue growth audio-visual sector: 2012: RMB 224 million, 2014: RMB 449 million), are minor in relation to the other sectors (revenue growth digital sector: 2012: RMB 55.76 billion, 2014: RMB 84.74 billion).



**Figure IV-7: Revenue Growth Rates of Non-Print and Digital Sectors**



**Figure IV-8: Profit Growth Rates of Non-Print and Digital Sectors**

The charts exhibit an extraordinarily rapid decline of the growth rates of the EM sector; while its profit growth rates have been above 70% in 2011, they have shrunk to -33.57% in 2014. Similarly, the AV sector is struggling to maintain its growth levels. The trend exhibited by the charts, implies that the revenues and profits of online media products are not only growing at the expense of the print media, but that the digitalisation is also replacing other technologies, such as physical data carriers (CDs, DVDs as information storage devices). So, it is clearly visible from the above charts, that the digital sector is the fastest growing component of the Chinese media industry. Sectors depending on more out-dated technologies (i.e. print, floppy disks or hardware), in contrast, are seriously struggling in an environment in which new technologies become increasingly profitable. This in turn makes it highly likely that the digital transition will continue to affect the industry in the future. Traditional



media, whose role has been institutionalised over the years, will be confronted with increasing tension and economic pressure.

Nevertheless, although the profitability of print media is rapidly declining, their national reach in China is still relatively high. As has been shown in figure IV-4, newspapers had only accounted for 4% of the industry's total revenue in 2014. But with an annual circulation of 46.39 billion copies in 2014, Chinese newspapers still have a relatively high reach. On a global scale, it has been observed that despite declining profitability, newspapers remain important influencing media (Baurmann et al., 2015). In China, the circulation of newspapers has not substantially declined yet; from 2010 to 2013 it has even been rising, while in 2014 the circulation decreased by 3.84%. As will be shown below, the traditional newspaper publishers, that have accumulated influence and credibility over the last decades, strive for predominance of the industry by combining and exploiting the different media. It is vital to notice that in spite of or even because of rapidly declining revenue and profit levels, the production units of the newspaper sector play a central role in the transition of the industry. In its overall outlook, the "Report on China's Media Development (2014)" indicates that in the coming years media groups (former newspaper publishers) will have a crucial role in mediating the development of both new media and print media on the one hand, and on the other hand in extending their business scope and reaching out to related businesses of the wider "culture industry", in order to tackle the challenges of the "digital age" (Blue Book of China's Media, 2014, p. 22).

Based on the above analysis, two main developments can be observed in the press and publication industry in China; (1) increased pressure from market forces resulting in decreasing revenue and increasing competition; (2) the digitalisation of the industry and with it the emergence of new business models. While accelerating the tendency of decreasing print media circulation and advertisement income, the digitalisation of communication is also providing the industry with new growth potential. However, in order to benefit from the rise of new communication channels and to stop further declining, actors of the Chinese print media sector are urged to implement thorough restructuring efforts. Hence, it can be assumed that leading (production) units of the field, that are directly affected by these developments, are highly likely to adopt measures to mediate the different dynamics.

## 2 Field Actors of the Chinese Press and Publication Industry and their Interrelations

### 2.1 Media Groups as Key Service Suppliers of the Field

#### 2.1.1 Introduction: Emergence and Dispersion

In response to the economic trends that have been discussed above, production units of the press and publication industry have recently been subsumed as relatively powerful press or media groups<sup>27</sup>. According to the regulation of 1994 (“on the formation of media groups”), media groups incorporate units from the book, newspaper, magazine, audio-visual and print publishing sectors<sup>28</sup>, while they are lead by entities of the newspaper sector (GAPP, 1994). In other words, newspaper production units had been reorganised as “groups” to embrace the different sectors of the industry within one organisational entity. The “Report on the Media Development of China’s Media Industry (2014)” has highlighted the fundamental importance of media groups for the development of their industry; it has been stated that the transformation and realignment of media groups will substantially shape the development direction of the industry at large (Blue Book of China's Media, 2014, pp. 23-24). Following the regulation of 1994, the first media group had been founded in 1996<sup>29</sup>.

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<sup>27</sup> Media groups („报业集团“ or „传媒集团“) are defined as media organisations that have their functional origin in the provision of print media products (e.g. newspapers, magazine), but have started to increasingly embrace other media forms (e.g. audio-visual products or digital products) since the beginning of the media commercialisation in the 1980s. The specific organisational concept of media groups will be elaborated in detail in chapter V. For this section it is important to conceive of media groups as dominant market suppliers of the press and publication industry.

<sup>28</sup> As the technologies had not been developed enough in 1994, the digital sector had been far from being relevant for the industry.

<sup>29</sup> A detailed account on the institutional conditions promoting the organisational transformation will follow in section 3 of this chapter.

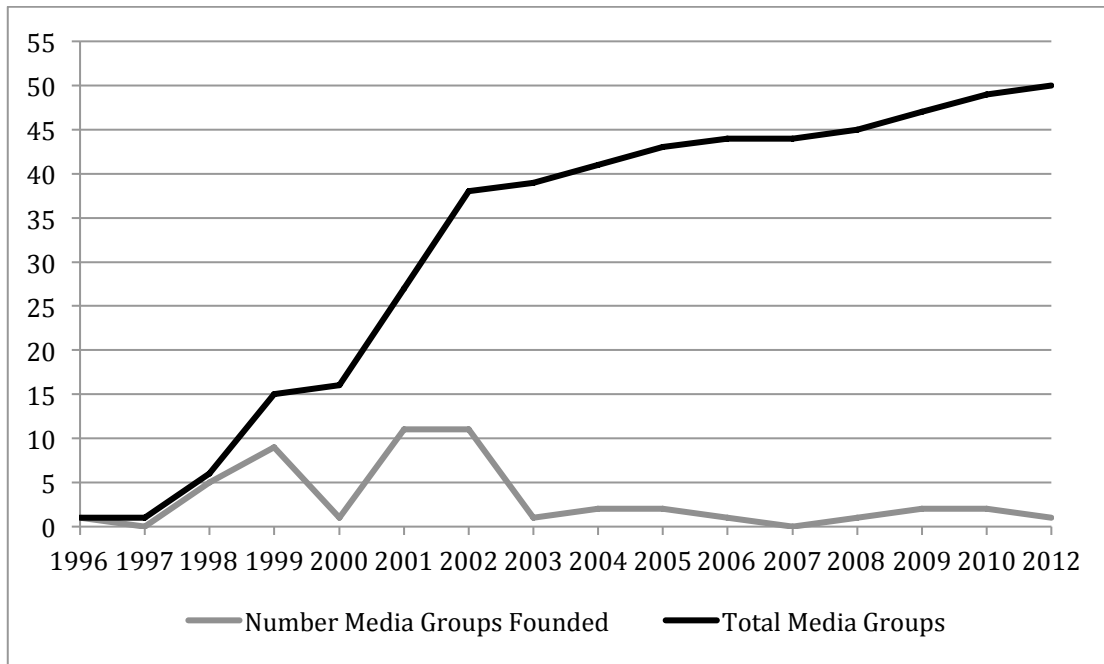


Figure IV-9: Number of Chinese Media Groups<sup>3031</sup>

Figure IV-9 depicts the emergence of media groups since 1996, when the first of its kind had been officially established. Within sixteen years (1996-2012), the number of media groups has reached a total of 50 units. After the successful establishment of the first media group in 1996, a sharp upward bend of the graphs can be detected in 1999, 2001 and 2002, with 9 new groups in 1999 and 11 new groups in both 2001 and 2002. Subsequently, from 2003 to 2012, on average 1.33 new groups were established each year. The chart illustrates the fundamental mechanism of the media reform in China. Innovations are only implemented on a wider scale, after the initial success of a testing unit. After the formation of the first successful “model group” in 1996, the first founding wave took place in 1998 and 1999. Two years later, succeeding the launch of the first 15 media groups, the second and largest wave was initiated; in both 2001 and 2002, 11 groups were founded. Following these two important years, the industry has seen another two minor waves in 2004/05 and 2009/10. It can be argued that so-called “frontrunners” of the industry pave the way for fellow entities that are only allowed to follow suit after a brief trial phase. From this perspective, the emergence of media groups is in line with the guiding principle of China’s general reform agenda: “*mozhe shitou guo he*” (摸着石头过河) or “crossing the river by feeling each stone”. In a convincing way the graph shows that the emergence of media groups had been a linear process, whereas new units were formed in regular, consecutive intervals. This observation suggests that the successful establishment of the early media groups formed the basis for the formation of new units.

<sup>30</sup> As already referred to above, the term “media groups” refers to groups of the print and publication industry, the term “press group” may also be used.

<sup>31</sup> Source: Own compilation, based on (Ceng, 2013, pp. 27-28)

Moreover, the foundation of media groups had primarily been initiated on the provincial level. While several central media organisations (e.g. People’s Daily, Guangming Daily and Jiefang Daily) have dominated the public sphere in the pre-reform era, the significance of regional media has been strengthened as a result of the restructuration. Accordingly, the organisational transformation has not only increased the relevance of individual entities, but also decentralised the press and publication industry as a whole. The table below provides evidence for this observation.

Province	Number of MGs	Date MGs Established	Gross Regional Product 2013 (100 million RMB)	GRP per Capita 2013 (RMB)	Population (10'000 people)	Political Status
Guangdong	4	1996, 1998	62.163,97	58.402,83	10.644,00	Regular Province
Shandong	4	1999, 2002, 2005	54.684,33	56.184,45	9.733,00	Regular Province
Zhejiang	3	1999, 2001, 2002	37.568,49	68.331,19	5.498,00	Regular Province
Heilongjiang	3	1999, 2002, 2009	14.382,93	37.504,38	3.835,00	Regular Province
Tianjin	2	2005	14.370,16	97.623,37	1.472,00	Municipality
Beijing	2	1999, 2001	19.500,56	92.201,23	2.115,00	Municipality
Shanghai	2	1998, 1999	21.602,12	89.449,77	2.415,00	Municipality
Liaoning	2	1999	27.077,65	61.680,30	4.390,00	Regular Province
Jilin	2	2001	12.981,46	47.188,15	2.751,00	Regular Province
Hubei	2	2001, 2003	24.668,49	42.539,21	5.799,00	Regular Province
Hebei	2	2001, 2010	28.301,41	38.594,59	7.333,00	Regular Province
Hunan	2	2001	24.501,67	36.618,85	6.691,00	Regular Province
Sichuan	2	1999, 2002	26.260,77	32.392,71	8.107,00	Regular Province
Anhui	2	2002, 2010	19.038,87	31.573,58	6.030,00	Regular Province
Guizhou	2	2004, 2008	8.006,79	22.863,48	3.502,00	Regular Province
Jiangsu	1	2002	59.161,75	74.520,41	7.939,00	Regular Province
Fujian	1	2002	21.759,64	57.656,70	3.774,00	Regular Province
Shaanxi	1	2012	16.045,21	42.628,08	3.764,00	Regular Province
Chongqing	1	2001	12.656,69	42.615,12	2.970,00	Municipality
Ningxia	1	2006	2.565,06	39.221,10	654,00	Autonomous Region
Hainan	1	2004	3.146,46	35.155,98	895,00	Regular Province
Shanxi	1	2002	12.602,24	34.716,91	3.630,00	Regular Province
Henan	1	2000	32.155,86	34.161,12	9.413,00	Regular Province
Guangxi	1	2009	14.378,00	30.468,32	4.719,00	Autonomous Region
Yunnan	1	2001	11.720,91	25.007,28	4.687,00	Regular Province
Gansu	1	2002	6.268,01	24.275,79	2.582,00	Regular Province
Inner Mongolia	0	-	16.832,38	67.383,43	2.498,00	Autonomous Region
Xinjiang	0	-	8.360,24	36.926,86	2.264,00	Autonomous Region
Qinghai	0	-	2.101,05	36.350,35	578,00	Regular Province
Jiangxi	0	-	14.338,50	31.708,31	4.522,00	Regular Province
Xizang (Tibet)	0	-	807,67	25.886,86	312,00	Autonomous Region
National	3	1998, 2001	n/a	n/a	135.516,00	Central Level

**Table IV-12: Geographical Distribution of Media Groups<sup>32</sup>**

Table IV-12 exhibits the geographical distribution of media groups, together with relevant provincial data for the year 2013. From the total of 50 media groups that have emerged until 2013, 47 units have been established by provincial governments, whereas only three are directly affiliated to the central government. Also, municipalities (province-level cities) and more populous provinces seem to provide more potential for media groups to develop. For instance, in Guangdong and Shandong, China’s most populous provinces, four competing media groups have emerged over the years. On the other side, no media groups have been established so far in the provinces of Xinjiang, Qinghai, Tibet, Inner Mongolia, and Jiangxi, all of which are either relatively poor (low GRP per capita), sparsely populated or under special political jurisdiction; particularly the autonomous regions of Xinjiang and Tibet are governed more rigidly, as they are regularly hit by social and ethnical unrest. In contrast, it is noticeable that in more affluent provinces and municipalities, with a high GRP per capita, at least two media groups have been established. Jiangsu, one of the wealthiest Chinese provinces, represents an exception with only one unit. However, this is largely due to the fact that Jiangsu is located in the

<sup>32</sup> Own compilation, source “Statistical Yearbook China 2014”

Yangtze river delta<sup>33</sup>, where a total of six units emerged until 2013. Overall, the table suggests that dominant actors in the media industry have primarily emerged in urban regions and relatively developed provinces, that feature a high GRP, a large population, and that are politically comparably unrestrained. Moreover, it becomes evident that media groups have emerged on the level of the different provinces, which implies a decentral process.

**2.1.2 Characteristics of the Field’s most Relevant Groups**

Having depicted the number and the geographical distribution, it is now essential to determine the most relevant media groups of the field. Based on the principal component analysis (PCA) method (主成分分析法), China’s “Press and Publication Industry Report” annually evaluates the four main economic indicators of the media groups and releases a corresponding index. The principal components of analysis include the groups’ total operational revenue, total assets, owner’s equity and total profits. In the table below, the indexes from 2011 to 2014 are assembled.

Media Groups Ranking				
Rank	2011	2012	2013	2014
1	Chengdu Media Group	Chengdu Media Group	Chengdu Media Group	Shanghai United Media Group
2	Guangzhou Daily Media Group	Guangzhou Daily Media Group	Zhejiang Daily Media Group	Chengdu Media Group
3	Jiefang Daily Media Group	Jiefang Daily Media Group	Shandong Dazhong Media Group	Zhejiang Daily Media Group
4	Beijing Daily Media Group	Beijing Daily Media Group	Guangzhou Daily Media Group	Shandong Dazhong Media Group
5	Shandong Dazhong Media Group	Wenhui-Xinmin United Press Group	Jiefang Daily Media Group	Guangzhou Daily Media Group
6	Wenhui-Xinmin United Press Group	Shandong Dazhong Media Group	Wenhui-Xinmin United Press Group	Henan Daily Press Group
7	Nanfang Media Group	Zhejiang Daily Media Group	Henan Daily Press Group	Hebei Daily Media Group
8	Hangzhou Daily Media Group	Nanfang Media Group	Nanfang Media Group	Nanfang Media Group
9	Shenzhen Media Group	Henan Daily Press Group	Hebei Daily Media Group	Chongqing Daily Media Group
10	Jiangsu Xinhua Daily Media Group	Hangzhou Daily Media Group	Sichuan Daily Media Group	Jiangsu Xinhua Daily Media Group

**Table IV-13: Ranking of Most Relevant Media Groups**

To identify the economically most relevant corporations, those media groups have been highlighted by a colour that had been ranked among the top ten for at least three consecutive years. The Chengdu Media Group, the Guangzhou Daily Media Group, the Shandong Dazhong Media Group, and the Nanfang Media Group have been among the top ten throughout the given period. Also, the Jiefang Daily Press Group and the Wenhui-Xinmin United Press Group, which have been merged to the Shanghai United Media Group, are among the top ten from 2011 to 2014. Both the Henan Daily Media Group and the Zhejiang Daily Media Group have been ranked among the top groups from 2012 to 2014. Consequently, the most important actors of the industry that merit a closer look are the highlighted seven organisations<sup>34</sup>. These actors will be closely examined in the section below.

<sup>33</sup> The Yangtze river delta is characterised by the close proximity of Jiangsu, Shanghai and Zhejiang provinces.  
<sup>34</sup> Jiefang Daily Press Group and Wenhui-Xinmin United Press Group are treated as one corporation (SUMG).

### a) **Guangzhou Daily Press Group**

Having been founded in 1996, the “Guangzhou Daily Press Group” (广州日报报业集团) is China’s first formal media group. The corporation is headquartered in the city of Guangzhou<sup>35</sup>, which is the capital of Guangdong province and China’s third most populous city after Shanghai and Beijing. With its long-standing tradition in the region, the press group produces some of south China’s foremost media products (Dayoo Net, 2003). Currently, the media group consists of 32 subsidiaries and owns 16 newspapers and magazines as well as 16 websites; the group’s main field of activity is the management of advertising and circulation, the publication of newspapers and magazines, printing and packaging, the publication of digital media, as well as online games and lottery (Guangdong Guangzhou Media Corporation, 2015c). Its core publication is the Guangzhou Daily Newspaper (广州日报), which has been founded in 1952, as the main communication organ of the communist party committee of the municipality of Guangzhou. Until the 1990s, the newspaper had been highly profitable with elevated levels of circulation. Two factors had contributed to the success of the paper; starting already in 1986, the daily paper broadened its news content and included new sections (entertainment, sports) to attract more readers and advertising income. Secondly, the newspaper started to operate its own distribution system to guarantee “just-in-time” delivery (before 7 o’clock in the morning). The internalisation allowed the corporation to improve its scaling and to become less dependent on external postal services. However, despite these proactive measures, the readership numbers dramatically dropped in the early 1990s and with it also the revenue from advertisements. In consequence, it had been decided by the municipal council of Guangzhou and the GAPP to authorise the establishment of a media group with several affiliated products under the lead of the widely respected Guangzhou Daily. The new organisational frame helped the newspaper to improve internal processes, to reduce production costs and, thus, to compete with its main competitors of the region<sup>36</sup>; the circulation of the newspaper increased from 368,000 copies in 1994 to over 1,000,000 in 1999 (Yue Wang, 2012). A second major innovation of the press group is the establishment of the online news provider “Dayoo Net” (大洋网)<sup>37</sup>. At the time of its launch in 1999, Dayoo Net was one of the country’s first online news websites. It had been designed to embrace and merge the different media products of the group into a single online platform (Dayoo Net, 2015). Nevertheless, the media group’s digital development is still relatively feeble, in 2013 over 94% of the revenues were deriving from the so-called traditional media (print media, including printing business). Also, it has been found that the digital media products are largely based on their print counterparts (F. Wu & Luo, 2015, p. 11).

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<sup>35</sup> The city of Guangzhou (广州) is also known as “Canton”.

<sup>36</sup> The main competitor at that time had been the “Yang Cheng Evening Newspaper” (羊城晚报).

<sup>37</sup> “Dayoo” is the Cantonese form of “Dayang” (大洋).

In 2010, the Guangzhou Daily Press Group initiated a major restructuring of its operating assets to prepare a stock market launch. Since 2012, the group's subsidiary "Guangdong Guangzhou Daily Media Corporation Ltd." (广东广州日报传媒股份有限公司)<sup>38</sup> is listed on the Shenzhen stock exchange under the name „Canton Media" (粤传媒) (Guangdong Guangzhou Media Corporation, 2015a; F. Wu & Luo, 2015, p. 11). However, even though its assets had been restructured, the group's main production unit (the Guangzhou Daily Newspaper) still represent its core entity, which provides know-how and resources for all other subsidiaries (Guangdong Guangzhou Media Corporation, 2015c). This dominance is also reflected in the governance structure of the group; all members of the supervisory board and over 60% of the members of the management board had been in leading positions at the Guangzhou Daily (Guangdong Guangzhou Media Corporation, 2015b). The Guangzhou Daily Press Group has been established as China's first contemporary media group. With the introduction of new digital products in the late 1990s and with its decision to get listed on the Shenzhen stock exchange, it positioned itself as a leading media group of the country. However, the group's structure remained largely dominated by its core production unit, the Guangzhou Daily Newspaper.

## **b) Nanfang Media Group**

The "Southern Daily Newspaper" (南方日报) is the core publication from which the "Nanfang Media Group" (南方报业传媒集团) evolved. Shortly after the establishment of the People's Republic in 1949, the newspaper had been founded as the official mouthpiece of the party committee of Guangdong province. Over the years, it became an essential newspaper of reference in South China with high political and economic authority (Sun, 2007). Under the auspices of the Southern Daily Newspaper, the "Nanfang Daily Press Group" (南方日报报业集团) was founded in 1998, following the model of the Guangzhou Daily Press Group. The group owns more than 20 media brands; 12 newspapers, among them the "Southern Daily Newspaper", the Hong Kong-style tabloid "Southern Metropolis Daily" (南方都市报) and the renowned "Southern Weekly" (南方周末); 10 magazines, such as "City Pictorial" (城市画报) or "China Fortune" (中国财富); 6 news websites, the "Nanfang Daily Press Corporation" (a printing business) and several mobile applications (Nanfang Media Group, 2015a). In his case study of the Nanfang Media Group, N. Liu (2005) determined the main media products of the group, which are depicted in the chart below:

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<sup>38</sup> Note: Guangdong province and the city of Guangzhou (provincial capital) are spelled similarly. In English, both the province and the capital are simply referred to as „Canton“.

Main Newspapers	Brand Positioning	Reader Orientation	Market Scope	Economic Indicators
Southern Daily	Influential publication that should impact decisions of leaders	Leaders: policy-makers, managers, investors, entrepreneurs and researchers	Guangdong Province	Circulation: above 70'000 copies; Advertisement Revenue: above RMB 100 mio.
Southern Metropolitan	Be "China's best newspaper" [popular tabloid]	Urban middle class	Cities of Guangdong and suburban areas	Circulation: above 1 mio. copies; Advertisement Revenue: around RMB 600 mio.
Southern Weekly	Providing "in-depth" reports and background analyses	Intellectuals	National Publication	Circulation: around 1 mio. copies; Advertisement Revenue: above RMB 100 mio.
21st Century Business Herald	"News Value Creation" [Focus on business and financial news]	High-ranking officials, managers, policy-makers and specialists of public institutions	National Publication	Circulation: above 40'000 copies; Advertisement Revenue: above RMB 100 mio.
Southern Rural Paper	"Serving the rural economy and upholding the interest of village people"	Rural communities	Rural Areas Of Guangdong	n/a
City Pictorial	"Protagonist of the New Life" [Lifestyle Magazine]	Urban middle class, with middle to high education	National Publication	n/a
Nanfang Sports	"Different from the Others"	Focus on sports readers with high education, high income and good employment	National Publication	n/a

**Table IV-14: Core Products of the Nanfang Media Group<sup>39</sup>**

In addition to the two long-standing quality newspapers (Southern Daily and Southern Weekly), the tabloid Southern Metropolitan Daily, with its strong orientation towards the new urban middle class, was founded in 1997, and the “21<sup>st</sup> Century Business Herald”, with its focus on business and financial news, in 2001. Moreover, the group launched its first digital media in 1999 (Nanfang Media Group, 2015a, 2015b). Between 1998 and 2005 the Group set up several new products and, thereby, expanded its market scope. As a consequence, the Group undertook some strategic amendments and changed its name from "Nanfang Daily Press Group” to “Nanfang Media Group” (Sun, 2007). It had been the aim to strengthen the organisational identity and to better integrate the newly created media products. Among the most significant amendments had been a strong positioning of the group’s products as unique brands. Under the umbrella of the core unit (Southern Daily), a distinctive orientation had been developed for each product. As a result, three “newspaper chains (报系)” were established; The Southern Metropolis Daily, the Southern Weekly and the 21<sup>st</sup> Century Business Herald have become newspaper chains with their own subordinated products, mainly niche publications that are affiliated to their corresponding core brand (She & Duan, 2008, pp. 64-66). For instance, the Southern Weekly also produces a people’s magazine (南方人物周刊) and the 21<sup>st</sup> Century Business Herald produces the “21<sup>st</sup> Century Business Review” (21 世纪商业评论). Moreover, in the 1990s, the corporation invested in business activities that were unrelated or only remotely related. This led to considerable financial losses, as the corporation had been inexperienced in the respective fields. Consequently, the expansion strategy of the Nanfang Media Group of the

<sup>39</sup> In accordance with Liu (2005)



2000s had been adapted to a “limited diversification”. The group improved its printing capabilities and set up digital media products as well as a publishing house, which produces publications that are related to the group’s main business (N. Liu, 2005, p. 25).

Although the Nanfang Media Group is not China’s most significant media group in terms of market scope, revenue or profits, it is an important actor of the industry as it has put emphasis on the individual development of its subordinated media products. In this way, it could open up to new markets and customer segments, especially in urban areas. Nevertheless, despite the strong media brands and newspaper chains, the core publication which is affiliated to the party committee of the province has remained the most influential unit of the group, which manages and coordinates all subunits (N. Liu, 2005, p. 24).

### **c) Shandong Dazhong Press Group**

Established in 2000, the “Shandong Dazhong Press Group” (山东大众报业集团) is headquartered in Jilin, the capital of the coastal province of Shandong. The group’s flagship publication, the “Dazhong Daily”<sup>40</sup>, had been founded in 1939 and belongs to China’s oldest continuously published party papers. The group operates 18 newspapers, of which the Dazhong Daily, the “Qilu Evening Newspaper” (齐鲁晚报) and the “Peninsula City Newspaper” (半岛都市报) are the most influential. Furthermore, the Group owns five magazines, the province’s major online news portal (Dazhong Net), the Dazhong Audio-visual Publishing House as well as several other digital media products, such as mobile applications. In addition to its core business, the group is also the main shareholder of the local television station, the “Shandong Radio, Television and Internet Group” (Shandong Dazhong Media Group, 2015b).

According to an analysis conducted by the GAPP, among the main reasons behind the success of Dazhong, is its strict focus on the core business as well as its prudent and consequent expansion; the group had put all its effort in the development of its core products, the Dazhong Daily, the Qilu Evening News and the Peninsula City News. The principal aim had been to increase the brand value and market power of the three subsidiaries. Simultaneously, in the course of its expansion strategy, the group acquired the major regional and municipal newspapers of the province, including the “Qingdao Morning Post” (青岛早报), the “Huang Sanjiao Morning Post” (黄三角早报) and the “Mudan Evening Newspaper” (牡丹晚报). For a better coordination of the newly acquired regional publications, the group established a new organisational unit, the “Qilu Media Group” (齐鲁传媒集团). In spite of its name (media group), the Qilu Media Group had been established as a subordinated unit of the Dazhong Group to coordinate the acquired regional publications. In addition to the group’s

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<sup>40</sup> „Dazhong“ (大众) literally means „crowd“ or „mass“ and simply refers to the „people“.

regional expansion in the print market, it also extended its product range. To move from a mere newspaper production unit to a more comprehensive media group, Dazhong expanded into the field of online television broadcasting along its introduction of various digital products (GAPP Research Group, 2015, p. 8).

In its endeavour to operate its business without subsidies from the local government, the group has made various attempts to get access to other sources of capital. In 2011, the group adapted the capital structure of its affiliate Peninsula City Newspaper and officially re-established it as a joint-stock corporation under the name “Peninsula Media Corporation”<sup>41</sup>. At the time of its formation, the total assets amounted to RMB 300 million, while 82.5% of the shares were issued to the Dazhong Group and 17.5% of the total shares were issued to the investment corporation “Beijing International Trust Co. Ltd.” (H. Yang, 2011). Furthermore, to financially support its digital transformation, the group established the “Shandong Culture Industry Investment Co. Ltd. (SCIIC)” as a joint venture, together with the “Shandong State Asset Investment Holding Co. Ltd.”. The investment company was founded in 2012, with a total registered capital of RMB 1.58 billion. (SCIIC, 2015).

Currently, the Dazhong Group operates in eight different fields: print publications, digital media, printing, distribution business (delivery services), real estate, culture projects (such as creative parks), financial investments and online television. Even though it expanded its business field since its establishment in 2000, the production of newspapers has remained the operational core of the group (GAPP Research Group, 2015, p. 9).

At large, the Shandong Dazhong Media Group is not only among the country’s economically strongest media groups, but also an example of a powerful provincial news group. Having no nationally relevant media product in its portfolio, the group has fully concentrated its business development on increasing its market share in Shandong province. With its related diversification strategy, the group effectively used its know-how and resources to implement its goals and, thereby, ensured steady growth rates. However, from the group’s perspective, the core unit, the Dazhong Daily, still is the ideological and administrative beacon of the organisation (Shandong Dazhong Media Group, 2015a).

#### **d) Henan Daily Press Group**

The “Henan Daily Press Group” (河南日报报业集团) had been founded in Zhengzhou, the capital of Henan province, in 1999. The group defines itself as a “comprehensive culture and media group, with the Henan Daily Newspaper as its core”. It currently owns 10 daily newspapers, including the “Henan Daily Newspaper” (河南日报) and the “Henan Business Daily” (河南商报), 2 periodicals,

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<sup>41</sup> The full name of the corporation is “Shandong Dazhong Media Group’s Peninsula Media Corporation Ltd.” (山东大众报业集团半岛传媒股份有限公司).

such as the monthly magazine “Journalism Lover” (新闻爱好者), 3 news websites, of which “Dahe.cn” (大河网) is a major news website in Henan province, as well as 21 other subordinated corporations (HNRB, 2015).

In 2003, when Li Keqiang<sup>42</sup> had been party secretary of Henan province, the Henan Daily Press Group had been selected by the central government in Beijing as an “experimental unit” for the reforms of the “culture system” (GAPP, 2012). The basic idea of this reform undertaking had been to promote the diversification of media groups, while emphasising the dominant position of the flagship newspaper. Internally the reforms were known under the code “3368”; three media types, print, online, and mobile media; three online service platforms, newspaper distribution, books and periodical distribution, as well as hospitality management services; six supporting businesses, newspaper industry consulting, new media, delivery services for books and other goods, printing services, hotel tourism, and real estate; and finally the target to reach an annual revenue level of over RMB 100 million within eight years. As a result, the group operates several hotels in Henan province and two real estate companies that manage properties with a total area of more than 400’000 square meters (Dong, 2012, pp. 44-45; W. Yu, 2013, p. 38). Furthermore, it is intended that the group should acquire the party newspapers of the smaller constituencies and municipalities of the province (W. Yu, 2013, p. 40). The GAPP praised the reform efforts undertaken by the media group as part of the “3368” programme. It declared that the group fulfilled the party requirements and, moreover, “satisfied the leaders [policy makers], made the audience happy, implemented market acceptance and attracted admirers of the media sector”(GAPP, 2012).

A very important milestone in the group’s development had been the establishment of the “Dahe Media Investment Corporation” (DMIC) in 2008. The core purpose of the corporation is the management and coordination of the group’s assets. According to the director of the investment corporation, the increasingly diversified capital structure of the group made it inevitable to entrust a subordinated unit, that has the required capability and know-how, with the overall asset management. It is expected that with this measure, the different resources of the group and its subsidiaries can be more efficiently coordinated and utilised (Jin, 2015).

Mr Wang Desheng, professor at the Institute of Media and Communications at Henan University, has defined 5 elements that explain the economic success of the media group’s development. (1) The media group has devised a clear development plan that includes three steps; firstly, to reach the target of forming a solid media group under the use of existing resources; in a subsequent step the group used its strong position in the (local) media sector to identify and pursue new growth opportunities; lastly, the group expanded into new, related and unrelated, fields, such as real estate or the printing business. (2) Confronted with the rise of new technologies and an increasing economic pressure, the group revised its editorial stance to become more attractive for readers. In the

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<sup>42</sup> Li Keqiang (李克强) is the current (2016) prime minister of the People’s Republic of China.

course of reducing propagandist articles, the group encouraged publishing so-called “background stories”. (3) The group revised the capital structure of some of its subsidiaries to attract external capital and to facilitate investments. Consequently some subordinated units were reframed as “corporations”. The Henan Business Paper (河南商报), for instance, established the “Henan Business Paper Development Corporation” (河南商报发展有限责任公司)<sup>43</sup>. The group also diversified its capital structure as part of the “3368 plan”. (4) Along its expansion into new fields, the group refined its products; a clear target audience had been defined for every product. While the Henan Daily deepened its political orientation, the Dahe Daily increased its orientation towards the increasing urban middle class by developing more popular news sections, such as an information technology section or a travel section. (5) The active promotion of new media products became a core task of the group. As the field of new media is still in a “transitional stage” and profitable business models are still immature, the group has noticed the opportunity to get actively involved in the development of innovative media products and platforms (D. Wang, 2008, pp. 97-98). According to the GAPP, the group’s development path serves for its transformation towards a comprehensive media and culture group (GAPP, 2012).

The group has been successful in consolidating its resources and expanding into new markets and new fields by launching innovative products. Even though the national relevance of the group’s publications is limited and in terms of assets, its absolute numbers are lagging behind other media groups, its efforts to implement the reform programme “3368” represent an example of how to adapt a traditional media organisation to the dynamic forces of a changing environment.

#### **e) Zhejiang Daily Press Group**

Established in 2000, the “Zhejiang Daily Press Group” (浙江日报报业集团 - ZDPG) is headquartered in Hangzhou, the capital of Zhejiang Province. Its flagship publication, the “Zhejiang Daily” (浙江日报) had been founded in 1949, as the official party organ of the province. Currently, the group operates 38 print media products and more than 200 digital media products, such as websites, mobile applications, blogs and Weixin accounts (Zhejiang Daily Press Group, 2015a). Concerning the group’s composition, Chen Miner, chairman of the ZDPG in 2001 expressed, that the group basically consists of “a main body” and “two wings”; with the Zhejiang Daily being the corpus and the two urban newspapers “Qianjiang Evening News” (钱江晚报) and “Today’s Morning Post” (今天早报) being the group’s wings. By using this metaphor he highlights the fact that the two “wing publications” are the commercial pillars of the group that attract readers and yield a substantial share of the group’s revenue, while the Zhejiang Daily represents the main political publication. Furthermore, he argued that the development of “new media” will be the main source of growth in the future (Chen, 2001, pp.

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<sup>43</sup> Despite their revised capital structure, the corporations were not organised as independent units.

2-3). Moreover, the group's subsidiaries include the "Zhejiang Media Co. Ltd." (浙江传媒集团股份有限公司), a corporation that is in charge of the business management of the group's media units, as well as other subordinated corporations that are involved in unrelated fields, such as real estate, asset management, distribution business and the information technology sector (Zhejiang Daily Press Group, 2015b). In 2011, the ZDPG announced the initial public offering of "The Zhejiang Media Co. Ltd.", which became China's first subordinated media corporation listed on the national stock exchange in Shanghai (Zhejiang Daily Press Group, 2015a).

Furthermore, the central government names the group a "national example unit for the digital transformation"(Zhejiang Daily Press Group, 2015a). The group has developed new media products with different characteristics; products under the lead of the party paper, products related to commercial publications (i.e. Qianjiang Evening News), and online products for its related subsidiaries. As new media have been identified as substantial source of income in the future, the group actively supports its subsidiaries in developing new technologies and provides them with resources and know-how of the print media (D. Zhang, 2015, pp. 14-15). The ZDPG officially stated that it is its objective "to become a new-type media group that possesses shaping capabilities, propagating strength, credibility, and influencing power, that strives to enhance the reforms and innovation, that accelerates the integration development, and that effortlessly moves forward, to become a leader of the field" (Zhejiang Daily Press Group, 2015a).

In sum, the ZDPG is an exceedingly successful media group that has ensured high growth rates by systematically developing its capabilities in terms of information technology and by expanding its operation into new industries.

#### **f) Chengdu Media Group**

In 2002, the "Chengdu Press Group" (成都报业集团) had been established in Sichuan province. Following a merger with the local radio and television station in 2006, the press group had been reorganised under the name "Chengdu Media Group" (成都传媒集团) (Chengdu Daily, 2006). The media group currently runs 6 newspapers, among them are the "Chengdu Daily" (成都日报), the "Chengdu Business News" (成都商报) and the "Chengdu Evening News" (成都晚报), as well as 6 periodicals, such as the monthly magazine "Pioneer" and the English magazine "Hello Chengdu". Also subordinated to the group is the publishing house "Chengdu Shidai Publishing Ltd.", the largest online news portal of Sichuan province (成都全搜索新闻网), a public transport media corporation (公交传媒), which broadcasts information and advertising on buses or the Chengdu underground, and the "Chengdu Borui Broadcasting Ltd." (成都博瑞传播股份有限公司), which is responsible for printing services, the group's advertisement and circulation, but also for new media games, short movies, and art investments. Moreover, Chengdu Borui operates hotels, provides education and

training services, and manages cultural and creative parks as well as cultural properties. It is the group's priority to further promote the development of new media products (Chengdu Media Group, 2015). According to its development conception, the group aims to extend its influence by consolidating its capabilities in the traditional media sector, by improving the internal coordination, by developing competitive products and by expanding into new markets and regions (Chengdu Media Group, 2011).

In this way, the development path of the media group is characterised by its concentrated efforts to promote a convergence of different media production units. In principle, the efforts are directed at exchanging, sharing and recycling content and resources among different media formats; resources and capabilities are shared for a better exploitation. According to a resolution by the group, the linkage of different media units should be strengthened; media units that produce offerings for a similar segment and with a similar alignment should collaborate more closely to achieve an intensified use of resources and more efficient production processes (Chengdu Media Group, 2009). In 2007, the group selected the subordinated Chengdu Business News as an experimental unit for an improved collaboration among different media production units. The business daily adopted the responsibility for the group's entire production of news related to business and economic issues. In this role, the Chengdu Business News coordinated and allocated the know-how, resources and content among the different units that are involved in the production of business-related media products (Hou, 2009, p. 37; H. Wu, 2011, pp. 171-172). The group not only promoted closer collaboration, but also modified the internal structures and management functions to encourage the exploitation of operational synergies, rather than intensifying internal competition (Hou, 2009, pp. 37-39). It is supposed that the Chengdu Media Group had been successful in fostering tighter linkage between media units, as it adapted the organisational setup and governance structures in a way that has facilitated mutual collaboration (H. Wu, 2011, p. 172).

So, with an improved coordination of resources and adapted structures, the interaction between the different subordinated production units has been substantially enhanced, which contributed to the group's overall development.

#### **g) Shanghai United Media Group**

The Shanghai United Media Group (SUMG), which had been established on October 28 2013, is a multimedia group that is headquartered in the city of Shanghai. With the merger of two of China's foremost press groups, the "Wenhui-Xinmin United Press Group" and "Jiefang Daily Press Group", the SUMG has emerged as the country's largest and economically most powerful media group (Blue Book of Shanghai, 2014, p. 22).

Prior to the merger, the two constitutive press groups had already been powerful actors of the Chinese media field. The Wenhui-Xinmin United Press Group (文汇新民联合报业集团) had been

founded on July 7 1998, as a consolidation of the previously separated “Wenhui Newspaper” (文汇报) and “Xinmin Evening News” (新民晚报); two influential newspapers with a long-standing tradition (Hu, 2005). After the foundation of the “Wenhui Newspaper” in 1938, it had been shut down during the civil war in the 1940s by the nationalist government. Its editors left the country until the re-launch of the paper by the CPC in the 1950s. Second only to the central newspaper “People’s Daily”, the Wenhui Daily had been the preferred Chinese language newspaper of UN officials. Moreover, the “Xinmin Evening News” had been founded in 1929. It was closed down at the beginning of the Cultural Revolution<sup>44</sup> and resumed its operation only in 1982, after the proclamation of the Opening Up Policy (Wan, 1998). It has ever since been an important commercial newspaper with a high-level circulation. At the time when the two publications had been merged, the Wenhui-Xinmin United Press Group disposed of total assets of around RMB 1.76 billion, more than 1800 employees and a circulation of more than 2.5 million copies (Office for Local Records of the City of Shanghai, 2000). Whereas most media groups were formed under the lead of one core media unit (e.g. Southern Daily, Guangzhou Daily), the consolidation of two major newspaper was regarded as a significant development (Wan, 1998). Although both papers maintained separate editorial offices, the administration department, the party work department as well as the business management office were centralised on the group level (Office for Local Records of the City of Shanghai, 2000). While the Wenhui Daily is regarded as a national-level intellectual newspaper and the Xinmin Evening Newspaper used the opportunities of the marketization policy by providing “softer” and “shorter” stories that attract readers from diverse social spheres, both papers were obliged to fulfil the “party missions”, as they represented the core units of the press group. As a more peripheral media product that was allowed to adopt a relatively flexible stance and appeal to the growing number of well educated professionals and “white collars”, the “Oriental Morning Post” (东方早报) had been founded by the press group in 2003 (Lee et al., 2007, pp. 28-30). Nowadays, the Oriental Morning Post has established itself as a successful daily newspaper with a strong market orientation. It has been reported that the publication had hired staff to discover “grey areas” in the party regulations that could be exploited to make products more attractive (2007, p. 37). The Xinmin-Wenhui United Press Group followed a distinct development path that emphasised economic cooperation rather than editorial coordination. It has been argued that the merger represented a “new experiment” that increased the competitiveness of the media industry, but required “a long period of painstaking practice” (Wan, 1998).

Furthermore, the Jiefang Daily (解放日报), also known as Liberation Daily, can be regarded as one of China’s most prestigious national newspapers. The origins of the paper date back to the “Yan’an Rectification Campaign” (starting in 1942), a period that was marked by elaborate theoretical

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<sup>44</sup> The Great Proletarian Cultural Revolution (无产阶级文化大革命) lasted from 1966-1976 and was aimed at re-enforcing the “genuine communist ideology”.

debates and ideological alignment efforts (Spence, 1991, pp. 472-473). The publication played a decisive role during the struggle for power within the Communist Party from 1941 to 1947. Mao Zedong used the newspaper to suppress his political opponents and gain ideological control; the paper served as an important instrument to secure Mao's power position (Stranahan, 1990). In its role as one of the foremost party-organs of Shanghai, Jiefang Daily received preferential treatment in the form of institutionalised subscriptions and other financial funding (Lee et al., 2007, p. 29).

In 2013, the Wenhui-Xinmin United Press Group and the Jiefang Daily Press Group were merged into the SUMG. Following its formation, the newly built media group was faced with three major challenges: (1) overcoming the deficits of the declining print media, by adapting its products to the changing environment of the digital age; (2) mobilising new resources, including human resources, financial resources and technology for the digital transformation; (3) overcoming the difficulties of the restructuring process, especially the division between communication (propaganda) and business functions (Blue Book of Shanghai, 2014, pp. 25-26).

As outlined in the above sections, the most influential media groups, with their unique characteristics and regional peculiarities, have found differing development paths in reaction to the ambiguity and uncertainty posed by the media environment in China. In their endeavour to optimise processes and increase their innovation capabilities, they have considerably contributed to the development of the Chinese media field.

## **2.2 State Actors: The Communist Party as the Paramount Actor of the Media Field**

Since China is a single-party state, there is no clear-cut division between state organs (e.g. state council, national people's congress) and party organs (e.g. politburo, central committee); in fact, the arrangements are to a large extent overlapping (Heilmann, 2004, pp. 90-92). This means that state agencies are exclusively lead by party officials. For the media field this is no different, the relevant state actors fully depend on the party.

By and large, the dominant position of the CPC remains uncontested in the institutional environment of contemporary China (Witt, 2014). The first paragraph of the book "Quotations from Chairman Mao Zedong", an important work of reference, reads: "*The core power that leads our cause is the Communist Party of China*"<sup>45</sup>(Mao, 1966, p. 1). In the constitution of the CPC, the party's leadership claim is further accentuated:

*"Acting on the principle that the Party commands the overall situation and coordinates the efforts of all quarters, the Party shall play the role as the core of leadership among all other organizations at the corresponding levels. It must concentrate on leading economic*

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<sup>45</sup> Original phrase in Chinese: 领导我们事业的核心力量是中国共产党.



*development, and organize and coordinate all forces in a concerted effort to focus on economic development.*” (CPC, 2002, pp. 30-31)

Although the leadership of the CPC primarily concerns political and ideological aspects, its influence also affects economic units. In this regard, the notion “*concerted effort*” mirrors the role of the party in a very accurate way; the CPC can be understood as an actor that orchestrates the differing interests of economic agents and organisations in an ideologically favourable manner. This implies that the CPC exerts indirect control through coordination of organisations in their environmental context.

While the CPC’s influence on the national economy remains “pervasive” (Witt, 2014), the party does not act as a “unitary actor” (Witt, 2010). In spite of its paramount leadership, the CPC pursues differing interests. Barry Naughton has found that: “To the extent that China has a control-based system, the control is fragmented among state-owned industrial holding companies, SASAC [State-owned Assets Supervision and Administration Commission] at various levels, and government and Communist Party bodies. These agencies do not share consistent interests in firm performance or managerial incentives” (Naughton, 2007, pp. 320-321). He further argues that since the managerial oversight of the party is relatively weak, “Chinese state firm managers have achieved an extraordinary degree of independence” (Naughton, 2007, p. 321).

With regard to the Chinese media field, the principal state actors are the GAPP (General Administration of Press and Publication of the People’s Republic of China) and the SCIO (State Council Information Office of the People’s Republic of China)<sup>46</sup>, while the Central Publicity Department of the CPC (also known as the party’s Propaganda Department) is the highest supervisory organ with regard to content censorship (Fischer, 2014, p. 471). According to the first and second article of its constitution, the GAPP is responsible for:

*(1) “[...] drafting general and specific policies for the press, publication, radio, film and television dissemination, grasping the righteous public opinion leadership and creative leadership.” (2) “[...] drafting laws and regulations on the management of the press, publication, radio, film and television and copyright, formulating divisional regulations, policies and industry standards. Also [it is responsible] for the organisational implementation as well as for supervision and inspection.”* (GAPP, 2013)

So, the articles define the core tasks and duties of the GAPP. While it has the responsibility for devising general development policies for the industry, the GAPP is also involved in the planning, formulation, implementation and inspection of specific policies and regulations. Since it conceals regulations on different administration levels and, thereby, sets the general development path, the

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<sup>46</sup> The official Chinese appellation for the GAPP is “中华人民共和国新闻出版广电总局” and for the SCIO is “中华人民共和国国务院新闻办公室”

department is of outmost importance for the industry. Moreover, the GAPP is in charge of the overall supervision of media in China. As expressed by the term “righteous public opinion leadership”, the ideological formation of the media industry is a principal supervisory task of the administration. The GAPP is the main state agency that is responsible for the regulative arrangement of the media industry, while at the same time it holds the authority of censoring ideologically inappropriate media content (Y. Zhao, 2008, pp. 26-27). In march 2013, the “State Administration of Press, Publication, Radio, Film and Television of the People’s Republic of China” (中华人民共和国国家新闻出版广电总局 – SARFT ) had been formed as a consolidation of the previously separate “Administration of Press and Publication” (新闻出版总署 – GAPP) and the “Administration of Radio Film and Television” (广电总局) (Central Government PRC, 2013a). The aim of the revised organisational setup is an improved ability in “providing the industry with securing and supporting policies, resources and human capital” (Blue Book of Shanghai, 2014, p. 2). The creation of a unified state administration (SARFT) that is responsible for the development of all media sectors, is not only supposed to facilitate resource allocation mechanisms, but also accounts for the emergence of multi-media groups that operate across different sectors.

The SCIO had been formally established in 1991 as the general news office under the direct lead of the state council (Chinese government). The duties of the news office are limited to the coordination of tasks related to the production of news content:

*“The core responsibilities of the SCIO entails encouraging national media to explain China to [the rest of] the world. This includes presenting China’s general and specific national and international policies, the socio-economic development state, Chinese history, as well as the development state of Chinese technology, education and culture.”* (SCIO, 2015)

In contrast to the GAPP, the SCIO is not involved in determining the regulative frame of the media industry. It is primarily responsible for promoting “favourable” news coverage as well as sanctioning adverse reporting. Given its characteristics, the news office is only of limited relevance for organisational aspects, despite being one of the principal state actors in the Chinese media field.

Along the state agencies on the central level, the provincial and municipal governments are relevant actors with regard to the implementation of policies. As seen above, the establishment of media groups is a process that has been taking place on the provincial level, with local governments as key actors. Although the central government’s authority is superior and its political standards are binding for all subordinate units, local administrative entities have gained some decision-taking competence, in particular with regard to economic and social policies. However, authority of provinces differs largely; affluent coastal provinces are more independent, while the so-called autonomous regions enjoy the least autonomy (Heilmann, 2004, pp. 102-105). In line with the argument of Witt (2010) that the party does not act as a “unitary actor”, the governments on the provincial level also have their specific interests and fully utilise the development scope provided by

the central government in Beijing (Heilmann, 2004, pp. 106-108). Owing to the case selection, the municipal government of Shanghai is of particular relevance. The Shanghai Municipal News and Publication Administration<sup>47</sup>, which is directly subordinated to the municipal government, is mainly responsible for the enforcement and realisation of policies and regulations, as well as for the organisational implementation of policies and laws (Municipal Government of Shanghai, 2008). Accordingly, the party committee of the municipal government of Shanghai has approved the formation of the SUMG as a merger of two leading press groups on 28<sup>th</sup> October 2013 (Blue Book of Shanghai, 2014). In fact, provincial and municipal governments have a strong interest that their local industries thrive; policies devised by the central administration are implemented in a way that they correspond to local interests.

Moreover, public statements, keynote speeches or annotations by senior leaders of the CPC are informal regulations that have a binding character for the media industry (Fischer, 2014, p. 469). So, to a certain extent, leaders like the general party secretary Xi Jinping are relevant actors that directly influence the field without being formally affiliated to it. Public speeches and resolutions by senior party leaders are, therefore, relevant for media entities, as will be further explored below (section 3, “institutional arrangements”).

State actors of the media field are manifold and have differing interests. On the national level, the SARFT (since 2013, before GAPP) is the main agency that sets the general development direction and enacts regulative provisions for the industry. Additionally, leading cadres of the party that establish the general political direction exert considerable influence on the field. On the other hand, the governmental entities on the provincial level are primarily interested in the economic development of their respective industries, while acknowledging the general regulations issued by central decision-takers. Overall, the CPC, with its fragmented interests, represents the overarching structure, to which all state agencies are more or less directly dependent.

### **2.3 Institutional Life: The Interrelation among Field Actors**

The main constituents of the Chinese media field are powerful service units (media groups) and governmental agencies. Officially, the SARFT (since 2013, before GAPP) and the SCIO represent the central regulatory players that are entrusted with the coordination and oversight of the field. On the other hand, provincial and municipal governments with their respective agencies are relatively influential in shaping local media fields. Additionally, high-ranking policy makers on the central level exert considerable influence on the field through formal and informal resolutions. Although unified by the general structure of the CPC, to some extent these governmental agencies pursue divergent interests.

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<sup>47</sup> Chinese appellation: “上海市新闻出版局”

Moreover, with the increasing industrialisation of the field, media groups, as economically powerful production units, have an increasing relevance in shaping the field. Certainly, the formal authority of the CPC in planning, formulating and implementing development plans for the field is far-reaching and incontestable. However, media groups have an elevated responsibility in the reproduction of practices and interpretation of regulatory provisions. Different media groups have devised and implemented customised organisational responses to the ever-changing field structure. As already alluded to above, some media groups have even been designated as experimental units that test certain reform measures. In connection to this, Cao (2004) argues:

*“According to the laws and regulations on the social, political and economic development of China, all experimental units have to represent the direction [of the state]. However, provided that the experimental units are successful [in engineering a divergent development path], they may expand their scope [of experimentation]”*<sup>48</sup> (2004, p. 3).

In other words, media groups that successfully uncover viable development tracks are provided with corresponding political backing. This shows that although the regulatory actors have the authority to overrule decisions of individual entities, media groups dispose of limited decision-making power. Accordingly, it can be reasoned that despite the apparent hierarchy between regulatory agencies and media groups, the relationship is partially characterised by mutual dependence.

The relation among field constituents is, furthermore, conditioned by field technologies, practices and regulations (Leblebici et al., 1991). New technologies expand existing capabilities of field actors in a way that their potential is augmented (1991, p. 338). The main dynamic that shapes and alters the capabilities of Chinese media actors is the advent of the Internet and the associated digitalisation. As discovered in section 2.1.2 of this chapter, media groups have revised their organisational setup and extended their offerings to cope with divergent field conditions. The digitalisation of the media not only bears risks, but also provides new opportunities to enhance economic capabilities as discussed above. As such, the emergence of actors with adapted capabilities is likely to affect the constitution of their interrelations.

Moreover, in the case of the Chinese media field, practices and regulations are closely intertwined (Giddens, 1984; Leblebici et al., 1991); formal and informal regulations define practices, while practices also impact regulations. In principle, media units possess limited administrative and strategic authority, are restricted in their profit orientation and are confined to the production of specific products (e.g. newspapers, or magazines) (Chuan, 2013; Shao & Chen, 2005; L. Yang & Huang, 2005). However, although the regulations issued by the CPC are uncontested, there is a certain degree of responsiveness to organisational actors. Stockmann (2013) has supposed that the media system in China basically works according to the principles of “responsive authoritarianism”

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<sup>48</sup> Translated from the Chinese phrase: 按照中国社会政治经济发展规律, 凡是试点都代表着方向, 而试点成功之宾, 就会扩大推广.

(Stockmann, 2013); regulative agencies set legal frames, while media organisations provide policy makers with feedbacks that derive from their respective field practices. In fact, the practices of media organisations largely contribute to the elaboration of formal and informal regulations (Chuan, 2013; Shao & Chen, 2005).

On the basis of the above discussion, it can be reasoned that the “homogenous media field” of the pre-reform era (Sukosd & Wang, 2013, pp. 4-8) is gradually transforming into an increasingly fragmented organisational field that is characterised by different actors and their interactions. The rules that regulate how the actors of the field relate to each other are partially enacted by the CPC and partially produced and reproduced by field practices. This dynamic interrelation is accentuated by the advent of new technologies and the digitalisation of the media, which drives the institutional life of the media field.

### **3 Institutional Arrangements: Constraining and Enabling Forces**

Analysing the Chinese media industry as an organisational field makes it inevitable to account for the institutional arrangements, which are constantly reproduced and adapted by policy-makers of the local and central government. Therefore, along the evaluation of economic indicators, major constituents and their interrelations, it is just as essential to analyse the institutional measures that have been implemented in response to the economic development of the industry.

#### **3.1 Legal Arrangements of the Chinese Media Field**

In the mid 1990s, the Shanghai party secretary, Gong Xueping, a leading policy maker at the time, has argued that China should not choose between either a Soviet-style model of full state support or a Western-style private model, but to establish a “socialist media model with Chinese characteristics” (Esarey, 2005, p. 54). The notion “socialist model with Chinese characteristics” implies that the Chinese interpretation of a media system is somewhere between absolute control and restricted liberties. This tension is reflected in the legal provisions that define the nature of the media in China.

In fact, there is no explicit single law that comprehensively regulates the media system of China. However, two basic body of laws form the legal frame to which media units need to adhere; the national constitution and the “Law on Protecting State Secrets” (Fischer, 2014, pp. 468-469).

Firstly, articles 22 and 35 of the “Constitution of the People’s Republic of China” delineate the basic principles of the Chinese media. According to article 22 of the constitution, the state supports the development of literature and art institutions, newspaper, radio and television institutions, publication and distribution institutions, libraries, museums and other cultural institutions and

activities, *provided* that they serve the people and the socialist ideology (Constitution of the People's Republic of China, 1982, p. §22). Despite its vagueness, the article sets the general frame within which media organisations are allowed to operate. The commitment for the “socialist cause” and the dedication to the people is a normative requirement that media units have to comply with. In contrast, article 35 entrenches the fundamental principle of press freedom among other civil rights. The article reads: “*The citizens of the People’s Republic of China possess freedom of speech, press freedom, freedom of assembly, freedom of association, freedom of travel, and freedom of demonstration*” (Constitution of the People's Republic of China, 1982, p. § 35). The article not only stands in contrast to de-facto arrangements, but is also conflicting with article 22, which obliges media units to adhere to socialist principles. Articles 22 and 35 are the only articles of the constitution that regulate the Chinese media system. Nevertheless, the two articles, which are relatively rudimentary in their formulation, provide a general notion of how contradicting rules and regulations are in connection to media in China. While the constitution guarantees press freedom as well as freedom of speech for Chinese citizens, it restricts the operation of the media to the “socialist cause”.

Secondly, besides the constitution, the laws and regulations on protecting “state secrets” represent another major legal frame of reference for the development of media in China. The basic principles of protecting state secrets are regulated by the general “Law on the Protection of State Secrets of the People’s Republic of China”<sup>49</sup>. Article 2 of the law defines “state secrets” in the following way:

*“State secrets are matters that are related to state security and national interests and, as specified by legal procedure, are entrusted to a limited number of people for a given period of time.”*<sup>50</sup> (Law on the Protection of State Secrets, 2010, p. §2)

Subsequently, the law determines the subjects that are obliged to protect “state secrets”:

*“All state organs, armed forces, political parties, public organizations, enterprises, institutions and citizens have an obligation to protect state secrets.”*<sup>51</sup> (Law on the Protection of State Secrets, 2010, p. §3)

The two articles reflect the nature of the legal frame; while the key notion of the law, “state secrets”, is defined in a relatively vague and open way, its implication is all-embracing and applies to all citizens and all organisational entities. So, despite its ambiguity, the law is legally binding for all subjects of the People’s Republic of China.

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<sup>49</sup> The Law on the Protection of State Secrets (中华人民共和国保守国家秘密法) had been officially issued by the Standing Committee of the National People’s Congress in 1988 and had been revised in 2010.

<sup>50</sup> Original wording: “国家秘密是关系国家安全和利益, 依照法定程序确定, 在一定时间内只限一定范围的人员知悉的事项。”

<sup>51</sup> Original wording: “一切国家机关, 武装力量、政党、社会团体、企业事业单位、和公民都有保守国家秘密的义务。”

Given the socio-political importance of the media sector, article 20 of the law specifically highlights the strict prohibition for media units to disseminate state secrets. Based on this article, supplementary regulations for the media sector, which specifically regulate the protection of state secrets in the context of media publishing, were promulgated in 1993<sup>52</sup>. According to the regulations, media units and their personnel are obliged to establish mechanisms that ensure the protection of “information that are related to state security and national interests” (National Administration for the Protection of State Secrets, 1993). Although the actual phrasing of “state secrets” leaves considerable room for interpretation, the regulations oblige media units to strictly comply with the corresponding articles, which produces legal uncertainty.

In the absence of a consistent media and publishing law, the national constitution and the Law on the Protection of State Secrets form the basic legal frame of reference for media units in China. Owing to the ambiguity of the legal documents, their implementation largely depends on the interpretation of the involved actors. Against this backdrop, the respective political stance of policy-makers in power largely defines the practical implementation of provisions. Along the different regulations and resolutions, speeches and proceedings issued by senior party members influence the scope within which media units are allowed to operate (Fischer, 2014, pp. 468-469). As the rule of law is still insufficiently developed, ambiguous legal provisions are not only limited to the media field. In general, Chinese laws are not necessarily built on each other and are frequently incompatible; i.e. regulations formulated by provincial governments are not always coherent with the provisions promulgated by central decision-makers. As a consequence, the interpretation of laws and regulations often serves the interests of the involved actors (Ahl, 2014, pp. 292-298). So, the incomplete and imprecise arrangements that are prevalent in the Chinese media field do not provide legal predictability, but rather foster a state of institutional uncertainty.

As part of the economic reforms in China and the media reforms in particular, the basic legal framework had been complemented by a multitude of minor administrative enactments and resolutions, which has further enforced the institutional uncertainty of the field.

## **3.2 Chinese Media Reforms and their Institutional Context**

### ***3.2.1 The General Context of the Chinese Reform Agenda***

Beginning in 1978, when Deng Xiaoping emerged as its leader, the CPC initiated the launch of thorough economic reforms in China. As there had been “no blueprint”, the reforms can be captured as a set of miscellaneous measures aimed at solving the challenges posed by the redundant planned economy. Over time, “Chinese reformers lowered barriers and gradually opened up their system,

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<sup>52</sup> “Regulations on the Protection of State Secrets in Media Publishing” (新闻出版保密规定)

giving individuals and groups the opportunity to act entrepreneurially and meet market demands” (Naughton, 2007, p. 87). The reforms have stimulated individual action, as so-called “first movers” always benefited most from the transitional arrangements produced by the different reform phases (2007, p. 88).

Overall, the economic reforms can be divided into two periods. In a first phase, from 1978 to 1993, priority had been given to the decentralisation of power and resources from central policy makers to provincial and local decision-takers. Along this power transfer it was intended to promote market forces. Throughout the first period, both state planning and market mechanisms coexisted as coordinating instruments in a so-called “dual track system” (双轨制). While market forces became increasingly important for economic transactions, the state plan simultaneously provided stability for the implementation of far-reaching reform targets. The second phase (1993-present) started with the ascent of Zhu Rongji<sup>53</sup> to power and can be depicted as a consolidation of the first phase. The focus had shifted to the full implementation of market principles, while recentralising macroeconomic functions of the state, especially fiscal sovereignty and budgetary authority. In order to clearly define the competence of the different subjects, an elevated number of regulations have been developed since 1993. As with the second reform phase fundamental market principles (e.g. hard budget constraint) have come into effect, it is also referred to as “reform with losers”, as opposed to the “reform without loser” from 1978 to 1993 (Naughton, 2007, pp. 90-107).

Among the main reasons to initiate the economic reforms were the unsatisfactory results of the heavy-industry-oriented development strategy, which had been followed since 1949<sup>54</sup>, as well as the economic inefficiency of individual organisational units (e.g. state-owned enterprises). The economic regime of the pre-reform era had been characterised by a macro-policy environment with depressed interest rates and exchange rates, centralised resource allocation mechanisms and “puppet-like” micro-management institutions. As the inefficiency of organisational entities had been one of the most obvious and tangible issues, the first step of the reforms was the improvement of individual organisational units, which included the decentralisation and profit sharing of SOEs (Lin et al., 2008, pp. 137-141). By allowing SOEs to retain their profits and by providing them with more managerial autonomy, it was expected that incentives for an efficient operation of enterprises could be increased. So, as part of administrative modifications, the decision-taking power of managers had been expanded and authority decentralised; the main managerial functions, control of sales and marketing, selection of production factors, human resource management, but also the cooperative management of ventures

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<sup>53</sup> After Zhao Ziyang had been dismissed as general secretary of the CPC as a consequence of the Tiananmen incident in 1989, Zhu Rongji rose to power and became one of the principal reformers after Deng Xiaoping’s beginning retreat in 1992 (Witt, 2010).

<sup>54</sup> The heavy-industry-oriented development strategy had been designed by policy makers to promote the industrialisation of the country, with a strong focus on production goods industries (heavy industry). However, due to a scarcity in capital endowment at the time, the focus on capital-intensive industries contradicted the economic reality in China. Poor performance of firms had been the consequence (Lin et al., 2008, pp. 29-31).



had been re-enforced (2008, pp. 149-156). Once the structure of individual organisational units had been adapted, the centralised resource allocation system needed to be reformed to enable corporations to invest their retained profits. Accordingly, in a second step, market mechanisms were implemented that facilitated sale and supply mechanisms (according to demand). Simultaneously, markets for production factors were established, which aimed at improving transactions and resource circulation. Also, financial markets were promoted and the credit system was liberalised, especially the centralised control of consumer and commercial credits (2008, pp. 156-170). With the first two reform steps implemented, favourable conditions have been created for profit-seeking, marketised corporations. However, leaving the macro-policy environment unchanged, the dual-track system persisted. As prices for production factors (e.g. financial capital, human capital and material resources) remained largely planned, policy-makers initiated a thorough price reform. As a result, state coordination had been largely abolished, while interest rates, wages and exchange rates became increasingly regulated by market forces, reflecting supply and demand, rather than central planning (2008, pp. 171-177). Hence, the reforms have enabled a process of slowly “growing out of the plan” (Naughton, 2007, pp. 92-93).

In brief, the overall reforms of the Chinese economy developed in an incremental, gradual way, without a prior blueprint. Economic inefficiency urged policy-makers to reform individual organisational units and to enhance resource-allocation mechanisms. As a result, profit-seeking corporations with growing economic power emerged. It is argued that the enhanced autonomy of individual organisational units and the enhanced resource allocation mechanisms have further pushed policy makers to adapt the macro-policy environment. Attempts to re-centralise the economic coordination had been unsuccessful, as an increasingly larger sphere of the population benefited from the reforms. Indeed, the contradiction between decentralised resource allocation and managerial autonomy on the one side and centrally planned policies on the other side, prepared the ground for further adaptations. So, the initial reforms on the micro level set an irreversible process in motion that lead to a decentralisation of the macro-policy environment (Lin et al., 2008, pp. 177-178). Likewise, the reform process lead to a political power transfer from the central government to local authorities (Heilmann, 2004, pp. 164-165). Eventually, it can be reasoned that incongruent arrangements have driven the reforms in the direction of less state planning and more autonomy for individual entities.

Under this general reform framework, the media field with its particular characteristics has undergone far-reaching adaptations.

### ***3.2.2 The Chinese Media Reforms***

A fundamental revision of the legal arrangements had not been the objective of the media reforms that had been initiated in 1979. But, over the course of time the reforms produced a proliferation of regulations in response to economic and social developments. The dynamic

complementation and adaption of existing arrangements has created an inconsistent cluster of legal provisions, which intensified the institutional uncertainty in the field.

### **(1) Pre-Reform Stage**

With the establishment of the People's Republic of China in 1949, the freedom of the press had been thoroughly abolished. The three main national newspapers, the People's Daily, the Guangming Daily and the Jiefang Daily emerged as the official mouth-pieces of the Communist Party. Independent media were banned and shut down (Vogelsang, 2013, p. 537), media units were ideologically-lead entities, so-called "servants of the state" (Lee, 1990).

During the "Maoist Era" the focus of the media system has primarily been on ideological formation, while a consciousness of economic aspects had been neglected. Media entities in China were centralised, non-profit state units that were fully subsidised and served the aim of disseminating political propaganda (Lee, 1990; Sukosd & Wang, 2013; G. Wu, 2000). Until 1979 the sale of advertisement had been illegal (Esarey, 2005, p. 41). As there had been a complete information monopoly, the state (Xinhua news agency) provided media entities with suitable content (Fischer, 2014, p. 473; Su, 1994). The party managed the media units on the micro level and appointed most personnel through its nomenclature system (Stockmann, 2013). The absence of financial and managerial independence suggests that media organisations had been mere propaganda units of the state without genuine production functions. Therefore, from 1949 to 1978, the media in China cannot be conceived of as self-governed organisational entities.

### **(2) The First Reform Stage: Commercialisation of Media Industry (1979-1994)**

Just as the economic reforms, the reform of the media in China had been initiated without a blueprint; innovations were introduced in an incremental manner, as part of a gradual process. Q. Liu and McCormick (2011) have found that:

*"[...] media reform started with a few seemingly minor policy changes and developed gradually in a spontaneous manner against the background of broad economic reform"* (p. 102).

On 8<sup>th</sup> March 1979, the central propaganda department of the CPC inaugurated the "National Media Work Convention"<sup>55</sup>. The congress lasted two weeks and had been the most eminent media congress since 1949. As predefined by the "Third Plenary Session of the 11<sup>th</sup> Central Committee" (十一届三中全会) in 1978, the media convention decreed that there "needs to be a shift in the focus of the news propaganda work to a socialist economic construction [model]<sup>56</sup>" (T. Zhang, 1992, p. 261).

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<sup>55</sup> Chinese term: 全国新闻工作座谈会

<sup>56</sup> Translated from the Chinese phrase: 新闻宣传工作的重心必须转移到社会主义经济建设上来

The expression “socialist economic construction” implicitly refers to the new economic development of China since 1978. Although it seems like a minor notion, it implies the intention of policy-makers to modify the focus of the media system by adding an economic function to the propaganda function. In that way, the decision of the convention can be understood as the initial point for the commercialisation of the Chinese media

In essence, the commercialisation entailed the authorisation of commercial advertising as well as the implementation of business management practices (Q. Liu & McCormick, 2011, p. 102). Media entities gradually transformed into profit-seeking ventures, whose primary loyalty shifted from the state to advertisers (Esarey, 2005, p. 41; 56). The introduction of a “heavy budget constraint” had been among the main innovations of the commercialisation; media entities had to become financially self-sufficient, as state subsidies had been abolished (Z. He, 2000, p. 113; Y. Zhao, 2000, p. 6). Financial independence and with it the need to discover new revenue sources, forced the media to become more competitive and more consumer-oriented (Esarey, 2005, p. 43). In the effort to provide appealing and distinct offerings, media products became less political (depoliticising of content) and more responsive to consumer’s interest (Z. He, 2000, pp. 113-114). The fierce competition over market shares among media organisations lead to a sharp proliferation of media products in the print sector: in 1979, there were 69 different newspapers published in China (China Journalism Yearbook, 1982), while 1,915 different publications were published in 2013 (China Journalism Yearbook, 2014). With the rapid increase of publications a new niche of so-called “mass-appeal newspapers” developed, which are characterised by diversified content, funding from advertisement, growing private subscriptions (popularity with urban middle class) and relatively loose political control (Z. Guo, 2001, p. 21). The traditional sector of newspapers, which had been a political sacrosanct in the past, experienced a considerable fragmentation; new formats emerged, such as evening papers, weekend editions, and weekly newspapers (Stockmann, 2013, p. 57; G. Wu, 2000, p. 47). Commercial media not only exploded in numbers, but they were increasingly perceived as being more credible than party media, as they provided more content that was not only driven by political ideology. Observers even argue that the commercialisation has re-enforced a new sort of professionalism (Gang & Bandurski, 2011; Shirk, 2011). Until 1994 most newspaper organisations became financially independent, except for a few, such as the central party-organ “People’s Daily” (Ceng, 2013, p. 10).

The commercialisation of the media had been a direct reaction to two unfolding trends: Firstly, redundant state enterprises, which were largely subsidised, exerted increasing financial pressure on state agencies. Media institutions even became “an unbearable financial burden for the government”. Secondly, as a result of the economic reforms, the growing purchasing power of the middle class increased the demand for consumer goods as well as media products (Q. Liu & McCormick, 2011, p. 104). Against this backdrop, turning media units into profitable entities that provide attractive products and services seemed to be an inevitable direction to adopt. Nonetheless, despite the enhanced economic autonomy, political control and censorship of sensitive content

remained firmly in place. As a result of the commercialisation, Chinese media entities have started to operate on a dual-track system that is marked by increasing economic autonomy on the one side, and political (administrative) constraints on the other side (Esarey, 2005; Z. He, 2003; C. Huang, 2000). Based on this system, Y. Zhao (2008) has proposed that “the commercialisation has provided institutional imperatives for media to pursue innovation”. The decision by policy-makers to commercialise the media has led to more autonomy on the management level of organisations, but has also intensified the contradicting character of the existing arrangements.

Applying the frame of the general economic reform, the commercialisation of the media corresponds to reform phase I, “innovation of individual organisational units”.

### **(3) The Second Reform Stage: Promotion of Media Groups (1994-2003)**

As part of the second reform stage, the economic competences of media entities had been further enhanced, by authorising the establishment of new organisational structures. With an increasing number of commercial media products (e.g. evening papers and metropolitan newspapers), the market share of party papers<sup>57</sup> started to decrease and with it also the income from advertisement. Since the implementation of hard budget constraints became fully effective in the early 1990s, non-commercial media products experienced a “circulation crisis”. To prevent further declining, the consolidation of commercial and party publications, and with it the merger of media units, had been adopted as a counteracting measure. In that way, the so-called “conglomeration policy” was formulated in response to the outcomes of the commercialisation of the industry. Accordingly the establishment of comprehensive media groups had been an inevitable consequence of the preceding reform measures (Ceng, 2013, pp. 5-8; B. Yang, 2003, p. 5). As the central government faced financial and administrative limitations in the 1980s, local governments started to invest in local media units. Correspondingly, most media groups emerged on the provincial-level, as regional corporations (Fischer, 2009, pp. 180-181). In essence, the formal authorisation of media groups, has initiated a transformation process of organisational structures (F. Wu, 2013, p. 118). Although approved and engineered by central policy-makers, the implementation of the “policy” had not been centrally planned, but is the result of managerial responses of media entities to market logics (Cao, 2004, p. 3).

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<sup>57</sup> The term party paper or official paper (党报) refers to newspapers that are directly affiliated to the CPC and that have acted as propaganda organs in the past. Given their important political role, party papers have not been commercialised and still have the duty to disseminate political messages of the respective party divisions. In contrast, commercial papers or mass-appeal papers (都市报) that emerged in the 1980s as part of the reforms, are more diversified in their content and are directed at the growing urban middle class. Commercial papers are often designed as tabloids and include previously inexistent news sections, such as entertainment sections or sports sections. For commercial papers, profitability is the most important objective (C. Huang, 2000; Stockmann, 2013).

The way for the reorganisation of Chinese media units had been paved at the 14th party congress in 1993, while the first guiding regulations for the establishment of media groups had been issued in 1994<sup>58</sup> (GAPP, 1994). In June 1994, the GAPP invited representatives of ten different newspaper corporations (including “Jiefang Daily”, “Guangming Daily”, “Nanfang Daily” and “Zhejiang Daily”) to a convention that was held in Hangzhou, where the specific conditions for the first testing unit were discussed. Following close consultation with managers and editors of newspaper corporations as well as provincial government officials, the “instructions on the implementation of the media group experiment” (关于进行报业集团试点的请示) were issued by the GAPP on September 05 1995; according to these instructions, the Guangzhou Daily Newspaper had been selected as an appropriate testing unit. After the Guangzhou Daily Media Group, the two subsequent media groups (Nanfang Media Group and Yangcheng Evening News Group) were also established in Guangdong province (Ceng, 2013, p. 20; 22)<sup>59</sup>.

In the initial stages, the so-called media groups were newspaper or press groups and only later developed as more comprehensive multimedia groups. At first, the traditional non-commercial (party) papers were allowed to form groups with several supporting commercial subsidiaries. To enhance their scope and financial performance, struggling party papers merged with commercial newspaper corporations or established subordinated units with a commercial orientation (Y. Zhao, 2000, 2008). The organisational structures of the new groups were designed to accommodate the requirements of both commercial and non-commercial media. However, non-commercial newspapers with their long-standing history formed the core entity of the new organisations, whereas commercial units became “branch entities” (Stockmann, 2013, p. 58; G. Wu, 2000, pp. 57-60). In 2001, the GAPP together with the central propaganda department promulgated a directive “on the reform of the media industry”<sup>60</sup>, which had been implemented in 2002. Essentially, the directive permitted the integration and management of media units from different sectors, as well as the operation of media groups across regions. On the basis of this regulation, media groups (rather than newspaper groups) evolved that were allowed to operate in different provinces (GAPP, 2002).

It is argued that the formation of media groups has considerably changed the media system in China (Cao, 2004, p. 1). Ceng (2013) argues that the formation of media groups has led to a genuine “industrialisation of the media (媒介产业化)”; an institutional innovation guided by market forces, that the government could not ignore. According to Ceng, as a result of the transformation, media organisations that in the past had primarily dealt with cultural and ideological issues were turned into marketised units with an emphasis on rationality and effectiveness in their business conduct. In his

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<sup>58</sup> “Announcement of the GAPP on the Issue of Establishing Groups from Print and Audio-visual Units” (新闻出版署关于书报刊音像出版单位成立集团问题的通知)

<sup>59</sup> Guangdong is not only remote from the political centre in Beijing, but also economically strong, which provides an appropriate basis for the gradual expansion of the reforms.

assessment, the second reform stage entails a “transformation from ideological media to industry-based media” (意识形态媒介向产业经营的媒介过渡). He sees the reorganisation of media entities as an important step, as it increasingly allows consolidating resources, reducing production costs and diversifying media products, while still acknowledging the centrality of the party publications (2013, pp. 8-10).

As outlined above, the first media group, which had been founded in Guangdong province in 1996, was succeeded by several other experimental units. In ten years’ time (1996-2006), the “group model” developed from being a “partial experiment” (局部试点) to an “emerging star” (群雄并起) (Ceng, 2013, p. 29). The gradual extension of the reform scope implies that major decision-takers have perceived the structural transformation of media entities as successful. Indeed, the key objective of the second reform step could be achieved; poor performing corporations could be transformed into economically powerful media groups. Nonetheless, immature arrangements and economic pressure that has increased with the advent of new technologies, required further amplifying the reform efforts.

With regard to the economic reforms, the reorganisation of media entities partially corresponds to reform phase I (micro-management innovation), and partially already reflects reform phase II (improved allocation of resources), as the new organisational entities have improved the coordination of resources.

#### **(4) The Third Reform Stage: Consolidation (2003-present)**

This study proposes that the Chinese media industry is currently undergoing a third reform stage, as a result of the new opportunities and challenges that have arisen from the emergence of media groups. In contrast to the preceding stages that have been characterised by general guiding policies, the third stage is marked by a multitude of formal and informal provisions and regulations that are aimed at consolidating prior reform efforts. Moreover, it is supposed that for the first time, media groups as individual actors adopt a more active role in contributing to the development of the reform process.

Likewise, Bao (2011, p. 58) argues that following the successful formation of media groups, a third stage has commenced, the so-called “Capital Diversification Stage”<sup>61</sup>. He suggests that this third stage is marked by a situation of contention, whereas media groups and state actors compete for resources. In fact, the access to relevant resources and their strategic allocation have become an increasing concern for the newly established media groups. With the print media circulation further declining in 2013, the pressure to expand into digital media markets have become an existential need. As this operational transition requires financial resources as well as know-how, improving the management of assets and capital has become an essential task for their development (Blue Book of

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<sup>61</sup> Chinese Term: 资本多元化阶段

Shanghai, 2014, pp. 4-6). Observers of the reform process have argued that improved resource and capital coordination mechanisms are also required to refining and deepening the organisational transformation of media entities (L. Yang & Huang, 2005; X. Zhang, 2013). So, the development of media groups has become closely linked to the availability of relevant resources and capital. In 2014, Zhang Hongzhong, professor for media studies at Beijing Normal University, published the monograph “The Chinese Media Industry under the Influence of Capital” (资本影响下的中国传媒业), in which he highlights the growing relevance of tangible and intangible capital for the media industry and its development. In his argument Zhang introduces the term “*minying ziben*” (民营资本), capital that is “managed by the people”. While the term is not directly referring to private capital, it signifies primarily capital provided by domestic small and medium-sized corporations<sup>62</sup>. The analysis argues that so-called *minying ziben* is permeating the sphere of traditional media in different ways: newspaper corporations establish new business entities that are operated on market principles, whereas outside investors obtain shares; investors purchase advertisement rights for a limited period of time; or newspaper corporations establish new companies together with the support of capital originating from investors outside the media sector (H. Zhang, 2014, p. 20).

Central policy makers have also acknowledged the fact that the need for financial capital and other resources grows with an advanced development of economic units. On 31<sup>st</sup> December 2003, the central government issued formal regulations on “maintaining the development of the cultural industry” and on “transforming profit-seeking culture service units into corporations”<sup>63</sup>, which can be regarded as the initial point for the third reform stage. In principle, the legal document regulates the capital structure and resource allocation of media groups and other cultural enterprises. Major legal innovations include: tax exception arrangements, permission to absorb external capital and to establish investment corporations that are allowed to go public as well as the permission to reduce state share in the asset structure (Central Government PRC, 2003). These regulations are regarded as a genuine reform measure that have adapted the financial investment capabilities of media groups to the growing relevance of the market (Ceng, 2013, p. 25). In 2005, another essential legal provision followed, “Several Proposals by the Central Committee of the CPC and the Central Government on Deepening the Reforms of Cultural Institutions”<sup>64</sup>. The document states that along refining the general managerial capabilities and structure of media units, the management of assets should be further improved. Accordingly, ownership structure should be enhanced, state-owned capital should enter markets,

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<sup>62</sup> According to “Baidu Baike” *minying ziben* is defined as “the capital owned by domestic small and medium-sized enterprises and idle funds of the people, excluding the capital of state-owned enterprises or capital from foreign-owned enterprises” (民营资本是指除国有企业资本, 外国企业资本之外的国内中小企业资本及民间闲置资本)

<sup>63</sup> Official notion: 文化体制改革试点中支持文化产业发展的规定 and 文化体制改革试点中经营性文化事业单位转制为企业的规定

<sup>64</sup> Official notion: 中共中央国务院关于深化文化体制改革的若干意见

sources of investment should be diversified and publicly owned capital should increasingly permeate the culture industries. Nevertheless, the document emphasises that the state will sustain its dominating power and hold a majority interest in culture enterprises and media groups (Central Committee of the CPC & Central Government, 2005). In principle, the regulations of 2003 and 2005 have empowered media groups to diversify their capital structure and investment portfolio.

So, the regulations outlined above can be regarded as the legal provisions that initiated the third reform stage, which is still an on-going process. Ever since 2003, different resolutions and events have complemented the basic arrangements to further strengthen the economic capabilities of media groups, while simultaneously emphasising the CPC's leading role. As the reform process is still incomplete and there is no blueprint, the regulations and resolutions that have been evolving since 2003 provide the legal framework that directs the development of media organisations.

In 2010, the GAPP released an announcement on further promoting the industrialisation of the media.<sup>65</sup> In this paper the GAPP states that “the media industry has become an important constitutive part of the national economy” and that the media industry “has become a new growth source for the economic development”. Moreover, it is stated that as the managerial capabilities (especially capital allocation) of media groups are still not sufficiently developed, the industry will be “provided with favourable conditions to fully implement the strategic transformation”. More concretely it is stated that “[...] commercial media units will be transformed; corporate governance structures will be established and optimised, a shareholding reform will be implemented, and appropriate marked entities will be formed”<sup>66</sup>. Additionally, it is emphasised that the development of the media industry should be under the lead of the CPC and that the industry should serve the welfare of the society (GAPP, 2010). This announcement had been reemphasised with a resolution in 2013. In accordance with the 3<sup>rd</sup> Plenary Session of the 18<sup>th</sup> Party Committee, the CPC issued a resolution on the “full consolidation of the reforms” in November 2013. The resolution re-enforces the centrality of Marxism, Leninism, Maoism and the theories of Deng Xiaoping and Jiang Zemin, and emphasises the claim of the CPC to lead the reform process. The resolution also entails guiding regulations for the media sector and media corporations in particular (articles 38-41). It is proposed that the management mechanisms of cultural entities have to be improved and that the party should maintain its dominating role in leading personnel, content and assets. At the same time, the regulations state that a contemporary market system should be established for the culture industry, that market competition is encouraged and that the unrestrained flow of resources is promoted. Moreover, it had been decided that the transformation of “culture service units” to contemporary management units should be further

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<sup>65</sup> The announcement is based on the regulations on “promoting the culture industry” (文化产业振兴规划) which had been promulgated by the central government in 2009.

<sup>66</sup> Translated from Chinese source: 经营性新闻出版单位转制和改制, 建立和完善法人治理结构, 实行股份制改造, 培育合格的市场主体.



pursued and that a “special asset management system<sup>67</sup>” should be tested for important media groups (Central Committee of the CPC, 2013). Summarized, the leading position of the party is emphasised, while the managerial competence of media units is gradually widening.

Furthermore, the third reform stage is also marked by some minor adaptations in the production of content. In 2007, the central government promulgated a resolution on the “disclosure of government information”<sup>68</sup>. According to the regulations, administrative entities are obliged to disclose government information through media units (e.g. newspapers, digital media, radio, television). The resolution had been formulated to improve transparency of governmental actors. The “disclosure obligation” primarily applies to information concerning the “welfare of individual citizens, corporations and other organisations”; this includes statistical data, financial reporting (of governmental bodies), political policies, but also information on pollution, public safety or food safety (Central Government PRC, 2007). By providing media units the right to disseminate governmental information it is supposed that the resolution has expanded their reporting scope (Ceng, 2013, p. 30). However, it is important to note that this resolution is only of limited relevance as is relativized by the law on the protection of state secrets. Although media units have the duty to disseminate government information, the law on protecting state secrets must not be violated. Furthermore, in 2012, Xi Jinping delivered a speech to commemorate the 30<sup>th</sup> anniversary of the Chinese constitution that had been proclaimed in 1982. As part of the speech, Xi expressed his unconditional determination to enforce the rule of law, with the Chinese constitution as the fundamental overarching law (Xi, 2012). Observers of the media field have interpreted the speech as a legal innovation (D. Li & Zheng, 2013), since the constitution theoretically guarantees freedom of the press. The speech has been regarded as a signal that the new leadership under Xi may strengthen the rights of media units as stipulated by article 35 of the constitution. Furthermore, in August 2013, the government issued a resolution on “Promoting the Consumption of Information”. In the resolution, the central government acknowledges that media products and services lack innovation, that barriers for market access are high, that supporting policies are unsound, that barriers within the industry are obstructive, and that the institutional arrangements do not conform with the general development of the country. In response, several measures were proposed: (1) The ideological orientation should be increasingly based on recent political ideas<sup>69</sup> and on scientific concepts; (2) the role of the market should be further emphasised, market mechanisms should be intensified and the function of the state altered. The development of innovative business models is supported and corporate diversification encouraged; (3) consumers should be provided with a wider range of more innovative media, and distribution channels offered by new technologies should be better utilised (Central Government PRC, 2013b). However, at the national conference on

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<sup>67</sup> Original phrasing: 特殊管理股制度

<sup>68</sup> Official appellation: 中华人民共和国政府信息公开

<sup>69</sup> The resolution refers to “Deng Xiaoping Theory” (邓小平理论) and the “Three Representatives” (三个代表) of Jiang Zemin, which stand in contrast to the more conservative Maoist ideology.

“communication ideology”, held in Beijing from August 19 to August 20 2013, the general secretary of the CPC, Xi Jinping, underlined the relevance of socialist values in publishing, and the need to present a “positive” image of China abroad (which partially relativizes the above statements). Simultaneously, Xi highlighted the importance of a prospering and rapidly developing cultural industry<sup>70</sup> (Blue Book of Shanghai, 2014, pp. 2-3). Xi’s declaration shows that along minor adaptations in the regulations for reporting, the ideological formation remains an unchanged priority of the CPC’s reform agenda.

So, the core of the third reform stage, which had been launched in 2003, is the creation of enhanced asset coordination mechanisms to provide individual organisational units with sufficient resources to fully implement the preceding reform measures. However, as the outcomes of the policies are largely unpredictable, state agencies represented by the CPC have fiercely accentuated their supreme (ideological) sovereignty in leading the opening process. With this in mind, it is noticeable that instead of an overall legal framework, a multitude of major and minor regulations, resolutions and directives have been devised that are often vague, partially conflicting and mostly overlapping. In the absence of a clear-cut legal scope, media entities have to consider the different directives as a frame of reference. The apparent ambiguity of the media field has also been reported by leading media managers during background talks that were off record. As decision-takers at media units cannot rely on clear-cut regulations, they have to carefully observe the development of institutional arrangements. Faced with incomplete legal provision, managers are urged to come up with their own ideas in some aspects, while in others they have to adhere to the interpretations of policy-makers. For instance, speeches like the one delivered by Xi Jinping on the occasion of the 30<sup>th</sup> anniversary of the Chinese constitution are closely observed and evaluated by managers in order to draw corresponding conclusions for their media units. So, the third phase has not only stirred uncertainty but has also provided the ground for media units to become more actively involved in the reform process.

Applying again the typology of the general economic reforms, the third stage of the media transformation clearly corresponds to reform phase II (improved resource allocation). The opening process of the media industry has still not reached a stage that is comparable to reform phase III (adaption of the macro-policy environment). Nonetheless, it can be expected that the conflicting arrangements will be further intensified as individual organisational units become economically more powerful as a result of improved resource allocation mechanisms.

### **3.3 An Organisational Field Characterised by Conflicting Arrangements**

The different legal directives and provisions, which have been developed by the CPC and its subordinated bodies, represent the fundamental cornerstones for the operation of media units in China.

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<sup>70</sup> Original phrasing: „推动文化事业全面繁荣和文化产业快速发展”

It has become evident that some of the discussed regulations are overlapping and redundant. Therefore, only the most relevant regulations, laws and provisions of the different reform stages have been compiled to generate the table below:

Main Regulations and Directives			
Law/Regulation/Directive	Year	Reform Stage	Content/Conflict
Constitution of the People's Republic of China	1982, revised in 2014	Basic Law	Affirmation of press freedom, while emphasising the ideological leadership of the CPC
Law on the Protection of State Secrets	1988, revised in 2010	Basic Law	Obligation applies to all subjects of the PRC, while "state secret" is only vaguely defined
Directive at Third Plenary Session of the 11th Central Committee	1993	Stage 1: Commercialisation	Introduction of market model with socialist characteristics (dual track system)
Regulation on the Establishment of Press Groups	1994	Stage 2: Conglomeration	Authorization of structural transformation; managerial capabilities remained immature, basic state coordination remained
Several Directives on Deepening the Reform of the Press and Publishing, Radio, Television and Film Sectors	2001	Stage 2: Conglomeration	Press groups are allowed to integrate media units from different sectors, permission to operate across provinces; management capabilities remain immature
Regulations on Maintaining the Development of the Culture Industry and on Transforming Profit-seeking Culture Service Units into Corporations	2003	Stage 3: Consolidation	Enhancing managerial capabilities and improving capital coordination mechanism; only partial withdrawal of state
Several Proposals by the Central Committee of the CPC and the Central Government on Deepening the Reforms of Cultural Institutions	2005	Stage 3: Consolidation	Enhancing resource and capital allocation mechanisms, emphasis on market logics; state actors retain controlling authority
Directive on Further Promoting the Industrialisation of the Media	2010	Stage 3: Consolidation	Further extending industrialisation, improved market access, but overall supervision by the CPC
Resolution on Several Important Issues in Fully Consolidating the Reform	2013	Stage 3: Consolidation	Increased authority in the management of assets for important media groups; provisional arrangement under the supervision of CPC

**Table IV-15: Overview of Main Media Regulations and Directives**

The different laws and resolutions outlined in table IV-15 have been devised in temporal succession and in accordance with the reform stages. Against this backdrop, it is important to note that the implementation of regulatory measures represent consecutive institutional responses to market developments rather than random attempts to “liberalise the media”. The initial reform efforts forced policy makers to gradually develop existing arrangements and devise new frameworks. While there was no blue print or master plan, the provisions only served the purpose of regulating the immediate issues of the respective phase. In this way, the approach allowed for an incremental and tentative progression of the reform process. On the other hand, as there was no thorough overhaul of existing arrangements, certain inconsistencies had been maintained throughout the process, such as the antagonism between state intervention and managerial discretion. Also, contradictions are even detectable within the respective regulatory documents, while the constitution with its incongruent articles on media conduct is probably the most symbolic example. Consequently, it can be argued that

the tentative nature of the media reforms has produced transitional arrangements that are far from being unequivocal.

Moreover, by comparing this process with the general reform scheme, it becomes clear that media reforms are still lagging behind. While the capabilities of individual organisational units have been improved, the macro environment is still tightly controlled by governmental agencies. However, as the context of the general economic reforms suggests, the existence of transitional arrangements is likely to drive further change.

#### **4 Implications of Field Analysis**

Based on the above analysis, two fundamental forces can be identified that have shaped the Chinese media industry in a recursive manner: (1) market-technology dynamics, and (2) political-administrative dynamics.

- (1) Industry data have shown that the Chinese media field is undergoing a profound transformation. Established media forms and formats, such as print newspapers, magazines or CDs and DVDs, are gradually declining. As a consequence, revenues and profits from traditional media have been rapidly decreasing in recent years. Yet, new technologies have provided the field with new growth potential. The revenue and profit growth rates of digital media products have been rising at fast pace, a trend that is assumed to persist over the coming years. Indeed, the apparent shift of media forms is reshaping the field – a process that has direct implications for its constituents. Firstly, the digital revolution drives the agenda of regulatory agencies; policies have to account for the dynamic changes of the field. Secondly, the prospect of declining revenues in the print sector and the requirement to adapt to digital trends pressures media units to innovate and find new development paths. To ensure their economic survival, media groups will require sufficient managerial autonomy and organisational flexibility.
- (2) In the absence of a congruent legal framework, the media conduct in China is regulated on the basis of a compilation of different formal and informal provisions that are partially conflicting and overlapping. The national constitution and the law on the protection of state secrets represent the basic frame of reference for media organisations. However, the reform of media units made it necessary to complement the basic laws with a multitude of legal and administrative directives. While the provisions have strengthened the managerial capabilities of media organisations, they have also confirmed the central role of the party-state in controlling the production of content and in orchestrating the reforms. As such, the institutional arrangements of the media field have increasingly become more complex and

unequivocal. Hence, the ambiguity inherent in the legal framework offers considerable room for interpretation and may act as a force for further change in the future.

The outlined dynamics have both a constraining and an enabling component. On the one side, market-technology dynamics have urged media units to become more innovative and efficient, while they also impose certain constraining pressures, such as the decline of traditional business models. Similarly, the regulative arrangements constrain media entities, while new provisions also enable them as they impose new responsibilities. Moreover, it is essential to note that both the market-technology and the political-administrative forces are interdependent; market logics made it necessary to modify the administrative/organisational setup of media units, while this in turn changed the market conditions.

In fact, the characteristics depicted in the context of the Chinese media field correspond with Seo and Creed (2002)'s understanding of institutional contradiction. They argue that "[...] contradiction refers to these various ruptures and inconsistencies both among and within established social systems" (2002, p. 225). In line with their typology of contradiction, there are two main sources of institutional contradiction that apply to the case under investigation; (1) "inefficiency caused by conforming to institutional arrangements", and (2) "intrainstitutional incompatibilities". Firstly, although organisations require both legitimacy and functional efficiency, under some conditions legitimacy can undermine the efficiency of organisations, especially when field uncertainty is high (2002, pp. 226-227). In the case of the Chinese media field, the institutional compliance of media units partially constrains their functional efficiency. As discussed above, media units face strong pressures to conform with institutional arrangements and to fulfil political roles. On the other hand, they require unrestrained economic capabilities that allow coping with the dynamics of digital technologies. Secondly, as institutions are produced and reproduced on different social levels and in different contexts, organisations and individuals are faced by multiple arrangements that are often incompatible. Seo and Creed (2002) argue: "Thus, conformity to certain institutional arrangements within a particular level or sector may cause conflicts or inconsistencies with the institutional arrangements of different levels or sectors" (2002, p. 228). This source of institutional contradiction is particularly applicable if new arrangements are "layered" on others, rather than replacing them (Cooper et al., 1996). In fact, the media reforms produced new arrangements, in the form of regulations and provisions, on different levels to address different issues. Given the tentative nature of the reforms, a compilation of numerous formal and informal arrangements evolved, which have stirred intrainstitutional inconsistencies.

It is argued that the existence of different types of contradictions, as outline above, gradually shapes the consciousness of organised actors (Giddens, 1984); if embedded organisations continuously experience tensions, there is an increased probability that they become reflective actors (Seo & Creed, 2002, pp. 230-234; Sydow & Windeler, 1998, pp. 279-280). So despite the constraining nature of

institutional contradictions, they also empower actors. Provided that organisations acknowledge the constraining and enabling poles of contradictions as complementary, they instantiate a source for agency (Hargrave & Van de Ven, 2009, pp. 127-129). In accordance with this argumentation, embedded organisations may evolve as reflective institutional actors, if they manage to bridge the constraining and enabling components of their field. Thus, the following sections will analyse the implementation of new organisational forms as efforts to embrace field contradictions.

## **V. Evolution of New Organisational Forms: The Transformation of Chinese Media Organisations**

From the analysis of the preceding chapter it has become evident that field-level dynamics have imposed imperatives on media units to reconstruct their organisational forms. In the following analysis, the structural innovations – conditioned by the economic and administrative forces of the environment – will be investigated on the level of individual media organisations. Based on the assumption that formal structures and strategy making are recursively interrelated (D. J. Hall & Saias, 1980; Ortmann & Sydow, 2001; Whittington & Melin, 2003), it is proposed that the structural modifications also have an effect on the strategic orientation of media organisations. In this way, the analysis traces the emergence of new organisational forms in the Chinese media industry.

### **1 Media Entities as Organisations**

Before delving into the analysis of the structural transformation, it is essential to develop a conceptual understanding of media entities as organisations. In recent years, media groups as individual entities have received increasing attention from researchers in the field of media management and media economics. However, compared to the knowledge that has been generated on the media industry at large, only little is known on the individual organisations. Systematic research on media corporations, with sufficient theoretical and empirical underpinning, is still lacking (Altmeyen & Karmasin, 2004, p. 7). Even when it comes to the determination of what precisely a media corporation is, diverging interpretations exist. As outlined in the introduction, media corporations (in China) feature many peculiarities that make them an interesting object of analysis. In principle, their internal processes, organisational structures and management functions are marked by a “duality” of journalistic and economic requirements (Altmeyen, 2006, pp. 12-13). It has been proposed that “economic and management factors” are fundamental to the development of media industries. Without understanding the basic economic processes, the challenges that media industries face can not be assessed in a proper way (Harcourt & Picard, 2009, p. 8). Certainly, this assumption applies even more for the assessment of media organisations. Looking at formal structures and regulations, production and governance processes as well as resources allows grasping the mechanisms and factors that define and change media organisations (Altmeyen, 2006, p. 12).

For the analysis at hand, the understanding of media entities is informed by the basic concept of organisations. According to a very fundamental definition, organisations are social forms that pursue a purpose, while their formal structures represent a means to serve the respective purpose (Kieser & Walgenbach, 2010, p. 2). Of course, this definition is not comprehensive and can be extended by different perspectives. Analysing organisations in their full complexity requires a more detailed understanding. To begin with, organisations can be distinguished between profit-seeking and

non-profit-seeking ventures. Whereas both types are social systems that adopt a productive function by combining different factors of production to generate output, the realisation of profits is a core concern of profit-seeking entities (Thommen, 2004, pp. 59-60). Most commercial media organisations are profit-seeking entities that produce products that are offered on consumer markets. It is, therefore, meaningful to focus on organisations with profit-seeking traits, which are embraced by the concept of corporations. In addition to a strong profit orientation, corporations are open systems, as they interact with their environment, they are dynamic, as they need to constantly adapt to changing conditions, they are complex, as they consist of a combination of structures and processes, they are autonomous, as they formulate their own goals (rules and norms restrict autonomy), they are market-oriented and productive, as they create products that have to satisfy the needs of markets, and finally they are social systems, as their behaviour is largely determined by human interrelationships (2004, pp. 37-38). This basic interpretation of organisations and corporations in particular can be applied to media entities. Nonetheless, media organisations feature some distinct characteristics that clearly distinguish them from their more conventional counterparts.

It is widely acknowledged that the main difference between media corporations and more conventional corporations is the offering that they provide. Media (as a product) can be captured as being a hybrid form of (material) goods and services, that are offered on two different markets simultaneously, consumer and advertising markets (Wirtz, 2011, pp. 11-34). Sjurts (2004, p. 170), moreover, suggests that a specific aspect of media corporations is that they use a combination of upstream products, especially editorial and advertising content, that has been produced either internally or externally, to compile a marketable product. Moreover, the factors of production are another important distinguishing aspect. Corporations need capital in the form of financial, technical, intellectual or human resources to achieve their objectives, whereas the configuration and the proportion of resources is decisive and differs across sectors and industries (Berthel & Becker, 2013, pp. 6-7). Depending on the type of corporation some resources are more crucial than others. As media corporations heavily depend on the creativity of individuals, they are sometimes also referred to as being a “people business” (Aris & Bughin, 2009, p. 339). Specific structural configurations of human resources (and associated practices) influence the implementation of strategic objectives (Arthur & Boyles, 2007; Berthel & Becker, 2013, p. 720; Schuler, 1992), an observation that particularly applies to media entities (Wirtz, 2011). Accordingly, creative personnel represent a key resource for the production of media.

Acknowledging the peculiarity of media offerings and production factors, the following definition is a suitable approach to grasp the nature of media organisations:

*“Media organisations are performance-oriented corporations that utilise media products (reports, articles or advertisement) as goods to accumulate real capital (revenue, profit or return on income)”* (Altmeyden & Karmasin, 2003, p. 19).



In this definition, media organisations are understood as profit-seeking corporations that provide unique products for different markets. So, media organisations are perceived as regular corporations (as defined above) that are only distinguishable by their offerings and resources.

However, another fundamental characteristic needs to be considered to appropriately conceptualise media organisations. Compared to other profit-seeking corporations, media entities are highly embedded organisations that are intertwined with their institutional environment. Political scientists and media scholars alike highlight the dynamic interplay between media organisations and political institutions (Vowe, 2008). On the one hand, media organisations have the capability to exert considerable influence on (political) institutions and their respective actors. It is argued that media not only influence consumers and individuals, but also political discourses and even institutions, governments and political parties (Reinemann, 2010, pp. 280-282). The observation that political institutions increase the financial spending for media activities and that media activities are increasingly being professionalised, are indicators that confirm the influence of media on institutions (2010, pp. 286-287). Owing to their institutional influence, the media are often labelled as the “fourth power of state” or the “fourth estate”. It is the particular competence of media organisations to provide interpretations of differing realities that profoundly influences political actors in their decision-making processes and behaviour (Schulz, 2000). On the other hand, the operation of media organisations is also restricted by political institutions. The degree of press freedom and the diversity of media are incrementally defined by different political institutions (e.g. government, basic laws or plebiscite). In China the political dependence of media organisations is particularly high, as the state directly controls the media through political censorship (Hassid, 2008; Stockmann, 2013).

Consequently, it can be supposed media organisations and political institutions mutually depend on each other. Nevertheless, along the political dimension, there is also a social dimension to be considered. While perceiving the relationship between media and political institutions as a struggle over political “agenda-setting”, media organisations are also socially embedded. It is argued that the commercialisation of the media has increased the relevance of media consumers (wider public). A stronger consumer-orientation inevitably implies complying with conceptions and issues brought forward by an established audience (Schröder & Phillips, 2007). In other words, media organisations are obliged to provide attractive offerings that are socially accepted by the target audience. Likewise, consumers (individuals or other organisations) depend on the disclosure of reliable information. Hence, media organisations are not only politically embedded, but also socially. In consequence, a shift in the arrangements of the media is always closely linked to changes in the external conditions, which implies an interlocking dependence between media organisations and their embedding institutional environment (Fischer, 2005; Tang & Iyengar, 2012). Certainly, organisations in general heavily depend on their environment by definition (as open social forms). However, what makes media organisations unique, is the fact that their institutional environment similarly depends on them, and to a certain degree is even constituted and formed by them.

By arguing that media organisations are capable of shaping their external environment, it is assumed that they dispose of distinctive qualities as actors. In order that organisations can be classified as actors (as opposed to individual members), two preconditions have to be fulfilled: (1) other relevant actors (e.g. main stakeholders) need to “attribute” organisations as having the capability for agency, and (2) decision making and behaviour of organisations need to be marked by intentionality (King et al., 2010, p. 292). Based on these premises, organisations are attributed with sovereignty by the institutional arrangements of their field, whereas important stakeholders, such as state actors, set the boundaries. The intentional development of “goal-driven” policies and strategies that are partially independent from their constituents, further defines the propensity of organisations to operate as social actors (2010, pp. 294-296). In consequence, both internal and external factors qualify organisations as sovereign actors that have the capability to shape their environment. Against this background, it is argued that media organisations represent particular instances of social actors. As they are highly embedded organisations, the external attribution is a factor that applies to media entities in an outstanding way. Additionally, they have a particularly high intentionality to shape their environment. Media organisations not only seek to optimise the processes within their own setup, but also exert influence on the arrangements of their environment by employing specific resources, such as economic, social or cultural capital (Schulz, 2000).

Hence, in order to appropriately account for the specific characteristics of media organisations, the understanding by Altmeyden and Karmasin (2003) needs to be extended. Therefore, the following definition of media organisations has been generated for the study at hand:

*Media organisations are highly embedded, profit-seeking social actors that utilise media products as creative goods and services to augment resources that enable them to interact with their field.*

In brief, media organisations are understood as entities that differ from other profit-seeking corporations due to the uniqueness of the offerings they provide, their political and social embeddedness as well as their high propensity to actively shape their institutional environment. So, along the conventional definition of profit-seeking corporations (as determined above), the proposed understanding highlights the distinct features of media products, which are *creative* goods and services, as they are produced in upstream processes with human resources representing the most essential production factors. Also, inherent in the term “media products” is the fact that the products are simultaneously offered on two markets (consumer and advertisement markets). Furthermore, it is emphasised in the definition that accumulating resource serves the aim of influencing the surrounding arrangements of the field (along profit maximisation goals), which implicitly qualifies them as sovereign actors. Finally, the proposed definition accounts for the institutional embeddedness of media organisations, as elaborated above.

## 2 The Transformation of Chinese Media Organisations: From “Public Service Units” to “Media Groups”

In accordance with the shifting environmental factors (see chapter IV), the nature of Chinese media organisations has considerably changed over time. New regulations have authorised media entities to devise organisational forms with distinct structural and strategic characteristics. As the below sections show, media entities have transformed from the functional public service units (or *shiye danwei*<sup>71</sup>) of the past in the direction of more divisionalized media groups (i.e. corporations). While Chinese media entities are officially still considered as “cultural institutions” in the sense of classical public service units, they have in fact developed capabilities that resemble those of profit-driven business groups (Chuan, 2013, p. 54).

Due to the complexity of the transitional process, the analysis starts by examining how formal structures have shifted over time. Formal structures, compared to other organisational properties, feature an improved measurability, and are therefore envisaged as a reasonable starting point.

### 2.1 Organisational Form of the “*Shiye Danwei*” and “*Baoshe*”

To understand the structural change of media organisations in China it is essential to be familiar with the concept of the *shiye danwei*, which had been the basic organisational concept for media units prior to the transformation. In principle, *shiye danwei* are understood as public service units of the education, science, culture, health or media sectors that offer services to contribute to the social welfare of the country. They are organised as administrative organs of the state with assets that are fully state-owned. (J. Wang & Huang, 2013, p. 1). Also, the *shiye danwei* do neither possess “administrative functions or powers” nor dispose of a profit-seeking orientation (Foster, 2002, p. 46). It is important to note that without administrative functions and powers, *shiye danwei* signify public service units that are integral divisions of the organisational setup of the state administration.

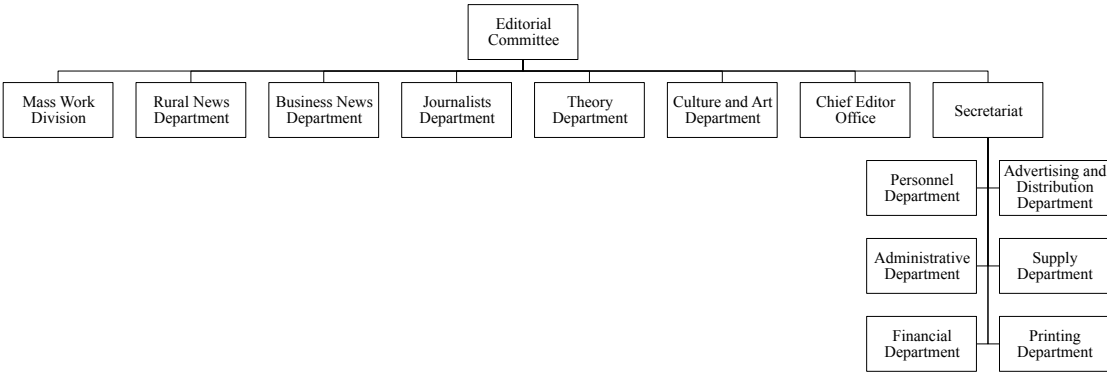
In line with their characteristics, media units have been modelled after the organisational concept of the *shiye danwei* (Fischer, 2001, p. 12). As discussed in chapter IV, during the pre-reform era, media entities have acted as the political mouthpieces of the party-state. In their function as propaganda organs, they were subdivisions of the state institutions and, therefore, did not represent independent entities. The organisational structure of media units had been closely intertwined with the state administration. Accordingly, media units had largely been steered by the bureaucrats of governmental agencies. Moreover, the only operational function of media units had been the production of propaganda content and its diffusion through newspapers, radio and television broadcasts (F. Wu, 2013, pp. 114-115). So, without basic coordination capabilities, the main focus of

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<sup>71</sup> For the purpose of this study the term *shiye danwei* (事业单位) has been translated as “public service unit”.

media entities in the pre-reform era had been on core operational functions (e.g. dissemination of information).

Accordingly, the organisational setup of media entities featured “straight-line functional organisation structures”<sup>72</sup>, that accounted for the relevance of functional tasks (L. Yang & Huang, 2005, pp. 42-43). The chart below depicts an exemplary model of the *shiye danwei* structure of media units.



**Figure V-1: Structural Configuration Traditional Media Unit**<sup>73</sup>

As figure V-1 shows, the structural configuration of media units in the past had featured a very basic task division without any complex interdependencies. In essence, the above chart reflects a functional structure setup, as the different departments are grouped according to similar processes and tasks. Functional structures stand in contrast to structures that are based on other divisional groupings, such as product or place (Kieser & Walgenbach, 2010, pp. 87-89; Mintzberg, 1979, pp. 109-111).

The top of the above setup is marked by an editorial committee that coordinates the different units. It is noticeable that instead of a management unit it is an editorial committee that is responsible for the coordination of the different tasks, including administrative functions (i.e. personnel-related or financial-related tasks). On the level below, there are the different departments that are involved in the production of content. For instance, the “business news department” is responsible for the production of content related to business or economic issues, while the “mass work division” is responsible for

<sup>72</sup> In Chinese the term “linear-functional organisation structure” (直线职能型的组织结构) is used.

<sup>73</sup> In correspondence with L. Yang and Huang (2005, p. 43)

political content and the “theory department” is in charge of the ideological formation. Moreover, the administrative functions are subsumed under the unit “secretariat”. In short, the organisational setup consists of departments that are involved in the production process of news content, and of departments that are responsible for the media unit’s basic administrative functions, which implies a functional grouping.

Before the reforms, state agencies provided media units with the required resources and were, thereby, in charge of the basic resource allocation. As media units were organised as subunits of the state administration, their organisational setup was largely interchangeable with the structures of the respective state administration (F. Wu, 2013, pp. 114-115). However, with the introduction of heavy budget constraints (first reform stage), an increasingly competitive field evolved and media units had to become more market-oriented. The significance of administrative functions increased, which made it necessary to modify the organisational structures of media units. As a result, a slightly different setup had been devised as an adaption of the classic *shiye danwei* structure (F. Wu, 2013, p. 115). In 1978, national media units (on the central level) implemented the revised structure, which allowed an improved coordination of business functions. With this modified setup, media units transformed from the classic *shiye danwei* to the “*shiye danwei* with a corporatized management”<sup>74</sup> (Ceng, 2013, p. 8). For single media units (or *baoshe*<sup>75</sup>) the revised model had become the basic organisational framework. The chart below depicts the adapted structural setup for the case of the People’s Daily<sup>76</sup>.

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<sup>74</sup> Chinese term: “事业单位，企业化管理”

<sup>75</sup> *Baoshe* (报社), as opposed to media groups, signify single newspaper units, of which the People’s Daily is a prominent representative.

<sup>76</sup> Officially known as “People’s Daily Newspaper Agency” (人民日报报社), is the principal mouthpiece of the central committee of the CPC.

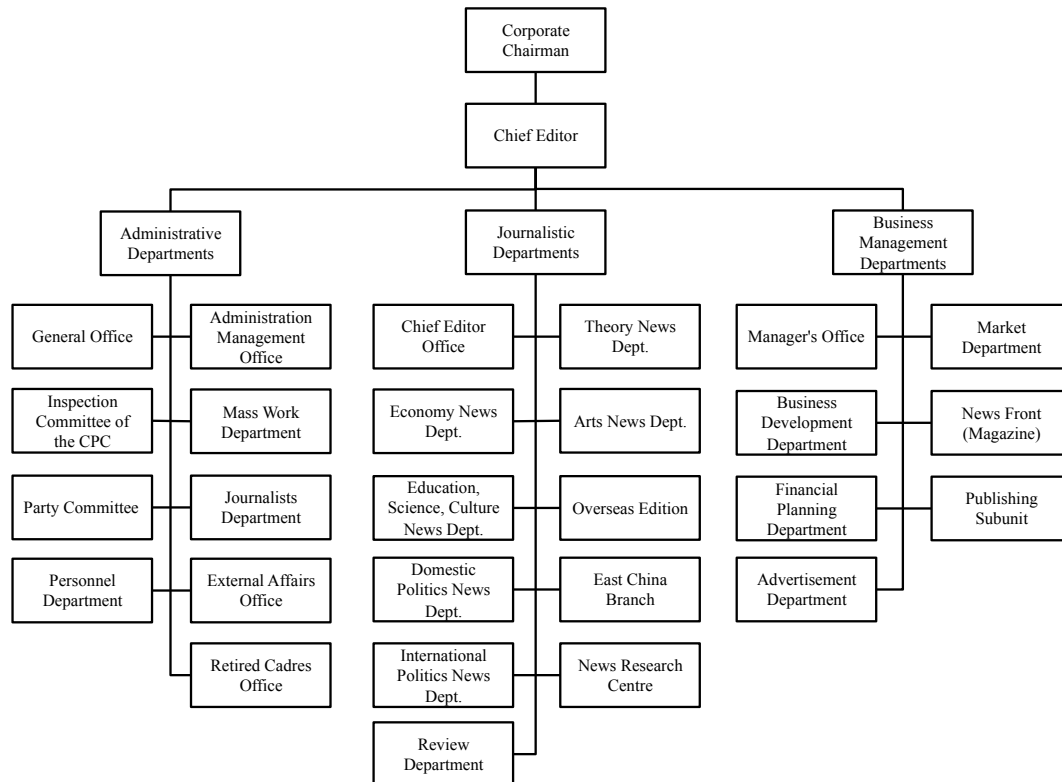


Figure V-2: Baoshe Structure<sup>77</sup>

The most noticeable modification is the introduction of business and management departments along the administration departments. While business functions had been an integral part of the administrative departments in figure V-1, there is a clear distinction between the two sections in the modified structure. Another difference is visible in the leadership of the media unit. The former “editorial committee” had been substituted by a corporate chairman<sup>78</sup>, who is the formal representative of the unit, as well as a by a chief editor, who is responsible for the overall operation of the media organisation. Below the chief editor, the position of a business manager had been added, which implies an increased relevance of managerial considerations. Finally, the chart shows, that although the People’s Daily is a single media unit, it produces an affiliated magazine (News Front)<sup>79</sup> and runs a publishing unit (a unit that is in charge for printing activities). Following the initial reforms, this setup had become the basic framework for single media units, also known as *baoshe* (报社). But, despite its modifications, the organisational structure is not substantially different from the *shiye danwei* structure; tasks and responsibilities are still coordinated on a functional basis.

<sup>77</sup> In correspondence with F. Wu (2013, p. 121)

<sup>78</sup> The term “社长” has been translated as “corporate chairman”, although the *baoshe* does not represent a profit-seeking corporation.

<sup>79</sup> News Front (新闻战线) is a monthly magazine that had been founded in 1956.

So, both the “*shiye danwei* structure” and the “corporatized *shiye danwei* structure” or “*baoshe* structure” are characterised by functional grouping. While functional grouping of tasks allows direct allocation of different resources across work flows and fosters specialisation of personnel, the structure also embodies some obvious disadvantages. Given its high degree of specialisation, the structure lacks sophisticated coordination mechanisms. As functional structures impede interaction among different departments of the same organisational level, coordinating tasks are mainly performed by authorities at the top of the hierarchy. Consequently, coordination processes tend to be time-consuming and inefficient, in particular when some offerings get more diversified. Functional grouping is, therefore, regarded as being relatively bureaucratic (Mintzberg, 1979, pp. 124-126), suitable only for organisations with a high standardisation. Indeed, coordination in the example of the *baoshe* structure is rather hierarchic as all units are directly subordinated to the chief editor and the corporate chairman. In a hierarchical setup, where individuals build the highest authority of the organisation, personal directives are the primary coordination mechanism; decisions on overall (performance) targets and the basic alignment of the organisation are taken by directors or leading managers (Kieser & Walgenbach, 2010, pp. 102-103). Moreover, as proposed by L. Yang and Huang (2005, pp. 42-43), the *shiye danwei* setup (like the *baoshe* setup) does not only feature a functional structure, but is also characterised by straight lines or single lines. In a single-line setup (as compared to a multi-line setup) the departments of an organisation are linked through a single connection. This means that departments of a higher hierarchy level are entitled to give directives to the departments of the lower level; inter-connections among divisions do not exist. A single-line setup highlights the hierarchical nature of an organisation and, thereby, provides maximum authority to units of the highest hierarchical level (Kieser & Walgenbach, 2010, pp. 128-133).

Besides considering an organisation’s grouping of task (specialisation), its coordination mechanisms and its design of linkages, it is also required to consider the decision-making design as well as the degree of formalisation to understand its structure. Since the corporate chairman represents the state administration and has the responsibility for the editorial alignment as well as for the economic performance of the media unit at large (F. Wu, 2013, p. 115), decision-making mechanisms in the *baoshe* structure are relatively concentrated. If decisions are primarily taken by a single or few individuals, the structure of an organisation can be perceived as centralised (Kieser & Walgenbach, 2010, pp. 151-157; Mintzberg, 1979, p. 181). Furthermore, as already discussed, media units represent official organs for the political communication of the party-state, with various control mechanisms (censorship, clear political alignment) in place. As a result their workflow is highly standardised, without much personal leeway for journalists. An organisation is formalised if rules, directives and evaluation measures are formally determined. In other words, formalisation refers to the standardisation of work flows (Kieser & Walgenbach, 2010, pp. 157-163; Mintzberg, 1979, pp. 81-83). Also, it has been found that the higher external control of an organisation, the more formalised the organisational structures (Mintzberg, 1992, pp. 198-199). So, it can be assumed that formalisation is

particularly high in the case of a media organisation that has a public service obligation and that is mandated by an authoritarian state administration.

Based on the above evaluation of the main structural parameters (specialisation, coordination, linkages, decision-making and formalisation), the *baoshe* setup can be classified into a specific structural category. Owing to its principal characteristics, the structure of the *baoshe* represents an example of the “machine bureaucracy configuration”, as conceptualised by Mintzberg (1979, 1992). The machine bureaucracy configuration is marked by highly specialised routines, formalised processes, formal rules and guidelines, functional grouping of task and responsibility, hierarchical coordination, central decision-making, a strong administration, and intensive control mechanisms. Accordingly, organisations with a machine bureaucracy configuration are dominated by a strong leading circle at the top of the hierarchy, that rigorously implements control mechanisms and formal regulations through personal directives. Due to its high degree of formalisation, the absence of interactive coordination and its hierarchic nature, this configuration is particularly appropriate for organisations that perform highly standardised tasks on a large scale (mass production). Also, the configuration requires a stable environment that is not exposed to dynamic developments. Finally, in a machine bureaucracy configuration, the structures are believed to impede the development of innovative and adaptive strategy making (Mintzberg, 1992, pp. 223-253). In short, the “machine bureaucracy” is a highly formalised, hierarchic and inflexible structural configuration.

With reference to the definition of media organisations, as proposed above, the structural configuration of the machine bureaucracy seems to be rather unsuitable for a media unit. Since the media business heavily relies on human creativity and innovation, media organisations not only require stability but also sufficient flexibility to coordinate their workflow (Sydow & Windeler, 2006). In contrast, the machine bureaucracy configuration clearly inhibits organisational flexibility, as the respective structural parameters strongly emphasise standardised and centralised processes. However, irrespective of these apparent conflicts, the *baoshe* model features the principal traits of a machine bureaucracy configuration, as proposed by (Mintzberg, 1979). In the context of stable institutional arrangements, as had been the case in China in the pre-reform era, the organisational structure served its purpose. But, along the commercialisation of media units, the weakness of the organisational structure became increasingly imminent. As an inevitable consequence of the reforms, which introduced market logics and created institutional ambiguity, as discussed in chapter IV, a thorough structural modification of media organisation had become increasingly indispensable.

To sum up, the *shiye danwei* and later the more refined *baoshe* setup represent very basic examples of the “machine bureaucracy configuration”. Although the *baoshe* form was aimed to increase efficiency, the essence of the structural framework of the *shiye danwei* remained unchanged. In an environment of elevated competition, rapid economic progress and growing complexity, the structural configuration with its bureaucratic and inflexible characteristics increasingly became an obstacle for a sound development.



## 2.2 The Gradual Emergence of a New Organisational Model: The Chinese Media Group

The establishment of the first press group (Guangzhou Daily Press Group) in 1996, marked the beginning of a structural innovation process. From an organisational perspective, the *baoye jituan* (press or media group) is largely modelled after its more conventional counterpart, the business group or *qiye jituan* (企业集团). However, although having evolved from the *qiye jituan* model, the *baoye jituan* has its own particular features, given its distinct core offerings (B. Yang, 2003, p. 2). But the presumption that large (business) groups are important industry pillars that lead the economic development within their respective field (Fischer, 1998, p. 33), also applies for media groups.

Faced with the structural flaws of the *baoshe* model, Chinese media units embarked on an evolutionary process that gradually adapted their organisational structures. A leading representative of a media group noted in 2011 that media organisations in China have become hybrid entities as they feature characteristics of both traditional public service units and contemporary corporations (Jiang, 2011, p. 27). This shows that the emerging organisational arrangements of media groups are largely transitional and subject to dynamic change.

### 2.2.1 The Concept of the Chinese Business Group as Reference for Chinese Media Groups

The concept of the Chinese business group (*qiye jituan*) served as the basic reference framework for the transition of media entities and, therefore, requires appropriate contextualisation. The following definition builds the basis for the general understanding of business groups and their nature:

*“Business groups [...] are coalitions of firms bound together by varying degrees of legal and social connection that persist beyond the interactions required by short-term economic exchange.” (Keister, 2000, p. 26)*

In comparison to other single unit or standalone corporations (e.g. *shiye danwei*), the business group represents a configuration of several corporations that are unified within one organisational setup. The corporations are linked to each other through legal and social ties, which implies complex interrelations. Basically, business groups are characterised by cross-stockholding arrangements (as an important inter-firm relation), interlocking directorates (interpersonal relation), loan dependence (link through mutual financial funding), and internal exchange of intermediary goods (transaction links) (Goto, 1982, pp. 56-58). Along these basic inter-firm relations, other sorts of links may also occur, such as those resulting from joint subsidiaries. According to Granovetter (1994) a business group can be distinguished along six dimensions: (1) ownership relations; (2) axes of solidarity; (3) authority structure; (4) funding capability; (5) state relation; and (6) moral aspects.

(1) Large business groups feature complex ownership relations. Although from a legal perspective member firms are independent, they are mostly directly or indirectly owned and, to a certain extent, also controlled by a core unit. Relations among member firms are characterised by cross-stockholding arrangements and a “dense network” of interlocking directorates. Strong social relations, based on cross-stockholding and interlocking directorates, in addition to legal relations, have a binding effect on the cohesion of business groups. (2) The so-called “axes of solidarity” among firms are grounded in kinship, political affiliation, religion, university relationships political or other social affiliations. While individuals can be part of different axes of solidarity, the building of trust is an important glue to bind together member firms. (3) Business groups are governed horizontally or vertically, even though overlapping authority structures also exist. Groups that consist of a powerful core unit or “focal firm” are likely to be governed more vertically or hierarchically. Horizontal structures are more apparent in groups that are dominated by several relatively equal firms. (4) Business groups, moreover, provide structures for financial funding among its member firms to the extent that they substitute or supplement underdeveloped capital markets. Financial divisions or specially created banks (often interlocks between banks and groups) are an essential component of every business group. (5) The state-business relation is another significant dimension that especially applies to large business groups that are of national relevance. State-affiliated groups usually dispose of good political connections, which may be manifested in preferential treatment of business groups. (6) Lastly, some business groups have a strong orientation toward “normative standards” and “mutual obligations” (Granovetter, 1994, pp. 461-469). An important distinction factor is a group’s “authority structure”. Business groups with a vertical structure feature a strong parent corporation that dominates decision-making processes, but also the allocation and coordination of resources, as well as the provision of financial funding. The directors of the member corporations are mostly sent from the parent company where they remain in a leading position (opposite is less apparent). In contrast, business groups that consist of corporations with equal power (horizontal structure) do not feature an explicit decision-making unit; decisions are collectively taken as part of a “president’s club meeting”. Compared to vertically governed groups, control mechanisms tend to be weaker as coordination is based on formal and informal rules only (Goto, 1982, pp. 55-61). In this way, the six dimensions suggested by Granovetter (1994) are directly or indirectly apparent in most concepts of business groups and substantially determine their nature.

In China, the contemporary understanding of business groups and the promotion thereof is a relatively recent phenomenon. Starting from 1978, policy makers under the lead of Deng Xiaoping initiated a state-controlled process of forming business groups. In a first stage, from 1978 to 1986, SOEs began to establish relatively weak links among each other. From 1987-1992 first business groups were established with the basic aim to absorb underperforming and inefficient SOEs. With the increasing number of private entrepreneurs in the early 1990s, business groups were further developed with the objective to create organisational units that may reduce (institutional) uncertainty. From 1998

onwards, highly competitive, large-scale business groups were built, so-called “industry-pillars”, that have adopted a “critical role” within their respective industries (Ma & Lu, 2005, pp. 3-4). In spite of the state’s dominating role, the emergence of business groups is conceived as a “bottom-up induced institutional innovation” rather than as a top-down directive (Hahn & Lee, 2006, pp. 213-214). Although state agencies set specific organisational templates, the concrete embodiment thereof signifies a bottom-up process. As such, power has been transferred from governmental authorities to the rising business groups (Keister, 1998, pp. 404-405). Furthermore, the promotion of business groups always had a political dimension. In 1980 when the first horizontal co-operations were established, an important objective was to weaken regional and political dependencies of corporations. From 1991, with the 8<sup>th</sup> Five-Year Plan (1991-1995), which was devised by the leadership of the Communist Party and approved by the Central Committee, business groups were promoted on a large scale; until 1997 there were 63 “experimental” business groups (Fischer, 1998, pp. 3-7). Nevertheless, it was in 1995, with the release of the 9<sup>th</sup> Five-Year Plan (1996-2001) by the Communist Party<sup>80</sup>, when priority was given to the development of business groups as “modern corporate institutions with clear ownership structures, unequivocal competences and responsibilities, a separation of governmental and corporate [entities] as well as scientific management [practices]” (CPC, 1996). The separation of shareholders and corporate management had been a central concern of the five-year plan. So, it is reasoned that the basic principle behind the reforms has been the transfer of control to business groups and the decreasing role of the state as shareholder (Keister, 2000, p. 9). In this way, the directives of the 9<sup>th</sup> Five-Year Plan had set the cornerstone for the *qiye jituan*.

The Chinese business groups resemble and were initially modelled after the Japanese *keiretsu* (系列) and the Korean *chaebol* (재벌) (Keister, 2000, pp. 2-9; J. Zhao, 2009, p. 876). Being strongly regulated by the state and managed by large family clans, the *chaebol* is more hierarchically governed than the *keiretsu* (Keister, 2000, pp. 35-38), and is, therefore, the closest model of reference for the Chinese business group. But, as the Chinese economy still is in a transitional stage and state authorities have a leading role in the development of enterprises, most *qiye jituan* are not only regulated by the state, but also state-owned. Also, business groups in China are less diversified compared to their counterparts in Japan and Korea (Ma & Lu, 2005, pp. 2-4). Prominent *keiretsu*, such as Mitsubishi or Sumitomo, and large *chaebol*, such as Samsung or Daewoo, are horizontal business groups that feature a whole range of different products and services, from cars and mobile phones, medicals and refrigerators to financial services or real estate, while the Chinese groups are much more focused. Moreover, Chinese business groups can be distinguished from other corporate groups in Japan or South Korea by their institutional origin and their ownership structure, as largely owned by the state (Hahn & Lee, 2006, pp. 207-208). As alluded to in section 3.2.1 of the preceding chapter on

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<sup>80</sup> On September 28 1995, the Fifth Plenary Session of the 14th CPC Central Committee promulgated the Proposal on the Ninth Five-Year Plan on National Economy and Social Development and Long-Range Objectives until 2010. The plan had been officially implemented in 1996.

the economic reforms, the incomplete and immature arrangements have fostered the formation of business groups in China. It has been found that in particular the state-controlled financial system (restricted capital markets) and the country's uneven legal development have contributed to the establishment of business groups in China (J. He et al., 2013). Apart from these peculiarities, the *qiye jituan* corresponds to the general understanding of business groups as reflected above; inter-firm relations bind together different firms that together form a particular configuration. The more or less strong ties between the corporations of the group are composed of complex ownership relations (including joint-stock ownership), interlocking directorates, personnel exchanges as well as production-based, technological, contractual and social relations (Keister, 2000; F. Zhou, 1996). Their setup is defined by a dominant firm that leads the group and holds a majority of shares of its subordinated companies (Hahn & Lee, 2006, p. 224). However, it is important to note, that not every organisation with a multidivisional structure can be defined as a group. Chinese business groups consist of legally independent entities that are bound together through inter-firm links (J. He et al., 2013, p. 168; Keister, 2000, p. 8; 30). Accordingly, the *qiye jituan* is a hierarchically governed business group with a parent corporation that coordinates the relations of the member firms.

Although the ownership structure of the *qiye jituan* are largely ambiguous, there are certain basic provisions that provide regulations concerning the relations among the firms within the group (Fischer, 1998, pp. 11-12). According to the regulations „on the registration and management of *qiye jituan*“ issued in 1998 by the State Administration for Industry and Commerce (SAIC), the total registered capital of *qiye jituan* should be above RMB 100 million (around EUR 13 million), a minimum of five firms should be affiliated to the group, whereas the core firm should have a capital stock of at least RMB 50 million (around EUR 6.5 million), which is around half of the total capital (SAIC, 1998). In China, the core unit of the *qiye jituan* controls and owns 30% to 51% of company shares. It consists either of a dominating corporation that produces core products, or of several core corporations that together form an entity. The core unit manages the group, its assets and investments (B. Yang, 2003, pp. 1-2). According to Fischer (1998)'s conceptualisation of the *qiye jituan*, its structures consist of an “inner core” a “closely-linked” and a “loosely-linked” stratum. In this concept the inner core refers to the dominant firm that coordinates member firms and pays taxes, the closely-linked stratum includes member firms that are linked through mutual investments (e.g. equity or technology) and the loosely-linked stratum entails member firms that are linked through mutual exchanges and cooperation contracts (Fischer, 1998, p. 11). In practice, the core firm is referred to as “*mu gongsi*” (母公司) or mother firm, firms of the closely-linked stratum are called “*zi gongsi*” (子公司) or child firms, and firms of the loosely-linked stratum are known as “*sun gongsi*” (孙公司) or literally grandchild firms.

For the Chinese business group, the relevance of social relations should not be underestimated; it sets business groups apart from other organisational concepts. As member firms

have diverging interests and requirements, social connections between individuals bind the different business units together. Moreover, Chinese business groups have strong (personal) ties to state entities, they are either affiliated to the central government or local governments (Keister, 2000, pp. 9, 29). In fact, social networks (*guanxi*) are crucial in establishing and maintaining inter-organisational relations of the *qiye jituan* (Keister, 2002). Accordingly, trust building among members is a core objective to reach organisational integration.

As a result of the above discussion, the *qiye jituan* is defined in the following way:

*“In sum, the qiye jituan has a large company at the centre that possesses ample strength in terms of capital, funding, production, technology, management, human resources and market network; ownership relations, that form the basic link, and other relations such as product, technology, economic and contractual ties bind together several firms and institutions; the business group features a multiple-level structure and forms a configuration consisting of a core firm and several member firms”* (F. Zhou, 1996, p. 121).

Even though there are some formal guidelines and regulations that define their configuration, business groups are a complex unit of study. According to Keister (2000) Chinese business groups embody the fundamental contradictions of the economic transition; market mechanisms and capitalist principles face socialist ideals that are upheld by policy-makers. Business groups are widely regarded as the organisational model of “strategic choice”, as they feature structures and mechanisms that allow overcoming institutional deficiencies that are prevalent in emerging economies like China (J. Zhao, 2009, pp. 876-877). Member firms rely on each other for financing, exchanging goods and services as well as personnel (Keister, 2000, p. 10). It has been discovered that business groups in China are able to mitigate the restrictions posed by the deficient financial system as they serve as “internal capital markets” for its subsidiaries (J. He et al., 2013, p. 178). In this way, business groups provide a channel for extended investment opportunities, more diversified portfolios and less cost-intensive transactions (compared to market mechanisms) (Goto, 1982, pp. 62-63). Also, business groups have the required size, that allow them to utilise comparative advantages to counteract the mechanisms of the planned economy (Fischer, 1998, pp. 17-23).

With their distinct structural characteristics and coordination abilities Chinese business groups represent the reference frame after which media groups were modelled in China.

### **2.2.2 Basic Concept of the Chinese Media Group (*baoye jituan*)**

The concept of the media group differs from the conventional business group by the nature of its core offering. Along the requirement for financial profitability and economic competitiveness, media groups have to fulfil the role as public opinion leaders (B. Yang, 2003, pp. 2-3). Chinese media groups like their conventional counterparts consist of a core firm or dominant firm, as well as of

several member firms. Given the political significance of media groups, the position of the core firm is usually assumed by the “party newspaper” (2003, p. 2). The core media unit (*mu gongsi*) is affiliated to the respective party organ on the provincial or municipal level, and, therefore, also called “party newspaper”. Newspaper units (*zi gongsi*) with a more diversified scope and less ideological content are arranged in the “close stratum” of the group. Subsidiaries of the third tier (*sun gongsi*), mostly subunits of the news corporations of the second tier, are part of the outer stratum (Lee et al., 2007).

Since the development of media in China had been primarily orchestrated by the party-state, the structural modification of media organisations has been subject to regulations issued by the CPC and the GAPP in particular (as elaborated in chapter IV). The announcement by the GAPP on the establishment of media groups represents the core regulation on the structural transformation of media organisations. The three basic articles of the decree are as follows:

- 1) *It is a new reform experiment that units from the book, newspaper, magazine, audio-visual and publishing sectors form groups. Currently, there will be only a small amount of experimental units.*
- 2) *In the current stage, the formation of groups by units of the book, newspaper, magazine, audio-visual and publishing sectors is limited to configurations of units within the same province or region. It is not allowed to organise groups across provinces or regions. It is not allowed to form a shareholding structure for publishing entities.*
- 3) *The core entity of the groups formed by units of the book, newspaper, magazine, audio-visual and publishing sectors are news-publishing units. It is also allowed to admit [other] units that are related to news publishing. Admitting business corporations that are unrelated to news publishing is not allowed. (GAPP, 1994)*

Overall, the regulations determine the principal constitution of media groups (which units are allowed to form media groups and which units form the core entities), their geographical scope (limited to units of the same province or region) and their business scope (subsidiaries need to be related to the core business). With only five articles in total, the directive is relatively short and imprecise. As indicated in the first article, the organisational modification is a “new reform experiment”. In the absence of clear guiding principles, the practical reorganisation had been subject to further regulations. Therefore, the directive of the GAPP was complemented with supplementary provisions that had been devised by representatives of ten newspaper publishing companies on the occasion of the Hangzhou Media Group Convention.<sup>81</sup> The supplementary provision consists of five articles and defines the minimum standards for media units to form media groups. With regard to the organisational structure, it had been stipulated that “apart from an influential principal paper, there

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<sup>81</sup> The Hangzhou Media Group Convention (杭州报业集团问题研讨会) was held in June 1994, following the promulgation of the directive in the same year. Representatives of ten newspaper publishing companies participated in the conference, where the supplementary provision was discussed.

have to be at least 4 newspapers or magazines that build the subsidiary media units". The provisions also determined that the revenue of media groups need to be above RMB 50 million in coastal regions and RMB 30 million in western and central regions (P. Shi, 1998). Moreover, it had been decided at the Hangzhou convention that under the jurisdiction of provincial governments, media organisations are selected as testing units for the implementation of said guidelines (Ceng, 2013, pp. 16-17). Together with the regulations of the GAPP and the supplementary provisions, this decision reflected the basic authorisation for the establishment of media groups; while the GAPP set the regulative frame, the actual implementation had been driven by the testing units. This implies that the structural transformation had started as an inductive process that was marked by an experimental implementation. Hence, without precise regulations, the "experimental units" were units of reference that defined the structural configuration for themselves and other media organisations. Consequently, experimental units provided a reference frame for the practical implementation and design of formal templates. In this light, the formation of the first media group in 1996 signified the "experimental" implementation of the guidelines.

As most Chinese media groups are still in their developing stages and have not reached maturity yet, they generally lack basic elements of their more conventional counterparts (*qiye jituan*), such as legally independent member firms or cross-sector business operation (B. Yang, 2003, p. 3). Moreover, administrative interference by governmental bodies as well as insufficient regulations on their business scope are apparent constraints that media groups face (Chuan, 2013, p. 55).

### **2.2.3 Transitional Configurations of Chinese Media Groups**

As explored in the section above, it is the basic mechanism of the reform that experimental units that have successfully explored new "organisational tracks" emerge as reference models for other units. Specific organisational tracks may serve as maps that guide organisations "from the constraining assumptions of a given archetype" to "assume the characteristics of an alternative archetype" (Greenwood & Hinings, 1988, p. 294). So, to trace the transformation of organisational forms it is required to analyse the individual units that were successful in implementing organisational innovations. This section, therefore, introduces the structural configurations of successful model units. The formal organisational structures will be analysed in accordance with the structural dimensions as proposed by Kieser and Walgenbach (2010, pp. 71-72). The dimensions include: *unit grouping, coordination, decision-making system, linkage design and formalisation*. Although the terminology may differ from author to author, the five structural dimensions represent a common typology to analyse organisational configurations (Mintzberg, 1979).

**a) The Guangzhou Model: Related Product Form**

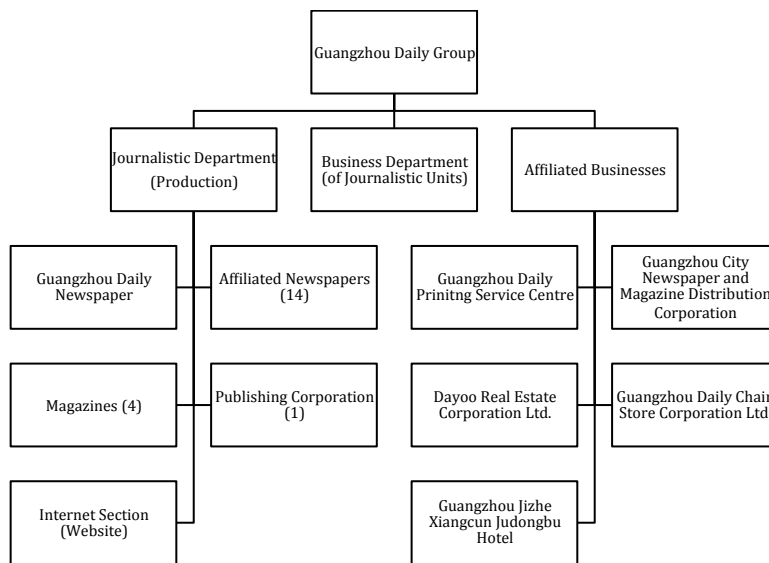
The “Guangzhou Daily Press Group” (hereafter: GDPG), which was established in 1996, represents the first media group. On 15<sup>th</sup> January 1996, the GAPP formally announced the conditions for the establishment of the first media groups in the “statement on the approval of the establishment of the GDPG” (关于同意建立广州日报报业集团批复):

*“The baoye jituan must consistently strengthen and consolidate the leading role of the party in the public opinion [formation], contribute to the party’s influence on the people, contribute to maintain the appreciation of state-owned assets, as well as guaranteeing the absolute party leadership on the media group and cooperating with the central and provincial governments.”*  
(Cited in(Ceng, 2013, p. 17))

The structural setup of the GDPG had been designed on the basis of these conditions. As the establishment of the first media group had been regarded as a trial for the implementation of the reorganisation of media units, the regulations were strict and unequivocal in ensuring the paramount leadership of state agencies. However, the new organisational setup had positive effects on economic aspects. With the establishment of the GDPG, the former newspaper corporation became able to diversify its products and expand its market share by launching new subsidiary newspapers and magazines. Circulation and advertisement became the main economic indicators for the management; subscription options for private consumers and organisations were expanded and advertisement modes amplified. One year after the media group had been founded, profits rose by 70% and total assets by 180% (Ceng, 2013, pp. 18-19).

Figure V-3 below shows the organisational setup of the group after its establishment.





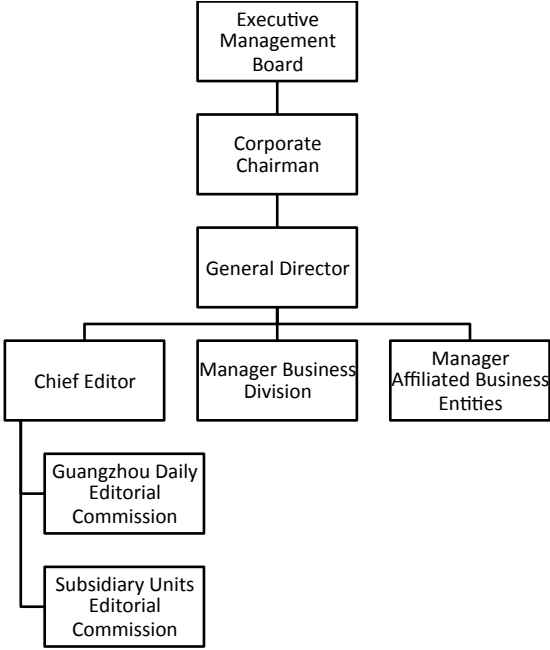
**Figure V-3: GDPG Structure**<sup>82</sup>

Compared to the *baoshe* setup that essentially featured functional structures, the configuration of the GDPG exhibits a partial divisionalisation of structures. On the first level, tasks are grouped according to work-flow (function); production units are integrated in the journalistic department, while the business administration departments (of the journalistic units) are subsumed in the “business department”. Additionally, the affiliated corporations that have been acquired by the group are separated in the “affiliated businesses” section. On the third level, units of the production department are grouped according to products. In contrast to the *baoshe* model, where the production department had been grouped according to functions (e.g. economic, cultural or sports news department), the GDPG has established divisions for its products; every product of the group has its own journalistic production units. Similarly, the affiliated business units also built individual divisions. The group’s subsidiary businesses range from a publications distribution corporation and a real estate corporation to a hotel in the city of Guangzhou (X. Huang, 2013, p. 63). However, this divisionalisation only applies for the journalistic production units of the group. All business-related tasks are centralised in the business department. As a result, the journalistic production units (media units) do not dispose of individual business sections in this setup. The central business section not only includes the human resource or accounting departments, but also the marketing department and more importantly the advertisement department (2013, p. 63). As mentioned above, media organisations offer their products on two markets simultaneously; the consumer (reader) and advertisement market. However, in the case of the GDPG, the product divisions are not in control of their basic marketing activities, as all business-related tasks are centralised. From a general perspective, the centralisation of the business

<sup>82</sup> Source: Own compilation, in correspondence with City of Guangzhou Agency for Culture (2011); X. Huang (2013, p. 63)

administration units derives from process interdependencies. Specialists of a department (e.g. advertisement) are grouped in one entity to optimise the operational processes across product divisions. Put differently, interdependencies related to specialisation foster the formation of functional structures (Mintzberg, 1979, p. 122). Hence, due to tendencies for both specialisation and diversification, the configuration of the GDMG exhibits functional as well as divisional structures.

To assess the coordination, linkage setup, decision-making system and formalisation of the group’s structure, it is required to understand how the organisation is governed.



**Figure V-4: GDPG Hierarchy**<sup>83</sup>

The highest authority of the GDPG is the executive management board (董事会), which is responsible for the general corporate development and organisational alignment. The corporate chairman (董事长) is the head of the executive board and the legal representative of the group. Directly subordinated is the general director or managing director (总裁), who is appointed by the executive board. In his function, the managing director not only oversees the business division and the affiliated businesses, but is also responsible for the production of journalistic content. On the subsequent level are the chief editor, who is in charge of the editorial work of the media units, and the managers of the business division as well as the affiliated business entities, who are responsible for the conduct of their subordinated units. The chief editor and the business managers are constitutive members of the executive management board (X. Huang, 2013, p. 63). Accordingly, just as in the case of the *baoshe* model, personal directives of the executive management board build the basic measures for coordination. Also, the different units are connected through single-lines, as can be seen in figure

<sup>83</sup> Source: own compilation, in correspondence with (X. Huang, 2013, p. 63)

V-3 (GDPG structure). This means that instructions are essentially issued from top to bottom, emphasising the dominating position of the executive management board. At the same time, structures have remained relatively inflexible, processes standardised and control mechanisms firmly in place (according to provision of the GAPP), which implies a high degree of formalisation. Accordingly, decision-making system of the group can be marked as relatively centralised.

Furthermore, the party-affiliated newspaper “Guangzhou Daily” is not only the leading publication of the group (and the official communication organ of the communist party committee of Guangzhou), but also the core unit that coordinates the resource allocation among its subsidiaries and manages the overall development of the group (Ceng, 2013, p. 20). It entirely provides the social capital for political protection (endorsement), human resources as well as product know-how for its subsidiaries (Yue Wang, 2012, p. 15). In this way, the leading publication exerts almost unrestrained influence on the group at large. Due to the centralised decision-making system substantial issues occurred. The most challenging issue for the evolving media group had been the relation between the “parent unit” and its subsidiaries; at the beginning, the relationships were largely uncoordinated and the group’s operation had been relatively inefficient (集而不团, 大而不强). Subsequently, the development of improved coordination mechanisms became a priority (2012, p. 15). As a result, the role of the core unit had substantially changed. While it had been the only concern of the Guangzhou Daily in the past to conform to ideological requirements of the local party committee, it had become increasingly important to adhere to basic economic principles in order to ensure the profitability of the group as a whole. Operating a profitable and efficient corporation required decision-takers to increasingly respect the fundamental logics and mechanisms of the market (2012, p. 16). In principle, the tension between the parent unit and its subsidiaries reflects the overarching institutional conflict, the clash between political directives and market forces. Although some improvements have been implemented in the allocation of resources, the core unit has retained most of the decision-making power. As a result, the central position of the core unit has impeded efforts to refine and further develop the structures of the media group. In essence, the organisational configuration of the GDPG is a structural extension of the former *baoshe* model. Not only are all key business units concentrated at the top of the organisation, the revenue of the subsidiaries is also retained by the core unit. Against this backdrop, it has been claimed that with this structure “the newspaper corporation is operating a group and not the group is operating a newspaper” (Zhuang & Li, 2008, pp. 12-13).

To sum up, the GDPG features a formalised organisational setup with a centralised decision-making system and with subordinated units that are linked through single-line structures, coordinated through personal directives, and grouped by function as well as products. Overall, the Guangzhou model would represent a “machine bureaucracy configuration”, based on its structural characteristics. However, in spite of its functional grouping, the model also includes divisionalized structures, given the diversification of the media group. This implies that the GDPG’s configuration is a hybrid form that features functional and divisional structures. As there are forces (strategy of GAPP to retain

political control) that aim to maintain the functional structures of the *baoshe* configuration to ensure facilitated control of assets and resources (despite diversification tendencies), the organisational setup of the GDPG represents a transitional configuration.

With new products being introduced (e.g. new publications) the establishment of individual divisions becomes inevitable. But as the products are closely related and partially still in the process of being established on the market, central functions are being retained at the core of the organisation; for instance human resource management (critical function in media business) and marketing (advertisement) functions. This sort of functional/divisional hybrid is referred to as the “related product form” (Mintzberg, 1979, pp. 395-397; 408-412). On the other hand, as the diversification of the group also included the acquisition of external corporations (affiliated corporations), the structural configuration features some basic characteristics of a holding structure. If a core corporation retains a functional structure for its main business, while the acquired corporations remain largely independent entities, the organisation constitutes a so-called “functional-holding structure”; a transitional setup in the process of moving from functional structures to pure divisional structures (Kieser & Walgenbach, 2010, pp. 232-233). In the case of the GDPG, the core units (media business) are grouped according to a combination of functional and divisional structures, whereas the affiliated corporations are largely independent entities. Accordingly, the configuration of the Guangzhou model can be described as a “related product form” with some rudimentary characteristics of a “functional-holding structure”.

With this finding, it becomes clear that the GDPG does not completely consist of independent corporations (key feature of the *qiye jituan*), nor does it feature a pure divisional structure. This in turn means that the Guangzhou Model cannot be conceptualised as a (Chinese) business group. As elaborated above, among the defining characteristics of the business group (*qiye jituan*) concept is the condition that independent entities build a corporate configuration on the basis of legal and social connections. Moreover, a business group is principally characterised by a pure divisional structure (Mintzberg, 1979, p. 412). Apparently, both conditions are not fulfilled by the GDPG. Instead, the Guangzhou model represents a transitional configuration with both functional and divisional structures. The configuration, furthermore, shows that the GDPG’s structure and its strategic orientation are closely intertwined. Firstly, in accordance with the GAPP’s condition to ensure party leadership, financial and business related units are centralised in a functional department. In that way, centralised units allow efficient control of assets and human resources. Consequently, the strategic alignment of the state (GAPP) has influenced the grouping of departments. Secondly, the diversification that resulted from the formation of the media group triggered partially divisionalized structures. So, the group’s expansion strategy is implicitly reflected in its structure.

In a nutshell, it can be reasoned, that despite some positive effects on the corporate development, such as new growth potentials (expansion opportunities into new business fields, e.g. digital sector), the structural modification has created a transitional configuration that exhibits some

organisational inconsistencies. So, it can be reasoned that the deficiencies of the Guangzhou model served as the breeding ground for further structural adaptations.

#### **b) The Nanfang Model: Conglomerate Approach**

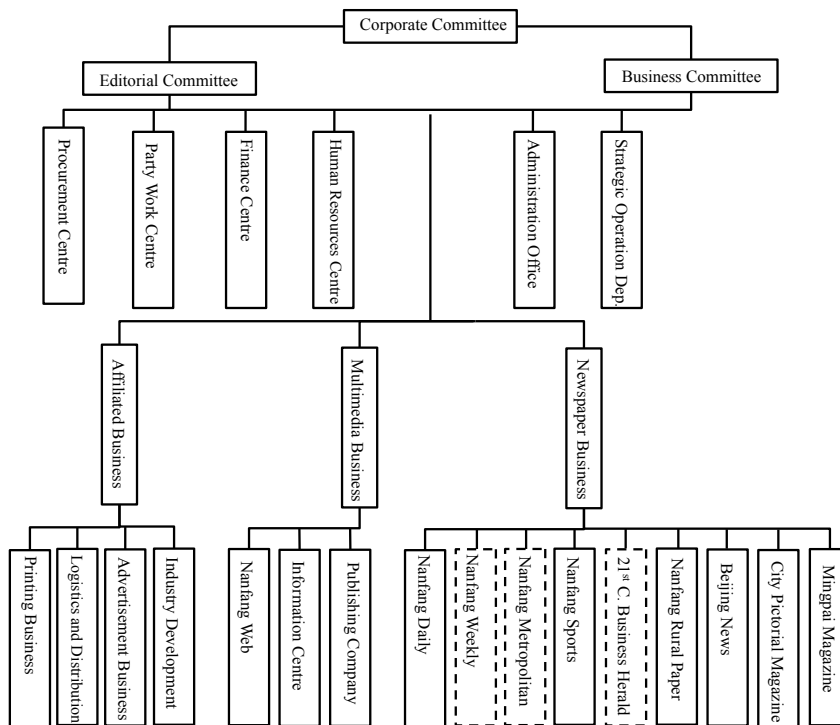
The second model is based on the setup of the “Nanfang Media Group”<sup>84</sup>, which has developed in a slightly different way. The successful establishment of the GDPG has signified the formal launch of the reorganisation of media units. Given the success of the first media group, reforms were further developed. After consultations in Weihai<sup>85</sup> in August 1996 and Beijing in December 1997, with representatives of 16 media organisations, the GAPP devised a plan to establish two to five new media groups until 2000 (Ceng, 2013, pp. 21-22). At the conference of Shenzhen in May 1998, it has been stressed that *“media groups should have strong [economic] power, should be oriented towards the market, participate in competition, standardise management [practices], make governance more scientific and fully industrialise [sic] operations”* (cited in (Ceng, 2013, p. 22)). Compared to the regulations of 1996, the provision of 1998 had been less prudent and had a stronger focus on the economic development of media groups, rather than on political constraints. So, following the first experimental unit’s success, the reforms were not only expanded in scope but also deepened in substance. After its formal establishment, the Nanfang Media Group devised a more refined configuration. It has been found that the main reason for the modification had been the financially tense situation of the group that forced it to come up with a new model that would enhance the overall efficiency of the corporation (Zhuang & Li, 2008, p. 14). N. Liu (2005, p. 25) argues that in the case of the Nanfang Media Group, it was the business development strategy that demanded an adaptation of the group’s structure.

In accordance with the “China Newspaper Industry Yearbook 2005”, the chart below displays the organisational structure of the Nanfang Media Group – as it had been devised in 2005.

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<sup>84</sup> The “Nanfang Media Group” (南方报业集团) is headquartered in the southern province of Guangdong, just like the “Guangzhou Daily Press Group”.

<sup>85</sup> Weihai (威海) is a coastal city in the province of Shandong.



**Figure V-5: Nanfang Media Group Structure**<sup>86</sup>

Compared to the organisational configuration of the preceding model (GDPG), the Nanfang model features a more refined structural setup. By and large, the divisionalisation of structures had been further advanced, which implies an organisational shift in the direction of a business group.

Some of the group’s core business and administrative functions are concentrated at the top of the organisational frame and grouped into competence centres. Along the “finance centre”, the “procurement centre” (responsible for procuring and purchasing relevant material and goods), the “human resource centre” and the “office of the general administration”, a “centre for party work” (basically a control department for the ideological alignment) and a “business strategy department” had been established. In this way, the core departments at the centre of the organisation not only exercise key business functions, but also ensure ideological and operational congruence. Correspondingly, the group’s core tasks are grouped according to their functions. Located on the organisational level below are the group’s operational divisions<sup>87</sup>. Although not signifying independent legal entities, the divisions had been designed as largely autonomous business units that are grouped according to products or product lines. While the central departments are in charge of long-term decisions and the group’s overall alignment, the divisions are exclusively responsible for the production, management and marketing of their respective goods and/or services. Each division

<sup>86</sup> According to China Newspaper Industry Yearbook 2005, (W. Wu, 2006)

<sup>87</sup> In the report the term “*shiyebu*” (事业部) is used, which means business unit or simply division.

operates its own advertisement section and has its individual financial accounting office. The divisions are accountable for the profit and loss resulting from their business operation. However, the group's central financial department sets profit objectives for all business divisions. Only the revenues that, after tax deduction, exceed the profit target can be retained by the divisions. In this way, the divisions act as profit centres that are obliged to contribute to the group's overall profit (W. Wu, 2006, p. 272). Moreover, there is another special characteristic in the group's structure; the divisions that are shown dashed in chart V-5 ("Nanfang Weekly", "Nanfang Metropolitan" and "21<sup>st</sup> Century Business Herald"<sup>88</sup>) represent so-called "newspaper chains" (报系). The know-how and resources of the divisions are utilised to operate subsidiary products. For instance, along the core product (e.g. daily newspaper) supplementary offerings (e.g. weekly paper, magazine or regional paper) are produced and managed by the same division (She & Duan, 2008, pp. 66-67; Xingfeng Yang, 2012). So, with divisions that have the capability to coordinate all basic functions required for the provision of specific products (e.g. content production, advertisement management, financial accounting), the organisational setup of the Nanfang model disposes of genuine divisional structures (Kieser & Walgenbach, 2010, pp. 87-93).

Turning to the coordination mechanisms of the organisation, it becomes visible that the media group is characterised by a hierarchical layout of units. The corporate committee represents the overarching governing body, while the editorial committee and the business committee are subordinated. The two committees reflect the basic coordination separation; journalistic work processes and business-related activities are separated and individually coordinated by the editorial committee and the business committee respectively (W. Wu, 2006, p. 272). In principle, the group is governed by the corporate chairman (社长), the chief editor (总编辑) and the general manager (总经理). The corporate chairman is the legal representative of the group and presides the so-called "corporate committee" (社委会), that is in charge of the group's overall work. The editor-in-chief is responsible for the content of the group's media products and their conceptual alignment. In contrast, the general manager is in charge of business related activities, such as advertising, circulation and information flow (N. Liu, 2005, p. 25). Compared to earlier structural models, the balanced relevance of the journalistic and business sides is formally reflected in the setup of the Nanfang Media Group. The fact that both the chief editor and the general manager are formally under the lead of a corporate committee highlights the interdependence of the two sections (G. Zhou & Li, 2007, p. 2). Furthermore, it is noticeable that the group is coordinated by collective governance bodies (committees) rather than by strong individuals, as has been more common for other media organisations in the past (N. Liu, 2005, p. 25). Yet, even though there is an apparent distinction between the journalistic coordination and the business coordination, reflected in the two different committees, figure V-5 (above) also

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<sup>88</sup> Due to allegations of bribery and corruption, the 21<sup>st</sup> Century Business Herald had been shut down in 2015. It is unknown whether it will resume its operation in the future (BBC News, 2015).

exhibits that both committees conjointly govern the subordinated units. This suggests that senior editorial staff have the authority to interfere in decisions unrelated to journalistic work (and vice versa<sup>89</sup>).

Although the Nanfang Media Group promoted the establishment of unique subsidiaries with different alignments and focusing in terms of products, content and target audience, its core unit (Southern Daily) occupies a central position (Esarey, 2005, pp. 60-63); the group's decision-making processes are mainly dominated by the Southern Daily, which implies central decision-making. Not only does the core unit dominate decision taking, its structures also build the fundament of the group's setup. In fact, the group can be captured as an extension of the organisational setup of the Southern Daily; the group's core departments (e.g. human resource centre or finance centre) simultaneously constitute the operative departments of the core unit (W. Wu, 2006, p. 272). Due to these overlapping structures, the core unit has the capability to govern the group as a whole. Correspondingly, the Southern Daily provides its subsidiaries with political endorsement, shares its resources internally, but also exerts influence on the subordinated units (She & Duan, 2008, p. 66). Although lower in significance, the newspaper chains adopt the same role for their subsidiary products as the parent firm for the group. In essence, there are two competence centres, one represented by the group's parent unit and the other by the newspaper chains. It is reasoned that there are two protective umbrellas (or two control centres) in this model, the parent unit and the newspaper chains (2008, p. 66). So, in addition to the central coordination departments of the group, the newspaper chains have some decision-making power for their subsidiaries (Xingfeng Yang, 2012), which suggests a slight tendency towards a decentralised authority structure. To some extent the newspaper chains serve as experimental units to test the conduct of genuinely independent media subsidiaries.

By analysing the linkage among the individual units, it seems that the model features single-line structures, just as explained in the previous cases. However, if authority from top to bottom splits at a specific intersection in the hierarchy and different decision makers are "equally and jointly" responsible for the same divisions and tasks, principal traits of a matrix structure can be detected (Mintzberg, 1979, p. 170). In fact, the organisational setup of the Nanfang Media Group comprises a split of authority; the editorial and business committees are jointly responsible for the coordination of the subordinated units. The incorporation of matrix structures (矩阵结构) leads to a setup, in which the decision makers of the business side are confronted with those of the journalistic side and vice versa. This creates a certain balance of power, as mutual negotiation is needed. Looking more closely at the group's subsidiaries and their internal organisation, an interlocking of their structures can be detected as well. Just as on the group level, the business and editorial departments of the different divisions are closely intertwined in a matrix structure. It is argued that this structure facilitates the

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<sup>89</sup> Certainly, the same applies for business managers, who might get involved in unrelated tasks. However, given the strong standing of editors, this might be comparably uncommon.



internal coordination and collaboration and that resources, know-how as well as human capital can be easily exchanged (N. Liu, 2005, p. 25). Taking the “Nanfang Metropolitan” newspaper chain as an example, content production, sales and business development, which are the subsidiary’s main functions, are divided between an editorial committee, a management committee and an administration committee. The three organisational bodies mutually coordinate tasks and allocate resources among the respective departments. Moreover, the organisation of the traditional “Southern Daily Newspaper” has also been revised; the 15 news sections of the past were merged into 4 departments. The departments are in turn divided into sub-departments, which are referred to as “newsrooms”. It is the intention that the newsrooms not only support each other, but also provide news content to the other departments, which has resulted in intertwined relations between the departments. Another example is the “21<sup>st</sup> Century Business Herald” newspaper chain. As its core product is an economic publication of national relevance, the chain runs several offices across the country. The administrative headquarter is in Guangzhou, but it operates “news centres” in Beijing, Shanghai, Hong Kong, Shenzhen, Chengdu and Chongqing. The news centres at the various locations are directly managed by a local executive manager, but, as they rely on each other’s support and news resources, the different units are interdependent and managed jointly by several decision takers. So, the news production units are part of a dense network, which allows them to act flexibly according to the local conditions. In that way, they can access local resources and improve the efficiency of the information flow (2005, p. 25). With this approach, resources and intellectual capital circulate across the organisational levels and between the different departments and divisions. By introducing multiple-line structures, the model features mechanisms that trigger increased interdependence as well as a higher degree of flexibility. Actually, if different entities jointly coordinate specific tasks, it means that information channels are shorter, more function-oriented, and also more flexible (Kieser & Walgenbach, 2010, pp. 128-135). In contrast, they may not be the optimal choice to provide stability and uniformity (Mintzberg, 1979, p. 173).

Finally, the structures of the organisation have remained relatively formalised; control and oversight mechanisms of relevant state agencies (especially local government and GAPP) have remained in place.

Based on this evaluation, the structural configuration of the Nanfang model features the basic traits of a “Divisionalized Form”. In essence, the Divisionalized Form is “*a set of quasi-autonomous entities coupled together by a central administrative structure*” (Mintzberg, 1979, p. 380). As this understanding suggests, the Divisionalized Form is not comprised of unitary structures, but rather a combination of varying structures that are designed to match each other. At top of the configuration are the core units that have the responsibility to coordinate and supervise the subordinated units as well as to allocate the main resources. The subordinated divisions retain almost full autonomy in their operative business, which means that they possess the authority to run their own functional departments. Although it is argued that in a Divisionalized Form the core units grant its divisions

extensive autonomy (1979, pp. 382-384), it is also common that the core units get actively involved in the operative business of its divisions (Kieser & Walgenbach, 2010, p. 231). Furthermore, a basic condition that encourages the development of a divisionalized configuration is the existence of complex and diverse markets. In such an environment, the divisions allow flexible responses to varying demands of the market.

Compared to the “Related Product Form” (Guangzhou model), the Divisionalized Form features pure divisional structures, whereas different divisions operate (almost) completely separate from each other (Mintzberg, 1979, pp. 380-414). However, the structural configuration of the Nanfang model only partially fulfils the key characteristics of a Divisionalized Form. Firstly, given the fact, that the decision making system of the group is centralised and as the core departments of the group principally represent a replica of the functional departments of the Southern Daily division, the core units have a clear tendency to get involved in the operational business. And secondly, even though the divisions have been constructed to account for market diversity and to develop distinct product characteristics, not all divisions are completely unrelated to each other. So despite, the limited operational independence of the divisions there is some apparent relatedness in the products they offer. This, in turn, suggests a certain degree of interdependency and some spillover effects.

In brief, the Nanfang Media Group introduced an organisational setup that has allowed a sustainable development of strong subsidiaries, with distinct characteristics and solid economic performance. In a consecutive process (滚动发展), the group established and strategically positioned its new brands, “each according to its niche” (龙生龙, 凤生凤), which is reflected in the establishment of distinct divisions (Deng, 2010). The development of two decision making levels (so-called “double umbrella framework”), group level and level of newspaper chains, is regarded as an organisational innovation that has encouraged the subsidiaries to become more independent (She & Duan, 2008, pp. 66-67). In this sense, the group has gradually optimised its organisational form by developing improved structures.

Three factors explain why the Nanfang Media has been an innovative model in the early 2000s: (1) construction of genuine divisions, with competence and authority to run their own business; (2) basic matrix structures, several decision making bodies jointly manage subordinated units. In this respect, the setup of an editorial and a business committee that are (formally) equal in authority signifies a particular novelty; and (3) establishment of newspaper chains as entities with considerable decision-making power. Accordingly, with this second model increasingly strong and autonomous subsidiaries have emerged, and first signs of a more decentralised structure have become evident. Nevertheless, a fundamental deficiency that has already been highlighted in the preceding model, is the dominant position of the focal unit (Southern Daily), which again implies that “a newspaper corporation is operating a group and not a group is operating a newspaper” (Zhuang & Li, 2008, pp. 12-13). The independence of the divisions is, therefore, constrained by the power of the flagship unit

of the group. Likewise, it is unclear to what extent the separation of journalistic aspects and business-related aspects is in effect. The editorial committee is able to exert considerable influence on the functional departments of the group. So, despite some innovations, key conflicts remain unresolved.

### c) **The Zhejiang Model: Functional-Holding Structure**

Along the development of the preceding model, another structural model has evolved. Although there are some apparent similarities to the configuration of the Nanfang Media Group, the Zhejiang Daily Press Group (ZDPG) has established a distinct structural configuration that features unique characteristics. Just as the Nanfang model, the main innovation of the Zhejiang model is the introduction of divisional structures. However, in contrast to the former model, the organisational setup of the ZDPG puts strong emphasis on the separation of “production functions” (creation of journalistic content) and “marketing and administration functions” (business-related tasks). This functional grouping, which is superimposed on a divisional frame, makes the structural composition of the ZDPG highly complex.

Internally, decision takers of the media group use the following slogan to refer to the special characteristics of the organisational setup: “*One media [unit] and one corporation, two separations, one account*”<sup>90</sup> (Jiang, 2011; Weiping Wang et al., 2005; Yiyi Wang & Chen, 2006). In 2003, the group separated the journalistic side from its business side in order to make internal processes more rational. By establishing structures according to operational functions, mutual interference among journalists and management staff were reduced, while simultaneously potential synergies and supporting interactions between the divisions were encouraged (Shen & Zhou, 2005, p. 73). Furthermore, along the separation of responsibilities, the composition of the individual organisational entities had also been modified; the production units (media units) were designed as divisions that are directly subordinated to the group’s leadership, whereas the units not involved in journalistic work have been organised as “contemporary corporations”<sup>91</sup>. In fact, a holding corporation (which is a constitutive entity of the media group) had been established to control and manage all non-journalistic subsidiaries (Jiang, 2011, pp. 26-27). The tenet “*one media and one corporation, two separations, one account*” builds the basic foundation for the organisational configuration of the ZDPG, as illustrated in the chart below.

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<sup>90</sup> In Chinese the slogan reads “一媒体一公司，两分开一本账”. It simply highlights the two aspects of the organisation; the journalistic side and the business side, under the leadership of the group.

<sup>91</sup> The term “contemporary corporation” is understood as profit-seeking venture that is not restricted by ideological limitations or supervision.

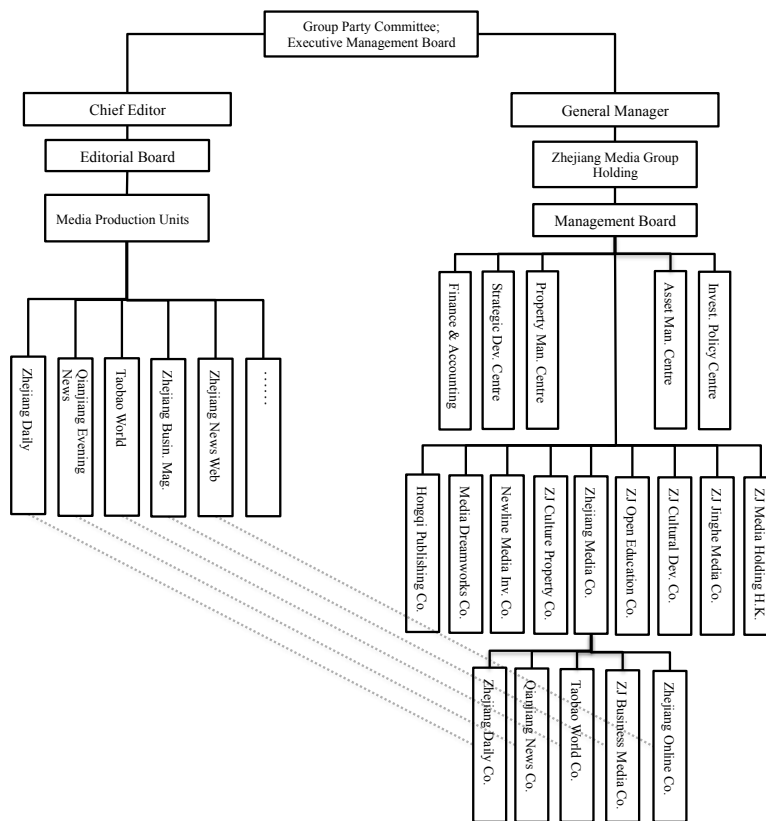


Figure V-6: ZDPG Structure<sup>92</sup>

As figure V-6 shows, the organisational setup of the ZDPG features both functional and divisional structures. On the first level below the group leadership, units are grouped according to their functions. The media group’s production units form one section, while its administrative and management units (non-journalistic units) form the other. On the second level, units are grouped according to products. Furthermore, it is noticeable that all non-journalistic units are subsumed and managed by a holding company, the “Zhejiang Media Group Holding”<sup>93</sup>. The management of the holding (management board) is complemented by five central departments (competence centres): the property management centre, the asset management centre, the finance and accounting centre, the strategic investment centre and the strategic development centre. At the core of the holding, the centres retain key functions that are required for the overall (long-term) management of the subsidiaries (Weiping Wang et al., 2005, p. 37). While the group’s central departments are concerned with long-term decisions of strategic relevance, the subordinated entities form profit centres, that have the authority to run their daily operational business, but have no legal independence (Song, 2006, pp. 19-20). In total, there are nine entities that are under the management of the holding company. The subsidiaries include corporations such as a publishing corporation (Hongqi Publishing Co.), a cultural

<sup>92</sup> Source: Own compilation based on Song (2006); Weiping Wang et al. (2005); Yiyi Wang and Chen (2006); ZDPG Website (Entities); (Zhejiang Daily Press Group, 2016)

<sup>93</sup> Chinese term: 浙报传媒控股集团有限公司

investment corporation (Newline Cultural Investment Co.) and an education service provider (Zhejiang Open Education Co.). Among these subsidiaries the holding also owns the “Zhejiang Media Corporation”<sup>94</sup>. The Zhejiang Media Corporation is the group’s entity that runs the business divisions of the different media units (Zhejiang Daily Press Group, 2016). Just as the other subsidiaries, the Zhejiang Media Corporation disposes of a distinct organisational setup, with its own departments and divisions (Zhejiang Media Corporation, 2016). So, as the different subordinated corporations constitute individual entities, the “Zhejiang Media Group Holding” represents an instance of a typical divisional form. Nevertheless, the holding company forms an integral component of the ZDPG, which means that it is not only fully owned, but also fully controlled by the group (Jiang, 2011, p. 25). As a result, it can be reasoned that the basic functional structure of the group is superimposed on the divisional structure of the holding company. So, the group features a functional superstructure, while the grouping on the subordinated levels is largely divisional. By introducing overlapping organisational structures, the principle “one media, one corporation” (一媒体一公司) is, therefore, fulfilled.

Figure V-6 above illustrates, that the structures of the ZDPG build a hierarchical setup with powerful individuals in charge of the group’s coordination. Together with the party committee (集团党委), the executive management board (集团公司董事会) is responsible for the overall alignment and coordination of the group. Basically, the two entities take strategic decisions on long-term policies regarding the group’s development, key personnel or financial portfolio. Although the two bodies are jointly responsible for these tasks, the group’s party committee has a stronger focus in overseeing and controlling the group’s overall journalistic alignment. The corporate chairman (社长) is the legal representative of the group, while the group’s party secretary (党委书记) is the official head of the party committee. Concurrently, both the party secretary and the corporate chairman take up positions as managing directors (董事长) and, thereby, lead the executive management board<sup>95</sup>. On the subordinated organisational level, the chief editor (总编辑) is responsible for the coordination of the journalistic work, while the general manager (总经理) coordinates the group’s non-journalistic units. Also, the holding has its managing board, whereas the group’s general manager is the principal person in charge. However, despite the group’s doctrine of functional separation, the groups leading positions are largely interwoven; the general manager concurrently holds the position of the deputy editor-in-chief, and the group’s chief editor is simultaneously the manager of the Zhejiang Media Corporation, which operates the media management corporations (Song, 2006, pp. 18-19; Yiyi Wang & Chen, 2006, pp. 87-88). According to senior managers of the group and of the subordinated corporations, interlocking directorates ensure strategic congruence and enhance the efficiency of resource allocation

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<sup>94</sup> Chinese term: 浙报传媒集团股份有限公司

<sup>95</sup> In fact, the positions of the corporate chairman, party secretary and managing director are often held by one and the same person (Yao, 2006).

(Shen & Zhou, 2005, p. 74; Weiping Wang et al., 2005, p. 38). This implies, that although the ZDPG features a complex structural setup, its activities are coordinated by only few individuals. Accordingly, the group's coordination mechanisms extensively relies on powerful individuals that dominate the hierarchy. So, personal directives serve as the main coordination tools.

As becomes evident from the two structural dimensions above, the decision-making system of the Zhejiang Model is rather centralised. The setup of the ZDPG can be divided into three basic levels (三横). There is the group's coordination and executive level, which consists of the executive board and the party committee. Secondly, the middle level is composed of the editorial management and the business management. On the third level are the individual media units and the affiliated corporations, whose authority is limited to operational decisions (Song, 2006, p. 18). Although the group's leadership seeks to support a limited individual positioning of its media ventures as well as to prevent redundancies resulting from ambiguous responsibilities, it simultaneously wants to ensure an effective implementation of its overall strategy (Weiping Wang et al., 2005, p. 37). As the organisational slogan ("two separations, one account") suggests, the functional separation does not implicate decentral decision taking. The expression "one account" (一本账) explicitly alludes to the central decision-making power of the group's central level. The group's executive board is in charge of long-term decisions, financial and investment matters, as well as the strategic orientation of the organisation as a whole. Although the individual corporations are authorised to take short-term decisions concerning their daily business, it is the central leadership of the ZDPG that along the group's long-term development strategy, is concerned with the major financial decisions (e.g. setting overall budget) and capital expenditure. By its own account, the media group regards internal centralisation and congruence as a key factor to make its operation more effective (Shen & Zhou, 2005, p. 74). Moreover, Yao Minsheng, the former corporate chairman of the ZDPG, highlights that all subordinated entities are subject to the group's "uniform leadership" (统一领导) (Yao, 2006, p. 35). So, despite some apparent decentralisation tendencies, the group is largely governed through central decision taking.

By and large, the organisational chart suggests that the individual units of the group are connected by single-line linkages. However, the functional separation (两分开), that internally split the media units into production and management units, has made cross-divisional connections inevitable. Mutual interaction and support among the corresponding units, including the exchange of resources and know-how, builds the basis to provide sound media offerings (Shen & Zhou, 2005, p. 73; Song, 2006, pp. 18-19). Accordingly, the dashed lines that connect the units from the two functional sides represent the mutual interactions. So, along strict accountability and reporting relationships, as illustrated by the single-line linkages, there are also relations that serve the purpose of operational coordination among the individual media production and media management units. In an organisational setup, where clear authority relations are prioritised over more dispersed relations

(multiple-line linkages), operational liaisons among units represent instances of “Fayol’s Bridge”<sup>96</sup> (Kieser & Walgenbach, 2010, p. 131). Hence, despite the cooperation between media units of the production and management side, single-line linkages that imply strong hierarchical coordination form the basic characteristic of the organisational setup of the ZDPG.

Lastly, assuming that the existence of written regulations or guidelines, such as the group’s organisational doctrine (“one media and one corporation, two separations, one account”), contribute to an increased formalisation, it can be reasoned that the structural setup of the ZDPG is highly formalised, just as the preceding models.

The structural configuration of the ZDPG bears strong resemblance to the configuration of the Nanfang model. However, as the configuration features some unique distinguishing characteristics, it constitutes a separate model. On the whole, the analysis of the structural dimensions suggests that the ZDPG’s setup represents a “functional-holding structure”. In essence, the functional-holding structure can be grasped as a transitional configuration that may develop in an organisation’s passage from functional to more divisionalized structures. If an organisation retains its functional form for its parent units, while the units on the subordinated levels have adopted a divisional form, a hybrid configuration evolves. This hybrid form can be described as a functional-holding structure, provided that the parent unit(s) execute core coordinating tasks, while retaining a functional structures (Franko, 1974, p. 494). As elaborated above, the functional structure, resulting from the “two separations”, had been superimposed on the subordinated divisions. Whereas the media units in the Guangzhou model were designed as mere production units, and marketing and administrative functions were centrally coordinated, each media unit has its independent business unit. For instance, the Qianjiang Evening News disposes of both, a production division as well as a business division, although grouped under different functions. In this way, the divisionalisation is much more advanced than in the Guangzhou model. Another noticeable characteristic of this model is the existence of an intermediate company, the “Zhejiang Media Group Holding”. As the holding company is a subordinated entity of the group and not its parent unit, it constitutes a so-called “intermediate holding”. In general, the main difference between an intermediate holding and a “regular” holding is its position in an organisation’s hierarchy (Theisen, 2000, p. 176). As such, the holding is integrated into the group’s overall structure; the respective units, organisational bodies as well as the personnel of the two entities are tightly interwoven. Also, the holding company’s management competence is limited to the “business divisions” of the media units, while the production units are directly controlled by the group. This implies an experimental implementation of a holding structure, under the leadership of the central units of the ZDPG. So, in a similar way as the previous two models, the hybrid configuration of the ZDPG is the result of a structural transformation towards a more divisionalized form. With its

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<sup>96</sup> The phenomenon that units cooperate and communicate directly with each other without the involvement of a superior authority is commonly known as “Fayol’s Bridge” or “Fayolsche Brücke”.

overarching functional structure and its approach to introduce a holding structure for some of its subordinated divisions, the organisational setup of the ZDGP, however, represents a distinct model.

In sum, the overall organisational concept “*one media and one corporation, two divisions, one account*” embodies the complexity of the ZDPG’s structural setup, which is characterised by an ambivalence of decentralisation and centralisation, as well as of flexibility and stability. Concurrently, the structures of the media group were designed to provide a certain degree of flexibility as well as organisational conformity. On the one hand, the creation of relatively independent operational divisions and the establishment of an intermediate holding contributed to an increased decentralisation. On the other hand, interlocking directorates and the interdependence of the different entities (production and management units of media entities) limits the autonomy of the individual units. In fact, the group’s inclination to centralising power underlines the dominant position of the core unit, the Zhejiang Daily Newspaper. Hence, it is reasonable to argue that the “Zhejiang configuration” is still a transitional model in the process of transforming redundant structures into more responsive ones. In this way, the experimental structures of the model provide the potential for further innovations.

#### **2.2.4 A New Configuration – The Shanghai Model: Hybrid Form**

In the structural transformation process of media organisations, the establishment of the Shanghai United Media Group (SUMG) in 2013 can be regarded as the instantiation of a new structural model. For the first time, a Chinese media group adopted a true holding structure, which implies a significant move in the direction of the *qiye jituan* form.

The SUMG evolved as a new organisational entity following the merger between two major press groups, the “Jiefang Daily Press Group” and the “Wenhui-Xinmin United Press Group”. In effect, with the foundation of the SUMG three well-established media units were merged, the “Jiefang Daily News”, the “Wenhui Daily News” and the “Xinmin Evening News”<sup>97</sup>. It is particularly remarkable that even though, the merger signifies an organisational consolidation, the constitutive units were granted the status of independent entities, under the lead of the SUMG (Blue Book of China's Media, 2014, p. 23).

The merger of the “Jiefang Daily Press Group” and the “Wenhui-Xinmin United Press Group” has been a purposive measure to optimise the allocation of resources, to maximise the accumulation of resources and to increase market shares. In a more general context it has been noted that local governments promote the establishment of business groups through mergers and acquisitions to strengthen the performance and to increase the efficiency of unprofitable corporations, as they aim to safeguard the economic potential and social stability of their provinces and constituencies (Hahn &

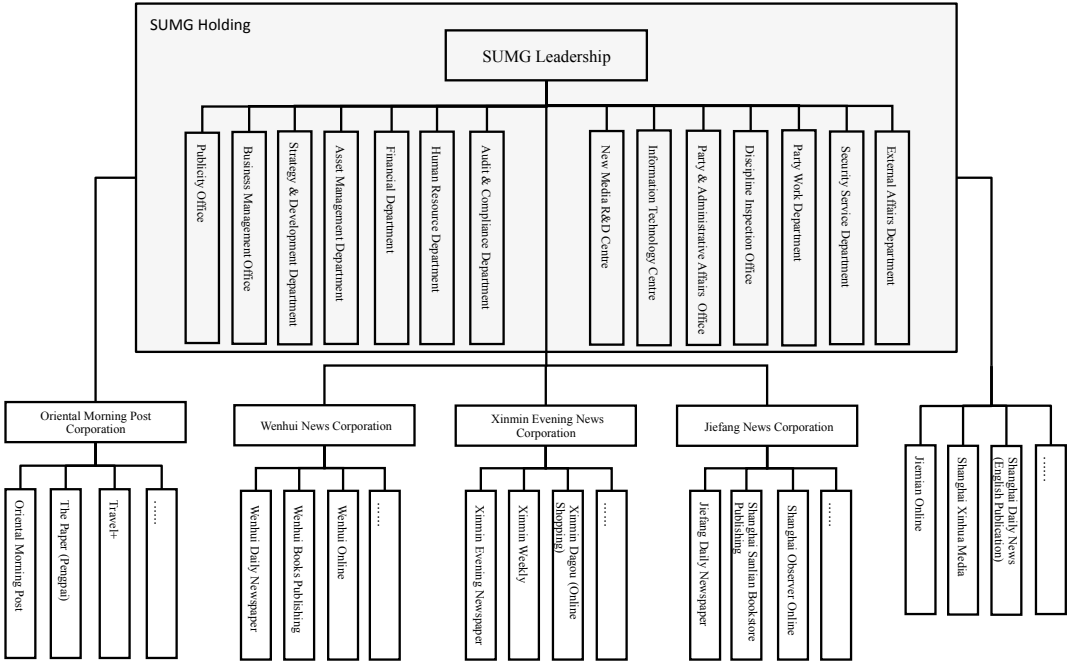
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<sup>97</sup> As the name already suggests, the “Wenhui-Xinmin United Press Group” itself has been established as a merger between the “Wenhui Daily Corporation” and the “Xinmin Evening News Corporation”.



Lee, 2006, pp. 214-215). Along the observation that business groups are created to provide firms with improved access to resources and know-how, and to acquire ownership rights in each other (Keister, 2000, pp. 10-11; J. Zhao, 2009, p. 875), mergers in China aim at increasing the market share and capitalising on existing resources (Hahn & Lee, 2006, pp. 221-222).

To incorporate the strategic implication of the merger, a new structural configuration has been developed, which is illustrated in the organisational chart below:



**Figure V-7: SUMG Structure**<sup>98</sup>

Compared to the preceding models, the structural configuration of the SUMG represents a thoroughly new setup. The most striking innovation is the establishment of an independent entity that is exclusively responsible for the overall management of the group. As elaborated above, media groups used to be lead by their respective “flagship” media unit, which adopted the role of the group’s governing entity in addition to operational functions. For instance, the governing structures of the “Nanfang Media Group” are largely overlapping with the structures of the “Southern Daily” division, the group’s core unit. In the case of the SUMG, however, neither of the constitutive units (Wenhui, Xinmin or Jiefang) emerged as the group’s governing entity. In fact, the group’s central management and oversight tasks are exercised by a separate entity that is not involved in any operational activities.

<sup>98</sup> Source: Own Compilation, based on SUMG data, fieldwork

But, before addressing the nature of the SUMG's organisational configuration more closely, it is essential to analyse the group's structural dimensions.

#### *2.2.4.1 Analysis of the Structural Dimensions*

##### **1.) Unit Grouping**

The organisational setup of the SUMG primarily features divisional structures. Essentially, the individual units of the media group are arranged according to different product lines. As has already been alluded to above, product grouping by divisions stands in clear contrast to unit grouping that is based on work processes or functions. It becomes evident from figure V-7 that functional structures, which had been relatively significant in the transitional models, have been substituted by divisional structures. Certainly, the departments of the parent unit (holding company) are organised by functions (e.g. financial department or HR department). Likewise, the internal organisation of the group's different units and subunits is partially also based on the respective work processes. For example, the departments of the "Wenhui Daily Newspaper" are grouped by their individual functions, such as news production, advertisement management or administrative activities. Nevertheless, the structures of the SUMG are primarily based on the characteristics of the individual products and services offered as well as their targeted markets. Hence, the three entities that are subordinated to the core unit, the "Wenhui News Corporation", the "Xinmin Evening News Corporation" and the "Jiefang News Corporation", are grouped according to distinct product lines; each entity provides customised media products for specific consumer markets. Taking the Xinmin News Corporation as an example, according to its own account, its media products are supposed to "cover ordinary people's lives". Subject to this orientation, the entity's subordinated units produce publications that cover the interests of the urban middle-class, such as basic political and economic developments, but also entertainment or sports. Also, its other products and services (e.g. Dagou Online) serve "popular interests". In contrast, the Wenhui News Corporation has a cultural-intellectual orientation, and the Jiefang News Corporation is specialised on political-ideological products that are more aimed at party elites (SUMG, 2015b).

In addition to the core entities, the group owns several other media ventures. The well-reputed "Oriental Morning Post Corporation" (OMP) is owned by the SUMG, but not under the direct governance of the core unit. As an "external" media corporation, the OMP has its own profile and operates distinct media products<sup>99</sup>. Likewise, the online media venture "Jiemian" (界面) and the English publication "Shanghai Daily" are fully owned, but only indirectly governed by the SUMG.

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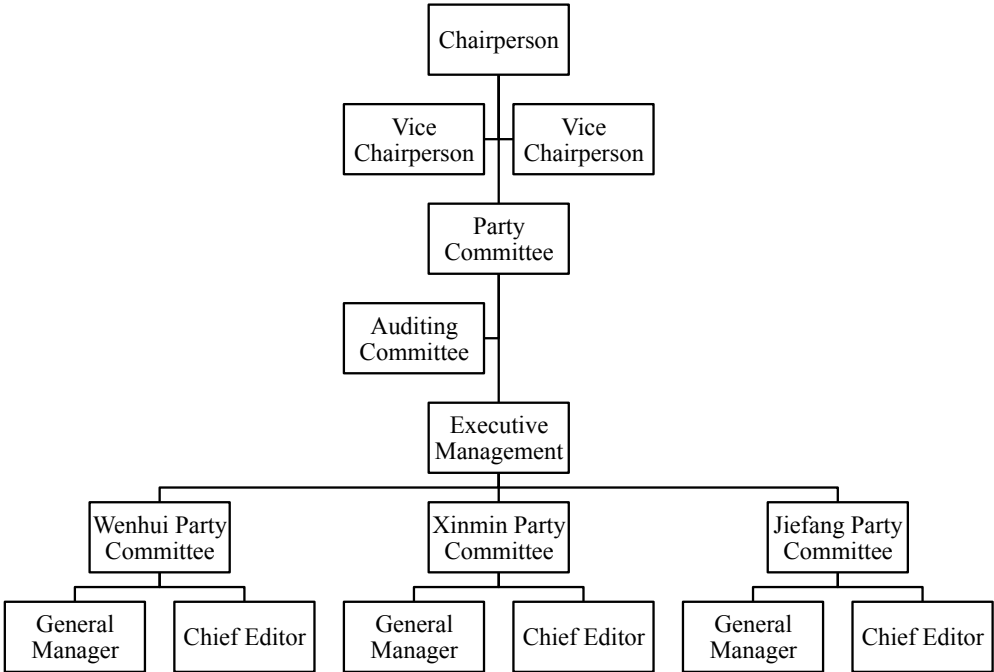
<sup>99</sup> One of the most famous subsidiaries of the OMP is the new media venture "The Paper" (澎湃), which is supposed to be among the most innovative media products in China (Tatlow, 2016; S. Wang, 2014).

The publicly listed “Shanghai Xinhua Media Corporation” (上海新华传媒股份有限公司), on the other hand, is only partially owned by the SUMG<sup>100</sup>. So, the SUMG is composed of independent subsidiaries that are linked to the core unit through varying relations.

Overall, the group’s subunits are grouped according to distinct product lines and linked to the core unit through linkages of differing proximity.

**2.) Coordination**

As can be conjectured for a large organisation, the coordination mechanisms of the SUMG are hierarchical, whereas senior individuals exercise direct supervision over the different entities. The inner corporate governance system of the group is depicted in figure V-8 below.



**Figure V-8: SUMG Hierarchy<sup>101</sup>**

<sup>100</sup> According to the annual report of the Shanghai Xinhua Media Corporation of 2013, the SUMG directly owns 23.49% of the company’s shares, and another 15.53% through indirect shareholding (Shanghai Xinhua Media Co. Ltd., 2014a, p. 25).

<sup>101</sup> Source: own compilation, based on (SUMG, 2013b, 2015a, 2016)

Formally, the highest authority of the group is the so-called “party committee” (中共上海报业集团委员会). By and large, it can be argued that from its nature the “party committee” is closely related to a “supervisory committee” or “board of directors”.

In general, a supervisory committee is installed to control and oversee the management of an enterprise in the interest of its shareholders. The basic functions of a supervisory committee include: appointment of executive management, approval of major investments and annual budget, and the oversight over corporate strategy and financial management (Theisen, 2000, pp. 262-265; 328-330). In China, party committees within firms were designed as networks of “political actors” that support state policies and provide information about staff and internal issues (Nee et al., 2007, p. 27). The party committee as such is a political entity that has the authority to get involved in corporate decisions by the appointment of key personnel. However, given its focus on political alignment, while neglecting efficient performance control, and as the functions and responsibilities of state actors and party agencies are divided, “informal spheres of autonomy” have emerged in Chinese corporations. It is argued that this has provided executives with opportunities to exercise insider control<sup>102</sup> (McNally, 2002, pp. 106; 109-111). In practice, there is not always a clear-cut separation between party officials and corporate executives. Not only are there interlocking positions within firms, but also the functions of the party committee largely overlap with those of a supervisory board, which often leads to a factual fusion of the two entities (McNally, 2002, pp. 104-105; Schipani & Liu, 2002, p. 33). This implies that the party committee can be conceived as a hybrid entity that oversees the overall performance of a corporation, but also ensures its general political alignment<sup>103</sup>.

In this context, the party committee of the SUMG supervises the top management of the group. Its main responsibilities include: “strategic decision-making, appointment and suspension of leading personnel, the planning of major projects and the management of large-scale funds” (SUMG, 2015a, p. 2). So, basically the committee oversees the group’s major development and takes key decisions. From that point of view, the “party committee” of the SUMG is comparable to a conventional supervisory board. But, given the fact that the CPC is the overall shareholder, the committee formally acts in the interest of the party. The committee is headed by a so-called committee secretary (集团委员会书记), who in the case of the SUMG simultaneously holds the position of the corporate chairman (集团社长), the group’s legal representative. Below, there are two deputy committee secretaries (集团委员会副书记) as well as two deputy chairpersons (集团副社长). Moreover, the governance system of the SUMG also features an auditing committee, the “disciplinary examination committee” (中共上海报业集团纪律检查委员会), which enforces control mechanisms to prevent corrupt practices and other

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<sup>102</sup> McNally (2002) connects increased insider control with more efficient performance, but also with opportunistic management behaviour (e.g. corruption).

<sup>103</sup> The party committee as a hybrid form resembles the fundamentally conflicting arrangements of the institutional arrangements in China.

internal misconduct<sup>104</sup>. Subsequently, the group's executive management is lead by the executive director (集团总经理) and two deputy executive directors (集团副总经理). Likewise, the subordinated divisions are governed in accordance with this system. The party committee is the highest governing body, to which the corporations' chief editor (总编辑) and general manager (总经理) are subordinated. The committees of the subsidiaries are subordinated to the committee of the core unit (holding), to which they have to report. According to an internal provision that regulates the different responsibilities, the respective chief editor of the news corporation also acts as its "corporate representative" (法人代表), which slightly sets him apart from the general manager (SUMG, 2013b).

In principle, the basic coordination of the group relies on this governance structure. Nevertheless, as has already been noted, interlocking directorates play a significant role, which relativizes the position of the formal governing bodies as presented above. So, there are several leading positions that are held by the same individuals. The corporate chairperson concurrently holds the post of the committee secretary. One of the two vice chairpersons is simultaneously also deputy committee secretary and executive director, while the second deputy committee secretary of the group also leads the Jiefang party committee, in the position of committee secretary. Positions are similarly interlocked on the level of the operational divisions; the position of the chief editor is linked to a leading position in the party committee. The chief editors of both Jiefang and Wenhui also act as deputy secretaries of their respective committees. In the case of the Xinmin corporation, the chief editor also presides the committee in the function of its secretary. Moreover, the committee secretaries and the chief editors (as corporate representatives) of the divisions are also part of the inner leadership circle of the core unit (SUMG, 2016). With these interlocking directorates apparent, the group's leadership is most accurately understood as a hierarchy that is based on individuals. It becomes evident that by holding several powerful positions, the relative influence of individuals is increased. If a hierarchy is largely based on the authority of individuals, rather than on collective groups of people with equal power, personal directives play an eminent role in the coordination of an organisation. As personal directives are predominantly marked by "vertical communication", they reinforce hierarchical elements (Kieser & Walgenbach, 2010, pp. 95; 102-103). So, interlocking directorates favour personal directives as coordination mechanism. Another effect of interlocking directorates, is the increased integration of the group's different entities through individuals that hold multiple posts (Sydow & Duschek, 2011, p. 112).

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<sup>104</sup> According to the constitution of the CPC: "*The Party's Central Commission for Discipline Inspection [中央纪律检查委员会] functions under the leadership of the Central Committee of the Party. The Party's local commissions for discipline inspection at all levels [地方各级纪律检查委员会] and primary commissions for discipline inspection function under dual leadership of the Party committees at the corresponding levels and the next-higher commissions for discipline inspection.*" (CPC, 2002, p. §43) Along upholding the constitution and the general policies and principles, "[...] *organising and coordinating the work against corruption*" represents the main task of the commissions (CPC, 2002, p. §44).

Moreover, as the organisational setup of the SUMG consist of a governing body (holding) and of subsidiaries that dispose of considerable leeway, coordination through personal directives is not sufficient. The core unit also coordinates its directly and indirectly controlled subunits by providing guiding principles (SUMG, 2015a). The existence of fixed written or unwritten guidelines complements personal directives and contributes to a clear regulation of the responsibilities among the different entities (Kieser & Walgenbach, 2010, pp. 107-111). In the case of the SUMG, there are for instance internal guidelines about the scale of financial investments that the subsidiaries are allowed to place, in comparison to the core unit<sup>105</sup>.

Furthermore, the construction of independent divisions with relatively high autonomy that stand in direct or indirect competition to each other (internal market), is also supposed to have the effect of a coordination mechanism, as a certain entrepreneurial orientation may develop (Kieser & Walgenbach, 2010, pp. 116-118). However, although subsidiaries that are governed under a hierarchical leadership can not be regarded as corporate networks, some allocation mechanisms that occur in networks, such as contained competition, may partially also apply to more centrally governed member firms (Sydow & Duschek, 2011, pp. 166-171; 182-185). In fact, while the member firms of the SUMG stand in competition to each other, the group's leadership tries to control their interaction, in order to avoid malignant competition<sup>106</sup>. So, basically there are three coordination mechanisms that are relevant for the group, personal directives, guiding principles, as well as cross-divisional coordination through competitive interaction.

### **3.) Decision-making system**

It is argued that as a result of consolidating media corporations (e.g. merger), critical issues may arise; including reduced product and service supply, higher prices, centralised distribution mechanisms and control of resources, or a general limitation of information flows (Harcourt & Picard, 2009, p. 8). With regard to China it has also been argued that the “conglomeration” of media primarily serves the aim to facilitate party control by centralising organisational structures (Stockmann, 2013, p. 58). However, in a counterintuitive way the case of the SUMG provides evidence that the consolidation of resources and power does not necessarily have to lead to fully centralised structures. On the contrary, the establishment of the SUMG involved considerable decentralisation measures.

Firstly, following the merger of the Jiefang Daily Press Group and the Wenhui-Xinmin United Press Group, the media ventures, that had been integrated in the former media groups, were established as three individual units and, thereby, gained the status as legally independent entities (独立法人). Likewise, the core unit had been established as a separate legal entity to enforce common

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<sup>105</sup> Based on (Interview, Deputy Chairman SUMG, 05.02.2015)

<sup>106</sup> Based on (Interview, Deputy Chairman SUMG, 05.02.2015)

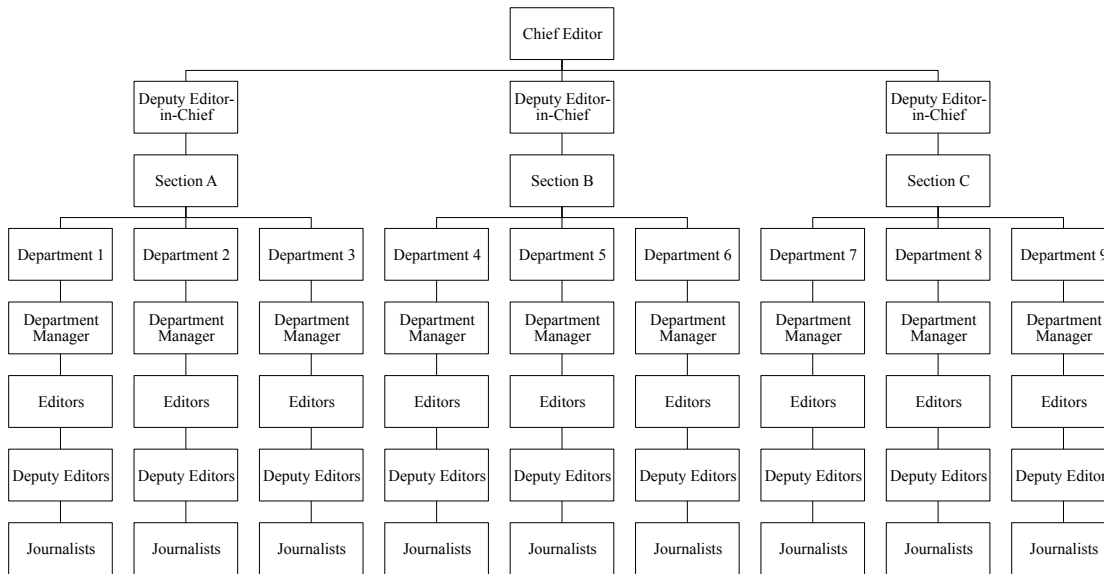
leadership. Consequently, the formation of the SUMG is regarded as the establishment of a “1+3” corporate structure (SUMG, 2015a), which highlights the relative independence of the core unit and the three media corporations.

This separation is reflected in the fact that the SUMG puts strong emphasis on a clear distinction between the responsibilities of the different entities. According to the corporate governance provisions of the SUMG, the holding is the group’s overall management unit that takes decisions regarding internal resource allocation (including human resources), the strategic development and the management of state-owned assets. The core unit also has the responsibility to “*implement innovations for the adjustment and optimisation of the media industry, by using new technologies, develop new media and expanding into new fields [...]*”. Moreover, it is its duty to support the operation of its subsidiaries (SUMG, 2015a). In this way, the core unit can be most accurately grasped as the group’s strategic management unit that takes global decisions within the organisation. On the other hand, the subsidiaries retain the authority over their operational activities. The subsidiaries are fully responsible for the production of content, public opinion leadership, business development, product innovation, new media development, and the basic human resource management. At the same time, they have the duty to act in accordance with the general leadership of the group and the fundamental principles of the party (SUMG, 2013b). This stands in clear contrast to the situation before the merger. The leadership of the former two media groups had been significantly more centralised; not only were administrative affairs decided by central departments, but also the production of content had been coordinated by the top leadership (SUMG, 2015a). The group’s deputy chairman highlights the more decentralised structures of the SUMG by stating that the group fundamentally consists of “relations between independent entities”. Additionally, he notes:

*“The difference between our media group and media groups in other places [provinces] are relatively big; they have one overall editor, an editor of the group and all its subsidiaries. We do not have an overall editor. In theory I would be the editor, but I do not interfere in the subsidiaries’ work. So, in that way we are different than all other groups in the country. For instance Nanfang Media Group have one [an overall editor] too; Chongqing or Chengdu Media Groups all have an overall editor.”* (Interview, Deputy Chairman SUMG, 05.02.2015)

From this statement, it can be seen that the decentralisation efforts of the group are not only observable in its formal structures, but that they are also infused with practice by its members.

Secondly, with the formation of the SUMG, the subordinated media corporations have initiated measures to introduce “flat” organisational structures to decentralise decision-making processes. The chart below depicts the typical structural setup of the subordinated media production units *before* the establishment of the SUMG:



**Figure V-9: OMP Structure Before Reform**<sup>107</sup>

With this organisational structure, decision-making is relatively centralised. Subordinated to the chief editor, the three deputy chief editors<sup>108</sup> are in charge of so-called sections that each manages three news departments. All news departments have a department manager, who directly reports to the respective deputy chief editor. The journalists of the news departments are, moreover, lead by senior editors and deputy editors. Besides long-decision making ways, the deputy chief editors held considerable authority over the different news departments.

However, with the formation of the SUMG, this setup had been revised. For instance, the online product “The Paper” (澎湃), a media unit of the OMP Media Corporation, introduced an organisational setup that allows increased delegation of decisions. The chart below illustrates the revised structures of The Paper<sup>109</sup>:

<sup>107</sup> Based on (Interview, Management OMP, 20.03.2015)

<sup>108</sup> The number of deputy chief editors may vary from media unit to media unit, but most media units of the SUMG have three deputies.

<sup>109</sup> In fact, the structural setups of other production subunits of the SUMG are comparable to the one presented here.



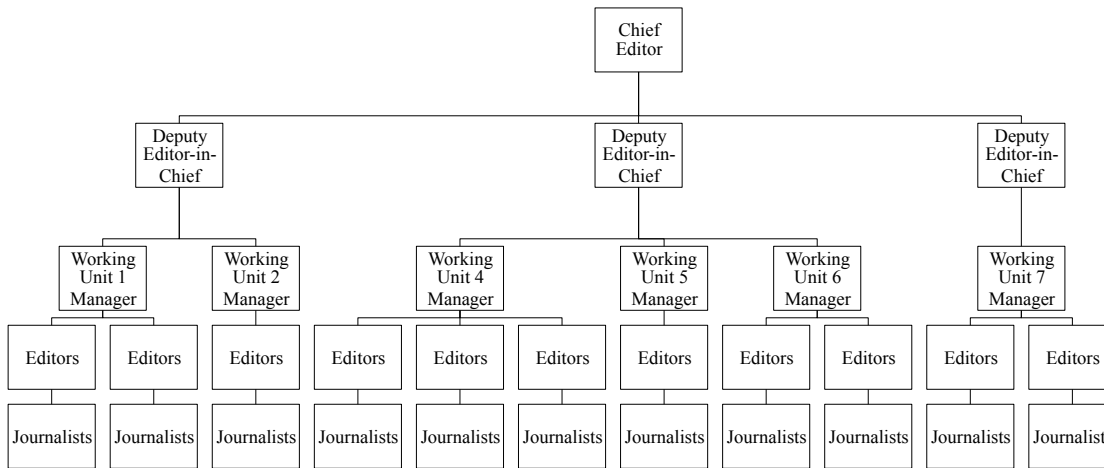


Figure V-10: “The Paper” Structure<sup>110</sup>

The revised organisational setup features flatter structures, which implies decentralised decision-making mechanisms. According to a leading decision taker of the corporation, the role of the chief editor had become more integrative; whereas in the past he had to take decisions on every minor operational aspect, the overall coordination of the media unit has become a more important task. Also, the three deputy chief editors are no longer in charge of “sections” through which the subordinated news departments were managed centrally. Instead, the deputy chief editors coordinate the so-called “working units” (小组)<sup>111</sup>, which are smaller in size and scope than the former “news departments”. Each working unit is specialised in producing content for specific topics (e.g. international affairs, domestic politics); some are responsible for several topics, while others only work on a single issue. Moreover, the operational managers (组长) of the different working units have considerable decision-making power, including decisions on human resources. As the former news departments were collectively governed by the “sections”, all decisions had to be approved by superior levels. In contrast, the working units have the authority to employ, evaluate and dismiss personnel. Although, the managers of the units have to report to the deputy editor-in-chief, their decisions are generally not overruled by higher authorities. It has been affirmed: “Compared to the pyramid-structure<sup>112</sup>, the editor-in-chief and the deputies have transferred authority to the lower levels, the units – it is a division of power” (Interview, Management OMP, 20.03.2015). Also, it has been found that the decentralisation of decision-making authorities has stimulated the self-governing capabilities of the

<sup>110</sup> Based on (Interview, Management OMP, 20.03.2015)

<sup>111</sup> At Wenhui and Xinmin these units are called “centres” (中心).

<sup>112</sup> Managers of the SUMG frequently use the term “pyramid-structure” (金字塔结构) to refer to the traditional organisational setup of media units, which is characterised by hierarchical structures and centralised decision making.

units; individuals are not only provided with more authority, but they also have to increasingly assume responsibility for their work. In the perception of the interview partner at OMP, the organisational adaption has encouraged the individual creativity of editors and journalists, as their position within the organisation had been strengthened. Likewise, it has been stated that the decentralisation has given impetus to the organisational entities of the lower levels to assume a more proactive role. The substitution of the so-called “pyramid structure” by flatter structures has been implemented in similar ways by the other subsidiaries of the group, such as Wenhui and Xinmin.<sup>113</sup>

In fact, by decentralising decision-making processes, internal flexibility can be enhanced, administrative costs resulting from rigid hierarchies can be reduced, and the organisation’s adaptability to external demands can be increased (Kieser & Walgenbach, 2010, p. 395). Under such conditions the emergence of internal entrepreneurs is stimulated. So-called “local managers” that act in close distance to their target markets, directly deal with the changing dynamics of the field, which allows them to implement innovative responses. In their endeavour to optimise internal processes to meet the demands of the respective customer markets, local managers act as “internal entrepreneurs” (Jansen & van Wees, 1994).

Correspondingly, it becomes evident that the SUMG has not only implemented more decentralised decision-making structures on the group level, but also on the level of the individual media units. Although the group clearly promotes a decentralisation of structures, a balance between the autonomy of the subsidiaries and the authority of the core unit had been established. Especially, as the group formed as a result of a merger, achieving a meaningful degree of inner cohesion is crucial (SUMG, 2015a).

#### **4.) Linkage Design**

At the time when the plan for the establishment of SUMG had been devised, it had been a priority to introduce structures among the different entities that ensure “an explicit distinction of responsibilities, clear property rights, clear-cut labour division, and that are [at the same time] integrative and strong” (SUMG, 2015a). This citation reflects that a clear separation of responsibilities as well smooth coordination mechanisms are central to the organisational design of the media group. Figure V-7 (above) shows that the organisation of the SUMG primarily relies on single-line linkages. This implies that, besides a clear division of authorities, the interaction across the different entities is limited. This finding had also been confirmed in interviews undertaken at the different subunits. However, despite the fact that all subsidiaries have their own, independent production capabilities, there is some exchange of information among the different news departments, especially for content

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<sup>113</sup> Based on the interviews with people at Wenhui and Xinmin corporations.

generated by overseas correspondents<sup>114</sup>. In general, however, cooperation between the subsidiaries is rather limited. A leading member of the party committee of the Xinmin Evening News Corporation, stated that: “*Business cooperation is rare. Because we are also competitors and compete in a tense market; there is a big competition for advertisements and circulation [...].*” To a certain extent this reaffirms the individual standing of the subsidiaries, the decentralised decision-making system of the group as well as the internal competition.

Although for the SUMG the adoption of a matrix structure, with split authorities (multiple superiors), seems unlikely, during the interview the group’s managers have also pointed to the necessity of an improved internal cooperation and utilization of synergies within the group. Given the residual interdependencies, the exchange of personnel and even professional training schemes are being promoted by the different subsidiaries<sup>115</sup>. Nevertheless, the interweavement of the different entities is still sparse. Certainly, a reason for this might be, that the organisational integration of entities after a merger is a complex task that is difficult to implement in the short run. But, more importantly, the group favours unequivocal authorities over joint liaison devices, as noted above. In this way, the SUMG primarily disposes of single-line structures.

## **5.) Formalisation**

Even though there are no official charts for the present setup of the SUMG, the structures of the group are relatively formalised, as the organisation is still firmly embedded in the control structure of the CPC. Also, the group disposes of internal documents that formally regulate the organisation’s governance as well as the relations among the individual entities. From the empirical inquiry, it became evident that the regulations are actually practised and in effect; leading members of the group on all organisational levels are well aware of the internal coordination mechanisms, the unit groupings or the relevant decision-making authorities. Although no explicit organisational chart exists, the interview participants were able to draw charts for their respective organisational entities, based on the written provisions. With the existence of internal documents that clearly determine the organisational structures and their implications, it can be assumed that the group’s main work processes are relatively formalised. Basically, the structures at the SUMG are standardised to the extent that internal congruence and stability can be achieved. As organisational flexibility is an important requirement for the media business, there is no extensive standardisation of behaviour. Consequently, the formal rules and regulations are primarily aimed at implementing the group’s requirements of unequivocal authorities and responsibilities. So, although there is a considerable degree of formalisation, the behaviour of the group’s members is not overly standardised.

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<sup>114</sup> Based on the interviews with Wenhui and Xinmin

<sup>115</sup> Based on the interviews with Wenhui and Xinmin

#### *2.2.4.2 Evaluation of Dimensions: The Structural Configuration of the SUMG*

With reference to Mintzberg (1979)'s classification of structural configurations, the organisational setup of the SUMG can be most appropriately described as a "Divisionalized Form". Organisations qualify as Divisionalized Forms if the following criteria are fulfilled: (1) unit grouping on the basis of the market or products (divisions); (2) limited vertical decentralisation, autonomy of divisions, while core units retain considerable authority; (3) standardisation of outputs (e.g. programmes and regulations) and personal directives as foremost coordination mechanisms; (4) few liaison devices; and (5) relatively bureaucratic behaviour with elevated formalisation. Moreover, organisations with a Divisionalized Form tend to be relatively large in size and old in age (1979, pp. 380-430; 466-467). The five criteria are largely based on the structural dimensions as elaborated above.

Firstly, the units of the SUMG are grouped in accordance with the specificity of the products they offer and the markets they serve. As has been presented above, the subordinated units are independent from other entities in terms of their operational business. This means that they represent small firms within a large corporation that are able to perform all processes required for the production and marketing of their respective offerings. Therefore, the subordinated units constitute divisions with considerable managerial autonomy. Secondly, with the formation of the media group, limited vertical decentralisation had been implemented. On the one hand, the core unit, the holding company with its different departments, is responsible for the group's overall management and, thereby, retains basic tasks of strategic relevance. On the other hand, the group's subsidiaries were established as legally independent entities that dispose of enhanced decision-making authority in their day-to-day business operation. To the degree that the overall authority of the core unit is being respected, decision-making power had been vertically transferred to the organisational entities of the lower levels. Thirdly, as individuals play an eminent role in the group's governance through interlocking directorates, personal directives are highly significant for its coordination. Simultaneously, guidelines that regulate the basic interaction of the entities complement personal directives. To a certain extent, the group's work processes are standardised, as both written guidelines and unwritten directives specify the nature of products and practices, which sets a basis for internal coordination. Fourthly, in the endeavour to ensure internal conformity with clear chains of responsibilities, the individual units are connected by single-line linkages. Accordingly, the group's liaison devices are relatively limited. Fifthly, bureaucracy is an important aspect that has a considerable influence on the internal conduct. Although the dominance of bureaucracy is not absolute, the group's structures are characterised by an elevated degree of formalisation.

Hence, by and large, the configuration of the SUMG fulfils the criteria of a Divisionalized Form. However, to explain the particular role of the group's core unit, more precisely, further differentiation is needed. In principle, the Divisionalized Form had been designed to effectively

implement a separation of power among the different units. While the divisions have the power to operate their own businesses, the so-called headquarters have the authority to set overall objectives, to develop strategic planning, to approve of basic policies and to make decisions over high-ranking personnel (Mintzberg, 1979, pp. 388-393). But, despite this general division of power, it has been found that: *“A strong set of forces encourage the headquarters’ managers to usurp divisional powers, to centralize certain product-market decisions at headquarters and so defeat the purpose of divisionalisation”* (Mintzberg, 1979, p. 419). Put differently, the separation of power may become blurred, if the top management interferes in decisions concerning the operational business. Holding structures address this problem as they reinforce a more rigid separation of the strategic management and operational tasks. Broadly speaking, a holding corporation is an entity that holds shares in legally independent corporations; for these subordinated corporations the holding exercises management functions as well as the development and implementation of overall strategies and policies. Together, the subsidiaries and the holding corporation – as a parent firm – form a business group. So, if multiple corporations are hierarchically lead by a holding corporation, it is most accurate to refer to the entity as a business group (or concern) with a holding structure (Theisen, 2000, pp. 174-177; Thommen, 2004, p. 680). There are two main holding types to be distinguished, the “financial holding” and the “management holding” or “strategic holding”. Both forms share the basic trait that they entirely abstain from any operational activities. But, compared to the financial holding, which is primarily concerned with the asset management of its subordinated entities, the management holding adopts a more comprehensive leadership role that exceeds corporate finance. Typical functions of the management holding include strategy development, corporate administration, corporate finance, human resource management (especially high ranking personnel), control and monitoring tasks, as well as public relations (Sydow & Duschek, 2011, pp. 115-116). As the holding company has the authority over financial affairs, particularly the allocation of financial capital, it has a strong coordinating position. Likewise, interlocking directorates among the subsidiaries and the holding ensure internal cohesion. However, the strict division of strategic leadership and operational business is a key characteristic of the management holding, despite the close interweavement with its subsidiaries. The clear-cut separation of power is supposed to have the following advantages: flatter hierarchies, which allows managing different corporations at lower administrative costs; subsidiaries are able to customise their offerings according to the specific markets they serve; holding can fully concentrate on strategic management, without the pressure of getting involved in the daily business; control measures of holding are primarily based on performance; and the holding’s strong internal position allows an efficient implementation of corporate strategies. Also, it is argued that in the situation of advanced organisational and legal detachment, the fungibility of shareholdings is increased. Compared to the Divisionalized Form, the fungibility of subordinated entities is an essential advantage of the holding form, which is supposed to enhance flexibility. On the basis of these advantages, the subsidiaries of the management holding are supposed to benefit from increased

flexibility, innovation potential and cooperation opportunities (Theisen, 2000, pp. 182-185). As the management holding is able to partially resolve the flaws of the Divisional Form, it is seen as an extension thereof. Through more decentralised structures and a rigid separation of authorities, the issue of all-dominant central units can be avoided (Thommen, 2004, p. 681). According to Theisen (2000, p. 184), management holdings are particularly suitable for corporations that require decentralised, flat structures to achieve improved market adaptability, but also need to rely on an overarching coordination and planning framework. More concretely, he proposes holding structures for the management of “product and technology oriented” corporations.

In line with this understanding, the organisational setup of the SUMG can be conceptualised as an instantiation of a management holding. The SUMG’s basic configuration is designed on the principle “1+3”; a management unit plus three core media corporations. On the top hierarchy level is the group’s leadership unit, the holding company. Subordinated to the leadership unit are the media corporations that were established as legally independent units. It is clearly stated in the internal document on corporate governance that the group’s leading entity (holding) and the subordinated media corporations are “independent of each other” (SUMG, 2015a). In the interview process, the actual existence of the individual entities as well as their practical implication has been confirmed by leading personnel of both the holding and the subsidiaries. At the same time, as has been alluded to above, the holding company has a strong coordinating position which is emphasised by interlocking directorates across entities. The holding enforces its coordinating responsibilities using three different approaches: an enabling, a supporting and a safeguarding approach<sup>116</sup>. Firstly, the holding promotes internal decentralisation of power. Its aim is to stimulate the initiative, activity and creativity of the subordinated entities. Secondly, with all its capabilities the holding supports the media units with (favourable) policies, strategic planning, funds, and other coordination services. Thirdly, the holding provides legal safeguarding measures concerning copyright and other legal protection. Also, the holding assists the subsidiaries in resolving issues that are insurmountable or “deeply rooted in history” (SUMG, 2015a). So, it becomes evident that the group’s leading unit is framed as a separate entity that is closely linked to its subsidiaries through supervision and coordination tasks, which implies strong interconnectivity.

Furthermore, in addition to directly coordinating and controlling subsidiaries, the holding entity also holds shares in corporations that it only indirectly controls. For instance, the Oriental Morning Post Corporation is fully owned by the group, but the holding is not directly involved in the coordination or control of the corporation. Another example is the Shanghai Xinhua Media Corporation. The group owns 23.4% of the total shares, and another 15.53% through indirect shareholding (Shanghai Xinhua Media Co. Ltd., 2014a, p. 25), and is, thereby, only partially involved

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<sup>116</sup> The original document uses the terms “放手”, “帮手” and “援手”, which can be literally translated as “releasing hand”, “supportive hand” and “rescuing hand”.

in the coordinating processes. Compared to the three core media corporations, these two corporations are less interwoven with the holding corporation through coordination instruments. In the case of the companies that do not belong to the group's core (which is constituted by the three core media corporations, 1+3), the holding company assumes the functions of a financial holding. In essence, the financial holding is responsible for the administration of the shares of its subsidiaries, but it does not engage in their strategic management. Its tasks are limited to financial functions, such as the allocation of financial capital. Through ownership rights, the holding exerts influence over its subsidiaries and, thereby, ensures uniform leadership (Theisen, 2000, pp. 177-179; Thommen, 2004, p. 680). So, depending on the subsidiary, the holding corporation assumes either the functions of a management holding or of a financial holding. This suggests that the nature of the relations among the subsidiaries and the holding differs according to the coordinating functions of the holding. In consequence, it can be concluded that the interweavement of the different entities and the holding varies, which implies different levels of interrelatedness within the group.

In fact, it is a key defining feature of the Chinese business group (*qiye jituan*), that subsidiary corporations are linked to a parent corporation through relations with different economic and social bases, as discussed in section 2.2.1 (above). In line with F. Zhou (1996, p. 121)'s definition, the *qiye jituan* is characterised by (1) a powerful parent corporation, (2) several member corporations, (3) ownership relations as basic links between parent and member corporations, (4) other relations, such as contractual, economic or social ties, that bind together the entities, and (5) different levels of interdependence. Assessing the structural configuration of the SUMG in light of this definition, it becomes apparent that the media group closely resembles the concept of the *qiye jituan*. On the one hand, the group consists of several member corporations that constitute legally independent entities, and on the other hand it consists of a dominant parent corporation that disposes of considerable economic power and political leverage. Subsequently, the holding of the SUMG either fully own its subsidiaries (e.g. three core media corporations) or holds a critical share in its subsidiaries. So, ownership relations represent fundamental links that bind together the holding and its subsidiaries. Simultaneously, other relations such as interlocking directorates and other coordination instruments complement the ownership relations. Moreover, there are different degrees of affiliation. The three media corporations (Jiefang, Wenhui and Xinmin) build an "inner core", whereas the other corporations build an "outer core", with less strategic intervention of the parent corporation. With reference to Granovetter (1994)'s dimensions of business groups it needs to be added that the SUMG is more vertically governed than horizontally, has strong relations to state actors as it is of national relevance (central organisation), and in its role as experimental unit it has a certain inclination towards normative standards, that go beyond profit maximisation. This shows that the characteristics of the SUMG's structural configuration are congruent with the overall criteria that qualify a corporation as a *qiye jituan*. Hence, by and large, the five criteria that determine a Chinese business group are fulfilled by the organisational setup of the SUMG.

In sum, the SUMG disposes of an organisational setup that corresponds – both in formality and substance – to the concept of the *qiye jituan*. Concurrently, the structural configuration entails key elements of a holding organisation. In a nutshell, the above evaluation provides strong evidence for the following proposition: The structural configuration of the SUMG can be determined as a hybrid form of the *qiye jituan* and the classic holding group. Accordingly, the organisational form of the SUMG with its distinct features can be grasped as a significant innovation of the preceding structural models.

### **3 The Strategic Dimension of the Structural Transformation**

In essence, the structures of media organisations in China have shifted from basic functional configurations to more complex divisionalized configurations that are increasingly resembling the concept of the contemporary *qiye jituan*. With the establishment of the SUMG, a new structural setup emerged that actually exhibits high conformity with the basic traits of a business group.

Nevertheless, since structure and strategy are recursively interrelated, as has already been alluded to at the beginning of the chapter, it is obvious that structural adaptations also bear strategic considerations, and vice versa. It is supposed that particular strategic and structural properties that are driven by an organisation's development constitute new organisational forms:

*“The thesis that different organizational forms result from different types of growth can be stated more precisely if the planning and carrying out of such growth is considered a strategy, and the organization devised to administer these enlarged activities and resources, a structure.”* (Chandler, 1993, p. 13)

In other words, structures, understood as configurations of rules and resources, are predetermined by environmental conditions and have a direct impact on how rules are formulated and resources allocated. Conversely, strategic considerations also influence how resources are configured. This suggests to perceive organisational forms as instantiations of recursive processes of organising and strategizing (D. J. Hall & Saias, 1980; Ortmann & Sydow, 2001; Whittington & Melin, 2003). So, by conceiving structure and strategy as an inseparable, interdependent couple, it can be conjectured that the strategic alignment of media organisations has changed along the modification process of their organisational structures.

Therefore, it is required to analyse the strategic implications of the structural change of Chinese media organisations.



### 3.1 Strategic Implications of the Emerging Structural Configurations

The *baoshe* model (organisational setup before structural transformation) was based on the concept of public service units, the so-called *shiye danwei*. Organisations framed as *shiye danwei* are non-profit entities, that are fully integrated into the state administration and do not dispose of any strategic capabilities (W. Li & Dong, 2010). According to Foster (2002, p. 46), the *shiye danwei* “do not possess administrative functions or powers and are not oriented toward making profits”. Essentially, the *shiye danwei* do not have independent decision-making authority, as they are completely owned and managed by state agencies. In other words, public service units serve the interests of the state, regardless of market logics. This implies that *shiye danwei* do not represent autonomous entities and, therefore, do not dispose of an individual strategic alignment.

This understanding largely applies to the *baoshe* model, but as discussed above, starting from the 1980s, media organisations were allowed to become more market-oriented, which is why media entities were also referred to as “*corporatized shiye danwei*”. Nevertheless, despite their increased market dependence, they retained the basic traits of public service units. In fact, the structural configuration of the *baoshe* model supported the persistence of these features. With its functional setup, the *baoshe* configuration lacks basic coordination capabilities. Also, highly formalised and centralised decision-making processes inhibit internal innovation and creativity. Moreover, as state agencies were responsible for the basic resource allocation, the media units could not engage in independent strategy making (see *section 2.1*). In this way, the media units were not organised as independent, entrepreneurial corporations, but rather as public entities without managerial competence that execute the decisions and policies of the state administration (e.g. GAPP). So, it can be argued that the *baoshe* model, with its functional configuration, reinforced the media units’ role as governmental subunits that primarily serve the interests of the party-state, rather than pursuing their individual strategies.

However, with the beginning of the structural transformation process, enhanced strategic properties of media organisations started to evolve. As already mentioned above, in response to an increasingly dynamic environment, media groups were formed with the primary aim to consolidate their resources and improve their efficiency. The analysis in the previous section showed that the formation of media groups represents an on-going process of “bricolage” that produced transitional arrangements. Overall, the transition from the *shiye danwei* model toward the *qiye jituan* model, involved a gradual shift from functional structures to more divisionalized structures. Against this backdrop, the strategic capabilities of media organisations in China started to evolve. It is a well-established finding that a structural divisionalisation is closely related to the adoption of diversification strategies (Chandler, 1993, pp. 91-113; Kieser & Walgenbach, 2010, pp. 226-230). Corporations adopt diversification strategies to expand their range of products and to access new

markets or market segments. Corporations expand their product array horizontally (by introducing related products), vertically (by introducing products that previously had been produced by suppliers) and laterally (by introducing unrelated products) (Thommen, 2004, p. 152). On the one hand, diversification measures, that are caused by specific institutional arrangements and economic conditions (e.g. increased competition), enable corporations to adopt divisionalized structures, that provide improved coordination capabilities (Chandler, 1993; Kieser & Walgenbach, 2010, pp. 229-230). On the other hand, divisionalized structures promote further diversification; the structure facilitates market expansion as new divisions can be added to organisations with relative ease (Mintzberg, 1979, p. 394). In that sense, “diversifying” and “divisionalizing” can be perceived as an interdependent duality, as two processes that condition each other.

With regard to Chinese media groups, the phenomenon of “diversifying” and “divisionalizing” can be observed in a similar way. The establishment of media groups has been motivated by strategic considerations, but the modified structural configurations also encouraged further diversification. For instance, after the formation of the GDPG, which implied the introduction of divisionalized structures, the organisation launched the digital media platform “Dayoo Net” (as discussed in section 2.1.2, chapter IV). Another example is the Nanfang Media Group, for which the launch of new products and the according adaption of organisational structures had been closely linked. In order to efficiently allocate financial capital, human resources and managerial know-how among the newly created products, a corresponding organisational framework had been developed (see section on “Nanfang Media Group structure”). In an interview, a former chairman of the group stated that along the existence of highly qualified human capital, it is of outmost importance to dispose of an organisational structure that enables the development of the media products. In his view, it is not only about constructing, but also about continuously improving a structural setup<sup>117</sup> in line with new products (Xingfeng Yang, 2012, p. 38). Likewise, the example of the ZDPG shows the strategic relevance of the structural transformation. In 2009, the group formally inaugurated the “Zhejiang Media Holding Corporation”, as an intermediate holding with more than 30 wholly owned and partially owned subsidiaries that operate in related and unrelated fields (Zhejiang Daily Press Group, 2015a). The task of the holding corporation is the management of assets as well as the planning and implementation of the diversification strategy. Its subsidiaries include the “Zhejiang Media Co. Ltd.” (浙江传媒集团股份有限公司), that is in charge of the ZDPG media ventures, as well as other subordinated corporations that are involved in unrelated fields, such as real estate, asset management, distribution business and the information technology sector (Zhejiang Daily Press Group, 2015b). With the establishment of an intermediate holding, the ZDPG introduced a structural framework that formally separated management tasks from journalistic task and, thereby, aimed at facilitating the group’s diversification. So, with regard to Chinese media groups, it can be reasoned that external

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<sup>117</sup> Mr Yang uses the words “establishing and improving” (建立和完善).

diversification pressures have urged media groups to incrementally adapt their structures, while the adapted structures enabled further diversification. According to an account of the Henan Daily Press Group, “*the innovation of structural mechanisms allowed the group to integrate its resources, expand its [market] scope, maximise its economic and social benefits, improve its [corporate] strength, expand into new fields, [...] and evolve in the direction of a [comprehensive] culture and media group*” (W. Yu, 2013, p. 37).

To a certain degree, the adoption of diversification strategies is related to a concentration of resources and power. This argument can be substantiated by considering the fact that the individual divisions of an organisation are lead by a core entity that disposes of relatively centralised decision-making power. As already outlined above, the consolidation of media corporations has been criticised by many observers, raising the issue of the centralisation of (political) control (Stockmann, 2013; X. Zhang, 2011; Zhu, 2014). From the perspective of media scholars, the consolidation of capital and ownership is often considered as a mere concentration of power. Moreover, it is suspected that the consolidation of resources might also result in increased consumer prices, reduced journalistic diversity and poorer services (Harcourt & Picard, 2009). However, from the viewpoint of the individual media corporation, consolidating resources through merger and acquisition actions signify “diversification strategies” (Jung & Chan-Olmsted, 2005, p. 184). In fact, the consolidation of corporations in the media industry is a global phenomenon. Large conglomerates such as Rupert Murdoch’s *News Corporation* or *Time Warner* are examples of that trend. It has been observed that consolidation strategies have served as a favourable solution in recent times to tackle the increasing structural and financial challenges of media corporations (Kleinsteuber & Thomaß, 2004). It is, furthermore, argued by Jung and Chan-Olmsted (2005) that diversifying by vertically integrating supply chain activities (e.g. content production, distribution) is essential for the competitiveness of media corporations. Their study has found that related diversification might even have a positive effect on a media corporation’s performance. In the Chinese context, the concentration of resources and capital has actually enabled media groups to diversify their revenue base and increase economies of scale (Sukosd & Wang, 2013, p. 12). As discussed in chapter IV, especially the digital sector provides new revenue bases and new growth potential. So, despite the concerns of power and resource centralisation, diversification strategies are important for media corporations to become comprehensive multimedia groups that have the capabilities to survive in an environment of fierce competition.

Basically, the establishment of large, diversified media groups is supposed to be an effective countermeasure in an increasingly dynamic environment. Firstly, the creation of comprehensive media groups may considerably reduce production costs. In the media business, the production of content involves high “first copy costs” (fixed costs), but comparably low marginal costs for the production of subsequent copies or products. By sharing high initial production costs over a large number of media units and by using synergies, considerable economies of scale may arise. To fully benefit from this

cost advantage, media corporations have an increased incentive for horizontal (introduction or acquisition of related products, such as magazines or weekly newspapers), vertical (integration of supply chain), and lateral (access to new products, e.g. digital products) expansion (Harcourt & Picard, 2009, p. 9; Kleinsteuber & Thomaß, 2004, p. 127). Secondly, the consolidation of capital and ownership may have positive effects on the financial performance of media groups (Jung & Chan-Olmsted, 2005). Innovative technology, required to tackle the challenges of the gradual decline of print media, is costly and resource-intensive. Investments for corresponding production capabilities need sound funding, that may only be provided by the largest players in the field (Harcourt & Picard, 2009, p. 9). Thirdly, the establishment of comprehensive media groups may thoroughly strengthen the capabilities and mechanisms to efficiently acquire, accumulate and allocate critical resources. Especially the integration of certain market functions is an important aspect (B. Yang, 2003, p. 2). Fourthly, it can be assumed that risks caused by external ambiguity can be shared across the entities of media groups. Diversified portfolios as well as subsidiaries with different production capabilities may provide economic stability, as the groups have abundant access to resources and benefit from sound financial arrangements. So, the consolidation of media corporations may reduce economic risks and uncertainty (Harcourt & Picard, 2009, p. 9). Finally, it needs to be noted that the development of new forms has been politically endorsed, as media organisations turned into “new growth engines” (Sukosd & Wang, 2013, pp. 13-18), which is also in the interest of leading state agencies. In other words the responses of media organisations to external dynamics have not fundamentally opposed the interests of high-ranking political decision takers. On the contrary, particularly provincial officials have a high interest in economically prospering media organisations, as alluded to above.

Besides the diversification of media corporations, the structural transformation has also involved a shift of organisational concepts, as already discussed above. Media groups have increasingly started to adopt basic traits of the *qiye jituan*. In the process of adapting their structures and strategies, the concept of the Chinese business group served as a frame of reference (B. Yang, 2003, p. 4). However, as explored in the analysis above, the transformation from the *shiye danwei* concept to the concept of the *qiye jituan* is an incremental process, which has produced transitional arrangements. Taking the ZDPG as an example, the group has embraced some aspects of a profit-seeking corporation, while it is still heavily influenced by the organisational traits of the *shiye danwei*. In 2001, the chairman of the ZDPG, Chen Miner, explained that “*media groups are the mouthpiece of the party and the people [...]*” and that “*the biggest difference between media groups and conventional business groups is that media [groups] do not pursue profit maximisation [...]*” as well as that “*[...] the ideological formation is the foremost characteristic of media groups*” (Chen, 2001, p. 1).<sup>118</sup> In 2011, Jiang Guoxing, deputy chairman of the group and general manager of the intermediate

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<sup>118</sup> At the time when Mr Chen expressed these remarks (as part of a speech at a conference of leading media group managers), the structural transformation of media groups had still been in its early stages. Also, Jiang Zemin had been general secretary of the CPC, under whom ideological concerns played a crucial role.

holding, stated that although the journalistic units are governed according to the former *shiyè danwèi* model, the business entities of the group on the other hand are de-facto managed like corporations (which implies profit-seeking behaviour), while some are even listed on the stock exchange (Jiang, 2011, p. 27). This clear alteration of the statement 10 years earlier implies that economic dimensions have gained more relevance. Moreover, according to leading decision-takers of the ZDPG, the group has partially dismantled the old management structures of the *baoshe* form. Whereas in the past leading editors were in charge of tasks unrelated to their journalistic work (advertisements business and financial planning), a strict separation of the journalistic and business divisions had been implemented. They emphasise the increasing relevance of the business divisions, and describe the development path of the group as a transition “from media management to managing the media”<sup>119</sup>. While acknowledging the role of the group in public opinion leadership, they see it as the core of the structural transformation to implement a management concept that is informed by the basic principles of “modern corporations” (Weiping Wang et al., 2005, p. 37). This example shows that the structural modification involved a gradual shift toward a new organisational concept (*qiye jituan*), a process that produced transitional forms.

### 3.2 Strategic Implications of the SUMG’s Structural Configuration

As explored above, Chinese business groups are constituted by independent entities that are bound together by economic and social relations of different degrees (see section 2.2.1). While most media groups have developed some characteristics of business groups (e.g. divisionalisation), their constitutive units have not gained the status of legally independent entities (F. Wu, 2013, p. 118). However, with the formation of the SUMG, a media group has emerged that exhibits organisational characteristics that are largely congruent with those of a Chinese business group; strong parent firm (holding), legally independent subsidiaries, and varying economic and social relations among entities. Accordingly, it can be assumed that this significant structural shift is associated with corresponding strategic implications.

Basically, the establishment of a core firm, or holding corporation, strengthens a group’s strategy-making capabilities. Chandler (1993, p. 11) makes a clear distinction between tactical and strategic decisions. In his view, policies and decisions that are concerned with the long-term development and sustainability of an organisation can be referred to as strategic, while short-term decisions that deal with operational issues are of tactical nature. He, moreover, argues that implementing strategic decisions, by allocating and reallocating resources, requires a strong “general office” that orchestrates the divisional entities that are primarily involved in the implementation of

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<sup>119</sup> Literal translation of the expression “从媒体经营到经营媒体”. It simply highlights that business entities have started to manage the media, whereas in the past media units managed the business entities.

tactical decisions. By implementing a formal distinction between entities that engage in strategic decision making (holding) and entities that engage in tactical decision making (subsidiaries), it is assumed that a group's innovation, flexibility and efficiency can be improved (Theisen, 2000, pp. 181-187). In fact, it has been observed that corporations that were reorganised as *qiye jituan* gained more economic freedom and flexibility, especially in terms of production, human resources (recruiting and dismissing of personnel) and financial affairs; managers were provided with increased decision-making power. With new structural properties, control mechanisms and the accountability for the performance of corporations, authority had been transferred from the respective administrative bureaus to business managers or "*jingli*" (经理). At the same time, the static state coordination of business activities had been replaced by the impetus to establish complex inter-firm relations (Keister, 2000, pp. 2-3, 61-62). It is, moreover, argued that the establishment of a core unit enhances individual decision-making power and reduces direct state control (2000, p. 93). Consequently, it can be reasoned that improved structural properties, especially the existence of a leadership entity, have equipped business groups with stronger strategic capabilities (in addition to tactical capabilities).

Furthermore, the setup of business groups, which features complex inter-firm relations, provides improved coordination mechanisms. Especially in insufficiently developed environments, the organisational form of business groups allows overcoming coordination and allocation flaws of immature markets (Hahn & Lee, 2006, p. 208). For example, the allocation and reallocation of resources may be coordinated through contained competition between the different subsidiaries of a group. Since product, labour and capital markets in China lack appropriate regulation due to inconsistent legal frameworks, business groups have evolved as more effective forms for coordination. With external arrangements being weak, diversification measures of business groups represent ways to internalise absent markets, in order to improve the allocation of resources (J. Zhao, 2009, p. 876; 880). Indeed, business groups play an essential role in allocating financial resources. To overcome the deficiencies of China's financial system, business groups developed informal financing arrangements. The financial department of a group's core entity may adopt the role of an "internal bank" and provide its subsidiaries with sufficient funding. Similarly, some groups acquired financial corporations (or investment corporations), which provide member firms with financial resources (Keister, 2000, pp. 10-16; 96-105). Therefore, business groups have the capability to internalise key coordination mechanisms that immature markets do not perform.

Moreover, as business groups represent relatively large organisations, they occupy central positions in their field. So, besides being shaped by external factors, large business groups on their part may exert a considerable degree of influence on their environment (Grady, 1991; Witt & Lewin, 2007). Both in emerging (Chung & Luo, 2008, p. 766) and mature (Grady, 1991) economies, business groups are supposed to be particularly powerful players in shaping their field and influencing state policy-making. Even in China it has been found that business groups play a critical role in the development of institutional arrangements (Ma & Lu, 2005). Especially larger groups dispose of more

resources and may rely on improved coordination mechanisms, which enable them to exert influence on external settings (Granovetter, 1994, pp. 458-460). In China, the economic scope of business groups is closely related to the political environment.<sup>120</sup> Improved resource configurations and consolidated capabilities allow business groups to influence government decision-making through “lobbying or other forms of influence aimed at swaying policy decision toward group’s favour” (Keister, 2000, pp. 33, 74). Nonetheless, despite the evolution of new organisational forms that provide individual corporations with increased power and flexibility, the party-state remains a powerful actor. Yet given the transitional stage of the Chinese economy, state influence on corporations is not necessarily an inhibiting force. To a certain degree, both the local governments and the corporations depend on each other. On the one hand corporations depend on preferential access to resources and political endorsement, while on the other hand local governments have significant interest in productive corporations that provide substantial revenues and taxes (Nee, 1992).

In sum, the structural properties developed by the SUMG are largely congruent with those of business groups (*qiye jituan*) and are, therefore, potentially associated to the following strategic innovations: (1) increased diversification, expansion into new business fields by extending product lines and/or acquiring affiliated corporations; (2) improved strategy-making capabilities due to strong core entity (or holding); (3) enhanced flexibility of subsidiaries due to extended managerial independence (on group level) and decentralised structures (on corporate level); (4) alternative coordination mechanisms in response to underdeveloped arrangements (internalised market mechanism); and (5) enhanced political and economic leverage with increased resource consolidation. Additionally, the conducted interviews also revealed that these strategic innovations were closely associated to adapted human resource practices, an aspect that should not be overlooked in the assessment of a media corporation (a more detailed account will be provided in section 2.4 of chapter IV).

Correspondingly, the organisational form of the SUMG entails particular structural and strategic properties that are likely to stir institutional imperatives (e.g. improved agency). However, the strategic implications of the organisational form are largely conditioned by the way of how the SUMG applies and reproduces the respective dimensions of its form. This process will be systematically analysed in the subsequent chapter.

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<sup>120</sup> The term “*guimo*” (规模), which literally means “scope”, has an economic, but also a political connotation.

#### 4 The Evolution of Organisational Forms as a Process of Bricolage

The analysis of this chapter has found that as part of an incremental process, media organisations have modified their structural configurations and redefined their strategic alignment. By and large, a gradual shift from pure functional toward more divisionalized structures could be observed. Concurrently, the strategy-making capabilities of media organisations have been strengthened. While in the past media units were directly governed and steered by governmental agencies, the evolving media groups started to develop individual strategic orientations. As has been shown above, this process has largely been driven by an inductive adaption of structural and strategic properties by media organisations. In compliance with the external conditions, the adjustments were conducted in gradual steps, which lead to the emergence of transitional organisational forms. Moreover, along the establishment of the SUMG, an organisational form evolved with refined structures and improved strategy-making capabilities that are largely congruent with the organisational concept of business groups (*qiye jituan*).

Against this backdrop, this study argues that the dynamics of the environment have enabled media organisations to engage in acts of “bricolage” – i.e. making use of existing patterns and recombining them to develop something new (Lévi-Strauss, 1966). Rather than implementing dramatic breakthroughs, different actors have co-contributed to the development of new forms in order to circumvent imminent field obstacles. Just as the modification of institutional arrangements, the responses of the involved actors are characterised by resourcefulness and improvisation (Chan, 2009, p. 273; Garud & Karnoe, 2003). Institutional uncertainty and reform measures without a blueprint (see chapter IV) required media organisations to improvise and create transitional templates. In line with their organisational characteristics as outlined at the beginning of this chapter, it can be argued that media entities are particularly well suited to engage in processes of bricolage. By definition, media entities are creative organisations that are exceedingly exposed to social and technological advancements. Therefore, it can be conjectured that media organisations are well versed in improvising and embracing the dynamics of their field. By denoting the above process as bricolage, the study accounts for the basic mechanisms in the generation of new organisational forms. Indeed, “they [organisational forms] are often assembled and/or emerge through transitional arrangements” (Greenwood & Suddaby, 2006, p. 30). Assembling appropriate components is a complex process that requires creativity and improvisation skills.

Moreover, the understanding of the transformation process as “bricolage” reinforces the argument that – with regard to Chinese media organisations – new organisational forms have emerged in purposive response to specific obstacles ingrained in the institutional setting. Because it is not surprising per se that divisionalisation is linked to diversification (Chandler, 1993), it is essential to highlight in this case that new organisational templates evolved as reflective measures to gradually resolve institutional incongruence (e.g. deprived managerial autonomy). The active engineering of



improved organisational templates by media groups (experimental units) implies that they have been co-contributing (along state agencies) to the elaboration of reform measures.

This perception of incremental shifts corresponds with Smets et al. (2012)'s understanding of practice-driven institutional change. They argue that field-level adaptations (e.g. new organisational forms) emerge as a consequence of the day-to-day struggle of organisations and practitioners to “accomplish their work” (p. 877). In their view, “situated improvising” in response to unfolding institutional imperatives may impact field arrangements in an “uncoordinated and imperceptible manner” (p. 898). Indeed, as the analysis has shown, the structural transformation of Chinese media organisations is an incremental accumulation of situated improvements.

In sum, the above analysis has provided evidence that Chinese media organisations have devised divergent organisational templates in a process of organisational bricolage. By incrementally engineering specific structural and strategic capabilities, institutional deficiencies were addressed, which lead to an incremental emergence of transitional organisational forms. It is conjectured that enhanced organisational properties stir institutional imperatives, depending on how they are produced and reproduced by relevant actors. Taking the organisational form of the SUMG (which instantiates the most refined form) as an example, the following chapter will analyse its implications with regard to institutional work more closely.

## **VI. Institutional Effects of a New Organisational Form**

### **1. Institutional Relevance of a New Organisational Form**

As the previous chapter has found, media organisations in China have incrementally developed and refined their structures and strategies to produce new organisational forms. From the perspective of an individual corporation, the implementation of specific structures and strategies is closely related to the availability of resources. It is, therefore, reasonable to reemphasise that structures represent “resource configurations” and that strategies indicate “the way how resources are used” (D. J. Hall & Saias, 1980, pp. 151-152). Formal structures are highly relevant for corporations as they affect corporate strategies and objectives indirectly by influencing different domains of a corporation, such as governance processes, power relations, capabilities for innovation and adaptability, acquisition of information as well as the distribution of resources (Bamberger & Wrona, 2012, p. 293). Strategies in turn stipulate how specific corporate goals are achieved, and, thereby, also define a corporation’s long-term orientation (Thommen, 2004, pp. 789-793). Additionally, corporate strategies also have an impact on the external actors of the environment (e.g. stake holders). Through strategic behaviour, corporations shape and influence their environment or at least choose their position within the environment (Schreyögg, 2008, p. 316). Consequently, inducing a new organisational form to a field entails organisational activities that are closely related to the embedding environment. It has become evident from the analysis so far, that processes of “organising” and “strategizing” have produced divergent organisational templates. However, the way of how these particular templates are induced as new organisational forms against the backdrop of existing arrangements remains unexplored.

The following sections will, therefore, evaluate the creative interaction between the specific organisational form of the SUMG and the corresponding institutional arrangements. Before embarking on the analysis itself, the specific characteristics of the case at hand will be recapitulated.

#### **1.1 Organisational Form of the Shanghai United Media Group**

As found in chapter V, the organisational form of media entities has been incrementally extended as part of an evolutionary bricolage process. Chinese media organisations have gradually developed more divisionalized organisational setups, and, thereby, transformed from the “*baoshe* form” (organisational form of newspaper entities) in the direction of the “business group form” (*qiye jituan* form). In this aspect the Shanghai United Media Group (SUMG) has implemented the most extensive measures; the newly introduced organisational form of the SUMG features structural and strategic innovations that go beyond existing arrangements. Deriving from the analysis in chapter V, the following innovations have been attributed to the new form: (1) increased diversification, expansion into new business fields by extending product lines and/or acquiring affiliated corporations;

(2) improved strategy-making capabilities due to independent core entity (or holding); (3) enhanced flexibility of subsidiaries due to extended managerial independence (on group level) and decentralised structures (on corporate level); (4) alternative coordination capabilities with internalised market mechanisms (5) enhanced political and economic leverage with increased resource consolidation. These innovations stand in stark contrast to the nature of organisational forms of the past (e.g. *baoshe* form). Chapters IV and V have depicted the organisational principles of previous forms: functional entities of party-state, highly inflexible structures, limited administrative and strategic authority, restricted profit orientation, and an operational scope that is confined to the production of specific products (e.g. newspapers, or magazines). Although the organisational principles of the past have not been fully eradicated and are to some extent still in place, the strength of the organisational form of the SUMG is that it addresses and partially resolves the deficiencies of past models.

Based on these findings, it can be reasoned that the organisational form devised by the SUMG, is likely to stir institutional imperatives as it diverges from existing forms.

## **1.2 Conditions for a New Form**

As highlighted in the theory chapter, organisational activities directed at existing institutional arrangements presuppose enabling field conditions (Battilana & Leca, 2009; Seo & Creed, 2002). In this regard it is assumed that the market-technology dynamics and political-administrative dynamics of the Chinese media field have created transitional arrangements that provide appropriate leeway for new organisational forms to emerge. These are particularly likely to stem from organisations that are central to their field (Greenwood & Suddaby, 2006).

The selected case for the analysis, the SUMG, represents an organisation that is central to its field and that is confronted by inconsistent arrangements. Firstly, as has been shown in chapter IV, the SUMG (like all other media groups) is challenged by changing revenue bases (declining print revenue, rising digital revenue). Secondly, Chinese media groups are increasingly expanding into new business field to enhance their product portfolio. Thirdly, in the Chinese media industry rapidly evolving market-technology dynamics are opposed by more inert political-administrative mechanisms, which has generated regulatory misalignments that impact the nature of media organisations (see chapter IV). Lastly, with the consolidation of resources (establishment of media groups) media organisations dispose of and coordinate a growing proportion of resources (compared to state agencies). So, it can be reasoned that although the SUMG represents a highly embedded organisations that occupies a central position, environmental tensions (as outlined above) allow for increased leeway in establishing divergent arrangements, such as a new organisational form.

Nonetheless, despite the apparent development spaces, media organisations are firmly controlled by state agencies and have to comply with the overall institutional framework devised by the party-state. It is, therefore, highly unlikely that existing arrangements are fully replaced or renewed

by powerful media organisations. Rather, it is assumed that strategic actions induced with the help of a new organisational form are likely to incrementally develop new arrangements that *extend* existing provisions.

## **2 Induction of a New Organisational Form and its Strategic Implications**

### **2.1 Analytical Framework: Strategic Action and Institutional Pillars**

To reflect the institutional effect of a new organisational form in its fully complexity, it is meaningful to apply Scott (2008)'s framework of the three institutional pillars. As stressed in the theory section, institutions are comprised of regulative, normative and cultural-cognitive pillars (Scott, 2008, pp. 48-50). In fact, accounting for the different dimensions of institutions in the creation of new arrangements, is an approach that has already been applied by other scholars. For instance, Child et al. (2007) investigate how organisations contribute to the building of an environmental protection system in China. To trace the institutional development in this specific case, they analysed how the three institutional pillars were constructed over time. Likewise, Fortwengel and Jackson (2016) argue that institutional entrepreneurs shape new institutional arrangements through the development of the three pillars. Following the approach of these examples, the analysis below will investigate the strategic effects of the new organisational form introduced by the SUMG by considering the three pillars of institutions.

Based on Scott (2008)'s understanding, Fortwengel and Jackson (2016) have developed an analytical framework that allows evaluating strategic action directed at institutional arrangements. They suggest a matrix consisting of entrepreneurial as well as institutional dimensions. It is proposed that institutional entrepreneurs have a *vision* that they *support* with practical measures and *sustain* with appropriate long-term strategies. In effect, the framework implies that the actions and strategies of institutional entrepreneurs are directed at all dimensions of institutions; the cognitive, the normative and the regulative pillar. By and large, this framework is suitable to analyse the effects of actions – associated to the process of inducing a new organisational form – on prevailing arrangements. However, to reflect the peculiarities of the case at hand more appropriately, emphasis is put on the different aspects of *purposive activity* rather than “entrepreneurship”. This adaption of the original model makes it possible to grasp strategic actions as recurring, embedded practices, instead of non-recurring entrepreneurial actions that have a more or less immediate impact on institutional arrangements (Lawrence & Suddaby, 2006). Like this, it is supposed to depict the mechanisms of evolving organisational forms in highly coercive environments more appropriately. Moreover, it is assumed that purposive activities – aimed at shaping and/or complementing institutional arrangements – entail efforts to codify them in prevalent principles (Mezias, 1990). So just as for entrepreneurial

actions, practices require specific efforts in response to different institutional dimensions. Accordingly, it supposed that purposive activity requires *visions* that are *supported* and *sustained* in the long run. In line with this argumentation, the chart below provides the analytical framework for the following investigation.

<b>Pillars</b> <b>Activity</b>	<b>Cognitive</b>	<b>Normative</b>	<b>Regulative</b>
<b>Vision</b>	Cognitive aim	Normative aim	Regulative aim
<b>Support</b>	Supporting cognitive aim	Supporting normative aim	Supporting regulative aim
<b>Sustain</b>	Securing cognitive aim	Securing normative aim	Securing regulative aim

**Table VI-1: Strategic Action Matrix**<sup>121</sup>

For each institutional pillar, the different practices triggered by the new organisational form of the SUMG will be identified and analysed accordingly. With this framework it can be evaluated how the introduction of a new organisational form bears strategic relevance for the field at large. Also, the identification of distinct purposive activity provides evidence that new organisational forms enable agency in highly embedding environments.

**2.2 Institutional Work on Cognitive Pillar**

First of all, it is assumed that the introduction of a new organisational form to the media field is associated to cognitive actions, such as processes of theorisation. New practices require “cognitive legitimacy” through the diffusion of corresponding knowledge across the field (Aldrich & Fiol, 1994, p. 648). It is decisive that new forms “make sense” to other players of the field, which means that the basis on which the form is build, its logic and its purpose needs to be conveyed (Tracey et al., 2011, pp. 72-73). Therefore, it is proposed that the SUMG undertakes activities to position its organisational

<sup>121</sup> In accordance with (Fortwengel & Jackson, 2016)

form within the prevailing arrangements of the field. In line with the above matrix, activities (reflected in the data) have been distinguished along three categories: vision, support and sustain.

*P1: The SUMG undertakes activities to position its organisational form within the prevailing arrangements of the field*

**a) Vision: Extended Field Role**

According to internal accounts, the SUMG with its organisational form seeks to build an extended understanding of media groups. On the occasion of an internal conference, the chairman and party secretary of the SUMG, delivered a speech where he outlined the strategic long-term goals of the group. He declared that besides becoming China's most competitive and innovative group, it is the aim of the SUMG to become a "culture industry media group"<sup>122</sup>. By referring to this term, the chairman explicitly highlights the intention of extending the functions of the media group. The SUMG should not only be perceived as a newspaper group or as a press group, but as a media group of the culture industry with a comprehensive array of goods and services (Qiu, 2014a, p. 4). The statement of the group's chairman suggests that the SUMG aims to extend the traditional understanding of media organisations by positioning itself as a multimedia group within the culture industry. The deputy chairman of the media group similarly stated that it is the aim to become a "Culture and Media Group"<sup>123</sup> that accounts for the dynamics of the digital age. Also, he added that in the future "[...] *it could be possible that we do not have [produce] newspapers anymore, this could be possible*" (Interview, Deputy Chairman SUMG, 05.02.2015). Accordingly, the media group aims to increasingly embrace the role of a "culture and media group", which implies an expansion of its traditional scope. In 2016, this aim has been reinforced, when the media group's chairman declared that the SUMG follows a "three-step strategy" (三步走战略): "Firstly, becoming China's most influential and most competitive press group; secondly, creating a 'new mainstream media group', by taking the lead in developing new media forms; and thirdly, becoming a 'culture and media industry group' of the digital age" (Qiu, 2016, p. 3). So, following this declaration it is the ultimate goal of the SUMG (after reaching the previous two aims) to become a "culture and media industry group of the digital age"<sup>124</sup> (2016).

Concurrently, the SUMG aspires to establish the media group as a "cultural investor". In addition to its core function, the dissemination of information content, the SUMG seeks to adopt the

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<sup>122</sup> The term used by the group's chairman is "文化产业传媒集团" which literally translates as "culture industry media group". The term refers to a more comprehensive understanding of a media group.

<sup>123</sup> The expression "文化传媒集团" is used to refer to the SUMG's vision of a future media group.

<sup>124</sup> In the media group's strategic outlook 2016, the term "culture and media industry group of the digital age" (互联网时代的文化传媒产业集团) is used to refer to the group's envisaged field perception.

role of a financial investor of the culture industry (SUMG, 2014c). As the media sector is undergoing far-reaching changes, the chairman has declared that the SUMG has to actively explore new domains of operation by using its existing capabilities and resources. The SUMG should become a substantial investor and a driving force in the culture industry (Qiu, 2014b, p. 11). The target to become a “culture industry investor” has two underlying implications. Firstly, the SUMG seeks to diversify its revenue sources. In addition to revenue from media products and advertisement, capital gains deriving from an augmented value of the group’s assets should become increasingly relevant (Qiu, 2014b, pp. 11-12). And secondly, as already alluded to, the media group aspires to actively shape the setup of the culture industry.

It needs to be noted, however, that while the group seeks to expand its role within the field, it does not aim to contest the leadership role of the CPC. Along emphasising the group’s intentions to promote new practices, the cited statements above also highlight that the group seeks to maintain the (political) influence of the party<sup>125</sup>.

Basically, the SUMG pursues the aim of building a media group that outstrips the traditional understanding of Chinese media units. Whereas in 2014 the declared goal was to become a “culture industry media group”, in 2016 the SUMG aims to become a “culture and media industry group”, which implies a more commercial orientation. The notional shift from “media group” to “industry group” highlights the group’s cognitive aim to be perceived as a comprehensive group that is involved in different business fields.

## **b) Support: Expanding Financing Instruments**

As part of the group’s strategic outlook of 2014, the group’s chairman declared that in order to achieve a more comprehensive industry integration (产业融合), the group needs to acquire new capital sources (e.g. financial and social capital). Accordingly, he highlights the group’s interest to establish financial service platforms, industry investment funds as well as leading “new media” corporations (Qiu, 2014b, p. 6).

### **i) Capital restructuring**

To fulfil the basic necessities to become a “cultural investor”, the group’s leadership has suggested a thorough capital adjustment; it is argued that financial capital and real estate are the most relevant assets that should support the expansion of the group’s operation. Moreover, it is proposed to devise a capital structure that is constituted by both equity and debt. In addition to loans or subsidies, different shareholders should support the development of the group (Qiu, 2014b, pp. 7; 9-10; 2016).

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<sup>125</sup> Statements by the group or its management emphasise the importance of the CPC’s leadership at the beginning, while intended modifications are only outlined afterwards.

Officially, all media groups in China, including the SUMG, are still state-owned and there are no clear ownership relations between the corporations and the government. However, from the reform experience and practice of the last decades, a de facto separation between agent and principal has become visible; the state formally owns the capital, whereas the media groups manage the assets (B. Yang, 2003, pp. 3-4). In the past the media organisations were fully state-owned, while “private” capital<sup>126</sup> was banned. However, in recent years it has been observed that private capital (民营资本) increasingly enters the sphere of traditional media in China. The expansion of the capital structure through the attraction of “private” funds can be implemented by three methods: (1) subsidiaries enter stock exchange (backdoor listing); (2) capital from other fields or industries enter media corporations (e.g. buying out advertisement rights); or (3) through collaboration with private investors (e.g. joint establishment of a media corporation) (H. Zhang, 2014, pp. 20; 91-99). In fact, the SUMG has envisaged all three methods. First, the media group seeks to attract external capital by emitting shares to individuals, especially key personnel of the group. Also, the SUMG aims to take out loans in addition to increasing its equity (Qiu, 2014b, pp. 6-7). By establishing a balance between equity and debt, new forms of capital enter the company<sup>127</sup>. Second, as already mentioned the SUMG partially owns the “Shanghai Xinhua Media Corporation” (SXMC), which is listed on the Shanghai stock exchange<sup>128</sup>. In 2013 (establishment of the SUMG), the total assets of the SXMC amounted to RMB 6,203,077,176 (around EUR 850 million), while the SUMG holds 39.02%<sup>129</sup> of the shares, being the largest shareholder. The other major shareholder is the “Shanghai Xinhua Distribution Group Ltd.” (上海新华发行集团有限公司), which is also partially owned by the SUMG. In addition to these two state-owned enterprises, financial service corporations, a private corporation (境内非国有法人) and several individuals (境内自然人) hold minor shares in the SXMC (Shanghai Xinhua Media Co. Ltd., 2014a, pp. 4; 23-25). Despite complex ownership relations, it becomes evident that corporate and even private investors hold shares in the SXMC. So, although the SUMG is officially not listed on the stock exchange, it gets access to capital markets, which not only allows expanding the group’s capital, but also assemble private capital. Thirdly, under the lead of the SUMG and two financial investment

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<sup>126</sup> As ownership relations in China are ambiguous there is no clear-cut distinction between private and state capital. In Chinese the term *minyng ziben* (民营资本), “capital managed by the people”, is used, which has already been explained in section 3.2.2 of chapter IV.

<sup>127</sup> Experimenting with a capital structure that combines equity and debt (尝试设计股债结合的结构安排), means that new stakeholders emerge along local governments. In principle, financial funding directly provided by the state is regarded as a subsidy (补贴), rather than a loan. Certainly, most loans will also stem from state-owned enterprises (as most capital in China is state-owned). Nevertheless, with the advent of different lenders, new liabilities will arise.

<sup>128</sup> The shares offered by the SXMC are so-called “A-shares” (Shanghai Xinhua Media Co. Ltd., 2014a, p. 2). According to Naughton (2007, p. 470) “A-shares, which are the primary type of shares traded, are denominated in Chinese currency and available only to Chinese citizens”.

<sup>129</sup> The SUMG directly holds 23.49% of the SXMC and another 15.53% through indirect ownership.



corporations<sup>130</sup>, “Real Power Capital“ (瑞力投资) has been established as a Shanghai-based investment corporation that is specialised in private investments<sup>131</sup>. Along the three state-owned partners (SUMG and financial corporations), Real Power Capital is owned by “strategic private investors” (Real Power Capital, 2016). In essence, Real Power Capital is an intermediary entity for the SUMG to implement mixed ownership structures. Through Real Power Capital, it is envisaged that the SUMG is able absorb private capital (Qiu, 2016, p. 10).

So, basically the SUMG seeks to diversify its capital structure by attracting and integrating new stakeholders. In fact, financial capital (in the form of equity or loans) is needed to make investments that support the operation and performance and to ensure the liquidity of organisations and corporations. Generally speaking, sound funding may allow organisations to expand their operational leeway (Franke & Hax, 2009, pp. 1-19). Adjusting the capital structure is an essential strategic measure. To a certain extent the capital structure sets the scope within which corporate objectives can be attained and, thereby, considerably shapes the development of a corporation (Thommen, 2004, pp. 481-482). Kochhar and Hitt (1998) have even detected significant linkages between corporate strategies and capital structure. Consequently, a more diversified capital structure supports the expansion of a corporation’s operation.

Certainly, the SUMG is not the only media group that seeks to adjust its capital structure and get access to external capital. However, given its distinct organisational form, the efforts of the SUMG are likely to be highly effective. Nee et al. (2007, pp. 26-27) argues that business groups (along with state asset operating companies and local finance departments) are particularly qualified agents for the management of (state) assets as they benefit from “improved monitoring and information capabilities” as well as structural advantages. In this way, the business group (*qiye jituan*), as an organisational form, facilitates efficient asset diversification.

## ii) Investment Funds

Besides the group’s capital restructuring efforts, the SUMG has set up major industry investment funds with different priorities.

In early 2014, the group planned to launch a “New Media Industry Fund” (新媒体产业基金) as well as a “Culture Industry Merger and Acquisition Fund” (文化产业并购基金), both with a total volume of RMB 1 billion. The “New Media Industry Fund” was envisaged to have a focus on the progression of content production, technology development and product design capabilities of new media ventures. The second fund, the so-called “Culture Industry Merger and Acquisition Fund” is

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<sup>130</sup> The two other partners are “Shanghai International Group Co., Inc.” (上海国际集团有限公司) and “Shanghai Industrial Investment Holdings Co., Inc.” (上海实业集团有限公司).

<sup>131</sup> Its main business fields include rising industries, while investments have been placed in domains such as “smart communication”, “green architecture” or “environmental water management” (Real Power Capital, 2016).

aimed for medium and long-term investments in the culture industry. The fund's main focus is on reform pilot projects that embrace different media forms, across regions and industry sectors, and, thereby, seek to restructure the culture industry (Qiu, 2014b). In late 2014, however, it had been decided to integrate the two funds into a larger "Culture and New Media Fund" (文化与新媒体基金), which is internally known as "fund 825". Basic functions of the fund include financial backing and strategic acquisition of major new ventures in the culture industry. Furthermore, it is envisaged that the ventures (in which the SUMG has invested) are provided with "value added services", such as financial advisory, deployment of personnel or resource coordination (SUMG, 2014c, p. 13).

The deputy chairman of the media group has explained that the establishment of the "Culture and New Media Fund" has two purposes. Firstly, through the fund the media group aims to accumulate "cultural wealth" (文化财), or more specifically assets in the culture industry. Secondly, the group seeks to increase its influence on the transformation of the culture industry. On the one hand, by accumulating assets and financial capital, the fund enhances the economic strength of the group and, thereby, supports its core business. On the other hand, the fund serves as an instrument to shape the configuration of the field in which the SUMG is embedded. As already alluded to above, the media group promotes the creation of a more integrated "culture and new media industry" (Interview, Deputy Chairman SUMG, 05.02.2015). So, in fact, the industry fund is not only designed to strengthen the media group's capabilities, but also to influence its organisational field.

In addition to the industry fund 825, the SUMG has also set up a "Cultural Property Fund" (文化资产基金). The group invests in culture properties (e.g. real estate) in order to accumulate more financial capital (Interview, Deputy Chairman SUMG, 05.02.2015). The party committee of the SUMG has decided to establish a cultural property fund, worth RMB 5 billion, together with a local investment corporation, the Shanghai International Group (上海国际集团), whereas both sides own 50% of the fund. As part of the collaboration, both organisations contribute to the fund with their distinct expertise and know-how. It is, moreover, envisaged to attract more "external capital" in the future. The group already owns properties with a total area of around 100,000 m<sup>2</sup> in Shanghai, mainly in the areas of Qibao (七宝), Tanjiadu Street (谈家渡路) and Jinqiao (金桥). With the establishment of the cultural property fund in 2014, the group intends to acquire further properties of a total area of 450,000 m<sup>2</sup> in the Shanghai areas of Zhabei Huahai (闸北华海) and Houtan (后滩), the former site of the Shanghai Expo (Qiu, 2014b, p. 10).

The deputy chairman, furthermore, argued that since the group is not listed on the stock exchange, it is the SXMC that formally acts as the main shareholder of the funds (Interview, Deputy Chairman SUMG, 05.02.2015). Similarly, the group's chairman has proposed that the SXMC with its access to financial resources is highly relevant for the SUMG, as it strengthens the relevance of capital and, thereby, helps resolving the inefficiencies of the past (Qiu, 2014b, p. 12).

It becomes obvious that the term “culture and new media industry” which is frequently referred to by the leadership is closely related to the investment strategy of the SUMG. As has been explored in chapter IV, the so-called media industry is a complex construct that recently has been undergoing a thorough transformation process with the advent of new technologies. As the print media are of high relevance for the institutional setting in China, the press sector has traditionally been separated from other industries. Against this background, the strategy pursued by the SUMG is aimed at a better integration of the different sectors. The promotion of a culture and new media industry implies the integration of (new) media ventures and other culture ventures. In such a setting, the SUMG could embrace different business field more effectively. Also, as the media group provides a wide range of different media products and services, it strives for an improved coordination among the different forms. On a regular basis venture capital, worth RMB 10 million, is provided to experiment with new media forms (Interview, Deputy Chairman SUMG, 05.02.2015).

Overall, the aim of the financial funds is to absorb more capital (social, industry and financial capital) and to build the foundations for strategic investments. In terms of investment into new domains, the group’s basic principle is “*to use new money to undertake new things, use the money of others to undertake things*”<sup>132</sup> (SUMG, 2014c). Accordingly, it can be conjectured that the SUMG will increasingly put emphasis on the attraction of “external” capital.

### **c) Sustain: Strategic Partnerships**

As already touched upon above, the SUMG has engaged in several partnerships with other corporations. The most well-known firms with which the SUMG cooperates are Baidu and Tencent.

In China, the market leaders in the domain of new media and online products are the so-called BAT; “Baidu” (百度), “Alibaba” (阿里巴巴) and “Tencent” (腾讯). Firstly, Baidu is “Google’s” or “Yahoo’s” Chinese counterpart. It is the country’s largest search engine that provides a wide range of services such as a translation programme, virtual maps or an online encyclopaedia. Secondly, the internet-based retailer Alibaba is China’s leading e-commerce platform, comparable to “Amazon” or “Rakuten”. The “Alibaba Group”, moreover, owns “Taobao” (淘宝网), a customer to customer marketplace, similar to “ebay”. And thirdly, Tencent is a major online media corporation that provides entertainment, Internet, e-commerce and social media services. Tencent runs products such as the media platform “qq.com” and “WeChat” (微信), China’s most wide-spread social media application (Tencent, 2016). Together, the three giants dominate the Chinese market for web-based goods and services, each in their specific domain. Given their resources and specialised skills, developing competing goods and services would be an ambitious if not impossible venture for a media group that has its origins in the print sector. In this context, the SUMG has decided not to compete with these

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<sup>132</sup> Translated from the expression “用新钱办新事, 用别人的钱来办事” (SUMG, 2014c, p. 12).

corporations, but to join forces. Hence, the SUMG has fostered partnerships in order to expand into new domains (Qiu, 2014b; SUMG, 2014c). So far, the SUMG has established collaborations with Baidu and Tencent.

The joint project between Baidu and the SUMG, the “Baidu Shanghai News Channel” (百度新闻上海频道), has been launched to provide local news content from Shanghai on China’s foremost search engine. With their distinct characteristics and know-how, both sides contribute to the project in different ways. The SUMG with its extensive information resources is responsible for the content and design of the news channel. It also provides some of the channels human resources, such as journalists and editors. On the other hand, Baidu provides the technological know-how and the user surface. As Baidu collects the data of users, such as search keywords and read articles, the SUMG is able to acquire specific user profiles that contain the preferences of readers. Moreover, the articles posted on the Baidu news channel are directly linked to the respective media units of the SUMG; by choosing a specific article users are redirected to the websites of the group’s individual media products. The SUMG considers the establishment of links on Baidu as a significant advantage, as it increases the visibility of the media products and improves its distribution channels (SUMG, 2013a, 2014c). So, while Baidu benefits from the provision of customised news content, the SUMG is able to promote its media products and enhance its market segmentation. It can be conjectured that the joint venture with Baidu contributes to an enhanced standing of the SUMG in the domain of digital media.

The other major collaboration is with Tencent. Together with Tencent, the SUMG established the web portal “Dashen Online” (大申网). Based on the user data generated by the different platforms of Tencent, the website provides customised news content with a focus on Shanghai and the surrounding region. Moreover, the platform features a user area (社区), with different discussion forums, where users can exchange their thoughts and ideas on different topics and post their personal images. Although Tencent holds 70% of the project’s shares, the SUMG hopes to use the platform to further customise their products and increase the interaction with its readership (Qiu, 2014b; SUMG, 2014c). The cooperation with Tencent offers the media group access to user data from China’s largest social media provider, which is supposed to improve their understanding of the local market. At the same time, the SUMG benefits from the technological know-how, the experience and market position of Tencent. In this way, the partnership reinforces and substantiates the vision of the media group to become an influential actor of the culture industry.

With these two collaborations the SUMG pursues its strategy to expand into the field of online media services and, thereby, enhance its influencing power. Furthermore, as mentioned above, for its “cultural property fund” the SUMG has also established a strategic partnership with the financial services corporation “Shanghai International Group” (SIG). The main business activities of the SIG include financial and non-financial investments, capital operation as well as state asset management. Its total assets account to RMB 165.952 billion, whereas its assets under management

have reached RMB 1.801131 trillion in 2014. The group has built its expertise in banking, trust, funds, securities and insurance. The SIG is the majority shareholder of several Shanghai-based banks (e.g. Shanghai Pudong Development Bank) and has established joint ventures with other leading asset management companies, including JP Morgan. Its strategic goal is to “[...] *play a critical role in building Shanghai into an international financial center* [...]” (SIG, 2014). With the SIG, the SUMG has set up a collaboration with a firm that is deeply rooted in the financial industry and has extensive experience in the domain of asset management and financial services. As the SIG considers itself a strategic investor that has the vision to improve its field (financial sector), it has a strategic intent in the investment fund of the media group. As with the other collaborations, both sides contribute to the partnership by providing their distinct skills and expertise. It is envisaged to exchange staff, technological know-how and management models. Also, the fund should be operated by specialists based on market principles (SUMG, 2014c). As mentioned above, both partners hold 50% of the fund’s shares, indicating an equal commitment of both sides. Moreover, according to the leadership of the SUMG, it is envisaged to attract more investors to sustain the fund in the future (Qiu, 2014b, p. 10). By joining forces with one of Shanghai’s foremost state asset managing corporation, the media group is able to extend its capabilities and get access to more investment capital. Also, it is likely that the joint fund may facilitate the access to additional external capital, given the existing co-operations and engagements of the SIG. Accordingly, the partnership represents a significant step in the direction of a cross-sector culture investor.

The established collaborations are supposed to serve the purpose of supporting the media group’s existing business, while simultaneously they are envisaged to sustain the group’s strategic goals. By establishing strategic partnerships with “BAT” corporations, the SUMG is not only able to expand its operation into new fields, but also increase its legitimacy as a strong multimedia entrepreneur. Likewise, the joint fund with the SIG is supposed to enhance the legitimacy of the media group in the financial sector, which increases the capabilities to absorb further financial means.

#### **d) Institutional Work on Cognitive Pillar: Summary**

Following the analysis, the SUMG engages in strategic actions to gain cognitive legitimacy for its new organisational form. It is the strategic goal of the media group to establish itself as a comprehensive, cross-sector culture actor, rather than a traditional newspaper provider. By adapting its capital structure and by investing into new fields the group actively supports its strategic vision. To sustain its strategy in the long run, the media group has established strategic partnerships with leading organisations of the new media and culture industries, which is supposed to enhance its capabilities.

The approach adopted to gain cognitive legitimacy is largely in line with the characteristics of the organisational form. The structural and strategic capabilities developed by the SUMG allow for more extensive business operation across industrial sectors, as discussed in chapter V.

So, with regard to the cognitive pillar, the strategic dimensions in the case of the SUMG can be determined as follows:

<b>Pillars</b>	<b>Cognitive</b>	<b>Normative</b>	<b>Regulative</b>
<b>Activity</b>			
<b>Vision</b>	Become culture and media industry group	Normative aim	Regulative Aim
<b>Support</b>	Capital restructuring and investment in cultural industries	Supporting normative aim	Supporting regulative aim
<b>Sustain</b>	Collaboration with leading organisations across sectors	Securing normative aim	Securing regulative aim

**Table VI-2: Strategic Action Matrix, Cognitive Dimension**

**2.3 Institutional Work on Normative Pillar**

With regard to the case at hand, it is conjectured that the new organisational form introduced by the SUMG entails efforts to diffuse divergent values and standardise new practices. As already alluded to above, within a given institutional context, “an organizational form represents a nexus of interests” (Ingram, 1998, p. 269). So, the introduction of new organisational forms is closely associated with the emergence of particular values and interests that in turn provide legitimacy. However, the operation of media organisations in China is constrained by a normative system that highlights the supremacy of the CPC. The so-called press groups were initially designed as entities that were primarily responsible for the production of print media. In recent years, however, former print media organisations started to engage in the development of new media formats and establish new practices. Against this backdrop, it is proposed that the process of inducing the organisational form of the SUMG involves pursuing normative aims, such as the development of innovative media formats that transcend traditional boundaries.

*P2: The interests and values associated with the new organisational form of the SUMG stir normative activities.*

**a) Vision: Increased Innovativeness**

Based on the 2014 strategy paper of the SUMG, the group strives to become a major innovator in terms of new media formats. As part of its endeavour to bring together print and digital media, the SUMG aims to introduce new practices, adopt new technologies and transform media content (SUMG, 2014c). According to the leadership, the group's most important strategic aims are the establishment of new media ventures and to become China's most influential media group (Qiu, 2014a). The practical implication of this strategic vision has also been confirmed by the group's deputy chairman; it has been made clear that it is a major objective of the group to lead the media field's innovation efforts. Generally speaking, the group has devised three guiding principles:

*“(1) Taking the lead in experimenting with new media products under the premise of “internet thinking”; (2) taking the lead in experimenting with unified structural mechanisms; (3) taking the lead in experimenting with the adoption of external resources [...]” (SUMG, 2014c)*

The guiding principles suggest that the media group claims to become a leading actor in adjusting the prevailing arrangements of the Chinese media field. The strategic paper, furthermore, states that the group's intends to experiment with mixed ownership structures (for some ventures), to adopt new practices and mechanisms, and to encourage (internal) entrepreneurship (SUMG, 2014c).

As part of a national conference on media, which took place in Wuhan on 11 April 2015 and was attended by leading media representatives from across China, the group's leadership declared more specifically in which domains the SUMG seeks to assume leadership. Firstly, the SUMG wants to take the lead in positioning traditional media units within the sphere of new technologies. Secondly, it aims to be a frontrunner in destructing the barriers between traditional and new media to benefit from the strengths of both variations. Thirdly, the media group seeks to become a leader in mobilising external capital. To fund its media investments, the SUMG aims to increasingly attract capital from other (private) corporations. And finally, the media group wants to take the lead in exploring new business models for online media, such as paywalls or pay-per-article models. Accordingly, the transition of the traditional media is not simply about moving content to online platforms, but about developing “*new ideas, new concepts and new measures*” (Wei Wang, 2015). So, it is aimed to pursue an integrative approach that accentuates the promotion of new technologies, while not fully refuting traditional media.

Moreover, the interview with the deputy chairman suggested that the media group primarily draws on the individual resources of its different subsidiaries to establish unprecedented media concepts (Interview, Deputy Chairman SUMG, 05.02.2015). In this way, the subordinated media units represent the basic source of innovation. According to the leadership of the SUMG, even the so-called

party media units (e.g. Jiefang), which are generally perceived as being relatively conservative and inflexible, should contribute to establishing more innovative media forms (Qiu, 2014b).

It has become evident from numerous interviews and personal talks with members of the media group, that introducing new practices and drawing on new technologies is an indispensable prerequisite to be able to survive in an increasingly competitive and changing environment. In other words, partially replacing normative systems of the past with experimental arrangements is a fundamental requirement to safeguard the influence of the traditional media.

Hence, by experimenting with new practices and technologies, the SUMG envisages to adapt the role of traditional media units. Given their specific resources, the individual subsidiaries serve as testing grounds for the implementation of new practices and standards.

## **b) Support: Establishment of New Media Ventures**

In order to implement and support its strategic goal the SUMG has devised several new media projects after its foundation. It is argued that the two former press groups (Jiefang Daily Press Group and Wenhui-Xinmin United Press Group) were not renowned for their innovativeness. But with the merger the resources and know-how could be mobilised to develop large-scale media projects (Q. Guo, 2013, p. 15). Besides several smaller ventures, the most symbolic “new media” ventures that have been established by the group are the “Shanghai Observer” (上海观察), “Jiemian” (界面) and “The Paper” (澎湃). The three media ventures can be regarded as the group’s flagship units in the domain of “new media” (SUMG, 2014c).

### *i) Shanghai Observer: Launch of a New Business Model*

Under the lead of the Jiefang media corporation, the new media venture “Shanghai Observer” had been launched on January 01 2014 as an online news platform specialising in background reports on current affairs in Shanghai. Its content is relatively specialised and aimed at political interest groups. According to the media group, the target audience of the product are leading decision takers, regional party cadres, officials and bureaucrats with an interest on the political development of Shanghai. In effect, the Shanghai Observer is a media venture that has been designed and established by the personnel of Jiefang, which implies a relatively strong political focus (SUMG, 2014c). The deputy chairman has remarked that the political alignment of the Shanghai Observer is “quite strict and serious”, but that it still represents an alternative to other online media with a rigorous party alignment, as it uses a relatively sophisticated writing style (rather than plain party language). Furthermore, it was explained that the Shanghai Observer produced around 8 to 10 articles per day in the first year, while it increased its production to around 20 articles per day in the second year



(Interview, Deputy Chairman SUMG, 05.02.2015). So, the Shanghai Observer is a digital media product that seeks to provide special interest content of high quality for an exclusive target audience.

However, the aspect that received most attention is the business model introduced by the new media venture. As the Shanghai Observer does not represent a large-scale media product and does not aim to reach a wider public, its revenue sources are rather limited. Against this background, the media unit started to experiment with an alternative business model, a so-called “paywall”. In this pay model, access to specific content is restricted and only accessible through payment. In contrast to conventional subscriptions, users only pay for specific content and not for a general access. For their mobile application, the media unit even developed a virtual currency, so-called “shells” (贝壳). Users have to purchase credits to get access to special content, whereas one credit is worth RMB 1 Yuan. Moreover, for registering as a new user, for logging onto the platform on a daily basis or for commenting and discussing articles, users earn a specific amount of credits (Shanghai Observer, 2016). In 2015, the media product had approximately 390,000 users, including 160,000 pay users (Interview, Deputy Chairman SUMG, 05.02.2015). So, the business model of the Shanghai Observer has not only been developed to make money, but also to stimulate and award the loyalty of users. Also, the model encourages the interaction of users with the content provided<sup>133</sup>.

Furthermore, a leading decision-taker at “The Paper” (another new media venture of the SUMG) suggests that within the Jiefang media corporation, the Shanghai Observer’s has a relatively independent standing. Together with another colleague he observed how the business cards of journalists from Jiefang Media developed over recent years. In the past, business cards strongly emphasised their affiliation to Jiefang Media with a corporate logo of considerable size. With the launch of the Shanghai Observer, however, the Jiefang Media logo became just as big as the brand name of the new media venture. According to the management of OMP, this minor detail indicates that the Shanghai Observer is of high relevance for Jiefang Media (Interview, Management OMP, 08.04.2016). The editor-in-chief of the Shanghai Observer, who has given an interview to the German-based “International Academy for Journalism”, has confirmed the perception that the media unit is largely independent in its operation, while she also highlights the media venture’s loyalty to party principles in producing content (Nehmzow, 2014). Following the statement of the group’s president in 2016, the Shanghai Observer is of utmost relevance as it should implement the digital transformation and rearrangement of the traditional “Jiefang Daily” (Qiu, 2016, p. 5).

By and large, the Shanghai Observer can be seen as a unit that has been created to explore new practices and mechanisms for traditional party media (Jiefang media). As the party media generally lack competitiveness and market orientation (Fischer, 2001, p. 12), the exploration of a profit-seeking business model represents an approach to innovate normative roles of the past.

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<sup>133</sup> In addition to its revenue sources, the Shanghai Observer receives financial aid of around RMB 10 million from the group (Interview, Deputy Chairman SUMG, 05.02.2015).

ii) Jiemian: Business Media and Advisory Platform

In July 2014, the group established the “Jiemian Internet Technologies Limited Corporation” (界面网络科技有限公司), an online news provider with several affiliated products. Basically, “Jiemian” is an interactive online platform with a focus on international business news, while its associated products also provide information services and resources related to business and finance (SUMG, 2014a).

To provide attractive content, the media venture has employed journalists from “The Wall Street Journal”, “The New York Times”, “Bloomberg Businessweek” and “Cajing”<sup>134</sup> for its international news coverage. In addition to regular news reports, Jiemian provides information resources for registered users that include topics such as career, finance or consumption. Besides the news website, the corporation also operates the affiliated website “Moer Finance” (摩尔金融), an online service platform for individual investors. Basically, Moer Finance provides expert advice, investment data and analyses for its registered users. Moreover, the corporation also runs an e-commerce website where high-quality designer products are sold and delivered to its users (Jiemian, 2016).

With the launch of Jiemian (and its related products), the SUMG established an interactive business news website that features an advisory platform for individual investors as well as an economic database. Whereas the news website and the advisory platform have been successfully launched, the database is still in preparation. Eventually, Jiemian is supposed to become like a “Chinese Bloomberg” (Interview, Deputy Chairman SUMG, 05.02.2015). Just as the Shanghai Observer, Jiemian has introduced a paywall for some of its offerings; while the access to news content is free of charge, some services of the advisory platform “Moer Finance” are subject to extra charges. Users buy credits to access specific content or services (Moer Jiemian, 2016).

To establish Jiemian, funds of around USD 500 million had been required in the initial stages. Given the significant capital demand for this venture, the SUMG had to mobilise external capital sources (SUMG, 2014c). Along the SUMG, there are several other shareholders involved in the new media venture; two finance corporations, “Guotai Jun’an Securities” (国泰君安证券) and “Haitong Securities” (海通证券), one private equity investor, “Hony Capital” (联想弘毅投资), two technology corporations, “Xiaomi Technologies” (小米科技) and “Qihoo 360” (奇虎 360), as well as one media corporation, “Zhuoer Media” (卓尔传媒) (SUMG, 2014a). It becomes evident from the list of shareholders that they may not only contribute to Jiemian with financial resources, but also with know-how and expertise. According to the group’s management, 49% of Jiemian’s shares are held by

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<sup>134</sup> A leading Chinese weekly magazine that is renowned for its business reporting.

external corporations, whereas the SUMG retains 51% of the total shares, to ensure its leadership over the media venture (Interview, Deputy Chairman SUMG, 05.02.2015). Despite the fact that the SUMG is Jiemian's majority shareholder, the media venture represents a testing unit for the integration of external capital. As almost half of its shares are owned by external shareholders, Jiemian is a large-scale media unit that experiments with funding methods that go beyond state subsidies. Although at least some of the shareholders are also state-owned, the provision of capital by different corporations through the acquisition of shares is distinct from the direct provision of financial aid by the state.

In addition to the exploration of new funding approaches, the SUMG considers Jiemian's emphasis on *interactive* products and services as an important innovation. Users are not only able to react to media content, but they are also able to actively propose discussion topics and to provide their own inputs in the form of short articles or discussion contributions. The SUMG assumes that by utilising the creativity and knowledge of media users, the production capabilities of traditional media units can be transformed (SUMG, 2014a).

Moreover, the establishment of Jiemian has also attracted international attention. The renowned "South China Morning Post", which is based in Hong Kong, reported that the SUMG "[...] *has taken the first steps towards building China's equivalent of US financial information giant Bloomberg [...]*" (A. Li, 2014). Moreover, Jiemian has already been involved in investigative reporting. The news platform not only generated investigative articles on the "Tianjin Explosions" in 2015, but also published an article on the so-called "Panama Papers" in April 2016, that discussed the role of Xi Jinping's family in the scandal. Although the article concluded that Mr Xi has "nothing to fear", the article had been deleted by state censors for being too investigative (T. Shi, 2016; Xiao, 2015). So, in addition to its business and operational innovation, Jiemian has also been noted as an investigative news provider.

In short, the creation of Jiemian is an attempt to establish an interactive media platform with a profound expertise in business-related topics. With the intent to become "China's Bloomberg", the venture seeks to set new standards in the Chinese media field by specialising in financial reporting and providing corresponding data services. In this way, the creation of an advisory platform, the provision of financial data and the integration of user inputs can be considered as measures to construct new standards.

### iii) The Paper: Interactive National News Platform

The third major new media venture of the SUMG is "The Paper", a digital news provider for current affairs of national relevance. Initially the idea to launch a media product like The Paper has already been developed before the establishment of the SUMG, by people from the Oriental Morning

Post (东方早报)<sup>135</sup>. However, only after the formation of the SUMG has it become feasible to implement a large-scale project like The Paper (SUMG, 2014c).

The basic target of the Paper had been the innovation of news reporting in China. With its credo “adding sense to the news”<sup>136</sup>, it aims to add an individual stance to news reports, rather than simply reproducing content from news agencies. Therefore, the selection of the news and its style of expression have been adjusted in a way that they are in line with the basic “conventions of online communication” (SUMG, 2014c). In other words, articles are designed to be attractive and readable for a growing online audience. Furthermore, registered users are able to pose questions on specific articles, which will be answered by the respective journalists. Also, users have the possibility to subscribe to particular topics, on which they get updated whenever a new story is published. The version for mobile phones (“APP-version”) allows users to directly share articles with their social media communities. As opposed to the traditional classification of content according to news section (e.g. economic section, sports section or entertainment section), the Paper arranges its content under specific political, economic or lifestyle “headings” (栏目). For instance, articles concerning the “South China Sea Dispute” are under one “heading”, whereas articles on Hong Kong and Taiwan relations are under another heading. In this way readers are able to select the headings of their interest and, thereby, create their “own” news website (The Paper, 2016). Although the production of quality content is a priority for The Paper, it currently only has the capability to produce around 50% of the articles on the website, which is more than 160 articles daily. The remaining articles are obtained from state agencies (Interview, Deputy Chairman SUMG, 05.02.2015). To describe the basic characteristics of The Paper, the group’s deputy chairman used the following metaphor:

*“Our traditional news websites resemble their print counterparts, they resemble a department store (百货公司), everywhere in the world they look the same. In the basement there is a supermarket, on the ground floor there is the make-up section, on the first floor there is women’s clothing, on the second men’s clothing, on the third the children’s section, on the fourth household appliances and on the top floor maybe the entertainment section. That [structural setup] is the principle of our traditional websites. They are structured according to sections: international, national, regional, economy and finance, culture, education, technology and so on. But The Paper is more structured according to headlines [keywords], where everyone can select and subscribe to the content, according to their preferences. [...] In comparison to the traditional news websites, it [The Paper] is like a shopping mall with individual shops.”* (Interview, Deputy Chairman SUMG, 05.02.2015)

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<sup>135</sup> The Oriental Morning Post Corporation is now a subsidiary of the SUMG and The Paper had been launched by its personnel.

<sup>136</sup> In Chinese it reads: “新闻加思想”

In that way, The Paper has a strong user orientation, both in the way it presents its content and in the way it selects and produces content. According to the group's chairman, The Paper is China's first responsive news media (of national relevance) that promotes social interactivity. Therefore, he declared that if it succeeds in reaching at least the same income (from advertisement) as its print counterparts, it should become a model of reference (Qiu, 2014b).

Furthermore, it is argued that the editors of the Paper are known to be "relatively liberal and frank" (Interview, Deputy Chairman SUMG, 05.02.2015). Observations on the ground confirm this perception. Informal talks with employees and two interviews with the deputy editor-in-chief of The Paper have shown that people at the Paper strive to be different from more traditional media units by encouraging internal innovation. It can even be argued that the media venture and its people have a strong entrepreneurial alignment. In fact, they were not only successful in embracing new technologies for their product, but they have also introduced efficient organisational structures to account for the dynamics of a digital media product. However, with regard to content production (e.g. domestic politics), party investigators have exerted pressure on The Paper to more strongly emphasise its alignment with the CPC and comply with ideological requirements (Interviews, Management OMP, 2015 and 2016).

In a nutshell, The Paper is a digital media product that strives to innovate national news reporting by embracing new technologies and integrating the preferences and perceptions of its readers. By interacting with users, rather than simply disseminating news content, The Paper seeks to establish new standards for traditional media. In 2014, The Paper won an award for its innovativeness in embracing different media formats at the "China Golden Eagle TV Art Festival"<sup>137</sup> (SUMG, 2014b). The fact that The Paper has been awarded with the prize shows that its efforts have been noticed on the national level. Moreover, the Chinese-language version of "the New York Times" has portrayed The Paper as an outspoken and bold media venture, which is very likely to get into conflict with the central control authorities<sup>138</sup>. It is assumed that because the SUMG has great aspirations in establishing new media ventures, The Paper is encouraged to stand out from other online media products of the industry (S. Wang, 2014).

So, the three new media ventures, Shanghai Observer, Jiemian and the Paper, that have been launched shortly after the establishment of the SUMG, are the media group's most emblematic measures to promote divergent practices. Nevertheless, over time other projects with a smaller scope have been developed.

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<sup>137</sup> Chinese name: 中国金鹰电视艺术节

<sup>138</sup> In fact, The Paper has repeatedly come under investigation, while control authorities have removed several articles. For instance, a series on the "Three Gorges Dam" had been deleted by the authorities.

iv) The Sixth Tone: English-language Media Venture

As has already been mentioned above, The Paper's editors and decision-takers have a strong entrepreneurial orientation. As their media product had been regularly targeted by control agencies, their aim to provide high-quality content has been partially constrained. Therefore, it has been decided to launch an online news portal in English that publishes critical stories on diverse topics related to China. The news website has been launched on 6 April 2016 and is called "Sixth Tone". The name alludes to the Chinese tonal system and, thereby, implies its claim to represent an alternative stance<sup>139</sup>. The former deputy editor-in-chief at the Paper has become the editor-in-chief of "Sixth Tone" in 2016.

Before its official launch, the "New York Times" published an article on the new media product and its characteristics. According to the article, Sixth Tone seeks to carry on the success story of The Paper by covering "contentious issues". Also, it is argued that compared to other, Chinese-language media products, Sixth Tone has no political mission, but is rather free in selecting their own stories. In the article, the chief editor remarked with regard to governmental constraints that the people at Sixth Tone "want to be part of the conversation, both global and domestic", rather than "complaining" (Tatlow, 2016). So, the new media product is supposed to shape the Chinese media landscape and provide a new perspective. The article has also been reproduced by the "Taipei Times" under the headline "Amid Media Crackdown, Chinese News Outlet Looks Abroad" (Taipei Times, 2016), emphasising the media venture's struggle in circumventing repressive measures.

Moreover, in a personal interview, it has been affirmed that the SUMG strongly backs the media venture and also provides financial funding. At the same time it was emphasised that the idea for the Sixth Tone had been developed by the people of The Paper and that they were unrestrained in conceptualising the product. Also, it has been stated that the holding ensures the independence of the media venture and does not interfere in its daily work (Interview, Management OMP, 09.04.2016). For the group's leadership, the Six Tone serves the purpose of exploring a "new language space" (新语言空间), to provide content on China according to the customs of Western internet users (Qiu, 2016, p. 6).

Hence, the launch of the online news website Sixth Tone further accentuates the experimental approach of the SUMG in creating new media outlets. In that way, the new product supports the strategy of the SUMG to become an innovator within its field.

With regard to the establishment of the new media ventures, the groups deputy chairman argued: "*We just need to force our way into a specific direction and the entire media industry will*

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<sup>139</sup> The Chinese language consists of five tones: flat, rising, falling-rising, falling and neutral. The so-called sixth tone does not exist in standard Chinese (Mandarin). So, with its name "Sixth Tone", the media product implicitly refers to the tone (or the voice) that does not exist in China.

*follow suit*” (Interview, Deputy Chairman SUMG, 05.02.2015). This quote shows that the SUMG raises a clear normative claim in creating new media ventures. In essence, the establishment of media ventures with specific characteristics should be perceived as an experimental process to explore the economic and political potential of new practices and standards. Also, as part of an informal interview, David Bandurski, editor of the “China Media Project” (affiliated to the University of Hong Kong) and commentator on Chinese media, noted that “we had to look to media in Shanghai lately for more ,interesting’<sup>140</sup> coverage“ and explicitly mentioned “The Paper” and “Jiemian” (David Bandurski, 20.11.2015).

### c) **Sustain: Involvement of Strategic Partners**

To some extent the new ventures that have been established by the SUMG feature some characteristics of “startups”. By and large, startups can be determined as comparably immature organisations that have a strong focus on product development, innovation and growth. On the other hand, they lack the resources of larger corporations (Shan et al., 1994). In this context it is decisive to seek partnerships with more established firms. The media ventures have in common that they are in their early stage of development, relatively small in size and aim to innovate existing practices and standards in the media field. However, in order to ensure their long-term sustainability in a dynamic environment, the media ventures depend on partnerships with more experienced corporations. In other words, by involving other corporations in the establishment of its media venture, the SUMG sustains its normative vision.

Both the Shanghai Observer and The Paper are supported by traditional newspaper corporations that are well-established in the field. The Shanghai Observer largely depends on the resources and know-how of the Jiefang Daily Newspaper. As already mentioned above, along the financial investments of the holding, the Jiefang Corporation partially funds the Shanghai Observer. However, in addition to the financial support, the media venture also draws on the personnel as well as on information resources of the Jiefang Daily Newspaper (SUMG, 2014c; Interview, Deputy Chairman SUMG, 05.02.2015). So, while the media venture is able to concentrate on the development of its product, it gets the required resources and financial capital from the Jiefang Corporation. Likewise, The Paper is also supported by a well-established print media corporation, the “Oriental Morning Post” (OMP). The newspaper corporation was not only involved in developing the new media venture, it also supports the operation of The Paper. According to the management of OMP, the cooperation between The Paper and the OMP is very close. The relation is perceived as an equal partnership, whereas The Paper can benefit from the long-standing experience of the OMP, and the newspaper can benefit from The Paper’s technological expertise. It has been argued that the backing from more mature media units is important. The latest media product, the Sixth Tone, may even rely

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<sup>140</sup> With “interesting” Mr Bandurski does not refer to “aggressive” or “investigative” coverage.

on the resources of both, The Paper and OMP, which contributes to its public exposure and its positioning within the market (Interview, Management OMP, 09.04.2016).

On the other hand, Jiemian is a venture without a renowned print media unit in the background that provides the required resources. Therefore, Jiemian Media has been launched in cooperation with partner firms from other sectors. As already noted above, almost half of Jiemian's shares are owned by external corporations that are not part of the SUMG. The exceedingly high capital requirements (USD 500 million) urged the holding to implement its credo "*using new money to undertake new things*" (as noted above). The bulk of the financial funding derives from the three financial corporations "Guotai Jun'an Securities", "Haitong Securities", "Hongyi Capital", and the two technology corporations "Xiaomi Technology" and "Qihoo 360" (SUMG, 2014c). With the provision of financial capital in the form of equity (as compared to loans), shareholders obtain control and influence capabilities (Franke & Hax, 2009, pp. 2-3), which links them closely to the fate of the venture, and vice versa. Against this backdrop, the shareholders of Jiemian have placed great expectations that the media venture will "explore new practices and models", and become "China's most influential interactive media platform for financial information services" (SUMG, 2014a). Given the strategic relevance of the shareholders, it is deemed expedient to shed light on their corporate background.

i) *Haitong Securities*

Ranking as one of China's largest securities corporation, "Haitong Securities Co. Ltd." (海通证券股份有限公司) provides financial services, including direct equity investment, fund management, mergers and acquisitions or asset management. Beyond its core business, the corporation also provides customised services for the reform processes of SOEs. In 2007, Haitong Securities got listed on the Shanghai stock exchange, and in 2012 on the stock exchange of Hong Kong, with a market capitalisation of around USD 25 billion on both markets<sup>141</sup> (Bloomberg, 2016c, 2016d; Haitong Securities, 2016). Although the corporation is listed on the stock market, the majority of its shareholders are state-owned enterprises. However, the "Hong Kong Securities Clearing Company Limited", a subsidiary of the "Hong Kong Exchanges and Clearing Ltd." (which owns and operates the Hong Kong stock exchange), is the corporation's largest individual shareholder, by owning 15.57% of the total shares (Haitong Securities, 2015). So, despite the state holds a substantial stake in the corporation, it is at the same time exposed to the dynamics of financial markets, especially with the listing on the Hong Kong stock exchange.

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<sup>141</sup> The market capitalisation figures of Haitong Securities have been retrieved on 25.04.2016 through "Bloomberg". As the corporation is listed in Shanghai as well as in Hong Kong the market capitalisation is indicated in the local currency, RMB 162.910 billion and HKD 194.649 billion respectively, which corresponds to approximately USD 25 billion (depending on exchange rates).



ii) Guotai Jun'an Securities

“Guotai Jun'an Securities Co. Ltd.” (国泰君安证券股份有限公司) is a leading domestic securities corporation in China, with key competence in brokerage, proprietary investment and financial consulting in securities investment and trading. The business scope of its subsidiaries, furthermore, includes asset management, equity investment and fund management (Guotai Junan Securities, 2016a). The securities corporation is listed on the Shanghai stock exchange with an approximate market capitalisation of USD 22 billion (Bloomberg, 2016b), whereas its subsidiary, Guotai Jun'an International Holdings Ltd., is listed on the Hong Kong stock exchange, with a market capitalisation of about USD 2.4 billion<sup>142</sup> (Bloomberg, 2016a). Being a public corporation, the main shareholders of Guotai Jun'an are state-owned enterprises (Guotai Junan Securities, 2016b). Nevertheless, as one of its subsidiaries is listed on the Hong Kong stock exchange, the corporation has an international outlook.

iii) Hony Capital

Based in Beijing, “Hony Capital” (弘毅投资) is a financial corporation with a focus on private equity investments. In 2016, the corporation managed seven private equity funds (RMB and USD funds) and two mezzanine funds. According to its own account, Hony Capital is an “expert in SOE restructuring” and has extensive experience in exploring mixed ownership. The corporation invests in SOEs to increase their value and turn them into competitive ventures, by introducing “market-based governance mechanisms” (Hony Capital, 2016). Hony Capital is owned by “Legend Holdings” (联想控股), a diversified holding corporation that operates enterprises in different sectors, such as financial services, agriculture and food, information technologies or real estate. Along Legend Holdings, international financial corporations hold shares in Hony Capital, including Goldman Sachs, Temasek, Stanford University Fund and Canada Pension Plan Investment Board (Legend Holdings, 2016).

iv) Xiaomi Technology

The media technology corporation “Xiaomi” (小米公司) was founded in 2010 and develops state-of-the-art hardware, software and Internet services. Xiaomi produces electronic goods, such as mobile phones, tablets or televisions, as well as entertainment software. Also, the company operates its own social media platform, which is called “Milio” (米聊). In recent years, the corporation expanded its international business and launched products across Asia, including countries like India,

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<sup>142</sup> The market capitalisation figures of Guotai Jun'an Securities and its subsidiary have been retrieved on 26.04.2016 through “Bloomberg”. In the local currency, the values are RMB 143.884 billion and HKD 18.949 billion respectively.

Malaysia, Indonesia, Taiwan or Singapore (Xiaomi, 2016a, 2016b). Moreover, Xiaomi is a private corporation that is not owned by the state.

v) Qihoo 360

“Qihoo 360 Technology Co. Ltd.” (奇虎 360 科技有限公司) is a leading provider for Internet and mobile security products based in China. Its core products include antivirus software for computers, internet browsers and mobile phones, which it provides free of charge; its revenue primarily derives from advertisement and user data (Qihoo 360, 2016a). At the end of 2014, Qihoo 360 had about 496 million monthly active users worldwide (Qihoo 360, 2016b). Moreover, Qihoo 360 is listed on the NASDAQ in New York, with a market capitalisation of around USD 9.8 billion<sup>143</sup> (Bloomberg, 2016e). So, Qihoo 360 is a large-scale digital security corporation with global business scope.

With their commitment for the media venture Jiemian, the corporations not only contribute with their resources (e.g. financial capital), but also participate in the creation of a new media form, which provides it with legitimacy. In fact, cooperating with leading industry players may enhance the legitimacy for new practices and processes (Aldrich & Fiol, 1994). Each of the shareholders has its distinct capabilities and expertise. The two technology corporations, Xiaomi Technology and Qihoo 360, have their characteristic skills in the development of digital services and web-based software. The financial corporations, on the other hand, are well versed in the management of assets and equity investments. Additionally, Hony Capital and Haitong Securities have a strong background in restructuring and reinvigorating SOEs. It can be conjectured that the selection of these shareholders (in addition to the SUMG, which is the majority shareholder) entails strategic considerations. The SUMG is able to mobilise pertinent resources for Jiemian, while at the same time the shareholders provide the required backing to establish the venture as an innovative online platform with specific competence in business and finance. It can, therefore, be assumed that the demonstrative display of its partners on the website serves the purpose of increasing the impact of Jiemian. Like this, the commitment of the shareholders of Jiemian helps sustaining the normative vision of the SUMG.

Moreover, the social media platform “Wechat” (微信), which is operated by Tencent, is an important partner in supporting the success of the new media ventures of the SUMG. The deputy chairman expressed that besides the efforts of the SUMG to establish its new media ventures, investing in Wechat accounts, which represent the SUMG and its ventures on the social media platform, is essential (Interview, Deputy Chairman SUMG, 05.02.2015). All products of the media group have their own “public accounts” on Wechat. The so-called “public accounts” are official user profiles that represent corporations, organisations or public figures. Basically, the accounts are

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<sup>143</sup> The value has been retrieved on 26.04.2015 through Bloomberg.

communication channels to promote the business or socio-political concerns of the respective users. The media ventures of the SUMG post their articles as well as links to their website and to download their mobile applications. In this way, the media group's support to build up an active presence on China's foremost social media platform is a direct measure to propel the success of the media ventures in reaching a wider audience.

Furthermore, the social and political resources that have become available through the formation of the SUMG sustain the normative claim of the media group that is manifested in the creation of new media products. In a setting, such as China, where institutional frameworks are weak and immature, relations to the local government<sup>144</sup> are essential for corporations. Government officials and other public agencies provide organisations with "sociopolitical legitimacy" – they "accept a venture as appropriate and right, given existing norms and laws" (Aldrich & Fiol, 1994, p. 648). Endorsement and political credit not only reduce transaction costs, but also provide assurance within an ambiguous environment. Moreover, the relations between the corporations and local governments are characterised by a "bilateral dependency"; on the one hand the corporations rely on political backing and the exclusive access to resources, but on the other hand local governments also increasingly depend on the welfare created by marketised firms (Nee, 1992, pp. 3-6). Accordingly, corporations with a high relevance in their industry are supposed to have increased negotiating power. It is argued that large business groups that occupy a central position in their respective field dispose of an improved political connection (Fischer, 1998; Grady, 1991; Granovetter, 1994). As analysed in the preceding chapter, the organisational form of the SUMG is underpinned by strategic and structural capabilities that allow for considerable political leverage. Hence, in the absence of fully developed market mechanisms, organisations require political endorsement to effectively implement their corporate visions. In this respect the SUMG is no exception. In fact, the media group's leadership has close connections to the municipal government. The table below provides an overview of the SUMG's leadership and their affiliation.

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<sup>144</sup> As already discussed in chapter IV, local government actors are distinguished from central government actors, as they pursue different economic interests.

Position	Gender	Education	Past Affiliation to Municipal Government	Party Affiliation
Chairman of SUMG	male	PhD in Journalism; EMBA	Deputy Director, Propaganda Department, Shanghai Municipal Committee	yes
Vice-Chairman, Vice-Secretary, General Manager	male	Master in Business and Management	Deputy Director of Press and Publication Bureau, Propaganda Department, Shanghai Municipal Committee	yes
Vice-Chairman	male	Master in Literature	Director PR Bureau, Propaganda Department, Shanghai Municipal Committee	yes
Secretary of the Discipline Inspection Commission	female	Chinese Studies; EMBA	Head of Press (PR) Department of Municipal Government	yes
Vice General Manager	male	Master in Economics; EMBA	Deputy Director Career Management, Propaganda Department, Shanghai Municipal Committee	yes
Vice General Manager	male	Master in Business Administration	no	yes
Vice-Secretary, Party Secretary Jiefang	female	Master in Economics	no (only affiliation to communal administration)	yes
Vice-Party-Secretary Jiefang, Editor-in-chief Jiefang	male	Master in Journalism	General Secretary, Propaganda Department, Shanghai Municipal Committee	yes
Party Secretary Wenhui	male	Master in Journalism	no	yes
Vice-Party-Secretary Wenhui, Editor-in-chief Wenhui	male	Master in Literature	no	yes
Party Secretary Xinmin, Editor-in-chief Xinmin	male	EMBA	General Secretary, Propaganda Department, Shanghai Municipal Committee	yes

**Table VI-3: Affiliation of SUMG Leadership**<sup>145</sup>

The table above shows that all top managers of the media group are members of the CPC, without exception. Also, it depicts that seven of the eleven leaders have previously held a position at the municipal government of Shanghai or its party committee. The group's chairman and the two deputy chairmen have held high-ranking positions at the propaganda department of the municipal party committee. The chief editors at Xinmin and Jiefang have both served as secretary general at the local propaganda department. Moreover, the group's vice general manager, who is primarily responsible for business-related aspects, acted as deputy director for the career management at the propaganda department in the past. The second vice general manager, on the other hand, has held no position at a local government agency. Likewise, top decision-takers at the subsidiaries Jiefang and Wenhui, held no position at the municipal government of Shanghai. Yet, the high proportion of SUMG leaders that have been affiliated to the local government suggests an apparent interrelation between the municipal administration and the media group.

Nee (1992) refers to company managers that have a high "social and spatial proximity" to the local government as "cadre-entrepreneurs". He argues that their proximity to local officials "fosters a

<sup>145</sup> Based on China Merchants Bank (2016); CPC News (2011, 2013a, 2013b); Sina (2014); Xinhua News (2012)

style of informal consultation and consensus making”, which provides them with operational autonomy (1992, p. 13). Although direct governmental interference in corporate decisions may have adverse effect on the corporate performance (Nee et al., 2007), personal interconnections with governmental agencies may enhance a corporation’s leeway. For the case of the SUMG, the existence of local-cadres implies that the media group possesses the required political credit for its operation. In this way, it can be reasoned that the implementation of its normative vision through the establishment of divergent media forms is endorsed by local government officials. Hence, in the Chinese context, where market mechanisms are distorted, consensual arrangements with local authorities are supposed to reduce transaction costs and sustain strategic measures.

**d) Institutional Work on Normative Pillar: Summary**

As a result of the analysis, it can be summarised that the SUMG claims leadership in converging traditional and new media forms. Its aim is to introduce standards and practices to the field that exceed established conventions. Therefore, the media group has invested in several new media ventures to experiment with new business models and communication channels. To sustain its normative vision, it has mobilised resources from technology and financial corporations. Also, the group’s political relations support the implementation of its strategic actions.

Moreover, it needs to be noted that the media group’s ability to influence normative systems is a direct outcome of its organisational form. Its structural and strategic capabilities allow the media group the mobilisation of the resources required to assume normative leadership within the field with the help of relevant partnerships.

<b>Pillars</b>	<b>Cognitive</b>	<b>Normative</b>	<b>Regulative</b>
<b>Activity</b>			
<b>Vision</b>	Become culture and media industry group	Become innovator of traditional media forms	Regulative Aim
<b>Support</b>	Capital restructuring and investment in cultural industries	Establishment of new media ventures	Supporting regulative aim
<b>Sustain</b>	Collaboration with leading organisations across sectors	Involvement of strategic partners	Securing regulative aim

**Table VI-4: Strategic Action Matrix, Normative Dimension**

## 2.4 Institutional Work on Regulative Pillar

Finally, It is assumed that the new organisational form of the SUMG has an impact on regulatory arrangements. Greenwood and Suddaby (2006, p. 42) have found that the introduction of new organisational forms can lead to a situation where organisations “outgrow their regulatory boundaries”. Particularly, in a field where institutional contradictions prevail, regulated organisations may gain relative influence, as regulations lag behind market developments. In this way, organisational forms that address the misalignment between institutional provisions and market dynamics may incrementally extend regulatory frameworks.

With regard to the case under investigation, state agencies, however, occupy an exclusive position; the ruling party, the CPC, exercises paramount legal authority. Basically, all governmental bodies in China (including legal institutions) are subordinated to party organs (Heilmann, 2004, pp. 90-91). Like this, the party ensures a de-facto monopoly in setting and adapting laws and regulations. Accordingly, there is nearly no leeway for other organisations to contribute to the constitution of the regulative framework. However, Heilmann (2004, pp. 152-153) also notes that the applicability of legal provisions in China is rather ambiguous, as the implementation of the rule of law is still in its exploratory phase. As proposed in chapter IV, in the absence of a reliable legal framework, formal rules are substituted and complemented by informal regulations and arbitrary resolutions of key policy-makers. Nonetheless, it seems unrealistic that a powerful corporation, such as a media group, is able to directly influence overall regulatory systems. Yet, it can be proposed that a new organisational form is likely to affect the regulatory provisions that define the organisational principles of media groups in China.

*P3: The introduction of the SUMG's new organisational form enables activities to redefine the regulatory provisions of Chinese media organisations.*

### a) Vision: Foster Corporatisation

From a legal perspective, China's media groups represent *shiye danwei* (事业单位) or “public service units”. As traced in chapter V, “public service units” operate within a narrow regulative frame that restricts their organisational functions. With the increasing commercialisation of the media, however, the functional traits of media units have been transformed. The functions of content production and propaganda dissemination have been complemented by economic and management functions (see chapter IV). Although from a regulatory standpoint media units represent non-commercial entities, new organisational forms have reinforced economic capabilities, in accordance with the emerging market dynamics of the industry.

This observation is also confirmed by the case of the SUMG. The group's deputy chairman affirmed that the establishment of the media group, with its particular structural and strategic capabilities, entails the attempt to transform the *shiye danwei* model and introduce the concept of a (profit-seeking) corporation (Interview, Deputy Chairman SUMG, 05.02.2015). Likewise, it is stated in the strategic paper of the SUMG, that the media group needs to “actively probe reforms for [further] corporatisation”<sup>146</sup> (SUMG, 2014c). Accordingly, the media group assumes the role of a strategic agent in replacing the formal framework of the *shiye danwei*. In principle, the term “corporatisation” refers to an amplified market orientation, which implies an extended compliance with market mechanisms. Similarly, this has been formulated in the strategic paper of the group:

*“Currently, we are still a “shiye danwei” that is in the transformation to a corporation. In a strict sense, we are not a full market entity. So, we are still unable to do many things. We are now planning to organise the group as a [genuine] corporation, to realise the corporatisation<sup>147</sup>, and to overcome the “chronicle illness” of the traditional shiye structure; this would urge the group’s corporate governance structure and its business management to further conform with market rules and regulations.”* (SUMG, 2014c)

Based on this statement, it can be proposed that the strategic intent to “corporatize” the media group is underpinned by a further reinforcement of market rules and regulations. Yet, this implies a distortion of regulative provisions, since market orientation and profit-seeking behaviour are not inherent characteristics of the *shiye danwei* (see chapter V).

The group's chairman expressed that complying with the regulations of the market should be the overall principle<sup>148</sup> for the group's business operation. Furthermore, he added that market forces should resolve the issues concerning the group's positioning and arrangement within the culture industry<sup>149</sup> (Qiu, 2014b, p. 11). Instead of administrative provisions that regulate the field position of media entities, the relevance of market forces is highlighted.

Moreover, the strategic paper of the SUMG states a clear vision for a more “corporatized” media group:

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<sup>146</sup> Translated from the original text: 积极探索事企分离; the term “事企分离” stands for “事业单位与企业分离”, which literally translates as “separating public institution and corporation”.

<sup>147</sup> Original term: “事企分离”

<sup>148</sup> The original phrase reads as “统一规则，就是遵从市场规则[...]”, which can be roughly translated as “the uniform regulation, is to comply with market regulations”

<sup>149</sup> The “issues” addressed by the chairman refers to the group's unsettled role within the industry. Traditionally, media groups of the press and publication sector are primarily responsible for the production of print media. However, as analysed above, the SUMG is increasingly expanding into other sectors of the culture industry.

*“After the corporatisation, the business group<sup>150</sup> should not only take on the heavy responsibility of market competition, but also has to effectively fulfil its social responsibility as a media entity. At the same time, the functions of the group [holding] should be fully emphasised; in order to provide strong backing for the mainstream media, the three big media corporations [subsidiaries] have to be effectively nurtured and supported in their business performance.”* (SUMG, 2014c)

The strategic paper reveals that becoming a business group that operates on the basis of market logics is the declared goal of the corporatisation efforts of the SUMG. Chapter V has shown that the organisational form of the SUMG features the basic structural and strategic characteristics of a Chinese business group (*qiye jituan*). However, from a legal standpoint, all Chinese media groups are public service units, which entail certain restrictions as noted above. In contrast to public service units (*shiyue danwei*), Chinese business groups are powerful, profit-seeking entities with significant influence within their industry (see chapter IV). By reinforcing the basic structural and strategic capabilities of the *qiye jituan*, the media group outstrips the regulatory frame of the *shiyue danwei*, as the dependence on market rules becomes stronger. Against this backdrop, the strategic paper states that the holding needs to assume its role as the managing entity of the group, while the subsidiaries (the three big media corporations) assume responsibility for their daily business operation. So, the proposition to fully emphasise the functions of the holding (and its subordinated entities) implies the intention to thoroughly implement the group’s structural and strategic capabilities. Simultaneously, it is important to note that along the accentuation of market logics, the SUMG also acknowledges the requirement to *“fulfil its social responsibility as a media entity”*. In other words, the media group recognises the general (political) codes of practice that apply to Chinese media organisations irrespective of their economic requirements. Despite acknowledging the leadership claim of the CPC, the leadership has still argued that the group has to strengthen its strategic thinking; the group has to take decisions based on long-term strategic considerations. Accordingly, it has been declared: *“Even if this bears risks, we should disregard praise or criticism and proceed unperturbed with our efforts”* (Qiu, 2014b, p. 13). Consequently, it can be reasoned that an increased dependence on market logics does not imply a refutation of the prevalent regulative system, but rather an extension thereof.

#### **b) Support: Reinforcing Legal Independence of Member Entities**

The SUMG supports its regulative vision by granting its member entities full legal independence. Accordingly, the member entities are endowed with a high degree of autonomy with regard to their respective business operations. By reframing the subsidiaries as independent

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<sup>150</sup> In the original text, the term “企业集团” (*qiye jituan*) is used, rather than “报业集团” (press group) or “传媒集团” (media group), which suggests an explicit differentiation from its legal status as *shiyue danwei*.



constituents with their own responsibilities, the media group implements the basic traits of its organisational form<sup>151</sup>.

Based on the internal document on the SUMG's structural setup, the group's core entity as well as the subsidiaries are legally independent from each other (独立法人)<sup>152</sup> (SUMG, 2015a). The group's chairman rendered more precisely that the group consist of several types of legal entities. Firstly, the group's core entity (holding) is an "institutional corporation" (事业法人)<sup>153</sup>, a hybrid form. Secondly, the three big media corporations are independent corporations under the lead of the core entity. Thirdly, some other subordinated media units (e.g. OMP corporation) are framed as independent business corporations (企业法人), that fully operate on the basis of market logics (Qiu, 2014b, p. 8). Hence, the SUMG is composed of entities that possess different legal forms, which provide them with a diverging degree of autonomy. This in turn implies that the group probes different legal forms. The practical implication thereof will be assessed below.

#### i) Group's Core Entity

The media group's managing entity (core entity) has been established as a separate entity under the legal form of a so-called "institutional corporation" (事业法人). In China, there is a basic distinction between "private corporate entities" (私法人) and public "corporate entities" (公法人). Whereas private corporate entities engage in private business undertakings and are subject to provisions of the private law, public corporate entities are exclusively committed to the execution of public service duties. Although public corporate entities may also exercise functions of the public administration, they represent legally independent entities that are separate from governmental agencies. Public corporate entities are obliged to serve the public interest and to contribute to public welfare. In order to fulfil their duty, most public corporate entities are financially backed by the government. Because of their core duty, the provision of public services, public corporate entities are also referred to as "public service corporations" (公务法人). The so-called "institutional corporations" can be grasped as large-scale public service corporations that are entrusted by a governmental agency with the delivery of essential public services (Zuo, 2007, pp. 28-30; 34). In principle, China's *shiye danwei* are framed after the legal form of "institutional corporations". This legal form not only regulates the operative scope, but also the corporate governance structure. In this structure, the state

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<sup>151</sup> The structural and strategic characteristics of the SUMG are principally based on the concept of Chinese business groups, which consist of independent corporate entities that are linked to each other through different economic and social ties (see chapter V).

<sup>152</sup> As discussed in chapter V, although legally independent, the different entities of the group are formally subordinated to the internal party committee.

<sup>153</sup> The term "*shiye faren*" (事业法人) embraces both concepts of the "*shiye danwei*" as well as of a legal corporation. In that sense, the holding is a hybrid entity that entails the characteristics of a corporation, while on the paper it is framed as a public institution.

(represented by governmental agencies) is the main shareholder and acts as principal, whose primary interest is the increase of “public welfare”. Even though there is a principal/agent separation, the interests of the operative management are restrained, since most corporations largely depend on state finance. So, the pursuance of profits and returns does not represent a constitutive aim of institutional corporations (Xu, 2014, pp. 20-22). Formally, the core entity of the SUMG is framed after this legal form.

In fact, as touched upon in chapter V, the media group’s core entity is neither involved in the production nor in the provision of any goods or services. The core entity is the group’s management unit that is responsible for the allocation of resources, strategy development, asset management, overall monitoring and the appointment of high-ranking personnel (SUMG, 2015a). It has the basic duty to guarantee favourable conditions that enable the subsidiaries to provide goods and services (SUMG, 2013b), while it has no operative duties. Also, the core entity is obliged to increase the value of state capital and to ensure the group’s profitability (2013b). Although the group receives around RMB 50 million of subsidies by the government (the core entity receives RMB 10 million, while RMB 40 million are provided to the media units), the core entity also builds its own sources of revenue, in the form of real estate and cultural investments (Interview, Deputy Chairman SUMG, 05.02.2016). Basically, it aims to gain profits from its different assets and financial funds to financially support the group’s operative business (Qiu, 2014b, pp. 9-10; SUMG, 2014c). Correspondingly, it engages in business activities that do not exclusively serve the purpose of “increasing public welfare”. Also, from a legal standpoint, the core entity is an independent unit that does not directly provide any goods or services of public interest. To a certain degree the core entity is dependent on the state, as it receives financial subsidies. On the other hand, it unlocks further sources of revenue. By and large, it can be reasoned that the SUMG’s core entity diverges in some aspects from its legal framework. Its central function is the management and coordination of its subsidiaries, rather than the provision of public services.

Hence, the characteristics of the media group’s core entity are more congruent with the legal conception of a “management holding”<sup>154</sup> than an “institutional corporation”, as defined in the Chinese context. In line with the argument that organisational forms emerge as reactions to external factors, it can be argued that the adoption of economic functions, which exceed the formal provisions of an “institutional corporation”, is propelled by the conditions of the field. The fierce competition of the field and the advent of new technologies (see chapter IV) have urged the media group to embrace economic requirements of competitiveness and profitability.

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<sup>154</sup> As traced in chapter V, the core entity of the SUMG fulfils the strategic and structural characteristics of a “management holding”.

## ii) Core Subsidiaries of the SUMG

The three core media units, Jiefang, Wenhui and Xinmin, have been established as independent legal entities under the lead of the group's holding. Just as the core entity, they are formally framed as "institutional corporations" (SUMG, 2013b). In effect, their main task is the production of media products, a service of public interest. However, as they represent independent entities, they enjoy considerable autonomy with regard to business management functions.

According to the deputy party secretary of Xinmin, the establishment of the media group's subsidiaries as legal entities has provided Xinmin with enhanced independence in two major aspects. Firstly, Xinmin has assumed exclusive responsibility for the production of its content. Before 2013, when Xinmin was still part of the Wenhui-Xinmin United Press Group, it had only been a large journalistic division and the group's leadership interfered in its operational activities. Secondly, under the new organisational setup, Xinmin has gained authority in the management of its human resources. In the past, the group managed all personnel from a global perspective. The deputy party secretary stated:

*"All human resource tasks, such as personnel planning, the recruitment process, wage determination, from signing contracts to terminating contracts, everything had been managed by the [former] group. But now, after having become independent, the human resource management is now fully integrated into our structures."* (Interview, Management Xinmin, 03.06.2015)

So, the media corporation was able to establish its own capabilities to manage its personnel. Furthermore, Xinmin has its own budget and is responsible for short-term financial decisions, while the holding is responsible for long-term decisions and financial investment<sup>155</sup> (Interview, Management Xinmin, 03.06.2015). Based on the interviews conducted, it has become evident that the practical implications of the legal adaptation are comparable across the different corporations. Along their re-formation as legal entities, the subsidiaries gained independence with regard to content production, human resource management and short-term finance and accounting.

Following their establishment as independent legal entities, the three core subsidiaries, Jiefang, Wenhui and Xinmin have implemented structural reforms of their basic working units. In principle, their structure has become flatter and more flexible. In the past, there existed 27 journalistic departments at Xinmin that were managed hierarchically. After the organisational reforms the departments were integrated into so-called "competence centres". For instance, the former politics and law department, the current affairs department and the domestic news department together form the

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<sup>155</sup> Although Xinmin has full authority over financial decisions regarding its daily business, the corporation is not involved in the management of the group's assets and formally does not own any property (Interview, Management Xinmin, 03.06.2015)

“political news centre” (时政中心). Within the centres, structures became flatter and the collaboration among the journalists of the former departments increased. Also, the deputy chief editors of Xinmin directly coordinate the centres, without an intermediary authority as before. In total there are four competence centres and five autonomous news departments (独立部门). The departments that have not been integrated into centres (e.g. international news department, breaking news department) enjoy the same degree of independence as the centres, but are smaller. With this restructuration it is assumed that the autonomy of journalists and editors have risen as the competence centres have become the principal production units, while administrative authorities have been reduced (Interview, Management Xinmin, 03.06.2015). Similarly, at Wenhui, so-called competence centres that are responsible for the generation of specialised content (e.g. politics, economy, entertainment) have substituted the former “editorial departments”. To prevent redundant work processes, the competence centres are directly subordinated to the deputy editor-in-chief, while intermediate authorities have been eliminated. As a result, the competence centres have gained considerable decision-taking power in their daily work. Also, journalists and editors have become more independent in their work, which also means that they have to assume responsibility for their proceedings (Interview, Management Wenhui, 04.05.2015). Comparable restructuring efforts have also been undertaken by Jiefang. In fact, Jiefang has adopted the basic structural setup that has been explored by The Paper and OMP. The traditional journalistic departments (e.g. department of domestic politics or department for international politics) have been replaced by more flexible small units (小组) that each work on a specific topic (栏目) (Qiu, 2016, p. 8). So in similar way as The Paper, the structure of Jiefang (and “Shanghai Observer”) has transformed from a “department store” to a “shopping mall” with more customised sections, to use the words of SUMG’s deputy chairman.

Furthermore, measures have been implemented to stimulate the productivity and proactivity of the employees. At Xinmin, a more differentiated career path has been developed with new job positions. For more transparency, journalists and editors are provided with explicit monthly goals; every journalist is required to produce 15 articles per month (the goal of editors ranges between 15 to 26 articles). Journalists that manage to exceed the goal are rewarded with a bonus payment. In addition to monetary incentives, the corporation also encourages internal competition. The most popular articles are distinguished and the most skilled are journalists are promoted on the basis of their performance. Moreover, the media corporation provides its employees with comprehensive professional training. Besides its collaboration with the „Fudan Journalism School” (复旦大学新闻学院), Xinmin sends its most talented employees overseas to acquire know-how from foreign media corporations (especially to the United Kingdom, USA or Japan, but also Germany). Simultaneously, Xinmin invites international scholars and media experts to train its personnel. According to the vice director of the chief editor’s office at Xinmin, international exchange has been facilitated following the establishment of the SUMG (Interview, Management Xinmin, 03.06.2015). Likewise, Wenhui has

a formal cooperation with the “Fudan Journalism School” to train its personnel. Talented journalists are offered the opportunity to receive advanced training abroad or to undertake academic research (at Fudan University) for a limited time to strengthen their skills. As Wenhui stands for high quality media products, it puts strong emphasis on advanced academic training. Also, a leading decision taker at Wenhui has argued that the internal structures and processes encourage independent work of journalists and editors (Interview, Management Wenhui, 04.05.2015).

The impact of the adapted human resource management practices has also been confirmed by mid-level journalists. According to Ms Li<sup>156</sup>, an editor at “Xinmin Evening News”, the most imminent change after Xinmin had become an independent entity is the remuneration system. Whereas in the past salaries were based on seniority, individual performance has now become the main criteria for monetary remuneration. In general, Ms Li has found that the media corporation has become more “entrepreneurial”; the internal competition has increased and processes have become more professional. For instance, skilled journalists have improved opportunities for promotion. Also, Ms Li believes that the internal competition among the different subsidiaries (of the group) urges the employees to learn from each other (Interview, Ms Li, Xinmin, 11.06.2015). Furthermore, Ms Shen<sup>157</sup> worked four years as an editor for Wenhui before she became an editor at Xinmin in 2015. In her perception, the adaptations that have been implemented at Wenhui have improved the working conditions, if only very gradually. Although Ms Shen perceives the practical impact of the reforms in a critical manner, she is convinced that the re-formation of Wenhui as an independent legal entity is a “positive thing”. She argues that the media corporations have gained decision-making power and are able to determine their own development path (Interview, Ms Shen, 16.06.2015). Nevertheless, Ms Shen regards the entrepreneurial capabilities at Xinmin as more developed. Since Wenhui has a strong “elitist” orientation, it is less prone to change. In this connection, she stated:

*“We are not simply journalists or editors we also have to take decisions that resemble those taken by managers of corporations; we work independently. This is a challenge but also an opportunity. At Xinmin people are involved in many different aspects. At Wenhui on the other hand, you simply do the tasks of an editor in the traditional sense”* (Interview, Ms Shen, 16.06.2015)

On the whole, it can be reasoned that human resource management practices triggered by the adapted regulative frame (independent legal entity) have stimulated entrepreneurial behaviour of the employees. In fact, the media corporations have adopted human resource management practices to promote independent work and to encourage individual performance through monetary (performance-based remuneration) and non-monetary (opportunities to get promoted and diverse professional training schemes) incentives.

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<sup>156</sup> Original name has been modified to protect source.

<sup>157</sup> Original name has been modified to protect source.

The research on the field made clear that besides the increased autonomy in the production of media, the enhanced capabilities in the management of the personnel is regarded as a significant innovation by the corporations. This is not surprising, as the performance of media corporations highly depends on human resource practices. In effect, human capital represents a “key resource” of the media industry (Wirtz, 2011, p. 139). Media corporations are particularly personnel-intensive organisations; Journalists, editors, but also accountants and managers form the professional and creative core of every media organisation and thereby represent an exceptionally significant production factor (Altmeppen, 2006, p. 163; Aris & Bughin, 2009, p. 339; Xie, 2007, p. 65). In fact, human resource management practices that encourage individual initiative, create multiple career paths, set transparent requirements, enable high employee participation, ensure incentivising compensation system and offer competitive training schemes, can foster an organisation’s entrepreneurial orientation (Schuler, 1986, pp. 619-624).

ii) Market-based Subsidiaries

The so-called “market-based subsidiaries” feature another legal form; they are framed as “business corporations” (企业法人). In China, business corporations are determined as legally independent entities with limited rights and responsibilities under the jurisdiction of the Chinese civil law (民事法律). Business corporations are allowed to possess their own property and are liable for their profit and loss. Compared to “institutional corporations” (事业法人), business corporations are primarily concerned with the pursuit of profits (Lu, 2002; X. Yu & Fan, 1995). In line with this legal definition, the leadership of the SUMG stated that the group’s media entities that are legally framed as business corporations “*fully operate on the basis of market logics*” (Qiu, 2014b, p. 8).

The media group’s largest and most representative subsidiary, which constitutes a “business corporation” in the legal sense, is the “Oriental Morning Post Corporation” (OMP), which also operates The Paper and the Sixth Tone. As explored above, the particularities of the regulative frame have a direct impact on the fashion in which resources are coordinated, whereas human resources are especially relevant for media units. This has also been confirmed by a leading representative of OMP. According to the explanations, the human resource management practices at OMP are comparable to those of a conventional corporation. Although formally all journalists in China sign their labour contracts with an external entity that is affiliated to the government, OMP is capable of hiring and dismissing employees based on performance and market needs. It has been stated:

*“So, assuming I require 50 new people, I may just recruit 50 people; [we recruit] according to our actual requirements. We decide on our financial capabilities. For instance, if I launch a new weekly magazine, I have an increased demand for personnel, so I just recruit an increased number of people. However, supposing the revenue for this year is decreasing, I will recruit less*

*people. So we are very flexible in the management of human resources.”* (Interview, Management OMP, 20.03.2015).

Furthermore, OMP provides professional training for its employees by inviting external experts. However, in comparison to the core subsidiaries (Wenhui, Xinmin and Jiefang) OMP does not invite scholars from media faculties, but rather professors from law and management schools, or other media practitioners<sup>158</sup>. Moreover, the media corporation seeks to retain its employees by providing attractive payment and incentivising career pathways. Although OMP has always been relatively independent, with the establishment of the SUMG, the media corporation was able to decentralise the internal working processes. In principle, individual journalists were provided with more decision-making power for their daily work, which increased their responsibility and accountability. Also, decisions about hiring and dismissing personnel can now be taken by local managers and do not have to pass through the highest authority level. It has been argued that the change in the structural setup (decentralised structures) largely contributed to the successful implementation of new human resource management practices. Also, it has been supposed that the measures taken have enhanced the corporation’s innovative capabilities and made it more competitive (Interview, Management OMP, 20.03.2015). By having granted the OMP the legal status of a “business corporation”, the SUMG approves of the corporation’s high degree of autonomy. The OMP in turn has become able to further introduce human resource measures that foster internal entrepreneurship.

It has been argued that the OMP differs from the core subsidiaries of the group as it is “fully commercialised”. While decisions at OMP are taken based on market logics, the “three big subsidiaries” have to consider other aspects (public welfare), as they are officially still “institutional corporations”. However, it is assumed that the new organisational form and its regulative implications will change the big three subsidiaries:

*“[...] they are still not fully commercialised, OMP is more advanced in this respect. But gradually they are all transforming. Not only the media, but most SOEs are currently engaged in market reforms.”* (Interview, Management OMP, 20.03.2015).

So, it becomes evident that there are obvious differences between the different legal entities. By and large, it can be reasoned that the media group supports (rather than impedes) measures that foster an entrepreneurial orientation (e.g. human resource practices) within the respective regulative frame. According to the chairman of the SUMG, it needs to be the aim of the group to “let those take the decisions that are in the front line”<sup>159</sup> (Qiu, 2014b, p. 11). On this basis, the leadership at OMP even assumes that all subsidiaries of the group will transform in the direction of “business corporations” in the long run.

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<sup>158</sup> The leadership at OMP is convinced that media schools in China do not teach useful skills for their corporation, as they primarily focus on propaganda dissemination (Interview, Management OMP, 20.03.2015).

<sup>159</sup> Translated from the expression “让第一线闻得到硝烟，听得到枪声的人有决定权”

Basically, it can be reasoned that providing the subsidiaries with a regulative frame that allows them to foster entrepreneurial practices supports the group's overall goal to become more corporatized. Although the media group is formally framed as a "public institution", its organisational form has enabled a proliferation of legal forms.

### **c) Sustain: Mobilisation of Resources**

In order to sustain its corporatisation efforts, the media group needs to improve the mobilisation of resources (financial, but also human resources). According to the strategic paper of the SUMG, to stimulate the corporatisation of the media group, the core entity needs to execute the functions of a holding; it needs to provide its subsidiaries with sufficient resources and promote their development (SUMG, 2014c). As explained above, in the absence of well-developed market mechanisms, the organisational setup of Chinese business groups (*qiye jituan*) provides basic coordination functions for its member firms. Of particular relevance are financing functions in response to immature financial markets.

Chinese business groups develop "informal financing arrangements" to safeguard the business operation of their member firms (Keister, 2000, p. 10; 16). J. He et al. (2013, p. 167) have found that Chinese business groups "[...] *act as internal capital markets and mitigate the financial constraints faced by group affiliates* [...]". Beyond financial functions, business groups also provide arrangements for the coordination of other resources (such as human capital) or the trading of products. In general, resources are exchanged with member firms that have improved access to scarce resources. The structure of business groups allows internal recruiting and exchange of personnel among member firms, especially if market arrangements are weak (Keister, 2000, pp. 10; 34; 41-45; 118-119). In conventional business groups, financial entities or affiliated banks provide member firms with loans and financial funding, such as venture capital (Goto, 1982; Granovetter, 1994). For Chinese business groups internal financing provisions are important, as China's financial system is relatively restrained (especially the access to bank loans).

Although the SUMG does not have a directly affiliated "banking entity", the group has established its own financial provisions, in the form of financial funds. As already alluded to above, the group's holding established the financial funds to stimulate the development of the media group and its affiliated corporations. More specifically, the funds were designed to enable the subsidiaries to create and operate new media ventures through the provision of appropriate resources. By allocating and investing financial resources, the group's holding executes a financing function that safeguards the business operation of its affiliates (SUMG, 2014c, 2015a). A large-scale financial provision of the group is the "fund 825". According to a document of the "825 fund general shareholder's meeting in 2014", the fund has the following characteristics:



*“[...] it is an investment fund that actively promotes the brands [corporations] and resource superiority [sic] of the Shanghai United Media Group and that is, moreover, capable of providing potential investment opportunities for the corporations’ future strategic layout and their industry chain development [...].”* (Shanghai Xinhua Media Co. Ltd., 2014b, p. 6)

This basic definition of the fund’s purpose suggests that the media group aims to utilise the fund to strengthen its subsidiaries and their competitiveness in the long run. With the provision of risk capital, the financial fund allows the group’s affiliates to envisage and implement entrepreneurial projects, such as “Jiemian”, “The Paper” or “Sixth Tone”. In this way, the fund represents an internal arrangement that counterbalances the restricted access to capital markets of the subsidiaries.

Besides internal financing mechanisms, the SUMG also seeks to enhance the external mobilisation of financial resources, by listing its corporations on the stock market and by attracting unaffiliated shareholders. The chairman of the SUMG has argued that the group should actively promote corporations in getting listed on the stock exchange. It has been highlighted that the group’s efforts to enable public listing *“fully reflects the group’s strategic determination and its farsighted work”* (Qiu, 2014b, p. 12). This statement by the media group’s chairman is also in line with a national regulation that has been issued in November 2013. According to the directives of the third plenary session of the 18<sup>th</sup> Central Committee of the CPC, state-owned enterprises should increasingly embrace mixed-ownership structures (J. Zhang, 2013). Indeed, the SUMG is in the process of gradually implementing mixed-ownership arrangements; the most prominent example is Jiemian. As discovered above, several external shareholders that have no direct affiliation to the group are involved in the new media venture. Even though the SUMG holds a majority of the venture’s shares, the tentative arrangement provides opportunities to attract external capital that is supposed to contribute to improved capabilities. Besides the mobilisation of resources, the involvement of external shareholders also fosters the introduction of new ownership structures. In this way, the corporate orientation of the media entity is likely to increase and the dependency on state authorities to be reduced.

Furthermore, the mobilisation of resources is not restricted to financial capital, but also includes human resources. Although no explicit internal human resource pool exists for the member firms of the SUMG, the internal recruitment of personnel is an instrument that is increasingly used. The deputy party secretary at Xinmin, explained that: *“A human resource pool has not been very popular, for us, the employees’ abilities are important [...]”*. For this reason, Xinmin seeks to attract specifically qualified personnel. *“There is only an exchange of specialised and outstanding personnel among corporations; this is our current focus. [...] If it is mutually beneficial there is sometimes also an exchange of professional training schemes among the newspapers.”* The deputy secretary, moreover, stated that the numbers of talents recruited internally have risen recently (Interview, Management Xinmin, 03.06.2015). So, this implies that the foremost interest of Xinmin is the

mobilisation of scarce (human) resources within the group. At the same time, the media corporation also exchanges media content with other affiliates. For instance, if there is a highly anticipated incident in a country where Xinmin does not have a correspondent, it requests information resources from an affiliate that has exclusive access through local journalists. On the other hand, if another media unit asks for exclusive information, Xinmin shares its resources as well (Interview, Management Xinmin, 03.06.2015). Also, in the perception of Ms Li, editor at Xinmin, the group structure allows for enhanced exchange of know-how among media entities. She argued that especially the new media, such as The Paper or Jiemian, have become a model, from which people at Xinmin can learn a lot (Interview, Ms Li, Xinmin, 11.06.2015).

In a similar way, this also applies for Wenhui. The media subsidiary uses internal recruitment mechanisms to attract skilled personnel. The corporation competes with the other media subsidiaries of the group for the most talented people, but according to the deputy editor-in-chief at Wenhui, Xinmin is a very strong competitor. Moreover, he has highlighted that the exchange of know-how has become increasingly important for the media corporation. Wenhui is particularly interested in new products developed by other media entities, but also willing to share information about their own innovations (Interview, Management Wenhui, 04.05.2015). So, the structure of the group provides an “internal market”, where the member firms contend with each other for scarce human resources as well as information resources. A concrete example for the competitive mechanisms within the group is Ms Shen. She had worked for Wenhui as an editor, before the establishment of the SUMG. Afterwards, in 2015, she decided to swap her job at Wenhui for a position at Xinmin, which offered better working conditions than Wenhui. Ms Shen had chosen to join Xinmin, as she perceived the long-term prospects at the media corporations as more attractive than at Wenhui and more suitable for her personality (Interview, Ms Shen, 16.06.2015). This example shows that the media entities undertake efforts to attract skilled people and to be more competitive than the other affiliates.

On the other hand, for OMP it is generally more difficult to attract people from other subsidiaries, as it is a “business corporation” that fully operates on market logics. Employees from Jiefang, Wenhui or Xinmin (the three core subsidiaries) are reluctant to join OMP, since they have a high degree of job security at their respective entities, which they would lose at OMP. However, following the launch of the multimedia products, such as The Paper or Sixth Tone, young people from other entities are gradually interested in joining OMP as they perceive working for a digital media product as more attractive (Interview, Management OMP, 20.03.2015). So, although OMP is fully marketised and is able to recruit its personnel externally, it still benefits from the internal “labour market”. Moreover, as already noted above, OMP also benefits from the financial means allocated to invest in its new media product (e.g. The Paper), which sustains its entrepreneurial capabilities. So, even though the different subsidiaries are independent and stand in a competitive relation to each other, they exchange and trade scarce resources.

Hence, it can be reasoned that the vision to extend prevailing regulative systems is sustained by the mobilisation of scarce resources through internal coordination. Although external market arrangements are partially distorted, the structural setup of the SUMG provides internal coordination mechanisms that allow member firms access to resources needed to ensure corporate competitiveness.

**d) Institutional Work on Regulative Pillar: Summary**

In sum, the analysis showed that the media group seeks to advance the corporatisation of media units by practices that increase their market exposure. Accordingly, the SUMG has reframed its member entities as legally independent constituents and, thereby, reinforced their decision-making power, especially with regard to human resource management practices. To sustain the increased corporatisation, internal resource coordination mechanisms are enacted, which allow member firms enhanced access to crucial resources. Indeed, it is the organisational form that empowers the media group and its subsidiaries to outgrow prevailing organisational principles (principles of *shiyè danwei*). Through the proliferation of legal forms and the integration of market mechanisms, it lays the foundations for the extension of regulative frames.

<b>Pillars</b>	<b>Cognitive</b>	<b>Normative</b>	<b>Regulative</b>
<b>Vision</b>	Become culture and media industry group	Become innovator of traditional media forms	Extend Regulative Framework
<b>Support</b>	Capital restructuring and investment in cultural industries	Establishment of new media ventures	Proliferation of Legal Forms
<b>Sustain</b>	Collaboration with leading organisations across sectors	Involvement of strategic partners	Resource Mobilisation

**Table VI-5: Strategic Action Matrix, Regulative Dimension**

**3 Discussion: Producing and Reproducing a New Organisational Form**

The above analysis has traced activities that have been triggered by, and in turn reproduce the new organisational form of the SUMG. To accurately capture the interactions between the identified

activities and the corresponding institutional dimensions, a conceptual appraisal of the empirical findings is needed.

### 3.1 Evaluation of Institutional Work on Cognitive Pillar

According to the understanding of Scott (2008, p. 59): “*A cultural-cognitive conception of institutions stresses the central role played by the socially mediated construction of a common framework of meaning.*” In other words, the cognitive dimension of institutions emphasises the way of how social meaning is constructed and perceived by actors. Child et al. (2007, p. 1015) propose that practices and actions of organisations are based on “*a cultural consensus or compliance with cognitive rules that are taken for granted [...]*”. As socially accepted frames of meaning determine the action of organisations, implementing diverging practices requires a modification of prevalent understandings. It is suggested that new practices are only institutionalised as a result of a struggle over shared realities (Garud & Rappa, 1994). So cognitive activities by institutional entrepreneurs can essentially be understood as “awareness-building” actions (Child et al., 2007, p. 1018). In this way, actors that seek to introduce change to a field engage in the modification of the cultural-cognitive elements of institutions. This applies in particular to the evolution of new organisational forms. Building legitimacy and establishing shared understandings is crucial to induce new forms to a field (Human & Provan, 2000). More precisely, Tracey et al. (2011, p. 74) suppose that “aligning with highly legitimate actors” is a form of strategic action that may legitimise a new organisational form. Hence, within a given field, organised actors have to theorise their practices in order to gain social acceptance.

Accordingly, it can be argued that the SUMG engages in cognitive activities that are supposed to infuse its organisational form with a corresponding understanding. It has been found that the group seeks to define itself as a “culture and media industry group of the digital age” (rather than press group). This understanding allows the group to emphasise the nature of its structural and strategic properties as discussed in chapter V. Concurrently, it highlights the strategic aim to shift from a media group (with Chinese characteristics) to a more comprehensive, commercial “industry group”. By adapting its capital structure and setting up investment funds, the SUMG builds the capabilities to be recognised as a contemporary cross-sector group of the culture and media industry. Likewise to gain acceptance in the field the SUMG has established strategic collaborations with major players of the respective industry sectors.

Certainly, the organisational form of the SUMG could not evolve without the explicit endorsement of the main regulatory actors (GAPP and municipal government of Shanghai). Nevertheless, although the group disposes of political legitimacy, it pursues cognitive activities to position its new form within the wider field, which entails efforts to theorise divergent practices and processes. In essence, these cognitive activities can be grasped as a long-term endeavour; the capital structure is gradually adapted, while funds and partnerships are established in a sustainable way. As

has been noted above, the leadership pursues a “three-step strategy” which aims at repositioning the group as part of a consecutive process.

As a result of the analysis, it can be argued that the introduction of the new form is associated with organisational activities that affect cognitive arrangements of the field.

### **3.2 Evaluation of Institutional Work on Normative Pillar**

Scott (2008) conceives of the normative pillar as a system that contains norms as well as values. He defines values as “*conceptions of the preferred or the desirable, together with the construction of standards to which existing structures or behaviors can be compared and assessed*” (2008, p. 54). So, within a given context, values determine what is deemed as exemplary, and, thereby set standards for the actors of the field. Moreover, Scott (2008, pp. 54-55) conceptualises norms in the following way: “*Norms specify how things should be done; they define legitimate means to pursue valued ends.*” While values determine *what* is desirable, norms indicate *how* specific acts should be performed. Together, norms and values provide a frame within which actors are supposed to operate. Basically, normative frames constrain the behaviour of actors, as they are expected to adopt specific roles that are consistent with prevailing norms and values. Under specific conditions, however, the roles that actors adopt may also empower their behaviour (2008, p. 55). It is argued by Garud et al. (2002) that organisations in a given field agree on common operational standards and routines that constrain *and* enable their actions. Accordingly, building or adapting normative systems may include activities that are aimed at standardising work procedures, diffusing common values and establishing supporting patterns, such as professional training courses (Child et al., 2007, p. 1023). In fact, creating new organisational forms is closely related to the establishment of divergent values and norms (Rao et al., 2000, p. 240).

As part of establishing a comprehensive media group, the SUMG seeks to set new standards and practices in merging print and digital media forms. In particular, it seeks to assume leadership in the exploration of new technologies and business models. The success of the organisational form largely depends on whether its claim of bridging different media forms and industry sectors can be implemented. For this reason, several ventures have been created that are supposed to experiment with new practices. Moreover, to sustain the aim of becoming a “new media innovator” in China, the group cooperates with stakeholders and influential partners of the field.

Since institutionalised fields are based on normative systems that determine socially accepted practices and standards, divergent organisational forms oppose existing arrangements to some extent. However, in the case at hand, specific environmental conditions (technological dynamics) have made the development of new practices inevitable. In this way, the normative efforts of the SUMG should not be perceived as an assault on existing arrangements, but as a co-contribution to develop new models that are in line with the technological developments of the field.

Hence, it can be reasoned that the new form of the SUMG has spurred efforts to innovate normative standards and practices.

### **3.3 Evaluation of Institutional Work on Regulative Pillar**

The third institutional dimension is about regularising the behaviour of actors through processes of “rule-setting, monitoring and sanctioning”. Although regulative processes primarily constrain activity, some rules also provide an enabling foundation for agency (Scott, 2008, p. 52). This means that actors are embedded in an institutional framework that constrain as well as legitimate their behaviour. These frameworks entail both “formal written rules” and “unwritten codes of conduct that underlie and supplement formal rules” (North, 1990, p. 4). So, formal legislation together with informal rules and mores regulate activity within a given field. In this way, this conceptual understanding of the regulative pillar draws on normative aspects; agreeing on the way of how actors are expected to behave requires considerations on norms and values. Therefore, Scott (2008, p. 53) notes: “*The normative and regulative pillars can be mutually reinforcing.*” This implies to conceive of the regular pillar as a system of formal and informal rules that embody perceptions of what is deemed desirable and acceptable. The construction of a regulative system includes the promulgation of laws and policies as well as activities to improve or adapt existing rules (Child et al., 2007). Within a given regulative system, the state adopts the role of a “rule maker, referee and an enforcer” (Scott, 2008, p. 53). This suggests that state agencies occupy an exclusive position within organisational fields as they exercise functions to enforce and monitor regulative systems.

So, as already outlined above, in the case of the Chinese media field, state agencies not only occupy an exclusive position, they exert paramount regulatory leadership. The SUMG has no power in adapting regulative systems concerning the conduct of media. However, the organisational form with its structural and strategic peculiarities has an impact on the definition of organisational principles of Chinese media units. Indeed, the leadership of the media group has declared its determination in fostering the corporatisation of the group and, thereby, outstretching the principles of the traditional public service unit (*shiye danwei*). All organisational constituents have been established as legally independent entities with considerable operational and strategic autonomy. On the one hand, the group’s core unit has been framed as a management entity without operational functions (holding). Its authority is limited to long-term decisions of strategic relevance. On the other side, the group’s production units have been granted full autonomy in their operational conduct (especially with regard to management functions). These measures are sustained by appropriate resource coordination mechanisms that safeguard the subsidiaries’ market-orientation and maintain their competitiveness. So, although the SUMG does not directly contest the principles of the *shiye danwei*, it has developed more refined mechanisms. In fact, Greenwood and Suddaby (2006, p. 38) have found that new organisational forms can “outgrow” the institutional arrangements of a field; for their case they have

noted: “[...] the static regulatory structures of the field were inappropriate for the expanding scale and sophistication of its larger players”.

With regard to Chinese media groups, the regulative dimension is certainly highly sensitive, as regulatory provisions are naturally very repressive. Correspondingly, the activities that produce and reproduce the organisational form of the SUMG are only to a limited extent directed at the regulatory dimension of institutional arrangements. So, whereas the analysis has detected efforts to influence the organisational definition of media groups, the SUMG does not fundamentally challenge the regulatory framework of the Chinese media field. Therefore, the organisational modifications induced by the SUMG can be regarded as marginal contributions to a more responsive regulatory framework.

### **3.4 Toward Institutional Work?**

In sum, the above analysis has shown that the new organisational form of the SUMG has stirred actions directed at the three dimensions of the respective institutional arrangements. As part of inducing the new form, the following activities could be observed: (1) The SUMG seeks to redefine its perceived role within the field. Its strategic and structural properties enable the SUMG to emerge as an increasingly comprehensive “industry group” that operates across different sectors (of the culture and media industry). Like this, the SUMG influences the original conception of press groups whose activity is traditionally limited to the press and publication industry as noted above. It can be assumed that embracing new industry sectors and business fields, allows media groups to expand their economic capabilities as well as their relative influence. (2) The SUMG aims at introducing new field practices and standards. By establishing “new media” ventures, the SUMG seeks to exploit internal group synergies to experiment with new media formats and corresponding business models. In essence, the group promotes interactive digital media models with a high user orientation (e.g. Jiemian, The Paper or Sixth Tone). Concurrently, the SUMG experiments with potential business models for its digital products, which are not only supposed to achieve profitability, but also to stimulate the loyalty and interaction of users (e.g. Jiemian, Shanghai Observer). Although the ultimate success of the media group’s efforts in establishing new practices is unclear, it is more important to recognise the group’s strategic ambition in co-shaping existing codes of conduct. (3) The SUMG aspires to incrementally influence the regulative understanding of media groups. In spite of the fact that media groups are becoming increasingly more profit-oriented, they are officially framed as “public service units” (*shiyew danwei*) without commercial alignment and limited economic capabilities. With its structural and strategic properties, the SUMG, however, seeks to advance the corporatisation process. By establishing its constitutive units (strategic management unit and the subordinated “profit centres” that are linked to the core unit through differing relations) as legally independent entities with considerable decision-taking authority, the group has enforced the basic structural characteristics of a *qiye jituan* (Chinese business groups). Along its structural efforts, the

group also strives to increasingly base its operational practices on market logics, in order to fully implement the transition from a public service unit to a “genuine corporation”. While the SUMG does not dispose of the power needed to re-shape the overall regulative system of the Chinese media field, it seeks to incrementally influence the regulative principles of media entities and their organisational alignment.

Essentially, it can be argued that the SUMG aims to “lift itself up by its own bootstraps”; given templates are creatively shaped and induced with particular practices, rather than distorted. The traced actions can be subsumed as efforts to establish a diversified “media and culture industry group” that incorporates the fundamental traits of a contemporary corporation and that strives to co-contribute to new practices. Hence, although the case at hand suggests that inducing an organisational form to a wider field is associated with distinct activities that affect all institutional pillars, it needs to be clarified in what way the triggered actions can be subsumed as “institutional work”.

Generally speaking, institutional work signifies “the *purposive action* of individuals and organisations aimed at creating, maintaining and disrupting institutions” (Lawrence & Suddaby, 2006, p. 215). Accordingly, institutional work refers to intentional actions that are directed at existing institutional settings. In contrast to the conception of institutional entrepreneurship that is primarily concerned with innovative actions that bring about significant change (Garud et al., 2002; Greenwood & Hinings, 1996), institutional work provides a much broader understanding of action:

*“The study of institutional work takes as its point of departure an interest in work – the efforts of individuals and collective actors to cope with, keep up with, shore up, tear down, tinker with, transform, or create anew the institutional structures within they live, work, and play, and which give them their roles, relationships, resources, and routines”* (Lawrence et al., 2011).

While this comprehensive understanding suggests that efforts that are intentionally aimed at shaping or co-shaping institutional arrangements can be generally grasped as institutional work, it also implies that the nature of these efforts can vary in different contexts. It can, therefore, be reasoned that depending on the aim of institutional work (creating, maintaining or disrupting) different forms of strategic actions (efforts) are undertaken. Moreover, Battilana and D'Aunno (2009, pp. 46-48) argue that not only different aims of institutional work determine the nature of strategic actions, but also different dimensions of agency. Basically, Battilana and D'Aunno (2009) conceptualise agency as:

*“[...] a temporally embedded process of social engagement, informed by the past (in its habitual aspect), but also oriented toward the future (as a capacity to imagine alternative possibilities) and toward the present (as a capacity to contextualise past habits and future projects within the contingencies of the moment).”* (2009, p. 47)

This conceptualisation is based on Emirbayer and Mische (1998)’s understanding of agency. They propose to conceive of agency as a “chordal triad” that can be analytically distinguished along



three constitutive dimensions: “iterative” (informed by the past), “projective” (oriented toward the future) and “practical-evaluative” (oriented toward the presence). Although the different temporal perspectives of agency are interdependent, specific structural contexts may require actors to switch between different orientations (Emirbayer & Mische, 1998). Correspondingly, Battilana and D’Aunno (2009) suggest that particular *temporal dimensions of agency* and *forms of institutional work* enable different instantiations of strategic actions. The table below illustrates their conceptual understanding:

<b>Dimensions of Agency</b> <b>Forms of IW</b>	<b>Iterative Agency</b>	<b>Practical-evaluative Agency</b>	<b>Projective Agency</b>
<b>Creating</b>	Improvising; modifying	Translation; bricolage; reacting to shocks	Inventing; creating proto-institutions; establishing institutional mechanisms; advocating diffusion
<b>Maintaining</b>	Enacting institutionalised practices; selecting one legitimate practice over another	Adapting institutionalised practices; bolstering regulative mechanisms	Repairing; defending
<b>Disrupting</b>	Failing to enact an institutionalised practice; institutional forgetting	Avoiding institutional monitoring and sanction; not selecting institutional practices	Attacking the legitimacy or taken-for-grantedness of an institution; undermining institutional mechanisms

**Table VI-6: Institutional Work Matrix**<sup>160</sup>

In essence, the above matrix allows to conceptually codify empirically traced actions that are intentionally directed at institutional arrangements. Certainly, strategic actions in particular contexts might be located between two intersections, as they represent multiple dimensions of agency or as

<sup>160</sup> In accordance with Battilana and D’Aunno (2009, p. 48)

they might correspond to multiple forms of institutional work. Nevertheless, the matrix provides a meaningful basis to understand different instantiations of strategic action. Thus, in accordance with this typology, the strategic actions as identified above can be classified.

From the above analysis, it becomes obvious that the strategic actions of the SUMG cannot be perceived as “projective” in nature. Given the strong role of state regulators that set the basic institutional scope, it would be too presumptuous to argue that a single media group is capable of inventing, defending or undermining institutional arrangements. On the other hand, it can be proposed that a media group (together with other field constituents) engage in actions that can be perceived as “iterative” and to a certain degree also “practical-evaluative”. In their function as “experimental units” media groups principally infuse organisational patterns, which have been legitimised by regulatory agencies, with value and practical meaning. Indeed, the actions associated with the introduction of a new organisational form as depicted in the case of the SUMG, can be perceived as iterative and partially practical-evaluative, rather than projective. Moreover, it is supposed that inducing a new organisational form to a wider field involves efforts to create, maintain and to some extent also to disrupt existing arrangements.

Firstly, the establishment of a new organisational form entails activities directed at *creating* new arrangements. As has been shown above, the SUMG has undertaken efforts to reposition the media group as a comprehensive “culture and media industry group”, to develop new media formats that integrate print and digital versions, and to experiment with divergent structural arrangements (e.g. decentralisation, independent entities). As these creative efforts not really bring about radical change, but rather modify and optimise already institutionalised arrangements, they can be perceived as “iterative”. Concurrently, it can be argued that those measures have been refined in response to unfolding developments (market-technology dynamics or political-administrative dynamics). For instance, the creation of new media ventures can largely be seen as a reaction to economic and technological developments of the wider media field. Also, the aspired perception of the group as a “culture and media group” has shifted to a “culture and media industry group”, which implies an incremental alignment to prevalent conditions. So in that sense, it can be argued that partially the group’s creative efforts can be perceived as “practical-evaluative”, as they instantiate a response to prevalent conditions and dynamics.

Secondly, as the organisational form of the SUMG has evolved as a result of organisational bricolage (incremental evolution of organisational forms as discussed in chapter V), it has not only induced “creative” activity, but also efforts to *maintain* favourable or inevitable practices. Basically, the SUMG maintains its “social responsibility” in disseminating information by order of the CPC, as any Chinese media group is obliged to do. The group also maintains the interweavement between its management and party bureaucrats, which is manifested in the group’s party committees that formally supervise the group in the name of the CPC. By and large, it can be argued that practices that secure the ultimate political authority of the party are maintained by the SUMG (just as by any other media

organisation in China). In fact, in most interviews and written statements by the group or members of the management, the duty of the SUMG in maintaining the principles of the CPC is emphasised at the beginning, followed by intentions to adapt to the development of economic and institutional arrangements. In line with the above analysis, it can be reasoned that along inducing new practices, the group enacts previously endorsed templates and, thereby, maintains the party's leading position. Certainly, the group also "bolsters" some regulative mechanisms according to its economic needs. For instance, the increasing relevance of market logics is strongly highlighted by the group's decision takers, along the adherence to political principles. So, the actions of the group in maintaining institutionalised practices can be grasped as both "iterative" and "practical-evaluative".

Thirdly, to a much lesser extent, the new form of the SUMG has also stirred "institutional forgetting"; especially with regard to actions directed at regulative arrangements. Although formally Chinese media organisations represent public service units, their defining traits are increasingly suppressed. The SUMG even promotes an active "corporatisation" of the group. However, the group's efforts are not aimed at confronting or attacking specific arrangements, but rather at gradually softening institutionalised practices. Therefore, it can be reasoned that the few actions that partially *disrupt* prevalent arrangements are most accurately grasped as "iterative".

In a nutshell, the above discussion suggests that the observed efforts of the SUMG can be perceived as institutional work that is foremostly iterative but also practical-evaluative in nature and aimed at creating, maintaining an disrupting prevalent arrangements.

### **3.5 Implications: Augmenting Organisational Capabilities as a Process of Mundane Work**

This chapter has analysed the institutional effects induced by a new organisational form. Based on the case of the SUMG, it has been proposed that the introduction of a new organisational form entails actions that are directed at the cognitive, normative and regulative dimensions of the media field's institutional arrangements. The corresponding analysis has provided evidence that as a consequence of its new form, the SUMG has undertaken efforts to become a diversified "media and culture industry group" that incorporates the fundamental traits of a "contemporary corporation" and that strives to co-contribute to new practices. This aspired goal entails cognitive, normative and regulative aims that are supported and sustained by corresponding activities of the group and its subunits. As a result, it is argued that the actions associated with the group's new form instantiate efforts directed at institutional arrangements.

By adopting an institutional work lens, the nature of the observed efforts could be further defined. It is proposed that in creating, maintaining and partially disrupting institutional arrangements, iterative and practical-evaluative efforts have been undertaken. In contrast to projective actions that are oriented toward the future, the actions observed in the case of the SUMG are basically informed by the past and oriented toward the present. On the one hand, "past patterns of thought and action" are

selectively reactivated to sustain institutions and maintain stability (Emirbayer & Mische, 1998, p. 971). At the same time, practical evaluations are made “among alternative possible trajectories of action, in response to the emerging demands, dilemmas, and ambiguities of presently evolving situations” (1998, p. 971). Concretely, the efforts associated with the new organisational form of the group can be described as enacting, improvising, modifying and adapting institutionalised practices, rather than inventing or attacking such practices. This finding is also in line with the overarching setting of the Chinese media field. The fact that the CPC acts as an uncontested regulatory actor implies that media organisations are unlikely to have the authority or the power needed to radically reshape or break with prevalent arrangements. Instead they influence institutionalised patterns by implementing them according to situational requirements and by reinforcing some practices in place of others. As such, the process of producing and reproducing the new organisational form stems from “the mundane activities of practitioners struggling to accomplish their work” (Smets et al., 2012, p. 877).

Thus, as a result of this chapter it can be reasoned that that the process of introducing a new organisational form instantiates a specific embodiment of institutional work. Given the high degree of embeddedness in the case of the SUMG, iterative and practical-evaluative forms of actions are particularly dominant.

## VII. Conclusion

This study reported on the evolution of a new organisational form that propelled strategic agency within a transitional environment that is characterised by strong coercive forces. Overall, the aim of the study was to trace the mechanisms that provide an exceptionally embedded organisation, such as a Chinese media group, with enhanced spaces of agency. To generate a complete account, the research adopted a multilevel approach that allowed depicting the different dynamics associated with the constitution of organised action.

By analysing the specific case of the Shanghai United Media Group (SUMG), the study strives to contribute to existing conversations in organisational science as well as in Chinese studies. Firstly, the study proposes that (divergent) organisational forms play a crucial role in enabling agency within highly embedding environments. It is suggested that the existence of institutional contradictions (Seo & Creed, 2002) provide favourable conditions for new organisational forms to take shape, which in turn empowers organisations to develop improved strategic capabilities. Secondly, it is proposed that organisational forms instantiate “integrated dualities” of organising (structuring) and strategizing (Ortmann & Sydow, 2001; Whittington & Melin, 2003), which implies that they are not stable constructs but dynamic processes that are constantly adapting in accordance with their environment. By engineering specific structural and strategic capabilities, Chinese media organisations have addressed institutional deficiencies, which lead to an incremental emergence of new organisational forms. Based on this finding, it has been argued that particular organisational forms embrace the apparent constraining and enabling elements (Giddens, 1984) of the field. Lastly, it has been found that the practices that produce a new form and induce it to the wider field represent a set of activities that have institutional implications. The observed activities have been identified as iterative as well as practical-evaluative efforts (Battilana & D'Aunno, 2009; Emirbayer & Mische, 1998) that create, maintain and disrupt prevailing arrangements. Thus, it has been argued that in highly embedding environments a new organisational form with its associated practices instantiate a specific embodiment of institutional work.

Moreover, with regard to the field of Chinese studies, the analysis proposes that by developing optimised organisational forms, Chinese media groups have gradually expanded their economic and strategic capabilities. Hybrid structures have allowed media entities to adhere to both political and market imperatives. It has, therefore, been argued that divergent forms maintain political structures while they simultaneously unlock new avenues of managerial discretion. Besides, the study also provides insights into how central organisations in China evolve and develop new roles in accordance with their institutional context.

## **1      Discussing Empirical Findings**

In the following, the empirical findings generated by the above analysis are summarised and discussed accordingly. Moreover, the potential applicability to other contexts and organisational fields is explored and evaluated.

### **1.1    Main Findings**

In the endeavour to explore how agency is constituted in a highly embedding environment, the conducted analysis combined data of the field-level (Chinese media field), the organisational level (different media groups) and the level of organisational constituents (affiliated entities of the SUMG).

In a first step, the Chinese media industry has been mapped and current trends identified. Firstly, it has been found that the Chinese media industry is undergoing structural change. On the one hand, traditional media formats (e.g. newspapers, magazines) are rapidly declining, which is manifested in decreasing revenues. On the other side, digital and online media forms provide increasingly promising business opportunities, a trend that is intensifying with the technological advancement. Correspondingly, to maintain their influence and profitability, media organisations are pressured to innovate and adapt to emerging market logics. The most visible consequence thereof is the growing number of comprehensive media groups and online products. Secondly, the analysis provided evidence that the institutional arrangements concerning the Chinese media field are highly coercive, partially conflicting and relatively ambiguous. Although there is no single law on the organisation or operation of media, the Chinese constitution and the law on “guarding state secrets” represent important reference guidelines. As discussed, however, these laws provide only vague and inconsistent principles. In the absence of a coherent legal framework, a multitude of formal and informal provisions and guidelines have emerged along the reform of Chinese media. Thus, it has been argued that Chinese media organisations are exposed to transitional arrangements that entail considerable uncertainty. As a result, two driving forces could be identified that have unlocked opportunities for enhanced organisational agency: market-technology dynamics and political-administrative dynamics.

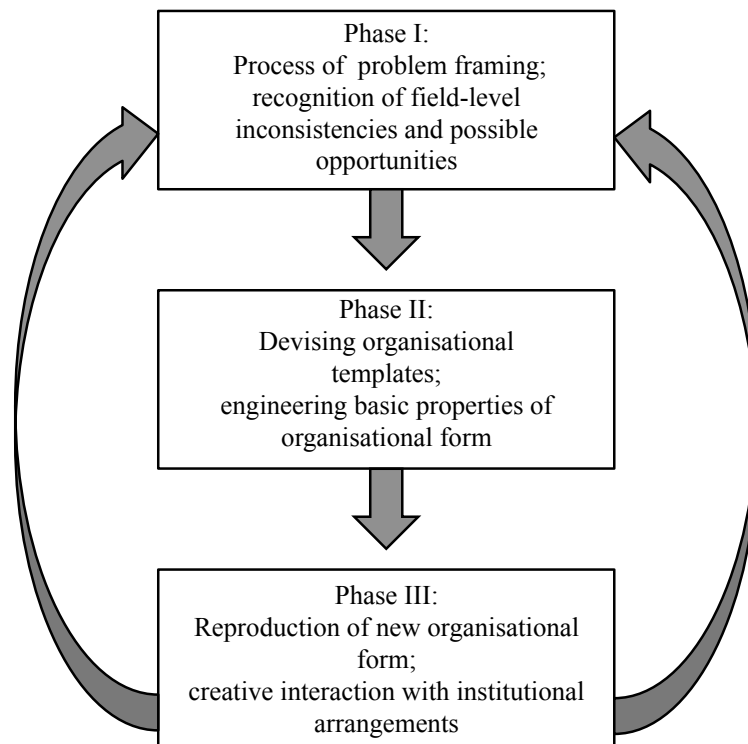
In a second step, the study investigated the evolution of particular organisational forms in response to transitional field arrangements. So-called experimental units developed particular structural and strategic properties to adapt to emerging field imperatives. It has been supposed to perceive the evolution of new forms as a process of organisational “bricolage” (Garud & Karnoe, 2003; Lévi-Strauss, 1966), which highlights the incremental creation of transitional templates. Overall, it could be observed that the organisational structure of media groups has become gradually more divisionalized since the establishment of the first unit in 1996. Concurrently, media groups have extended their strategic capabilities and diversified their business scope. It has been shown that media

entities have gradually transformed from non-commercial public service units (*shiyew danwei*) to commercial media groups that dispose of enhanced strategic capabilities. With the establishment of the Shanghai United Media Group (SUMG) in 2013, a new form has emerged that features particular characteristics. In essence, the SUMG has devised a hybrid form that is characterised by the organisational traits of a Chinese business group (*qiye jituan*) as well as by elements of a classic holding group. The above analysis identified the following peculiarities: (1) increased diversification, expansion into new business fields by extending product lines and/or acquiring affiliated corporations; (2) improved strategy-making capabilities due to independent core entity (or holding); (3) enhanced flexibility of subsidiaries due to extended managerial independence (on group level) and decentralised structures (on corporate level); (4) alternative coordination mechanisms in response to underdeveloped arrangements (internalised market mechanism); (5) enhanced political and economic leverage with increased resource consolidation. As discussed, with its organisational configuration, which largely resembles the form of conventional business groups, the SUMG has further advanced the reform process of media entities.

In a last step, the study evaluated the institutional implications of the organisational form of the SUMG. It has been assumed that the activities associated with the development of divergent structural and strategic properties have a lasting effect on institutionalised practices and arrangements. In fact, the analysis has identified specific purposive efforts by the SUMG in producing and reproducing its new organisational form. It has been shown that for each dimension of institutionalised arrangements (cognitive, normative and regulative as defined by Scott (2008)) the group has developed particular strategic aims as well as corresponding measures to support and sustain them. Based on relevant theoretical considerations, it has been discussed in what way the purposive actions of the group can be perceived as institutional work. By referring to the basic forms of institutional work, which are creating, maintaining and disrupting (Lawrence & Suddaby, 2006), and by accounting for the different dimensions of agency (Battilana & D'Aunno, 2009; Emirbayer & Mische, 1998), which are defined as iterative, practical-evaluative and projective, the observed efforts of the SUMG have been appropriately evaluated. As a result, it has been reasoned that the strategic efforts adjunct to the new organisational form can be perceived as iterative and partially practical-evaluative actions aimed at creating and maintaining (and to a lesser extent also disrupting) institutional arrangements. Therefore, the study proposes that the evolution of a new organisational form in a highly embedding environment instantiates a particular type of institutional work, as it is a process that entails a set of reflective efforts which are iterative as well as practical-evaluative in their nature and aim at creating and maintaining dominant practices and arrangements.

All in all, the study traced the basic mechanisms in the constitution of agency within a particularly constraining environment, whereas it is argued that divergent organisational forms are both an activator for and the result of strategic efforts. The endeavour to administer contradicting field-dynamics, as part of engineering a new form, enables embedded agency and thereby fosters the

emergence of organised actors. By subsuming the empirical findings, the following process can be traced: (1) Conflicting settings with considerable ambiguity provide powerful organisations with enhanced spaces of agency and new opportunities; (2) By engineering corresponding structural and strategic properties, organisations embrace the constraining and enabling elements of their respective fields and, so enhance their scope of activity without refuting coercive forces; (3) Finally, the process of inducing a new organisational form to an established field entails strategic efforts that partially modify and influence institutionalised arrangements in an incremental, rather than entrepreneurial way. The figure below depicts the basic phases in this consecutive process.



**Figure VII-1: Process of Emerging Actors**

The model illustrates the consecutive steps involved in the inductive constitution of embedded agency, as traced in the empirical setting of the Chinese media industry, and thereby explains the emergence of organised actors. As the analysis has shown, recognising field level inconsistencies, devising and reproducing organisational templates that administer the transitional characteristics of the field, represent the main components of this process. Because the proposed model constitutes a recursive cycle, the produced forms are also assumed to be transitional and prone to further change, which implicitly points to the evolution of hybrid forms, such as the one captured in the case of the



SUMG. So, it is argued that the process of creatively accommodating divergent logics may promote the hybridisation of organisational forms (Haveman & Rao, 1997; Rao et al., 2003).

Thus, the study proposes that (new) organisational forms represent a pivotal element in empowering strategic agents within a highly embedding environment.

## **1.2 Findings in Relation to Similar Contexts**

Before translating the established findings into theoretical discussions, their applicability to other empirical contexts will be discussed.

Although the study at hand has investigated the posed research question by referring to a particular case, it can be assumed that the findings also apply to other media groups of the field. Besides the fact that other Chinese media organisations are faced with similar challenges and field conditions, the experimentation with refined organisational forms have also been a central aspect in their development, as chapter V has shown. Likewise, it has also been reasoned by Chinese scholars that the structural transformation of media organisations has played a crucial role in the development of strategic capabilities (Ceng, 2013; Chuan, 2013). As the transformation process of the media in China is supervised and concerted by the CPC (see chapter IV), it can be supposed that media organisations do not develop in fundamentally different directions, which further substantiates the applicability of the findings for other media groups. Certainly, as any Chinese media organisation features its own characteristics, specific aspects of the investigation need to be reconsidered for other entities. But in general it is supposed that organisational forms are essential to the understanding of how media entities in China extend their managerial autonomy.

Moreover, beyond the media field, the Chinese financial industry represents another highly institutionalised field, that is of national relevance. As already alluded to in the introduction chapter, it has been found by Bell and Feng (2014) that within the fixed boundaries set by the party-state, the “People’s Bank of China” (a highly embedded organisation) succeeded in extending its authority, which is manifested in its increased monetary policy autonomy. To explain the rising authority of China’s central bank, Bell and Feng (2014) focused on “the role of meta-institutional contexts” in constraining and empowering the organisational entity. They basically argue that “domestic institutional change dynamics” along shifting political relationships between the central bank and bureaucrats of the CPC leadership have enabled the People’s Bank of China to enhance its authority. Just as the study at hand, Bell and Feng (2014) see the transition of market institutions in China as a major driving force for organisational change. However, even though the study acknowledges that modifications in the organisational structure of the People’s Bank have largely contributed to enhanced strategic capabilities, it does not consider the role of the bank’s organisational form. Yet besides some obvious differences, the case of Bell and Feng (2014) bears some striking similarities with the study at hand. On the one hand, they emphasise the centrality of the institutional context in

enabling increased autonomy. On the other hand, they also argue that by developing specialised resources and capacities, the organisation was able to shape China's monetary policy framework. Based on the findings of this study, it could well be argued that the bank's organisational form had a central role in administering the changing institutional conditions on the one side and in augmenting the capabilities of the organisation on the other side. In that sense the generated findings would contribute to a more nuanced understanding of how the central bank gained authority.

More generally, the transformation of organisational forms has been a crucial element in the transition of the Chinese economy at large. As already alluded to, in the planned economy of the past, Chinese enterprises (framed as *danwei* or work units) were like "branch plants" of the socialist bureaucracy, without basic capabilities, such as strategic planning, marketing or human resource management (Naughton, 2007, pp. 308-309). In a first reform step (reform of individual organisational units), however, state-owned enterprises (SOEs) gained managerial autonomy and decision-making power with regard to their business operation. As part of the second reform phase (reform of resource-allocation system), SOEs were granted increasing access to production factor markets in order to further strengthen their economic capabilities (Lin et al., 2008, pp. 140-158). Along modifications of institutional arrangements, new organisational forms evolved; the former work units incrementally emerged as profit-oriented corporations with enhanced corporate governance systems that have provided managers with a high degree of discretionary control rights (Naughton, 2007, pp. 309-325). It is argued by Keister (1998) that: "One of the most dramatic, yet least studied, components of this effort to engineer industrial growth is the transfer of control of many state-owned firms from government bureaus to newly evolving business groups (*qiye jituan*)" (1998, pp. 404-405). In effect, with their specific structural and strategic properties, Chinese business groups have adopted a crucial role in the development of emerging industries. J. He et al. (2013) propose that business groups in China represent an "endogenous response" to transitional economic and institutional arrangements. In analysing the specific capabilities of business groups (e.g. potential internal capital markets, ability of risk sharing), they conclude that the organisational form of Chinese business groups "may play a positive role" in "making up for underdeveloped economic institutions" (2013, p. 189). Similarly, it has been found that as Chinese business groups have an increased capability in accounting for and dealing with dynamics of the environment (Keister, 1998, p. 412), they may replace some institutional arrangements (Ma & Lu, 2005, p. 2). Hence, it can be supposed that the evolution of a new organisational form (business group) has played a significant role in the general transition of state-owned enterprises, which underlines the argument of the study at hand. Although more conventional, profit-seeking corporations face different institutional dynamics than media organisations or the central bank of China, it can be reasoned that the peculiarities of the *qiye jituan* form have allowed mitigating different pressures and deficiencies of the field, which has contributed to enhanced economic capabilities.

Beyond China it is more difficult to identify comparable cases to which the argument of the study can be applied, as the institutional setting of the People's Republic of China can be regarded as relatively unique. However, in some other East Asian countries, where emerging market logics (market-technology dynamics) have been restrained by powerful state planning (political-administrative dynamics), it can be argued that organisational forms have been essential in mitigating transitional arrangements. For instance in Japan, the *keiretsu* form has evolved in response to Japan's economic transition following World War II (Japanese post-war economic miracle) and has thereafter become deeply ingrained in the local economic and institutional setting of Japan (Grabowiecki, 2006; Lincoln et al., 1996; McGuire & Dow, 2008). Likewise, the *chaebol* form emerged along the shifting institutional and economic environment of South Korea. It is argued that the structural and strategic design of *chaebols* in South Korea, which allowed mobilising crucial resources and mitigating market inefficiencies, has considerably contributed to the emergence of the Korean economy at large (Kim et al., 2004). Accordingly, it can be reasoned that both in Japan and South Korea expedient organisational forms of dominant actors (*keiretsu* and *chaebol*) have mitigated and bolstered the transitional arrangements of their respective emerging economics. On the other hand, the findings are less applicable to economies or organisational fields that are characterised by disruptive shifts or radical breakthroughs (e.g. former Soviet Union). As the study has argued, new organisational forms play a particularly significant role in embracing and administering conflicting (constraining and enabling) dynamics in transitional contexts, which incrementally develop, rather than abruptly. Nonetheless, Greenwood and Suddaby (2006) describe the introduction of a new organisational form as an entrepreneurial, projective process that also takes place in mature fields. In that sense, it may be assumed that in mature fields knowledgeable actors are able to bring about more radical change by inducing a new form. Moreover, in line with the study of Maguire et al. (2004), it may be supposed that even in fields where embeddedness is relatively low, new practices can be established, provided that to some degree they resonate with existing patterns. Even though these considerations have not been part of this study's analysis, there is some evidence that organisational forms are significant in contexts where actors seek to establish new practices and standards, while at the same time they aim to maintain prevalent arrangements that provide them with legitimacy.

In sum, this study proposes that by adopting expedient organisational forms, organisations are able to embrace conflicting institutional arrangements, which allows building purposive capabilities and empowers them as strategic actors.

## **2 Translating Findings into Theoretical Discussions**

After having explored how the findings of the analysis relate to other empirical contexts, the following sections discuss the contribution to existing theoretical discussions. The reported findings are expected to advance the literature on embedded agency and institutional work.

### **2.1 Contributing to Organisational Theory and the Study of Institutional Work**

The study's main goal has been to explain how embedded agency is triggered in exceptionally embedding environments. To some extent this question has already been addressed by other research works in neo-institutional theory. Basically, the underlying puzzle of the posed question is the "paradox of embedded agency"; the issue of how organised actors disrupt and shape those institutions that constitute their existence (Battilana & Leca, 2009). Studies with direct or indirect reference to this research puzzle have predominantly drawn their attention on potential enabling conditions and institutional contexts (Bell & Feng, 2014; Child et al., 2007; Garud et al., 2007; Hargrave & Van de Ven, 2009; Seo & Creed, 2002). On the other side, there is an extensive body of literature on different forms of actions by organised actors to disrupt and shape institutionalised arrangements; through the use of social skills (Fligstein, 1997), through collective movements (Rao et al., 2000; Wijen & Ansari, 2007), identity movements (Rao et al., 2003), discursive struggles (Greenwood et al., 2002; Lounsbury & Glynn, 2001; Maguire et al., 2004; Suddaby & Greenwood, 2005), sponsoring of common standards (Garud et al., 2002; Lawrence, 1999), negotiation work (Helfen & Sydow, 2013; R. Jing & McDermott, 2013), path creation (Garud & Karnoe, 2003) or through the introduction of divergent organisational forms (Fortwengel & Jackson, 2016; Greenwood & Suddaby, 2006). However, how organised actors absorb the dynamics of their respective environment to apply corresponding strategies has not been systematically addressed by existing studies. It has been noted though, that it is the intersection of organised actors and institutionalised contexts that uncovers new insights on change and stability (Greenwood & Hinings, 1996, p. 1048).

By adopting an institutional work lens, this study proposes that organisational forms instantiate interactive processes that bridge structure and agency. As discussed in the theory chapter, organisational forms are constituted by practices (strategizing and organising) that are informed by and directed at embedding conditions, which suggests a recursive interrelation between organisational form and external environment (figure II-1). In accordance with the field and organisational characteristics, particular organisational templates constrain but also empower specific organisations (DiMaggio, 1988; Greenwood & Suddaby, 2006; Miller, 1986). As such, it can be argued that organisational forms balance disparate dynamics. In other words, organisational forms depict the boundaries and potential that a field provides. The study of Chinese media organisations has implied that organisational forms are decisive for organised actors in engineering conflicting forces. It has

been shown that through their specific forms, media organisations have embraced the emerging imperatives of their field.

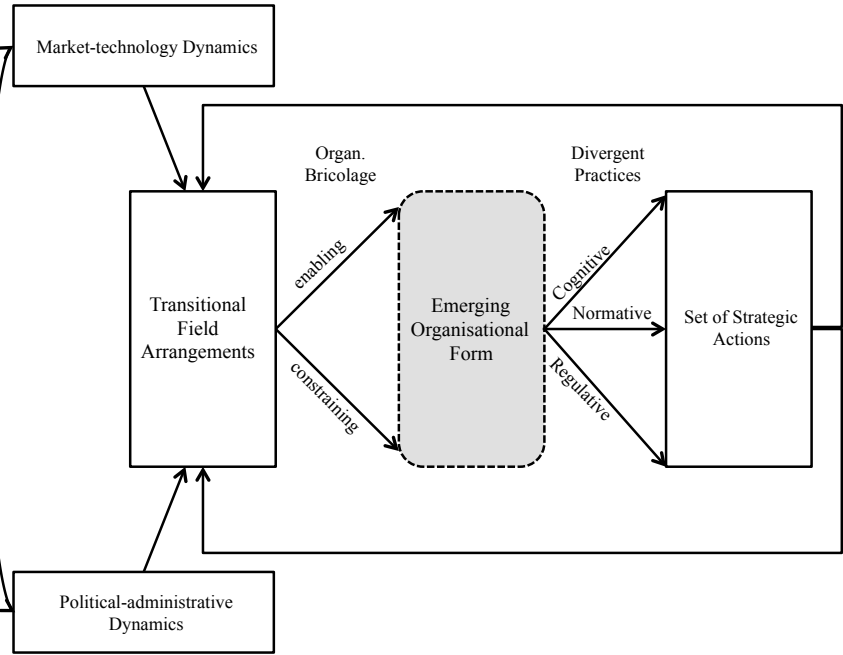
Previous research suggests that different perspectives on the evolution of new organisational forms exist. Some studies highlight changing environmental conditions or emergent social systems, while others emphasise the active role of organisations in creating new forms (Romanelli, 1991). Despite some differences in perception, it is, however, widely acknowledged that organisational forms and environments coevolve in an interactive manner (Haveman & Rao, 1997; Meyer & Rowan, 1977). The results of this study have shown that environmental conditions (market-technology and political-administrative dynamics) as well as reflective improvisations played a role. In a process of organisational bricolage (Garud & Karnoe, 2003), media organisations not only incrementally adapted to emerging institutional arrangements (field boundaries have changed along media reforms), but also exploited new development spaces to optimise their structures and strategies. Although the Chinese media field is highly coercive, the creative embrace of transitional arrangements allowed new forms to gradually evolve. It can be reasoned that in the case under investigation, prevalent forms have been incrementally extended and bolstered by incorporating the imperatives of emerging arrangements of the media field.

As organisational forms are not simply introduced to a field as static constructs, the study has adopted a multilevel approach to account for the interactive processes in producing, reproducing, and diffusing appropriate organisational templates. Greenwood and Suddaby (2006) have framed the evolution of a new organisational form as a process of institutional entrepreneurship. Similarly, Tracey et al. (2011) have presented a model which proposes that the creation of new forms entails institutional work by entrepreneurs at the micro, meso and macro levels. Following the insights of these two studies, it has been found that besides embracing field dynamics, the development of new organisational forms enables strategic actions to support and sustain the new layout. Given the peculiarities of the case under investigation, the study at hand has depicted the evolution of new forms as an inductive course that is fully embedded within the dominant structures of the field. By considering different levels of analysis, the study was able to grasp the duality of organisational forms; while they are developed in response to transitional conditions, they also affect the structure of the field. Consequently, it is proposed that, in highly embedding environments, the recursive interrelation between organisational forms and institutional arrangements instantiates a particular type of institutional work. In contrast to the two studies mentioned above, it is argued that organised actors do not engage in projective or entrepreneurial action, but rather in actions that are themselves embedded. Correspondingly, actions are perceived as embedded practices (Lawrence & Suddaby, 2006). The establishment of a new form by the SUMG has been understood as a convergent adaption, within the “parameters of an existing archetypal template” (Greenwood & Hinings, 1996, pp. 1025-1026). The efforts to support and sustain the cognitive, normative and regulative elements of the new form do not represent a radical rejection of prevalent arrangements. On the contrary, it has been found that media

groups' efforts can be more accurately perceived as iterative and practical-evaluative actions (Battilana & D'Aunno, 2009) aimed at creating, maintaining and partially also disrupting (Lawrence & Suddaby, 2006) institutionalised arrangements. This approach to strategic action is also consistent with structuration theory that proposes an integrative perspective of structure and agency (Giddens, 1984). Accordingly, the study has argued that the strategic efforts resulting from the new form need to be perceived as a set of embedded actions directed at prevalent arrangements, or alternatively as institutional work.

The argument that organisational forms not only incorporate dominant arrangements of a particular environment, but also trigger strategic efforts (for field induction) is especially relevant with regard to the understanding of how agency is constituted in spite of strong coercive forces.

**Process Model: Embedded agency**



**Figure VII-2: Embedded Agency Model**

Figure VII-2 depicts the basic mechanisms that drive the development of agency in highly embedding environments. In line with the findings of the study, this model illustrates the role of emerging organisational forms in bridging structure and agency. As discussed in the analysis part, market-technology dynamics as well as political-administrative dynamics shape and extend existing field arrangements, which creates divergent conditions. By adapting and improvising (organisational bricolage), knowledgeable organisations build new structural and strategic templates that embrace the

enabling and constraining forces of the field. Moreover, in establishing and reproducing new forms, organisations adopt purposive efforts that impact the respective institutional setting. Drawn together, these efforts can be perceived as a set of embedded action that is aimed at creating, maintaining and disrupting prevalent arrangements. As such, the model exhibits three defining elements that are supposed to apply exclusively to highly coercive environments: Firstly, the existence of interpenetrating and incompatible institutional arrangements (Seo & Creed, 2002) represent a necessary precondition for new actors to evolve. The investigated case has shown that the interaction between conflicting field dynamics (market-technology vs. political-administrative) has provided impetus to devise appropriate organisational responses. Secondly, given the highly constraining field structure, new organisational templates were developed in a gradual process of bricolage (Garud & Karnoe, 2003), rather than a innovative process of entrepreneurship (Greenwood & Suddaby, 2006). In fact, media organisations have gradually optimised their organisational structures and strategies in alignment with the transitional arrangements of the field. Thirdly, the strategic efforts associated with the establishment and the reproduction of the new form are supposed to be iterative and practical-evaluative, instead of projective (Battilana & D'Aunno, 2009). Within the restrictive setting of the Chinese media field, new forms are only able to modify, extend or improve already institutionalised practices. So, it has been found that although intentional in nature, the action triggered by the new form is embedded itself.

Based on this model, it can be argued that diverging organisational forms are crucial “vehicles” in the constitution of embedded agency. It is, therefore, proposed that organisational forms, perceived as interactive platforms that mitigate the different logics of a particular field, represent the missing link in the “gap between structure and action” (Lawrence & Suddaby, 2006, p. 249). In fact, it has already been argued that strategic agency does not occur in an “institutional vacuum”, but that actors are informed by relevant contexts and logics (Helfen & Sydow, 2013, pp. 1076-1077). This perception is especially relevant for cases characterised by high embeddedness. It is assumed that in highly coercive environments, organised actors are unable to simply adopt those strategies that are deemed favourable or expedient. The case of Chinese media organisations has shown that actors need to accommodate contradicting forces in a beneficial manner. In this regard, organisational forms have served as intermediaries that simultaneously allow reproducing prevalent arrangements as well as incorporating divergent practices. More concretely, the organisational forms of Chinese media groups have evolved in a way that they reinforce the political and institutional constraints of the field, but also embrace new development opportunities. Zietsma and Lawrence (2010) have found that: “the apparent paradox [of embedded agency] may be untangled, at least in part, by connecting heterogeneous forms of agency – habitual, practical and projective” (p. 213). Indeed, as elaborated above, in balancing disparate logics of the field, organisational forms trigger different types of action that are informed by the past, the present and partially oriented to the future. Thus, new organisational forms can be perceived as connective links between structure and agency.

Furthermore, the reported findings may also extend the empirical understanding of institutional work. Although it has already been noted by DiMaggio (1988) that in the process of establishing a new form “much institutional work goes on [...]” (p. 14), the study at hand traces particular types of institutional work associated to emerging organisational forms in a particular context. While Tracey et al. (2011) and Greenwood and Suddaby (2006) have argued that the creation and introduction of a new organisational form represents an instance of institutional entrepreneurship, the investigated case provided an account of more embedded institutional action. It is implied that different institutional contexts require different forms of agency, which is manifested in different forms of institutional work. The empirical analysis has shown that within the constraining structure of the media field in China, much institutional work has been aimed at maintaining prevalent arrangements, besides creative and some disruptive activities (Lawrence & Suddaby, 2006; Lawrence et al., 2009). Also, it has been observed that the purposive action traced is mainly oriented towards the past and the present, rather than the future (Battilana & D'Aunno, 2009; Emirbayer & Mische, 1998). In less embedding environments, actors may “adopt a reflexive stance and project themselves into the future” (2009, p. 47). In contrast, the actions traced in the investigated case have been determined as iterative and practical-evaluative, whereas iterative action describes the “selective reactivation” of already institutionalised patterns and practical-evaluative action represents “responses” to prevalent imperatives and contingencies (2009, pp. 46-47). It is assumed that organisations with limited power or few resources are supposed to interact with their institutional environment in tentative, “non-aggressive” ways. Engaging in experimental projects, exploiting institutional weaknesses or influencing existing arrangements “behind the scenes” represent viable avenues in such contexts (Marti & Mair, 2009, pp. 101-106). Indeed, the above analysis has shown that media organisations have reacted to changing conditions with experimental measures that are embedded within existing structures. As such, the case under investigation has emphasised the relevance of work aimed at maintaining prevailing arrangements, a dimension that is often neglected, compared to creative or disruptive work (Zietsma & Lawrence, 2010). Correspondingly, the study reasons that the development of a new organisational form in a highly coercive environment (such as the Chinese media field), is a process that entails purposive action that is iterative and practical-evaluative in nature and aimed at creating, maintaining and disrupting the cognitive, normative and regulative dimensions of institutionalised arrangements.

Nonetheless, it needs to be noted that certain limitations apply to the presented argumentation. As has been discussed, it is assumed that emerging organisational forms may serve as crucial “vehicles” to propel agency in highly coercive fields. However, new organisational forms are also believed to be relatively fragile, especially if they contest well-established forms. In his seminal work, Stinchcombe (1965) has supposed that new organisations require an elevated degree of resources and time to establish meaningful practices and to build collaborative relations with other organisations, which makes them particularly vulnerable to failure. In fact, new organisational forms are particularly



sensitive to this so-called “liability of newness” (Romanelli, 1991, p. 80). So, while new forms may play a crucial role in bridging structure and agency, they are also fragile and relatively contested. Likewise, the institutional work that emerging forms trigger does not always result in “successful” institutional change (Lawrence et al., 2011). With regard to the investigated case, it is far from clear whether or not the SUMG will be successful as a strategic actor in the long run. As already discussed, the CPC as the paramount leader in the institutional setting of the People’s Republic of China would potentially have the political power to impede or even reverse the development path of any organisation in China. Assuming that the SUMG would significantly outstretch the given institutional boundaries at some point in its development, there is a high likelihood that the CPC would intervene. However, the scope of this study has been limited to the question of how embedded agency is constituted, which excludes any assumptions or predictions on whether divergent organisational patterns might successfully enable institutional change. Knowledgeable organisations not necessarily need to succeed in implementing divergent change in order to be considered as strategic actors (Battilana & Leca, 2009). It is more decisive that they show a certain degree of reflectiveness and purposefulness in their actions (Lawrence & Leca, 2013; Lawrence & Suddaby, 2006). Put differently, the *aim* to influence institutionalised arrangements is more important than the *actual influence* on institutions.

It is proposed that the process of inducing a new organisational form is both a trigger for and an instantiation of embedded agency by organised actors. Based on the empirical findings and the theoretical discussion, it has been found that the process of building and establishing divergent forms entails different types of institutional work. On the basis of the reported findings, it is suggested that an enhanced understanding of how embedded agency is driven can be gained by considering the complex mechanisms of emerging organisational forms.

## **2.2 Implications for the Study of Chinese Organisations**

Since Chinese media groups represent organisational entities that possess high political and social relevance in the institutional setting of the People’s Republic of China, their transformation is assumed to have considerable implications. More than other organisations, Chinese media entities have to comply with the political and ideological principles determined by the CPC (Lee et al., 2006; Stockmann, 2013; Y. Zhao, 2008). At the same time they are increasingly exposed to the market logics of the emerging Chinese economy (Esarey, 2005; Shirk, 2011; Sukosd & Wang, 2013). In one way or the other, all Chinese organisations and corporations are confronted by the two poles of political constraint and managerial discretion. However, Chinese media entities are different as they incorporate these conflicting dynamics in their organisational form. It is assumed that depicting how media organisations accommodate these divergent imperatives allows an enhanced understanding of the institutional transition of the Chinese economy at large.

The study has reported that in adapting to transitional arrangements, media groups do not fundamentally refute prevalent logics, but rather embrace institutionalised arrangements in addition to developing new ones. Given the powerful role of the CPC and its affiliated agencies, the selective enactment of institutionalised arrangements, but also bolstering, optimising and extending existing structures is more important than the heroic creation of new patterns. Nevertheless, the case of the SUMG has shown that the gradual modification of organisational properties has improved managerial discretion and induced strategic action. Certainly, this does not imply that political constraints have been reduced or even lifted. On the contrary, it can be argued that while the modification of the group's organisational form has considerably extended its managerial capabilities, it has also reinforced political constraints. As proposed, building an organisational form is not only associated with creating new practices but also with maintaining existing ones. As such, it is suggested that organisational forms represent platforms where change is incrementally induced, without contesting the leadership of the CPC. In line with this understanding, it has been shown that any form of activity from media groups is relatively tentative, rather than confronting. New practices have been implemented in experimental steps, as a process of "trial-and-error". By exploiting weaknesses in the institutional setting and by seizing small opportunities, media organisations are able to incrementally adjust dominant arrangements, in spite of limited organisational authority. The relevance of strategic action in inductively changing prevalent arrangements has also been stressed by R. Jing and McDermott (2013) in their assessment of the transformation of Chinese SOEs. They argue that the unstable institutional context of China requires strategic action by individual actors in order to detect opportunities and promote "endogenous transformational change" (R. Jing & McDermott, 2013). So, despite highly embedding field structures, responsive strategic actions are indispensable for organisational transformation processes in China.

Moreover, it has been argued that, given the transitional environment of China, hybrid forms that combine market logics and state influence may "have an institutional advantage over purely private firms" (Peng & Heath, 1996, p. 516). Hybrid forms feature "elastic contracting mechanisms" that allow administering efficiency as well as stability, and, therefore, reduce institutional uncertainty (Nee, 1992, pp. 2-3). Indeed, there is a substantial number of studies that highlight the pivotal role of hybrid arrangements in the transition of Chinese organisations (C. Jing & Tylecote, 2005; Naughton, 2007; Whitcomb, 1993). In line with this perception, the conducted analysis has also found that transitional forms have been essential in the transformation of Chinese media organisations. In addition, the case of the Chinese media groups has demonstrated that the interactive *assembling* of disparate structural and strategic patterns as part of a process of organisational bricolage has not only allowed coping with, but also co-contributing to divergent logics.

In short, without denying the overarching prowess of the CPC, this study has conceptualised Chinese media entities as emerging agents by pointing to thus far ignored implications of institutional

work which have allowed Chinese media organisations to strategically modify their organisational layout and exploit new spaces of agency.

### **3 Limitations & and Future Research**

The presented study has aimed at contributing to existing conversations in neo-institutional theory by unlocking new insights into the study of embedded organisations. Simultaneously, it is hoped that the reported findings may advance the understanding of how Chinese (media) organisations transform despite authoritarian tendencies in the field structure. Nevertheless, certain limitations apply to the reported findings, given the focus on a significant embedded case. Other fields may certainly feature dynamics that are different from those traced in the media field. For instance, organisations in the financial system, the health, education or power sector may face different logics and have to deal with different contingencies. Likewise, other emerging economies may be characterised by institutional provisions that are not comparable with those of the People's Republic of China. So, the proposed findings require examination in other settings. More studies are needed that explore the emergence of new organised actors in highly embedding environments. Quantitative studies could substantiate recurring patterns across different sectors. Although it is not claimed to make any cross-field generalisations, the study may still serve as a relevant starting point for similar studies in different contexts. As new organisational forms may emerge in various ways (Rao et al., 2000), the question of how different field logics interact and produce divergent organisational forms would be an intriguing avenue for future research. Moreover, organisational researchers ought to examine more closely the relationship between institutional work and emerging organisational forms. Under what conditions is the process of creating and reproducing a divergent form congruent with the perception of institutional work? Greenwood and Suddaby (2006) have argued that new organisational forms arise in consequence of institutional entrepreneurship. However, by conceptualising organisational forms as recursive constructs, it has been argued here that they are not only the consequence of institutional work, but instantiate particular types thereof. Future studies addressing the recursive interrelation between institutional origins, particular instantiations of institutional work and patterns of institutional change and persistence (Lawrence et al., 2011; Zietsma & Lawrence, 2010) could further advance discussions on why particular forms of institutional work occur and how they evoke specific outcomes. Finally, the research findings could be extended by investigating the evolving relations between emerging actors and established organisations. In China, media organisations (as well as other major SOEs) are closely linked to state agencies, especially through ownership relations (Nee, 1992). With improved managerial and economic capabilities, it is likely that those relations will shift and that mutual dependence becomes stronger.

#### **4 Concluding Remarks**

The development of Chinese media organisations is a highly debated topic that is subject to current political, social and political trends in China. Most recently (beginning of 2016), the Chinese leadership under Xi Jinping has intensified media control, especially for “non-state” online media. The study at hand has, however, tried to trace relevant patterns that are likely to persist beyond situational shifts in the field. By addressing media entities as organisations, it has been aimed to unlock new perspectives on their development. The argument that media organisations have been gradually emerging as strategic actors within a highly coercive field embraces rather than denies the undisputed position of the CPC. By and large, the so-called economic “China Miracle” (Lin et al., 2008) is a story of incremental innovation, characterised by mundane reforming steps and minor adjustments in the legal and institutional framework. New arrangements have nevertheless evolved as a result of consecutive social and economic pilot projects and experiments. Against this backdrop, the investigated case has provided an account of how seemingly immutable structures may thrive along disparate dynamics.

## **Appendix**

### **Sample Questions for Interviews**

#### Organisational Form

- (1) Why is the merger between the Jiefang Daily Press Group and the Wenhui-Xinmin United Press Group of symbolic relevance for the media field?
- (2) What is special about the structure of the SUMG? Does it feature any innovative characteristics?
- (3) What are the differences between the SUMG and more conventional business groups?
- (4) How do the different constituent entities of the group relate to each other?
- (5) Does the SUMG have a development strategy? How does the strategy look like? How important is the development of new media?
- (6) What kind of obstacles does the SUMG face? What needs to be done to overcome these challenges?

#### Position of Subsidiaries

- (1) What responsibilities does the subsidiary have in managing and coordinating resources (e.g. human resources)
- (2) How has the resource coordination changed with the establishment of the group? What differences exist compared to the situation before the merger?
- (3) How important is the exchange of resources among member entities?
- (4) How is the subsidiary organised/structured?
- (5) To what extent are concepts of business management relevant? How important are ideological considerations?

#### Perceptions of Individuals

- (1) What kind of work do you execute?
- (2) How are work processes organised? What departments or divisions exist?
- (3) Is there a separation between business and journalistic departments?
- (4) What kind of professional development programmes are provided?
- (5) What has concretely changed for you after the establishment of the group? Have there been any remarkable changes?

## 中文版 (Chinese Version)

### 集团的角度

- (1) 您为什么觉得解放日报报业集团与文汇新民联合报业集团的合并具有先行者意义？
- (2) 上海报业集团的组织构架有什么特色，有什么创意？
- (3) 报业集团与普通的企业集团有什么区别？
- (4) 上海报业集团是由三个报社组成的（解放日报社，文汇报社，新民晚报社）。三个报社之间的关系是什么样的？
- (5) 上海报业集团有没有正式的发展战略？贵公司的发展战略包括哪个方面？新媒体的发展重要不重要？
- (6) 上海报业集团面临着哪些挑战或阻碍？还要采取哪些措施？

### 报社的角度

- (1) 资源管理与协调是集团还是文汇报社的权力吗？
- (2) 新建立的上海报业集团对文汇报社的人力资源管理系统有什么影响，跟以前的系统有什么创新？
- (3) 上海报业集团下属报社之间的资源交流有多重要吗？
- (4) 贵公司具有什么样的组织结构吗（金字塔结构还是扁平结构）？
- (5) 经营管理概念有什么意义，意识形态是重要的方面吗？

### 个人的看法

- (1) 你有什么职位，做什么工作？
- (2) 日常工作是怎么安排的，有什么样的部门或者中心？
- (3) 新闻部门与经营管理部门是不是分开的？
- (4) 解放日报为员工的发展提供什么样的服务或者培训？
- (5) 上海报业集团建立之后，什么是最大的变革？

## **Kurze Zusammenfassung**

Die vorliegende Forschungsarbeit beschäftigt sich mit dem organisationalen Wandel chinesischer Mediengruppen. Seit der Gründung der Volksrepublik China im Jahr 1949 haben Medienorganisationen ihre Funktion als Propaganda-Organ der Kommunistischen Partei Chinas und als integrale Untereinheiten des sozialistischen Bürokratieapparates institutionalisiert. Als Folge der Wirtschaftsreformen und der steigenden Bedeutung neuer Technologien, wurden jedoch führende Einheiten zu sogenannten Mediengruppen zusammengefasst. Unter Einbezug einer aussagekräftigen Fallstudie (Shanghai United Media Group), untersucht diese Forschungsarbeit die Auswirkungen der organisationalen Transformation auf das institutionelle Gefüge. Es wird gezeigt, dass instabile und teilweise inkompatible Feldregelungen zur Ausbreitung unterschiedlicher Organisationsformen, welche die Gegensätzlichkeit von politischer Fügsamkeit und entwickelnder ökonomischer Ermessensfreiheit widerspiegeln, führte. Die inkrementelle Ausarbeitung spezifischer struktureller und strategischer Komponenten wird dabei als Reaktion auf die sich schrittweise entfaltenden Imperative des Feldes gesehen. Die Studie stellt fest, dass durch die organisationale Transformation nicht nur sukzessive die funktionalen Strukturen der sogenannten Dienstleitungseinheiten (*shiyè dānwèi*) durch divisionale Strukturen ersetzt wurden, sondern dass die entstehenden Mediengruppen auch mit verbessertem strategischem Leistungsvermögen ausgestattet wurden. Der Fall der Shanghai United Media Group zeigt exemplarisch auf, dass divergente Organisationsformen sowohl Ausgangspunkt wie auch Ergebnis strategischer Handlung sind. Im Zuge der Produktion und Reproduktion von strukturellen und strategischen Praktiken, erzeugt, beeinflusst und erhält die Mediengruppe institutionalisierte Modalitäten. Vor diesem Hintergrund, wird argumentiert, dass die interaktive Ausgestaltung neuer Organisationsformen eingebettete Handlungsmacht ermöglicht und so das Hervortreten strategischer Akteure fördert. Aus konzeptioneller Perspektive befindet die Studie, dass die Entstehung einer divergenten Organisationsform eine Ausprägung von „institutional work“ verkörpert; zweckorientierte Anstrengungen, die darauf gerichtet sind, Institutionen zu erzeugen, zu erhalten und zu destruieren. Aufgrund der ausgeprägten Einbettung der Medienorganisationen im Institutionengefüge Chinas, wird ferner argumentiert, dass vor allem iterative und praktisch-evaluative Handlungen (im Gegensatz zu projektiven Handlungen) beobachtet werden können. Die Studie schließt mit einer Diskussion zur Übertragbarkeit der Resultate auf andere Kontexte und deren Bedeutung für die Debatte über Struktur und Handlung.

## Short Summary

This study reports on the organisational transformation of Chinese media groups. Ever since the establishment of the People's Republic of China in 1949, media units have institutionalised their role as propaganda entities of the Communist Party and as “branch plants” of the socialist bureaucracy. Along the economic reforms and the rising relevance of new technologies, leading units have, however, been reorganised as increasingly commercialised media groups. Based on a significant case study (Shanghai United Media Group), this inquiry investigates the organisational transformation and its institutional impact on the field. It is argued that transitional field arrangements and partially inconsistent legal provisions have produced a proliferation of organisational forms that reflect the contradicting poles of political compliance and evolving economic discretion. The incremental evolution of different structural and strategic templates are perceived as organisational responses to gradually emerging field imperatives. The study finds that the transformation process has not only successively replaced the functional structures of the former public service units by more divisional structures, but also endowed media groups with enhanced strategic capabilities. The case of the Shanghai United Media Group provides evidence that divergent organisational forms are both a trigger for and an instantiation of strategic action. In the process of producing and reproducing structural and strategic practices, the media group inductively creates, shapes and maintains institutionalised arrangements of the field. Against this backdrop, it is argued that the interactive engineering of a new organisational form enables embedded agency and thereby fosters the emergence of organised actors. From a conceptual perspective, the study argues that the evolution of a divergent organisational form is associated to institutional work; purposive efforts aimed at creating, maintaining and disrupting institutions. Given the exceptionally high embeddedness of Chinese media organisations, it is moreover proposed that they act in iterative and practical-evaluative rather than in projective ways. The study concludes with a discussion on the wider applicability of the findings and their meaning for the structure-agency debate.



**Erklärung gemäß § 10 (3) der  
Promotionsordnung des  
Fachbereichs  
Wirtschaftswissenschaften vom  
13. Februar 2013**

Hiermit erkläre ich, dass ich für meine Dissertation folgende Hilfsmittel und Hilfen verwendet habe:

- Microsoft Word, Excel und Powerpoint;
- sowie die im Abschnitt „Bibliography“ angegebene Literatur.

Auf dieser Grundlage habe ich die Arbeit selbständig verfasst.

Berlin, 20. Oktober 2016 \_\_\_\_\_

Silvan R. Meier

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