

A Yin-Yang Model of Organizational Change: The Case of Chengdu Bus Group

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ABSTRACT The Chinese cultural logics of change offer a rich understanding of organizational change. We address three key aspects of the Chinese yin-yang view of change: context, process, and actions. A case study of Chengdu Bus Group CBG enables us to develop a conceptual model that examines organizational change in a Chinese indigenous context. The model reflects the key functions of *shi* (situational momentum, 势), the action strategies of *ying-shi* (leveraging momentum, 应势) and *zao-shi* (building momentum, 造势), and the dialectics of *nonaction* (无为). Our findings will help researchers and practitioners better understand organizational change from a unique yin-yang perspective, and will also contribute general knowledge to process theories of organizational change.

KEYWORDS Chinese culture, organizational change, *shi*, situational momentum, yin-yang view

中国阴阳文化视角的组织变革模型: 基于CBG的案例研究

摘要

中国文化里蕴含的变革逻辑可以为理解组织变革现象提供更加丰富的知识。我们讨论了中国阴阳观念里与变革有关的三个重要问题: 变革情境、变革过程和变革行动。通过对成都公交集团(CBG)的案例研究, 我们建立起在中国本土化情境下研究组织变革问题的概念模型, 该模型强调以下特征: ‘势’的重要作用; ‘应势’和‘造势’的行动策略; ‘无为’的辩证性。以上发现可以帮助研究者和实践者更好地从阴阳视角理解组织变革, 并在组织变革的过程理论方面贡献出具有普遍性的知识。

关键词: 中国文化, 组织变革, 势, 阴阳视角

INTRODUCTION

Most of the literature on organizational change has been written by Western scholars and practitioners who have relied on constructs generated in Western contexts and derived from Western logics. Theories have been inevitably created and adopted within specific cultural boundaries (Hofstede, 1994). Thus, all theories are indigenous to their authors' specific contexts and cultures (Van de Ven & Jing, 2012). Therefore, if Eastern people, who make up nearly 45 percent the world's population, think and act in ways different from those proposed in Western theories, organizational scholars must account for these differences with more diversified theoretical models of organizational change embedded in cultural contexts.

The purpose of this article is to elaborate a Chinese indigenous model of organizational change based on the Chinese yin-yang view (Fang, 2012), not as a religious belief or social philosophy but as a pattern of thinking and acting for agents who enact organizational change. Previous studies have examined important yin-yang-related concepts such as change (Peng & Nisbett, 1999), contradiction (Chen, 2008; Peng & Nisbett, 1999), holistic thinking (Nisbett, Peng, Choi, & Norenzayan, 2001), and dialectical thinking (Chen, Xie, & Chang, 2011), but theoretical models behind these concepts or phenomena in an organizational change context are still lacking. In this study, we address two questions. First, what indigenous aspects of organizational change are indicated by the yin-yang view? And second, how might we use the yin-yang view to develop a specific model of organizational change?

We examine these questions in four sections. First, we identify three key aspects and some related terms of yin-yang change. Second, we examine the Chengdu Bus Group case to illustrate organizational change processes, including five sequential scenarios. Third, by examining the process patterns underlying the scenarios, we develop a specific conceptual model revealing the yin-yang view of organizational change. Finally, we discuss the theoretical and practical implications of the yin-yang model. The model provides insights to the literature of organizational change process, and contributes indigenous knowledge to organizational change theory and practice within the Chinese context.

CHINESE YIN-YANG VIEW OF CHANGE

The literature tends to view organizational change as an episodic process; most models of episodic change reflect the view of change agents, strongly emphasizing their intentions and plans in managing the change process (Kotter, 1995; Lewin, 1951). Such episodic change processes ignore the linkages between sequential change stages. However, when change is recognized as a continuous process, 'the change is a redirection of what is already under way' (Weick & Quinn, 1999: 366). In this sense, continuous change can also be divided into sequential stages, and changes in stages may affect the direction of change in the following stages. Most

models of continuous change are built from an outside or distant macro level of analysis (Aldrich & Ruef, 2006; Hannan & Freeman, 1977), and we have little knowledge about the functions and roles of change agents in continuous change processes. We believe that Chinese cultural wisdom can benefit our understanding here, with its unique view of change as continuous, cyclical, and processional, with no end state (Marshak, 1993; Weick & Quinn, 1999).

Three major philosophical teachings form the base of Chinese cultural beliefs: Confucianism, Taoism, and Buddhism (Pan, Rowney, & Peterson, 2012). Taoism is most related to the Chinese philosophy of change (Lee, Han, Byron, & Fan, 2008; Peng, Spencer-Rodgers, & Zhong, 2005), as illustrated in two ancient books: *Yi Jing* (*The Book of Changes*, 易经) and *Dao De Jing* (*The Way and Its Virtue*, 道德经). *The Book of Changes* was initially compiled as early as 1000 BC during the Zhou Dynasty. Taoist philosophy was further explored in the *The Way and Its Virtue*, by Laozi in 600 BC.

The Chinese word *Tao* (*Way*, 道) means the essence of the fundamental orders of the universe. Taoism emphasizes the harmonious alignment of human actions with environmental patterns of change (Lee et al., 2008). As individuals accomplish alignment, they experience the more general rules governing changes, that is, Tao. Yin-yang duality is a means to approach these general rules and patterns of change. Here, *yin* is the feminine aspect, and corresponds to receptiveness, darkness, and softness. *Yang* is the masculine aspect and corresponds to activeness, lightness, and hardness (Javary, 1997). According to Taoism, the two yin and yang entities are the concerted movements of human life and exist only within the dynamics uniting them (Chang, 1987). The principles of yin-yang duality are assumed to apply to all levels of thought and action in society regardless of specific issues or contexts.

Throughout Taoism's historical development, philosophers, fortune-tellers, Chinese herbal doctors, scientists, politicians, architects, and boxing masters (*taiji quan*, 太极拳) have subjected it to many interpretations according to their own perceptions, understanding, values, and backgrounds. Notably, the organizational literature considers yin-yang philosophy to have three core characteristics: holism, dynamism, and duality (Li, 2012). Taoism has broad meanings and philosophical interpretations, and exploring its general principles is not the aim of this study. Instead, we consider the yin-yang duality in Taoism as the core logic for explaining various change activities. Hence, Taoism is synonymous with the yin-yang view. We emphasize three aspects important to understanding the yin-yang perspective of continuous change processes: context, process, and actions. These three aspects are highly consistent with the three tenets of yin-yang philosophy (Fang, 2012; Li, 2012).

Yin-Yang View of Change Context

Taoism philosophy views reality as a state of flux; existence is not static but dynamic and changeable (Chen, 2008). Everything is relative and conditioned by

the principles of change. Each element transforms into its opposite, with a nonlinear, even cyclical changing pattern (Ji, 2008). This process view echoes that of Alfred North Whitehead (1929), the American pragmatist, who said that change is an 'ever-changing flow'.

From the yin-yang view, environments constantly and cyclically change, so current situations eventually transform to their opposite, indicating either favourable or unfavourable momentum, called *shi* in Chinese, 勢.^[1] In this study, we refer to *shi* as situational momentum produced during mutual transformation between yin and yang entities (Sun, Chen, & Zhang, 2008).^[2] Momentum can enable or constrain change. For example, before stopping or turning, a car going 100 miles per hour must first slow down to reduce momentum. Table 1 shows the six yin-yang concepts of this study, including *shi* or situational momentum.

According to Taoism, to accomplish meaningful change, actors must initiate change processes by considering ecological factors in the external environment that may affect the internal movement of the yin-yang duality. For example, Chinese medicine teaches that diseases must be examined contextually to consider important external factors in the diagnosis; seemingly similar diseases affecting patients in different seasons or years should be treated differently.

As change agents analyze the situation, they become aware of possible patterns of environmental variation, and discover the most effective ways to act. By intuiting the rhythm of environmental variety, they seize the favourable situational momentum (called *ying-shi*, 应势 or leveraging momentum) to put their actions into practice. By purposefully harnessing external forces for their aims, change agents can create favourable *shi* through building momentum (called *zao-shi*, 造势), and thus make the situation more conducive to the desired changes (Sun et al., 2008). When human action and situational power are no longer opposite, they have reached the pivot of Tao (Wilhelm & Baynes, 1967).

Yin-Yang View of Change Process

Figure 1 shows the yin and yang symbol. The black and white fish represent opposite and symbiotic relations; the white dot in the black fish and the black dot in the white fish are buds representing the seeds of their opposite: what is black will become increasingly white until it is completely so; what is white will eventually do the same (Javary, 1997).

In essence, a yin-yang view objects to true contradictions and regards them as never being logically opposite (Peng et al., 2005). This is often called *dialectical thinking*, referring to the 'cognitive tendency toward acceptance of contradiction' (Peng & Nisbett, 1999: 742). Contradiction is the essence of social and political alienation in the dialectical process; it arises through the constant production of 'inconsistent moves within the organization yielding contradictory structures, competing interest groups, and occasional periods of crisis' (Benson, 1977: 15).

Table 1. Key yin-yang terms and their coding rules in this study

Term	Taoism meaning	Operational definition	Coding rules
<i>Shi</i> (勢)	Momentum produced during the mutual transformation between yin and yang entities	Situational momentum produced by the resultant force of enabling power and restraining power	When enabling power is predicted to be larger than restraining power, it is coded as favourable <i>shi</i> . Otherwise it is coded as unfavourable <i>shi</i>
<i>Ying-shi</i> (应势)	Leveraging favourable <i>shi</i> for change	Momentum leveraging strategy, i.e., entrain change actions into a favourable momentum	If change agents solve an issue directly aided by a favourable momentum, it is coded as a <i>ying-shi</i> action
<i>Zao-shi</i> (造势)	Building favourable <i>shi</i> through indirect actions	Momentum building strategy, i.e., create a favourable <i>shi</i> by enacting internal or external environment	Change agents change ecological factors rather than the issue itself to redirect the situational momentum, coded as a <i>zao-shi</i> action
<i>Nonaction</i> (无为)	Going with current situation with great awareness	Change agents do not take any action relating to the change issue, neither leveraging nor building momentum	If change agents take no action relating to the change issue, it is coded as <i>nonaction</i>
Change	Transformation of yin-yang duality	Moving a specific organizational issue from its status quo to a desired condition	If the desired condition is achieved by the end of the change scenario, it is labelled <i>changed</i> ; otherwise it is labelled <i>unchanged</i>
Ecological factors	Environmental elements that affect the inside movement of the yin-yang entities	Identifiable elements in the environment that affect change issues of a focal organization	If the targeting elements of change action are outside the domain of the change issue, they are called <i>ecological</i> . Otherwise they are called <i>internal</i>



Figure 1. Change process of yin-yang duality

Furthermore, unlike Aristotle's (1999) 'either/or' logic toward contradiction, and Hegel's (trans. 1969) 'both/or' dialectical logic, and even the 'both/and' dialectical logic (Chen, 2008), a yin-yang view holds an 'either/and' framework (Li, 2012). The 'either/or' framework resolves contradictions by fully separating opposites. The 'both/or' framework suspends opposites after temporarily tolerating their co-existence. These differ from the 'both/and' logic, which refuses to recognize that contradictions exist. These three frameworks regarding contradiction share a common bias toward absolute positions by treating opposites as either fully complementary or fully conflicting. Embracing the notion of balance, the yin-yang view adopts the duality position by treating opposites as partially conflicting and partially complementary. None of the entities can entirely win/lose the contradiction. This is actually an 'either/and' framework: *either* indicates that opposites exist; *and* indicates unity (Li, 2012).

Yin-yang View of Change Actions

The yin-yang view emphasizes that human actions and external environments determine change results. Actions and environmental forces must be harmonized. *Shi* or situational momentum is favourable when it aids efforts, a positive relation called *xiangsheng* (complementary, 相生). *Shi* or situational momentum is unfavourable when it dampens efforts, a negative relation called *xiangke* (conflicting, 相克). In fact, *xiangsheng* and *xiangke* are the two sides of the relation between human actions and environmental forces.

The Taoist text says that 'the highest good is just like water' (Wilhelm & Baynes, 1967: 274). Water naturally flows downward in action that seems weak and imperceptible but dissolves stone with time. The same principle connects to the notion of *nonaction* (*wu wei*, 无为), which does not mean doing nothing but rather means forbearance, avoidance of pointless action, patience in waiting, and saving energy for the next effective action (Lee et al., 2008). Thus, Taoism sees human agency as having both flexible and contingent functions: doing 'the right thing at the right time' (Javary, 1997: 9). Table 1 shows the basic elements for understanding the yin-yang view of change.

To study change from a yin-yang perspective, we conducted a case study of a company that underwent dramatic change: Chengdu Bus Group. The case

allowed us to develop a grounded theory of change by specifying relationships between the six yin-yang concepts in Table 1.

METHOD

To develop a specific yin-yang model of change, we used a longitudinal change program that involved five sub-cases of change scenarios to deeply consider the organizational change phenomenon within a Chinese context. We adopted the yin-yang view to analyze and describe the case, and then developed a set of propositions from the case that captured our yin-yang model of change. These propositions reflect some context-specific concepts (such as *shi*, *zao-shi*, *ying-shi*, and *nonaction*) and timing strategies of the change agents (e.g., when *shi* is perceived to be favourable, change agents take a *ying-shi* strategy to leverage the momentum).

Data Collection

'It is often desirable to choose a particular organization precisely because it allows one to gain certain insights that other organizations would not be able to provide' (Siggelkow, 2007: 20). We chose to study the Chengdu Bus Group (CBG), a large state-owned enterprise (SOE) located in the city of Chengdu in China's southwest province of Sichuan. In 2008, the municipal government appointed She Chen as CEO. His challenge was to reform CBG into a leading company in the Chinese public transportation industry in three years. At that time, almost everyone affiliated with CBG believed that the reform would fail because the company had so many intractable problems, internally and externally.

However, the change was successful. CBG developed many innovations in China's public transportation industry, and transformed views of its social image from disdain to admiration. Citizens in Chengdu like CBG's inexpensive tickets and high-quality service. The State-owned Assets Supervision and Administration Commission (SASAC) of Chengdu recognized CBG for its successful reform. Its 'reform miracle' has been a popular case for discussion and has been emulated by other public transportation companies in China. Therefore, we were inspired to study CBG's success for refining the principles and strategies of organizational change in an indigenous Chinese context.

For this study, we obtained data from both primary sources (e.g., interviews) and secondary sources (e.g., archival data). Between July 2009 and July 2012, we conducted six interviews with CEO Chen, each ranging from one to three hours. The first three interviews focused on the processes and stages of the three-year reform; the other three focused on the specific strategies and actions Chen employed in these reforms. Meanwhile, four interviews were conducted with the manager of the human resource department (MA1), the manager of organizational culture department (MA2), and a general manager of CBG's branch company

(MA3), focusing on their perceptions and reactions to Chen's reform strategies, as well as their assessments of the internal and external environment in each change scenario. Five employees (EP1-5) were interviewed at two focus-group meetings, which concentrated on the employees' perceptions and evaluations of Chen's reform. The first author conducted all interviews and meetings.

The company also provided rich archival data, including eight video-CDs (two about the history and development of the company, six about CBG's reform produced by either CBG or local TV stations), three heavy volumes of bound materials including news about CBG reported in newspapers and magazines, and reports about operations and financials. In addition, we also collected public articles and dissertations written about CBG's reform.

After reading all the interview transcripts, notes, post-interview summaries, and archival data, the first author wrote a narrative for the case, which was checked by the three assistants who also attended the interviews.

Data Analysis

Many events and issues unfolded during CBG's three-year reform. Interviewees frequently mentioned five scenarios as key moments in the overall transformational change program of CBG: buying back outside equities, optimizing bus routes, redesigning organizational structure, reforming the wage system, and improving the company's public image. More importantly, as a reflection of theoretical sampling (Eisenhardt & Graebner, 2007), the five scenarios represent both consistent and inconsistent points in patterns of change that extend and confirm theoretical conjectures that emerged from the case.

The five scenarios are the temporal unit of investigation. Following replication logic (Eisenhardt & Graebner, 2007; Yin, 2009), we conducted both within-scenario analysis and cross-scenario analysis. The within-scenario analysis focused on the process pattern of change in each scenario to unfold its change progression. Here, the process pattern consisted of 'a complex chain of events over an extended period of time' (Yin, 2009: 149). Once the underlying process pattern was clearly evident for each scenario, we then compared and verified the patterns across other scenarios. While constructing patterns and theoretical conjectures, we continued to extend our theory via case narratives. Based on the iterative cycle of theory creation and competition process, the final model gradually emerged.

As Table 1 shows, *shi* is operationally defined as the situational momentum produced by the force of enabling power and restraining power in a certain scenario. From the change agents' perspective, a favourable *shi* means that the enabling power is stronger than the restraining power; an unfavourable *shi* means that the restraining power is stronger, an idea borrowed from force field analysis (Lewin, 1951). Regarding the specific organizational issue addressed in each scenario, the term *change* is operationally defined as the movement from status quo to

a desired condition. If the desired condition is achieved by the end of the scenario, it is a *changed* issue. If the desired condition is not achieved by the end of the scenario, it is an *unchanged* issue. Table 1 also shows the operational definitions and coding rules of other yin-yang terms. The outcome of each scenario is indicated by both quantitative data such as financial or operational performance, and qualitative data such as quotes from the interviewees. One figure was created to reflect the process of organizational change, and one table was used to compare and analyze the strategies across different scenarios.

CHANGE SCENARIOS IN CHENGDU BUS GROUP

Context of Problems

The public transportation system often provides foreign visitors with their first impression of a city. Chengdu is a very attractive city in Western China for tourists. CBG was established on 1 July 1952 as Chengdu's major public transportation carrier. By 2006, CBG had developed into one of the five largest companies in China's public transportation industry with 3,866 buses and 14,800 employees. As Figure 2 shows, CBG had five subsidiary companies in 2006. Among these, Companies 1 and 4 were wholly state-owned, while the other three companies were joint ventures with external investors. At that time, CBG encountered many intractable problems.

Waste of critical resources. As Figure 2 shows, to alleviate financial problems, CBG invited outside investors to buy the state-owned equities, and in 2001 established three joint ventures: Yunxing, Bashi, and Xincheng. However, that decision became a more serious financial embarrassment because critical resources were wasted.

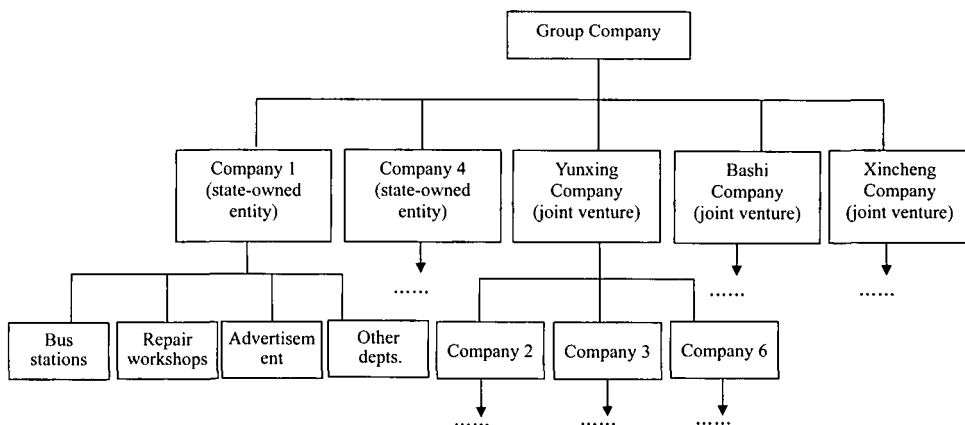


Figure 2. Organizational structure of CBG (before reform)

In addition to operating bus routes, Yunxing, Bashi, and Xincheng owned buses, stations, repair shops, advertising departments, and other facilities and equipment, creating significant inefficiencies because the operations were run independently with separate stations and repair technicians. For example, if a bus from Company 4 broke down in the southern part of the city, a trailer had to pull it to the northern part where Company 4's repair shop was located. In 2006, the combined CBG companies had a total of 27 repair shops in the city, the most repair shops in any Chinese city.

Different routes throughout the city had quite different profit rates. The cost per bus-kilometre of each route was about 3500 RMB, but the revenue level was very different. The income per bus-kilometre of some routes was more than 10,000 RMB, while some were generating less than 100 RMB. Essentially, all the bus companies were in direct competition with each other. Therefore, as game theory predicts, each company put more buses on the high-profit routes. For example, 'while the optimal number of buses assigned to a route may be 50, a total of 100 buses operated the route, since every company wanted to increase its launching number in this route' (MA3). The joint ventures would not run their buses on low-income routes, yet CBG had to do so since it was responsible for public transportation everywhere in the city. This further aggravated CBG's financial crisis.

Distorted incentive system. The incentive system was unfair and inefficient. For example, CBG adopted a volume-based wage system awarding bus drivers who had higher passenger volumes. As a result, managers and employees in Company 1, which had higher-profit routes, made about twice as much as those of Company 4, despite having similar workloads. Two previous CEOs attempted to equalize the wage levels, but Company 1 managers and employees resisted by threatening strikes, staging sit-ins in the central square, and by engaging in sabotage. The local government, threatened in its charge to ensure a harmonious society, stopped the reforms.

Frontline employees such as drivers and conductors had very heavy workloads. 'Sometimes we needed to work continuously for 15 hours. When encountering traffic jams, drivers will not have time to find a toilet. Therefore, we have to wear diapers every day, even in the hot summer' (EP1). Meanwhile, frontline employees had an average monthly income of only 1500 RMB, less than wages for second-line employees such as managers and auxiliary staff. Therefore, employees with good *guanxi* (personalized connections) with leaders avoided frontline jobs and sought jobs as second-line employees.

Negative public images. Frontline employees had strong complaints and low workplace morale, which led to frequent negative incidents. For example, a stressed Route 54 driver once ordered his passengers to exit the bus or he would drive it into

the nearby river. A three-day strike by drivers of Route 98 created strong pressure for reform. As a result, more than 90 percent of media reports about CBG were negative and greatly damaged its public image.

Employees explained the negative incidents by pointing out that every bus driver had to satisfy minimum requirements of daily passenger volumes or their wages were docked. In February 2004, the *West China City News*, Sichuan province's best-known newspaper, reported that buses on busy routes were competing for passengers and causing traffic accidents and casualties as they raced to reach the docking stations. 'At that time, the fixed part of my wage was only 270 RMB, and the floating part was all based on the passenger volume' (EP2).

Chen as CBG's New CEO

On 25 August 2006, She Chen was appointed CEO of CBG. Before he came to CBG, he was a successful CEO of the investment company of Chengdu's state-owned assets. He is well known as a thoughtful, insightful, experienced, and effective leader. As a student of Chinese philosophy and management, during interviews he often quotes Taoism teachings about changes.

Chen had never faced a challenge as complex and difficult as CBG's strongly interrelated problems. Solving each individual issue depended on solving another. For example, the financial crisis kept him from increasing wages and benefits. Structural inertia was an obstacle to increasing profits. Chen explained: 'Despite the seriousness of these problems, the mayor of Chengdu gave me only three years to reform CBG into a leading company in our industry'. In exchange, Chen asked the mayor to let a local bank lend CBG 200 million RMB to support the reform.

Affiliates of CBG waited to see whether Chen could overcome these seemingly impossible obstacles. Almost everyone believed that the reform would inevitably fail. 'At that time, we all thought CBG was hopeless, and no one could save it' (EP3).

Scenario 1: Buying Back Outside Equities

After thorough investigation, Chen's first decision, to everyone's amazement, was to cut the price of bus tickets in half. Management argued that CBG could not afford such a loss. Chen insisted that his decision was based on public welfare and refused to compromise. He was the only one who knew his real intention: 'to open all the gates for change'.

Three months later, the three joint ventures began suffering large financial losses in their efforts to compete with CBG's price cut. Private investors, no longer able to afford their investments, asked CBG to take their equity share. Although CBG was also suffering significant losses, it had enough money to buy the external equity of the joint ventures between January and April 2007, at a very low price: 80

million RMB for Yunxing, 38 million RMB for Bashi, and 12 million RMB for Xincheng. When the three companies became state-owned subsidiaries, other managers began to understand Chen's previous decision.

Scenario 2: Optimizing Bus Routes

After purchasing the outside equities, CBG rezoned the buses and routes to four specific areas of the city and merged the stations into one, decreasing the competition between certain routes. For example, before the outside equities were purchased, Route 4 belonged to Yunxing and Route 98 belonged to Xincheng, although their bus lines and stops were almost the same and each company had 60 buses on its route. 'After CBG purchased the two companies, it kept only 80 buses and put the other 40 buses on some new routes' (EP3).

Route optimization was difficult because more than 400 investigators had to collect the origin/destination (OD) data for all the routes. To increase their efficiency, Chen required the companies to replace traditional paper tickets with integrated circuit (IC) cards for automatically collecting passenger data. This greatly reduced the time and cost of route optimization. Some branch companies such as Companies 2, 3, and 6, and more than 400 routes were eliminated. Meanwhile, CBG put more buses on new and less-profitable routes to make transportation more convenient for the public. As a result, the ratio of actual operating buses to required buses increased from less than 75 percent in 2007 to 95 percent in 2009, and the average passenger waiting time decreased from 9.8 minutes in 2007 to 4.5 minutes in 2009. In total, nearly 10,000 people and 3,000 buses were involved in changes. Furthermore, all routes introduced self-service ticketing, greatly reducing the labour costs of each bus. The greatly reduced over-competition and associated operating costs provided income and legitimacy for further reforms.

Scenario 3: Redesigning Organizational Structure

Once critical resources were under control, the organizational structure was adjusted to equal demands and resources. As Figure 3 shows, CBG integrated the repair shops into one company, so that broken buses could be repaired at the nearest workshop. Advertising was integrated to increase CBG's bargaining power during contract negotiations. Prices for posting advertisements on buses increased seven-fold, with monthly rates varying from 1,100 RMB to 22,000 RMB per bus. In sum, the advertisement business generated more than 20 million RMB for CBG every month.

Before the reform, CBG's strategic centre was weak because the subordinate units and branch companies had financial power although they were not independent entities. In June 2008, Chen called a meeting of top managers of the

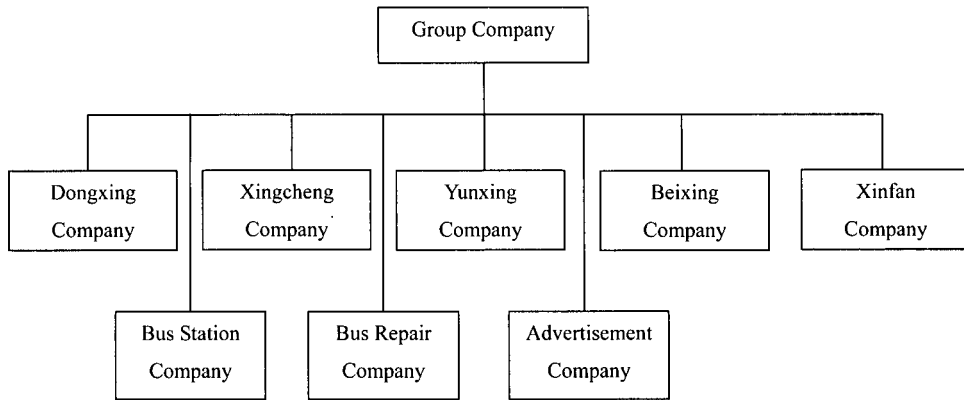


Figure 3. Organizational structure of CBG (after reform)

subordinate units and branch companies to discuss integrating financial power. The meeting lasted 18 hours, and exhausted everyone but Chen. By 3:00 am, the managers had no energy left to discuss or resist the integration. Chen said, 'Unlike those managers; I can sit and talk in the meeting room for 18 to 19 hours, with a clear mind'. At the end of the meeting he proposed his plan to integrate financial power and the participants agreed. To avoid the influence of complicated *guanxi* among the managers and to keep them from forming solid managerial opposition, Chen implemented the reforms quickly and firmly.

Scenario 4: Reforming Wage System

Regarding the change to the unfair wage system between Company 1 (renamed Yunxing in Fig. 3) and Company 4 (renamed Beixing), Chen said, 'a favourable *shi* for change is essential'. Rather than adjust the wage system, he adjusted managerial positions. In August 2008, he implemented a job rotation plan, promoting Yunxing's general manager to senior manager and vice general manager to general manager of Beixing, and moving the manager previously in that position to general manager of Yunxing. The change generated positive responses, but two weeks later, Beixing's new general manager objected to the unfair wage system. Chen asked the manager to work out a plan with the general manager of Yunxing, who had also complained about the issue. He required them to draw up a new wage system and an implementation plan. Both managers now deeply understood the other's problems, and therefore they created and implemented a thorough policy, as Chen expected they would. More importantly, he did not need to be directly involved in the change process.

To stop frequent bus accidents, Chen linked wages to 'safe mileage accumulation', which reduced drivers' wages each time they had accidents. Conversely, drivers with fewer accidents could increase their wages accordingly. Such a policy

gradually improved safety awareness and practice. Moreover, Chen linked managerial promotions with safety records and demotions with serious accidents. As a result, managers took responsibility for safety, and accidents were reduced significantly. Insurance expenses per bus dropped from 6,675 RMB in 2006 to 1,690 RMB in 2008, a decrease of 74.7 percent.

Scenario 5: Improving the Public Image

Chen tried to establish an organizational culture of ‘openness, fairness, and impartiality’. For example, before 2008, CBG gave each manager 2,000 RMB to buy moon cakes and fruits on mid-autumn festival days but gave nonmanagerial employees 300 RMB. Chen said: ‘Why should we discriminate between managers and employees?’ Starting in 2008, employees were delighted that managers and employees would receive 800 RMB for Festival Day. To maintain his culture of openness, Chen visited worksites, including repair shops and bus stations, ate with employees, and listened to their suggestions. ‘The employees love him for this, and heartily called him Brother She instead of CEO Chen’ (EP4). His example has prompted other managers to reduce their psychological distance from employees to develop company morale.

With happy employees, CBG began improving its public image. On 1 August 2006, CBG buses began announcing stops in both Chinese and English. On 1 May 2008, CBG was China’s first public transportation company to introduce a policy allowing passengers to transfer to any bus in Chengdu within two hours of purchasing a bus ticket. This ‘free-transfer within 2-hour’ act required CBG to spend an extra 200 million RMB each year. ‘However, our obligation to the public welfare pushed us to do so, despite bus price increases in many other cities’ (MA2). On 16 September 2008, CBG installed many electronic ticket readers on busy platforms to streamline ticket purchase and reduce passenger boarding time during rush hour.

As a result of CBG’s successful reform, the municipal government increased its financial support. In March 2008, the municipal budget gave CBG 400 million RMB as a fiscal subsidy to buy 4,000 high-grade buses to replace those used for extended service. This increased the number of CBG’s high-grade buses from 17 percent to 78 percent. The changes made bus transportation more convenient for passengers, and gradually altered CBG’s social image from negative to positive. On 17 October 2008, after travelling in Chengdu, a citizen of Chongqing city wrote to the mayor: ‘Their buses are bilingually announcing stops, reflecting the image of Chengdu as an internationalized city. Their passengers can board the bus in order, without rude behaviours such as queue jumping or rushing for seats. Municipal policy prioritizes public transportation and sets clear permissive bus lanes on city roads. Bus tickets are very cheap, only 0.5 RMB per person, with free transfers within two hours . . .’.

Change Outcomes

Figure 4 shows the major events and their progressions in the five scenarios. The reform was complicated, so Chen used incremental processes with sequential scenarios. ‘I could not have controlled the resistance and pressure from employees if I carried out all the reforms together. The employees had to adapt prudently to the changed environment’ (Chen). More importantly, as an iterative process, the

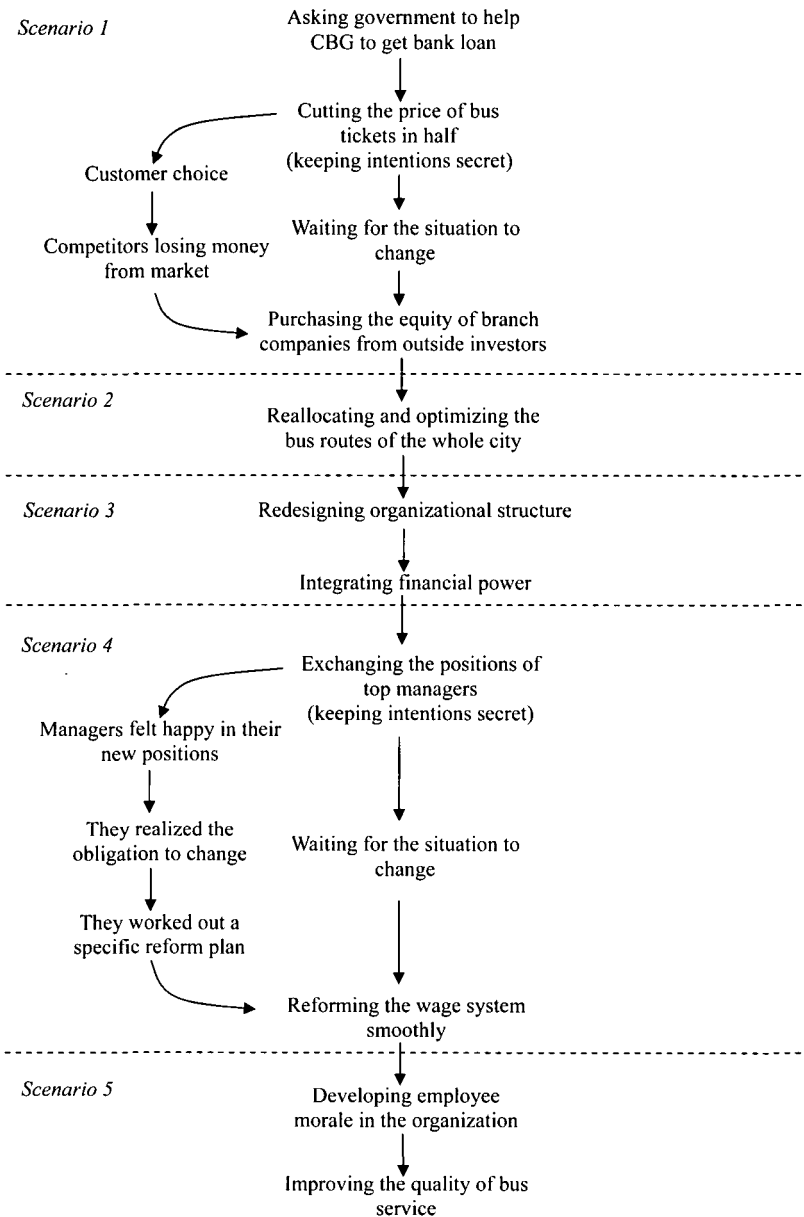


Figure 4. Change scenarios of CBG case

Table 2. Organizational performance of CBG before and after the reform

	<i>Before reform (Feb. 2006)</i>	<i>After reform (Feb. 2009)</i>	<i>Eliminated number during the period</i>	<i>Increased number during the period</i>	<i>Change ratio</i>
Number of routines	202	175	46	19	-13.37%
Number of buses	3,866	5,171	261	1,566	33.76%
Mileage (thousand kilometres)	20,100	19,960			-0.70%
Income (million RMB)	74.98	79.67			6.26%
Passenger traffic (thousand person time)	67,520	85,920			27.25%
Income rate (RMB/bus kilometre)	3,730	3,991			7%

Notes:

- A The original data were derived from the monthly operation and financial reports of CBG group, and the ratio or index data was further calculated.
- B Mileage is the running mileage of all the buses per month (unit: thousand kilometres).
- C Income is the total sale income of CBG group per month (unit: million RMB).
- D Passenger traffic is the volume of passenger traffic per month (unit: thousand person time).
- E Income rate is a key index to indicate the efficiency of bus operation, measured by the sale income of a bus per kilometre (unit: RMB/bus kilometre).

outcomes of each scenario partly constructed the momentum for the next, which was Chen's guiding principle in the 2006 reform plan.

Three years later, CBG had achieved remarkable results. Table 2 shows a comparison of its performance before and after the reform. Management was greatly improved, efficiency and profitability were enhanced, and employees were happier and performing better. Through the safe mileage accumulation system, safety awareness and quality of service substantially improved, and accidents greatly decreased, greatly enhancing public attitudes and social evaluations of CBG.

A PROPOSED MODEL OF ORGANIZATIONAL CHANGE

Table 3 shows a summary of the favourableness of initial *shi* or situational momentum, the enabling and restraining power, the change agent's actions, and the change outcomes and evaluations of each scenario. As the table shows, the initial situational momentum (*shi*) is the comparative result between the anticipated enabling power and the anticipated restraining power at the beginning of a change scenario. When situational momentum (*shi*) is perceived to be favourable, change agents can take a leveraging momentum (*ying-shi*) strategy to seize the opportunity to change. When situational momentum (*shi*) is perceived to be unfavourable, change agents adopt a building momentum (*zao-shi*) strategy for the next favourable situational momentum (*shi*) to come. Different change actions lead to different change outcomes, and the outcome in one scenario can further affect the

Table 3. Emerging process pattern in each scenario

Scenario	Initial <i>shi</i> (situational momentum)	Enabling power	Restraining power	Change actions	Change outcomes and evaluations
1. Buying back outside equities	Unfavourable	<ul style="list-style-type: none"> Governmental support 	<ul style="list-style-type: none"> Resistance from external investors Poor financial condition Low trust upon leaders 	<p>↓ Cut ticket price (<i>zao-shi</i>)</p> <p>↓ Ecological change (nonaction)</p> <p>↓ Accept purchasing requirement (leveraging momentum, <i>ying-shi</i>)</p> <ul style="list-style-type: none"> Optimize bus routes Introduce efficient way of optimization (leveraging momentum, <i>ying-shi</i>) 	<ul style="list-style-type: none"> 'Key to open all the gates for change' (Chen) 'Purchasing price was very low' (MA3) 'Wise strategy' (EP4)
2. Optimizing bus routes	Favourable	<ul style="list-style-type: none"> High desire to share resources Purely state-owned companies 	<ul style="list-style-type: none"> Low efficiency 	<ul style="list-style-type: none"> Redesign structure Integrate financial power (leveraging momentum, <i>ying-shi</i>) 	<ul style="list-style-type: none"> 'Cut off over 400 routes 'Turn out profit in main business 'Major guarantee of our future profit' (MA1) 'Increased organizational cohesiveness' (MA2) 'Eliminated waste of resources' (MA1)
3. Redesigning organizational structure	Favourable	<ul style="list-style-type: none"> Controllable external resources Increasing business performance 	<ul style="list-style-type: none"> Weak power of group 	<p>↓ Manager exchange (building momentum, <i>zao-shi</i>)</p> <p>↓ Ecological change (nonaction)</p> <p>↓ Accept wage changing plan (leveraging momentum, <i>ying-shi</i>)</p> <ul style="list-style-type: none"> Free transfer within 2 hours Update bus grade 	<ul style="list-style-type: none"> 'CBG became stronger' (MA3) 'A favourable "shi" is essential' (Chen) 'Employee morale greatly improved' (MA3) 'Safe mileage accumulation system is excellent' (EP5)
4. Reforming wage system	Unfavourable	<ul style="list-style-type: none"> Increasing trust upon managers 	<ul style="list-style-type: none"> Resistance from Company 1 Failure of previous reform attempts 	<ul style="list-style-type: none"> High employee morale Enough business capital Governmental approval 	<ul style="list-style-type: none"> 'Help Chengdu to improve its city image' (Chen) 'High quality of service 'Leading company in our industry' (MA2)
5. Improving public image	Favourable		<ul style="list-style-type: none"> State-owned institution 		

favourableness of the situational momentum (*shi*) in the next change scenario. For example, in Scenario 1, outside investors would have resisted strongly if CBG had tried to directly buy back their equities, an unfavourable situational momentum (*shi*). Instead, Chen first altered customer choice by decreasing the price of bus tickets (a *zao-shi* – building momentum – strategy), which gradually weakened competitors' bargaining power in transferring their equities. During the development stage of a favourable situational momentum (*shi*), Chen kept his intentions secret and waited patiently. When the opportunities arose, he quickly seized them by a leveraging momentum (*ying-shi*) strategy, leading to successful change outcomes. Scenario 1's success further improved the opportunity to optimize bus routes in Scenario 2.

As Table 3 shows, two process patterns emerged across the five scenarios. In Scenarios 2, 3, and 5, initial situational momentum (*shi*) was favourable, allowing the change agent to solve problems directly with a leveraging momentum (*ying-shi*) action. But in Scenarios 1 and 4, unfavourable initial situational momentum (*shi*) prompted Chen to first alter the ecological factor, wait for some time, and then finally take action once situational momentum (*shi*) became favourable. In other words, an unfavourable *shi* necessitated a more complicated process containing both building momentum (*zao-shi*) and leveraging momentum (*ying-shi*) actions, as well as *nonaction*. Generalizing from the five scenarios in the CBG case, we propose a yin-yang model of organizational change illustrated in Figure 5, which is actually a combination of the above two process patterns. As the dotted lines in Figure 5 show, the change outcome in the current stage will further form favourable or unfavourable situational momentum (*shi*) in subsequent stages. Therefore, as a cyclical process, the model can start at any point.

Key Functions of Situational Momentum (*Shi*)

As in the meaning of momentum in physics, the organizational change process creates *shi*. Once created in one scenario, it can enable or restrain the change in subsequent scenarios. For example, CBG's change program required many complex actions, and Chen arranged them in order. He strategically considered the outcomes of each change scenario because the outcomes of one determined the context for the next. As Chen said, 'There are sequential logics behind these reforms, and each should be examined by its possible impacts on others. For example, it would be terrible to first raise employee rewards and then carry out the layoff plans. Employees with higher rewards would resist layoff more severely'.

Therefore, as the feedback loops in Figure 5 show, similar scenarios can be designed and linked to different processes, causing different results through creation of *shi* as situational momentum. These chain effects can be both positive and negative. From a negative side, every scenario in the change process has the risk of

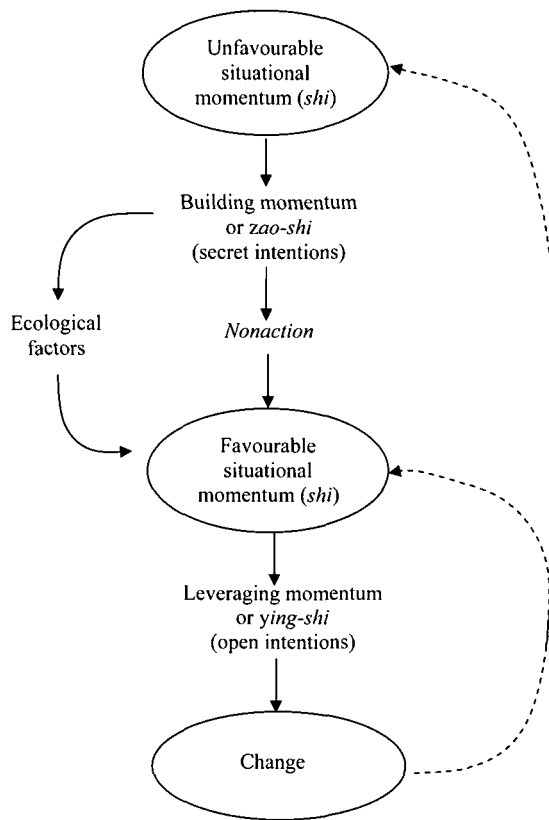


Figure 5. Proposed model of organizational change

failure, which may threaten the final result of the whole plan. Chen provided an apt metaphor: ‘The organizational change program can be viewed as a series of circuits in physics: every light bulb has the risk of failure if not well designed. When they are connected in a series, the whole system becomes even weaker’. From a positive position, like the domino effect or butterfly effect in complexity theory, a small action in the beginning can create a chain reaction among different change scenarios. Therefore, although changes in a scenario may occur incrementally, their nonlinear impact on subsequent scenarios may radically change some organizational issues.

Our yin-yang model emphasizes the timing of change and leveraging of situational momentum for action. As one manager explained: ‘The change agent must master the skills of *shi* management. The change may need to be conducted very quickly when *shi* is favourable, while sometimes [change must be conducted] slowly when *shi* is not ready’ (MA1). As Figure 4 shows, for Scenarios 1 and 4 drastic actions were not appropriate when initial *shi* was unfavourable; one must wait until the opposing forces rebalance. This general proposition reflects the key function of *shi*.

Proposition 1: Change agents will more likely be successful if they synchronize their strategies of building momentum (zao-shi), nonaction, and leveraging momentum (ying-shi) with rhythms of situational momentum (shi) favourableness.

Action Strategies as Building Momentum (*Zao-shi*) and Leveraging Momentum (*Ying-shi*)

Figure 5 shows two action strategies: *ying-shi* and *zao-shi*. English provides no direct translation, but the closest equivalent English term for *ying-shi* is *leveraging momentum*, and for *zao-shi* it is *building momentum*. When the enabling power is predicted to be stronger than the restraining power (a favourable *shi*), the change agent can adopt a building momentum (*ying-shi*) strategy. Here, favourability or unfavourability is assessed in terms of its alignment with or opposition to the change agents' change objectives. For example, as Chen noted, lack of money was a big concern for purchasing the outside equity of branch companies in Scenario 1. Therefore, '[a]fter the mayor appointed me as the CEO of CBG, I asked him to find a bank to lend me money for reform. Not in such an occasion, it is impossible for me to raise such a requirement to the mayor' (Chen). Once change agents can predict the maturity period of the favourable momentum (*shi*), they must anticipate the rhythm of environmental variation and change. In Scenario 3, Chen knew resistance would be weaker when he discussed the issue later in the night rather than during the daytime. Thus, he timed the meeting to promote his intended change. Based on these findings, we propose:

Proposition 2: Change agents will more likely be successful when they use the leveraging momentum (ying-shi) strategy in favourable situations rather than in unfavourable situations.

When facing unfavourable situational momentum (*shi*), change agents need to take the building momentum (*zao-shi*) strategy. In such occasions, immediate change would be too costly if not impossible. For example, in Scenario 1, Chen knew that if CBG directly bought back the external equities, the cost would be very high. However, unfavourable *shi* and favourable *shi* are partially conflicting and partially complementary, and each can transform into the other. Change agents can convert an unfavourable *shi* into a favourable one by brokering external ecological forces or internal structural power for their aim – just as Chen did in Scenario 1 and Scenario 4. Chen said: 'To solve a tough problem, sometimes a leader needs to create another one first'.

In Scenario 1, Chen strove for a favourable situational momentum (*shi*) by impacting ecological factors, that is, changing consumer choice by cutting the ticket price in half. As in the CBG case, the change context is not fixed, and change agents can influence it. For example, 'By influencing the organization's

environment, top managers affect the flow of environmental demands and resources. Lee Iacocca's success in influencing creditors, unions, and the U.S. government exemplifies a top manager as a manipulator of the organization's environment' (Huber & Glick, 1993: 9). In Chinese society, *guanxi* (particularistic relationships) and interdependence with external actors can bring resources and advantages for the change agents to manipulate the organizational field of their actions (Jing & McDermott, 2013).

In Scenario 4, Chen successfully created a favourable *shi* by altering internal structure to leverage the wages of Companies 1 and 4. He knew that by exchanging the positions of top managers from the two companies, conflicting issues about the wage system would surface and be negotiated to reach an acceptable solution among the conflicting managers. Therefore, to weaken the legitimacy of existing organizational order, change agents sometimes must consciously and purposefully break down ongoing routines to create rhythm-changing events. This encourages a thorough examination of the environment and allows reflection on how the structure can be adjusted (Staudenmayer, Tyre, & Perlow, 2002). By altering internal and external environmental forces, change agents can create a more favourable *shi* to comprehend and manage change. This analysis of our case findings leads to following proposition:

Proposition 3: Change agents will more likely be successful when they use the building momentum (zao-shi) strategy to redirect the momentum in unfavourable situations rather than in favourable situations.

During the building momentum (*zao-shi*) period, a change agent must exercise forbearance in dealing with ambiguous issues. Figure 4 shows that secrecy is often an auxiliary strategy for supporting the building momentum (*zao-shi*) strategy. We asked Chen why he did not tell subordinates about his intentions in Scenarios 1 and 4. He replied: 'If I told them the truth, it probably wouldn't work. For instance, once my managers knew that my price-cutting decision was aimed to weaken the bargaining power of the external investors in their equity selling, they would have heard about it and would have worked out ways to respond. Then my intentions would have failed in the end'.

According to Chinese cultural beliefs, change agents should learn to live with high stress and ambiguity to accomplish change (Chang, 1987). Furthermore, since unfavourable contexts bring high environmental uncertainty, even Chen could not be sure that his building momentum (*zao-shi*) strategy could achieve the expected results. By keeping his intentions secret, he had more opportunities to adjust his plans without losing authority or respect. This point is also documented in Silin's (1976) study on the leadership styles of Chinese family business owners. An old proverb states, 'the master holds back secret tricks', which indicates that Chinese society actually values secrecy in its leaders (Chen, 2008). Thus, orientations and

principles of change often remain ambiguous in unfavourable situations, at least during the *zao-shi* period. By contrast, in favourable *shi*, actions must be done quickly without delay ‘or, you may let this good chance slip away’ (Chen). Change agents must use their clear vision and goals to encourage internal actors to participate in the change process. Thus, open intentions become reasonable to support *ying-shi* strategy. This proposition relates to the implementation of *zao-shi* and *ying-shi* strategies.

Proposition 4: Secret intentions will more likely be effective for the building momentum (zao-shi) strategy, whereas open intentions are more likely to be effective for the leveraging momentum (ying-shi) strategy.

Dialectics of Nonaction

Figure 5 shows that ecological change triggered by a building momentum (*zao-shi*) strategy can redirect the situational momentum from unfavourable to favourable. Momentum switching needs some time to finish. During this transitional period inside the organization, following the building momentum (*zao-shi*) strategy, a change agent’s typical behaviour will be *nonaction*, as in Chen’s waiting behaviour when solving the equity and wage problems in Figure 4.

The term *nonaction* has multiple meanings. Here it refers to a deliberate decision to refrain from action, as the opposite of action strategies including *zao-shi* and *ying-shi*. More specifically, *nonaction* or *action* defines what change agents do, while *zao-shi* or *ying-shi* defines how they enact the change process. Once they take the action of *zao-shi*, change agents may remain nonactive, but the situational momentum for change actions is continuously switching from unfavourable to favourable before many realize what is happening. Hence, *nonaction* does not mean that change agents do nothing, but rather they wait and save their energy and credibility during an unfavourable *shi* to take better advantage of the next favourable *shi*. During the *nonaction* period, change agents must vigilantly keep monitoring the situation for evidence of momentum switching; it is like the ‘get-set’ stage in a race when racers prepare for the coming action. Thus, the essence of *nonaction* is considered *active nonaction* (Lee et al., 2008), bridging the strategies of *zao-shi* and *ying-shi*. Specifically, we offer the following proposition:

Proposition 5: Change agents will more likely be successful when they take nonaction strategy in transitional situation from unfavourable to favourable.

DISCUSSION

In this article we use a Chinese yin-yang view of change to consider three aspects of change: context, process, and actions. We conducted a case study of CBG’s

transformation, using yin-yang concepts. Our analysis of the change scenarios generated a grounded theory of relationships and propositions among the yin-yang concepts of organizational change. Our model reflects the key functions of situational momentum (*shi*), the action strategies of leveraging momentum (*ying-shi*) and building momentum (*zao-shi*), and the dialectics of *nonaction*. As Figure 5 shows, the model views change as a continuous, cyclical, and multilevel process. The results of change emerge incrementally, and the outcome of one scenario will affect the momentum of change in the following scenarios, reflecting the functions of situational momentum (*shi*). It is also a multilevel process. Most organizational problems are caused by complex factors nested in the internal or external environment. According to an open system metaphor, change in a high-order system often affects change in a low-order system, which makes problems more difficult to recognize. A change issue must be examined in its context, and can be solved by considering its nested environment. For CBG, a solution to the unfair wage problem came from formulating consensus by switching top managers' positions. A solution to the problem of over-competition came from changing competitors' bargaining power.

Our model enriches process models of organizational change. Basic generating mechanisms of change have included regulated, planned, conflictual, and competitive changes (Van de Ven & Poole, 1995), but a single mechanism cannot fully explain organizational change processes: 'Attempts to explain this process with a single motor run the risk of oversimplification and selective attention to one aspect of the change process at the expense of others' (Van de Ven & Poole, 1995: 526). The yin-yang view of change integrates regulated change and planned change. As Figure 5 shows, organizations incorporating a yin-yang duality develop with regulated form and are shaped by external environmental ecological forces: change agents act purposefully by *ying-shi* and *zao-shi* for a favourable *shi*. Taoism offers the ultimate level of change wisdom in the harmony of universal and human forces (*tian ren he yi*, 天人合一), which indicates an exact alignment between situational momentum (*shi*) and the purposeful forces enacted by change agents.

In practice, our model highlights the importance of *shi* (*momentum*)-based strategies for change agents in continuous change processes. Departing from previous knowledge about episodic change, we suggest that change agents are not the only developers of continuous change; the situational momentum, *shi*, also plays a role. Taoist text begins: 'A path easily taken is not permanent'. Thus, perception and strategic actions are essential. When facing unfavorable *shi*, change agents may adopt building momentum (*zao-shi*) strategy to initiate changes to the ecological factors, triggering changes to the direction of current *shi* inside the organization. When *shi* becomes favourable, change agents may adopt leveraging momentum (*ying-shi*) strategy with quick, direct change actions to leverage the momentum. In continuous change processes, change often has complex and abstract general objectives; change agents must break the process into sequential stages. Different

actions may lead to different outcomes that then further affect the *shi* in the next stage. Thus, creating incremental goals for change is a delicate art requiring actions and momentum to be subtly balanced in each stage. By thinking holistically, change agents can better use favourable or unfavourable *shi* in change processes.

Meanwhile, we believe that the yin-yang model represents one way, but not the only way, to analyze Chinese cultural logic of change. Chinese culture is rich in its variety and quantity of traditional beliefs; multiple or even conflicting cultural beliefs often navigate the behavioural actions of the Chinese people (Leung, 2010). After the policy of reform and opening up, many economic and institutional factors also began to account for behavioural patterns (Qian, 2002). Therefore, extracting the yin-yang change logic from such a broad and changing context is particularly challenging. Hence, our conceptual model may omit other important factors.

CONCLUSION

Indigenous management researchers are often challenged to contribute specific knowledge in understanding local phenomena, and to provide general theoretical knowledge across cultural boundaries (Van de Ven & Jing, 2012). In answering the challenge, we propose that the yin-yang model of change, deeply embedded in the Chinese cultural context, is theoretically relevant to the literature of organizational change. The yin-yang model explains the importance of timing: when to act and when to exercise strategic forbearance in orchestrating continuous change processes. We hope our model provides a conceptual foundation for further theoretical and empirical studies to understand strategic organizational change in both China and beyond.

NOTES

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- [1] Sunzi's *Art of War* most frequently uses the term *shi* (勢). Laozi's Taoist philosophy deeply affected Sunzi's thinking. Huai-Chin Nan, the famous master of sinology, discusses *shi* in the 'Introduction: From Laozi to Sunzi' of *Quotes of Laozi* (Fudan University Press, 2005). He provides a coherent, logical explanation that the yin-yang frame and situational power are connected in forming the basis of the Chinese cultural logic of change, although the concept may differ in philosophical studies. Therefore, we regard *shi* as a form of yin-yang thinking in this study.
- [2] The term *shi* has been translated into English as *situation* or *momentum*. We believe their meanings are slightly different and that *momentum* is an exact translation. The Merriam-Webster Dictionary defines *momentum* as 'strength or force gained by motion or by a series of events'; while *situation* means 'position with respect to conditions and circumstances'. For example, when situating a moving car on the road, we often refer statically to its current position or circumstance. But for its *shi* or *momentum*, we refer dynamically to how fast it is going to determine its direction and position in the next few seconds. In this sense, *shi* has a more predictive capability about the future than *situation* during a change process.

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