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## Governance of Chinese Hybrid Hospital Councils: A Multi-Institutional Logics Perspective

CHEN Yong

Doctor of Management

Supervisors:

PhD Vânia Isabel Patrício, Invited Assistant Professor

ISCTE University Institute of Lisbon

PhD WANG Dong, Professor,

SMU - Southern Medical University

March, 2025



BUSINESS  
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Jury:

PhD Marjan Sara Fonseca Jalali, Associate Professor,  
ISCTE University Institute of Lisbon

PhD Natália Regina Morgado de Lemos Teixeira, Associate Professor,  
ISG – Business & Economics School, Lisbon, Portugal

PhD Leandro Luís Ferreira Pereira, Associate Professor with Habilitation,  
ISCTE University Institute of Lisbon

PhD Vânia Isabel Sousa Patrício, Invited Assistant Professor,  
ISCTE University Institute of Lisbon

PhD Qian Yi, Professor,  
SMU - Southern Medical University

March, 2025



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## Abstract

This research, grounded in institutional logics theory, investigates the governance dynamics of a hybrid hospital council in China. The council is composed of actors representing state, market, and community logics, and the research examines how these logics interact under conditions of power asymmetry to shape organizational decision-making. Through a complete member researcher (CMR) participatory observation, interviews, and archival analysis, the research traces the evolving configuration of institutional logics across four key dimensions: ownership, determining priorities and strategies, appointing leadership, and selecting and implementing projects. The findings show that, driven by legitimacy competition, regulatory pressures, and actor realignment, the dominant logic undergoes a temporal evolution, gradually shifting from a market-oriented approach to increased state intervention.

Building on these insights, The research proposes the logic entwinement and four-directional tactical response framework, which conceptualizes how subordinate organizational actors navigate institutional complexity through four directional tactics: looking down (challenging the legitimacy foundation of dominant logics), looking up (leveraging higher-level logics for legitimacy reinforcement), looking back (tracing the original mission to reconnects the purpose of the partnership, and looking forward (applying forward-looking accountability to constrain opportunism). These tactics are dynamically integrated through the construction of temporary collective identities, thereby mitigating tensions among subgroups within the council and enabling opposing institutional logics to transition from conflict toward entwinement and mutual reinforcement.

This research extends institutional theory by uncovering the micro-level dynamics of hybrid governance in a transitional society, where the state retains strong governance authority not through formal redesign (e.g., revisions to Constitution or official appointments), but through normative dominance embedded in the broader field. The research offers new insight into how actors representing competing logics adjust structural tensions and reconstruct organizational adaptability through locally embedded, tactical governance responses.

**Keywords:** Institution logics; Hybrid governance; Organization conflict; China hospital

**JEL:** I18, L38

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## Resumo

Esta investigação, fundamentada na teoria das lógicas institucionais, analisa as dinâmicas de governação de um conselho hospitalar híbrido na China. O conselho é composto por atores que representam as lógicas do Estado, do mercado e da comunidade, sendo explorada a forma como estas lógicas interagem, em contextos de assimetria de poder, para moldar a tomada de decisão organizacional. Através da observação participante como investigador-membro completo (Complete Member Researcher – CMR), entrevistas e análise documental, o estudo acompanha a configuração evolutiva das lógicas institucionais ao longo de quatro dimensões-chave: propriedade, definição de prioridades e estratégias, nomeação da liderança, e seleção e implementação de projetos. Os resultados demonstram que, impulsionada pela concorrência pela legitimidade, pressões regulatórias e realinhamento de atores, a lógica dominante sofre uma evolução temporal, deslocando-se gradualmente de uma abordagem orientada para o mercado para uma maior intervenção estatal.

Com base nestes dados, a investigação propõe o enquadramento “entrelaçamento de lógicas e resposta táctica em quatro direcções”, que conceptualiza como os atores organizacionais subordinados navegam na complexidade institucional através de quatro tácticas direccionais: olhar para baixo (desafiando o fundamento de legitimidade das lógicas dominantes), olhar para cima (alavancando lógicas de nível superior para reforço da legitimidade), olhar para trás (recuperando a missão original para restabelecer o propósito da parceria), e olhar para a frente (aplicando responsabilização prospetiva para conter o oportunismo). Estas tácticas são integradas de forma dinâmica através da construção de identidades coletivas temporárias, mitigando assim as tensões entre subgrupos no seio do conselho e permitindo que lógicas institucionais opostas passem do conflito para o entrelaçamento e o reforço mútuo.

Este estudo contribui para o alargamento da teoria institucional ao revelar as dinâmicas micro do governo híbrido numa sociedade em transição, onde o Estado mantém uma forte autoridade governativa não por via de reformas formais (como revisões constitucionais ou nomeações oficiais), mas através de uma dominância normativa enraizada no campo institucional mais alargado. A investigação oferece uma nova perspetiva sobre como atores representantes de lógicas concorrentes ajustam tensões estruturais e reconstroem a adaptabilidade organizacional através de respostas de governação táctica e localmente enraizadas.



**Palavras-chave:** Lógicas institucionais; Governança híbrida; Conflito organizacional;  
Hospitais chineses

**JEL:** I18, L38

## 摘 要

本研究基于制度逻辑理论，探讨了中国混合型医院理事会的治理动态。通过一项深入的案例研究，揭示了国家逻辑、市场逻辑与社区逻辑在权力不对称背景下的互动关系及其对组织决策过程的影响。研究发现，主导逻辑呈现出由市场导向逐步转向国家干预增强的时间性演变，这一过程受到合法性博弈、监管要求与行为者重组等因素的驱动。

在此基础上，研究提出了“逻辑缠绕与四维战术响应框架”，概括了弱势组织行为者在制度复杂性下的四种应对战术：向下审视（质疑主导逻辑的合法性基础）、向上借力（借助高阶制度逻辑增强自身正当性）、回溯初心（重申组织创立使命以重建合作意图）、前瞻问责（通过前向约束机制限制机会主义行为）。这些战术通过构建临时的集体身份而动态整合，从而抑制理事会中亚群体间的紧张关系，使对立的制度逻辑逐步从冲突走向缠绕与互补。

本研究扩展了制度理论，揭示了转型社会中混合治理的微观动态。在转型社会中，国家并非通过正式的重新设计（例如，修改章程或任命官员），而是通过嵌入更广泛领域的规范性主导来保持强大的治理权威。本研究为理解代表竞争逻辑的行为体如何通过嵌入本地的战术性治理响应来调整结构性紧张并重建组织适应性提供了新的见解。

**关键词：**制度逻辑；混合治理；组织冲突；中国医院

**JEL:** I18, L38

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Embarking on this doctoral journey was not a decision made lightly, especially at a time when many around me questioned its necessity. Some believed that in the realm of professional success, academic credentials were superfluous. Others felt that, with age, the returns of scholarly pursuit diminished. Yet, I held firm—not out of defiance, but out of a deep and enduring desire to understand, to seek clarity amidst complexity, and to offer insights that might illuminate the path forward for China's healthcare and hospital governance systems.

This pursuit has never been solely personal. It has been, in part, a quiet yet determined message to my child—that learning is not confined by time, nor bound by circumstance. That curiosity is not a phase of youth, but a lifelong virtue. In the face of skepticism, it was my family, my wife Li xufang, and child Chen chengyou—who stood unwavering. Their patience, love, and belief became the silent architecture that held my ambitions aloft.

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## 致 谢

踏上这段博士之路并非轻率之举，尤其是在我身边许多人质疑其必要性的时期。有人认为，在职业成功的领域，学术资历是多余的。另一些人则认为，随着年龄的增长，学术追求的回报会逐渐减少。然而，我依然坚定不移——并非出于反抗，而是出于一种深刻而持久的渴望，渴望在纷繁复杂的事物中寻求清晰的理解，并希望提供一些真知灼见，为中国医疗保健和医院治理体系的未来之路提供启迪。

这份追求从来都不仅仅是个人的。在某种程度上，它是我向孩子传递的一个平静而坚定的信息——学习不受时间的限制，也不受环境的束缚。好奇心并非青春的专属，而是一种终身的美德。面对质疑，是我的家人——我的妻子和孩子——坚定不移地支持着我。他们的耐心、爱和信念，如同一座无声的桥梁，支撑着我不断前行的雄心壮志。

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## Chapter 1: Introduction

### 1.1 Research background

Globally, hybrid organizations have proliferated as vital governance tools in addressing wicked problems such as climate change, social equity, poverty, unemployment, and health and welfare (Karré, 2022). These organizations demonstrate particular resilience at the intersection of public, private, and civil society domains (Savarese et al., 2021). Typically, they span institutional boundaries and are embedded in multiple institutional logics, such as state control, market efficiency, and communal interest (Battilana & Lee, 2014).

The healthcare sector, as a highly institutionalized field, has long been shaped by the interplay of professional, market, and corporate logics (Martin et al., 2021). Amid increasing inter-organizational collaboration, governance in this domain has become more complex due to heightened institutional pluralism (Eeckloo & Melissa, 2023).

Despite the prominence of hybrid organizations in global governance, scholarly consensus on the definition of "hybridity" remains limited. One stream of research emphasizes hybrid ownership structures, while another focuses on the coexistence and tension between institutional logics—i.e., institutional hybridity. This research follows the latter approach, positing that hybrid hospitals are not only structurally characterized by mixed ownership, but also serve as arenas of negotiation and contestation among competing institutional logics. In this view, hybrid organizations are defined as entities that incorporate and attempt to reconcile multiple (and often conflicting) institutional logics (Battilana & Lee, 2014; Pache & Santos, 2013a). Therefore, the governance of hybrid organizations should not be reduced to structural integration but must also attend to how organizations coordinate decision-making, allocate resources, and claim legitimacy under the tension of plural institutional logics.

Although institutional logics theory has yielded valuable insights into organizational behavior, three important gaps remain in relation to the complex practices of hybrid organizations:

First, there is limited exploration of how multiple institutional logics are governed within organizations.

Mainstream research often focuses on field-level logics and treats the organization as a



monolithic actor. For example, Oliver (1991) outlined five strategic responses to institutional pressures—acquiescence, compromise, avoidance, defiance, and manipulation—but her model assumes organizations act as unitary entities, failing to reveal how internal heterogeneity and power dynamics emerge under institutional pluralism. In reality, institutional logics are often enacted through interactions and contestations among subgroups within organizations, especially at critical governance nodes such as boards or councils (Chinese: *Lishihui*, a specific form of governing boards) (Scott & Davis, 2007). Councils, as convergence points of multiple logics within organizations, are thus key arenas for understanding how institutional logics shape organizational practices, identity construction, and resource distribution. Investigating how organizations accommodate and reconcile competing logics at the council level is essential for unveiling the governance mechanisms of hybrids.

Second, most studies overlook the strategic responses of weaker actors under conditions of power asymmetry in logic conflicts.

While scholars have widely explored organizational responses to institutional complexity (Goodrick & Reay, 2011; Pache & Santos, 2013a, 2013b), they often focus on organization–environment adaptation, neglecting how internal or inter-organizational power structures affect these responses. In cross-sector partnerships, hybrid organizations (particularly hospitals) are frequently composed of representatives from different industries, each bearing distinct logics—e.g., state control, market efficiency, and communal welfare. The resulting tensions stem not only from diverging goals and values but also from asymmetrical distributions of resources, authority, and legitimacy. These actors may hold fundamentally conflicting objectives and even mutually exclusive legitimacy claims (Gray et al., 2022). Moreover, such collaboration across logics is often not voluntary, making consensus even harder to achieve under power imbalance (Savarese et al., 2021). As healthcare increasingly relies on inter-organizational collaboration, governance becomes more complex and coordination costs soar (Eeckloo & Melissa, 2023). There is thus an urgent need to examine how actors with limited power intervene “from below” through strategies such as rhetorical framing, legitimacy claims, and institutional borrowing within hybrid governance platforms like councils.

Third, existing studies tend to emphasize static dichotomies of institutional logics, with insufficient attention to their processual and dynamic characteristics.

Many scholars conceptualize institutional logics as stable categorical constructs and focus on reconciling dualisms such as “market vs. professional” or “market vs. welfare” through compromise or mediation strategies (Pache & Santos, 2010; Reay & Hinings, 2009). However, real-world organizational practices are far more complex. Logics are not perpetually

antagonistic; they can also be negotiated, merged, and mutually reconstructed (Grossi et al., 2024). Gisch et al. (2023) argue that apparent logic integration may conceal accumulating tensions that intensify over time. Greenwood et al. (2011) also criticized the overreliance on static binary oppositions in institutional logics research, calling for greater focus on the evolutionary dynamics of logics. Tracing how institutional logics become nested, transformed, and reconstituted in concrete organizational practices is essential to fully understand how hybrids generate new institutional orders.

Against this backdrop, China's healthcare system offers a distinctive context for examining the evolution and governance of institutional logics. Historically, the Chinese public hospital system has been dominated by state logic, featuring strong bureaucratic control, policy centrality, and concentrated resource allocation (Ge & Micelotta, 2019). With the advancement of market-oriented reforms, market logic has gradually penetrated the healthcare sector, introducing mechanisms aimed at improving efficiency and easing fiscal pressure (Xing et al., 2018).

At the same time, community logic has also emerged. According to Mintzberg (2009) and Pfeffer (2006), community logic emphasizes an organization's support for its members—including economic, interpersonal, and emotional dimensions—and the cultivation of internal solidarity. In the Chinese context, the legacy of the "*danwei*" (work unit) system embeds community logic within broader goals of social stability, organizational survival, and collective employee welfare, distinguishing it from the profit-centered orientation of Western firms.

As a result, hybrid hospitals in China are embedded in a complex institutional configuration that includes state regulation, market performance metrics, and community welfare imperatives. They face a typical scenario of institutional nesting and conflict. Hospital leaders must constantly balance legitimacy and resource pressures across logics, adjusting organizational positioning and strategic action accordingly. As prior research notes, hybridity does not automatically enhance efficiency; rather, it may entrap organizations in prolonged institutional tensions (Pache & Santos, 2010). Governance mechanisms are thus critical in managing such tensions. In particular, the council functions as a key institutional platform where multiple logics interact, and where power relations, organizational legitimacy, and institutional evolution are continually negotiated.

In Western contexts, corporate governance is commonly centered around boards of directors, which are considered the apex of decision-making and have been extensively studied. Understanding how boards and directors operate is central to corporate governance research (Engbers & Khapova, 2024). Mainstream governance practices and codes—such as the U.S.

Sarbanes-Oxley Act and the UK Corporate Governance Code—emphasize the importance of board composition (e.g., age diversity, gender balance, professional credentials, and experience) and structural attributes (e.g., ratio of independent directors, board size, and CEO-chair separation) as key determinants of good governance. Yet, scholars also highlight that boards are not merely collections of individuals, but rather social systems whose effectiveness relies heavily on interaction, collaboration, and participation during meetings (Helen & Niamh, 2023).

In China, the Communist Party and the government directly managed state-owned enterprises until the 1993 Company Law formally institutionalized the Board of Directors operating as the statutory decision-making body (Mutlu et al., 2018). This reform has recently extended to public hospitals. Historically, healthcare has been governed through hierarchical arrangements, with government bodies (e.g., the National Health Commission) exercising regulatory power via direct supervision or policy guidelines. These regulatory actors play a pivotal role in shaping hospital development and operations (Ge & Micelotta, 2019). Nevertheless, studies of transitional and emerging economies—where competing and coexisting logics are common—remain sparse (Goodrick & Reay, 2011). In these contexts, governments often promote institutional reform while maintaining substantive control over resource allocation (Xing et al., 2018). Prior research has seldom explored the intricate interactions between healthcare providers and government agencies (Xing et al., 2020).

Unlike the Western board-centric model, governance in Chinese hybrid hospitals typically involves councils composed of representatives from government, capital, and community sectors, each corresponding to state, market, and community logics. This tripartite governance design offers a unique lens through which to observe institutional conflict, negotiation, and adjustment. At the same time, empirical understanding of council processes remains limited. Van Ees et al. (2009) argue that boardroom dynamics are often treated as a “black box,” with access constraints resulting in a reliance on retrospective interviews. Kumar and Zattoni (2019) call for “unlocking the black box of governance” by investigating internal interactions and decision-making processes. Researchers are increasingly urged to explore how board members function as a team and engage in collective decision-making (Pernelet & Brennan, 2023). In transitional economies, in particular, governance practices in councils may reflect dynamic restructuring among institutional logics.

Synthetically, prior studies, predominantly grounded in the unitary entities’ assumption, have examined how organizations in mature economies appear to act cohesively when responding to dual institutional logics, while largely neglecting the intra-organizational complexity within China's hybrid hospitals. Governance studies have predominantly relied on

agency theory, evaluating the static demographic characteristics of governing boards. However, from an institutional logic perspective, scholarly insights remain limited on how hybrid organizational boards engaged in cross-sector collaboration respond to institutional complexity driven by multiple (often competing) institutional logics under conditions of power asymmetry. In China, the government plays a pivotal role in shaping the decision-making and practices of hybrid hospital councils (a specific form of governing boards), necessitating further research to examine the nature and extent of government-council interactions in this context.

Accordingly, this research investigates a hybrid hospital in China, focusing on how its council navigates governance under the tension of multiple institutional logics. It addresses the following core research problem: How do the governing councils of hybrid hospitals in China navigate tensions and conflicts stemming from multiple institutional logics?

Drawing on meeting transcripts, interviews, and archival data, the research examines how dominant logics shift over time, how hybrid governance is enacted through councils, how weaker actors respond strategically, and how state logic reconstructs its primacy. By revealing these micro-level mechanisms, the research contributes to a deeper understanding of the dynamic evolution of institutional logics and governance responses. It extends the institutional logics framework to non-Western contexts and offers a more explanatory and empirically grounded account of hybrid organizational governance.

## **1.2 Research questions**

To further investigate this core issue, this research proposes three research questions and operates through a qualitative investigation adopting an institutional logics perspective, with a case study of a large hybrid hospital in China:

1. How do multiple institutional logics emerge, interact, and evolve over time within Chinese hybrid hospitals, and what organizational practices reflect these dynamic processes?
2. What adaptive strategies do hybrid hospital councils adopt to navigate institutional logic conflicts in the context of asymmetric power relations?
3. Through what mechanisms does the Chinese government exert institutional influence and embed dominant logics into the governance systems of hybrid hospitals?

## **1.3 Research objectives**

This research aims to achieve three objectives (see Figure 1.1):

1. To uncover the dynamic mechanisms through which multiple institutional logics evolve within Chinese hybrid hospitals and to examine how these logics shape organizational practices.
2. To identify the adaptive strategies the hybrid hospital councils employ to navigate institutional logic conflicts under asymmetric power relations.
3. To analyze the institutional intervention pathways by which the Chinese government introduces dominant logics within hybrid hospitals' governance systems.

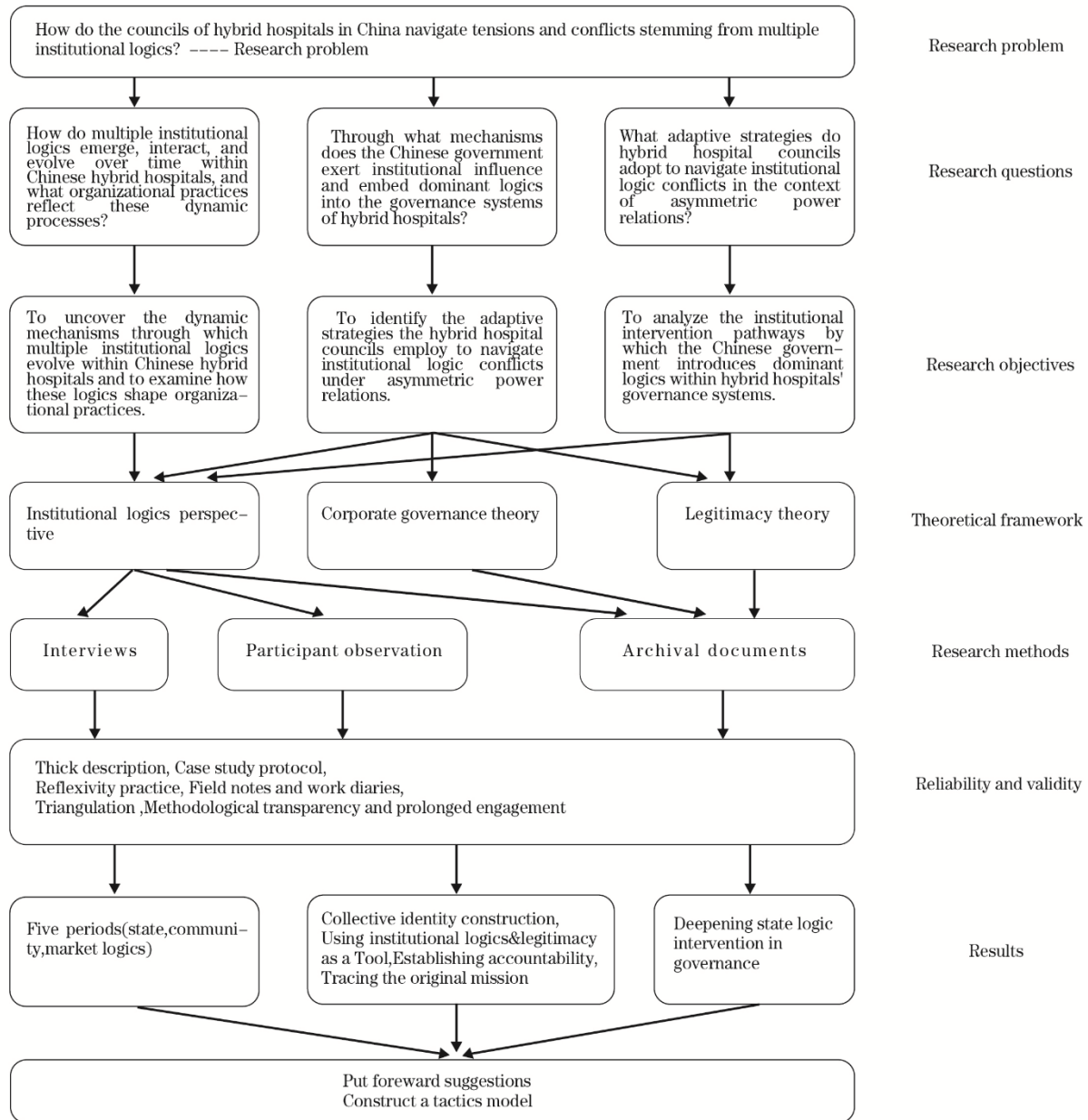


Figure 1.1 Framework of the research

## 1.4 Dissertation structure

This research examines how governing councils in Chinese hybrid hospitals navigate conflicts arising from multiple institutional logics. The dissertation comprises six chapters. Chapter 1 (Introduction) establishes the governance challenges under conflicting state/market/community logics, formulates the core research question—"How do governing councils manage institutional logic conflicts?"—and sets three research objectives: logic evolution, coping strategies, and state intervention pathways.

Chapter 2 (Literature review) synthesizes institutional logic theory and multi-logic competition in healthcare, identifies the gap in micro-level council governance research, and highlights the uniqueness of China's "*danwei*" (work-unit)-derived community logic.

Chapter 3 (Methodology) adopts a longitudinal single-case design (an oncology hospital), with triangulated data from 21 interviews, council observations, and archival analysis.

Chapter 4 (Data analysis & findings) employs a four-dimensional governance framework (strategic decisions, leadership appointments, project execution, ownership) to reveal a five-phase institutional logic evolution (market dominance → community equilibrium → conflict → mediation → state control), dissects a dual-path state intervention model comprising symbolic-to-control dominance shifts and tacit-to-explicit mechanistic transitions, and identifies four-directional tactics among subordinate actors: leveraging superior logics, tracing the original mission, accountability construction, and legitimacy instrumentalization through rigorous coding.

Chapter 5 (Discussion) conceptualizes "logic entwinement" to transcend binary oppositions, theorizes the adaptive efficacy of four-directional tactics under power asymmetry and the dual-edged consequences of state intervention (short-term stability versus long-term innovation suppression), while distilling actionable governance principles such as conflict institutionalization.

Chapter 6 (Conclusion) consolidates three pivotal contributions—dynamic logic evolution, tactical agency in asymmetric power contexts, and China's distinctive non-structural governance via bureaucratic instruments—establishing the "logic entwinement–four-directional tactics" framework as a theoretical advancement in institutional complexity; it further proposes logic-balancing mechanisms for hybrid governance praxis, acknowledges single-case limitations, and advocates cross-sector comparisons and policy network analysis as future research priorities.

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## **Chapter 2: Literature Review**

### **2.1 Definition and forms of hybrid organizations**

Hybrid organizations are defined as entities that integrate multiple, often conflicting, institutional logics (Battilana & Lee, 2014; Pache & Santos, 2013a). Essentially, they function as stages of contradiction. Hybrid organizations do not neatly fit into the established categories of private, public, and voluntary organizations (DiMaggio & Powell, 1983), as they embody a hybridity of institutional logics—defined by Greenwood et al. (2011) as historically contingent systems of rules, beliefs, actions, identities, values, and material practices. These logics create various forms of hybridity, including hybrid organizational forms, hybrid practices, hybrid identities, and hybrid logics. Hybrid organizations exhibit considerable diversity in terms of purpose, structure, legal forms, and missions. Their governance structures can take various forms, such as social enterprises, public-private partnerships, government-funded enterprises, outsourced service providers, quasi-autonomous agencies, and network governance systems (David & Aidan, 2015).

With legislative innovations in different countries, hybrid organizational forms have become increasingly diverse. For instance, in the United States, hybrid organizations can choose to register as benefit corporations, benefit limited liability companies, flexible purpose companies, or low-profit limited liability companies (L3Cs). Under *the Civil Code* of China (2021), privately funded non-profit hospitals that meet statutory requirements may be classified as endowment-funded legal persons, a designation emphasizing their reliance on endowments for public welfare purposes. Although hybrid organizations manifest in various forms, social enterprises are considered the ideal prototypes of hybrid organizations, and they remain at the core of both empirical and theoretical research (Battilana & Lee, 2014).

### **2.2 Legitimacy theory**

#### **2.2.1 The sources and meaning of legitimacy**

Understanding and interpreting organizational phenomena and behavioral patterns has long been a core objective of management scholars. Early organizational research predominantly



conceptualized organizations as rational or closed systems with clearly defined boundaries, functioning as efficient social machines that transform inputs into outputs. However, such a perspective struggles to explain many organizational behaviors. For instance, why would profit-maximizing firms actively engage in corporate social responsibility?

Since the late 1960s, scholars have progressively embraced an open systems perspective, viewing organizations as entities with fluid boundaries that continuously interact with their external environment. This perspective suggests that organizational behavior is not solely driven by efficiency imperatives; rather, institutional forces such as cultural norms, symbols, beliefs, and rituals also shape organizational actions. Consequently, organizational legitimacy has emerged as a focal point in institutional research (Scott & Davis, 2007).

The concept of legitimacy was originally introduced into sociology by Max Weber. The research of organizational legitimacy gained momentum in 1977 with seminal works such as Meyer and Rowan's *Institutionalized Organizations: Formal Structure as Myth and Ceremony* and Zucker's *The Role of Institutionalization in Cultural Persistence*. These studies challenged the rational actor model of classical economics, emphasizing the role of culture and cognition in institutional analysis. Meyer and Rowan (1977) argued that organizations must conform to external legitimacy requirements to survive, regardless of their efficiency or performance. In this view, organizations operate within a system of taken-for-granted rules, often framed as rationalized myths that gain acceptance independent of their factual accuracy or suitability. Zucker (1977) focused on micro-level institutionalization, highlighting cultural persistence as a key mechanism in legitimization.

Later, DiMaggio and Powell (1983) expanded Meyer and Rowan's (1977) focus on isomorphism from a societal level to the concept of organizational fields, introducing the theory of institutional isomorphism. This theoretical development positioned legitimacy as a key explanatory factor for the convergence of organizations within institutional environments, addressing the question: Why do organizations look so similar (Gümüşay & Smets et al., 2020; Meyer & Rowan, 1977; Scott, 2013; Thornton & Ocasio, 2008)?

Suchman (1995) defined legitimacy as a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions, and categorized legitimacy research into two dominant perspectives: the strategic and the institutional.

The strategic perspective, grounded in efficiency logic and informed by resource dependence theory and organizational ecology, treats legitimacy as a resource that organizations acquire from their environment to achieve operational goals. It focuses on the acquisition,

maintenance, and repair of legitimacy in response to institutional pressures. Organizations can enhance legitimacy through actions like environmental responsibility or transparent disclosures, while scandals or crises may erode it. Legitimacy, from this view, arises when organizational activities align with societal values and norms. Its loss can threaten survival, making legitimacy as critical as financial capital (Oliver, 1991; Suchman, 1995). In contrast, the institutional perspective adopts a macro-level view, seeing legitimacy as an inherent organizational need. Rooted in neo-institutional theory, it emphasizes how organizations gain legitimacy by aligning with regulatory, normative, and cognitive structures in their institutional environments. Legitimacy here is not merely extracted but actively constructed and institutionalized, making organizational structures appear natural and meaningful, thereby enhancing stability (DiMaggio & Powell, 1983; Suchman, 1995).

### **2.2.2 Dimensions of organizational legitimacy**

Scholars have adopted various dimensions to examine organizational legitimacy from different research perspectives. Scott (2013) provides a rational explanation of the formation mechanisms of legitimacy based on the three institutional elements: regulatory legitimacy, normative legitimacy, and cultural-cognitive legitimacy. Bitektine (2011) classified legitimacy into categories such as media legitimacy, regulatory legitimacy, internal legitimacy, promotional legitimacy, and investor legitimacy based on the identity of evaluators. Furthermore, legitimacy was categorized into technical, managerial, associative, personal, structural, outcome, and procedural legitimacy based on organizational characteristics.

Suchman (1995) identified three interrelated dimensions of organizational legitimacy: pragmatic, moral, and cognitive legitimacy. Pragmatic legitimacy is rooted in the self-interest of key organizational stakeholders. An organization secures this form of legitimacy when it provides tangible benefits to its audience, such as economic returns, service offerings, or strategic alliances. This legitimacy is often based on immediate utility rather than abstract values. For instance, a company introducing groundbreaking technology that enhances efficiency, reduces costs, and improves productivity may gain pragmatic legitimacy because stakeholders perceive direct and measurable benefits.

Moral legitimacy arises when an organization's actions are perceived as ethically sound and aligned with societal norms and values. Unlike pragmatic legitimacy, moral legitimacy is not based on direct benefits but rather on the perception of doing the "right thing." Stakeholders assess whether an organization's practices align with ethical standards, such as fairness, justice, and social responsibility. For example, a company's commitment to corporate social

responsibility (CSR) may resonate with customers and establish moral legitimacy within its industry.

Cognitive legitimacy refers to an organization's alignment with familiar, understandable, and widely accepted practices. This form of legitimacy enhances organizational stability as it is embedded in broadly recognized ways of conducting business. Established regulatory practices within industries, such as standardized protocols in healthcare institutions, are often considered cognitively legitimate due to their long-standing presence in societal structures.

While these three dimensions are conceptually distinct, they often overlap in practice. An organization may leverage its pragmatic success to construct moral arguments, which over time become normalized, leading to cognitive legitimacy. Suchman's framework provides a comprehensive perspective for understanding legitimacy by distinguishing its pragmatic, moral, and cognitive dimensions. This approach not only helps diagnose sources of legitimacy but also informs organizational strategies to align with stakeholder expectations and evolving societal norms.

### **2.2.3 The meaning and applications of legitimacy judgment**

Organizational legitimacy is ultimately a collective-level phenomenon that reflects the extent of evaluators' collective acceptance of an organization. Suchman (1995) emphasized that organizational legitimacy is largely determined by the collective perception of observer groups. In the early 21st century, scholars increasingly focused on how individual evaluators assess organizational legitimacy, leading to the concept of legitimacy judgment. This shift represents the evaluator approach, which examines legitimacy from the perspective of those granting it. Although legitimacy is constructed from subjective legitimacy judgments of individual observers, it is aggregated and objectified at the collective level, reflecting a shared recognition of an organization (Zimmerman & Zeitz, 2002).

During the legitimacy judgment process, different cognitive processing modes influence the type of information evaluators rely on. In active processing, evaluators base their judgments on direct observations of an organization's behaviors and characteristics. In passive processing, evaluators rely on organizational validity cues without extensive cognitive effort. These cues include: (1) majority opinion in the surrounding environment—if most evaluators perceive an organization as legitimate or illegitimate, individual evaluators are likely to follow suit; (2) the degree to which an organization's behaviors align with societal cultural expectations and institutionalized norms; and (3) legitimacy assessments provided by media, judicial institutions, and government agencies (Tost, 2011).

While the strategic approach focuses on how organizations acquire and maintain legitimacy and the institutional approach examines institutionalization processes and mechanisms of institutional change, both perspectives primarily operate at the organization-level or field-level. The emergence of legitimacy judgment theory extends these studies to the micro-level.

In summary, legitimacy is essential for organizational survival and development. It is socially constructed, not based on individual evaluations but rather on an entity's alignment with socially constructed norms, beliefs, values, and definitions. Legitimacy is also a generalized assumption or perception and, to some extent, can obscure organizational misconduct (Siwale et al., 2021; Suchman, 1995).

## **2.3 Institutional logics theory**

Much of the research on hybrid organizations and hybridity draws upon the "institutional logics perspective" as both a research framework and a meta-theory to identify and construct the institutional context in which hybridity occurs, as well as to analyze the causes, processes, and consequences of hybridity (Thornton et al., 2012).

### **2.3.1 The concept of institutional logics**

The institutional logic perspective emerged as a theoretical framework developed by sociologists in response to the limitations of neo-institutional theory. In their 1991 paper, Friedland and Alford criticized the rational choice approaches in economics, sociology, and political science, arguing for a return to the larger social structures in organizational studies, following early sociologists like Weber. Weber suggested that the behavior of individuals, groups, and organizations is influenced by rationality and external factors such as state policies and technology. Rational choice approaches often isolate organizations from their broader social context (e.g., resource dependence) or reduce society to abstract environments (e.g., population ecology) or organizational fields (e.g., new institutionalism). To address this, Friedland and Alford (1991) defined institutional logics as "the material practices and symbolic structures that constitute the organizing principles of institutional orders," or the super-organizational patterns of human society. According to Weber, contemporary Western society is considered highly differentiated and complex, consisting of five major institutional orders: capitalist markets, bureaucratic states, democratic politics, the nuclear family, and Christianity. Each institutional order has its core logic, material practices, and symbolic structures, which

form its organizing principles and are open to interpretation by both organizations and individuals. This conceptualization of order helps explain the functioning of modern society and its organizational mechanisms. On this basis, Thornton et al. (2012) proposed seven ideal types of institutional orders and logics: market, corporation, professional, state, family, community, and religious. Each institutional order is made up of categorical elements, such as core metaphors, legitimacy, identity, norms, authority bases, and attention bases, which collectively influence the construction and maintenance of the logics. For example, in Professional logic, legitimacy comes from individual professional knowledge, and the basis of attention is professional status. In contrast, religious logic derives legitimacy from faith and sanctity, with the basis of attention stemming from the supernatural meaning of actions, objects, and subjects (Spyridonidis et al., 2015; Thornton et al., 2012).

Institutional logics provides a framework for understanding the relationships between values, beliefs, and behaviors in organizations. From an organizational theory perspective, institutional logics prescribe the means and ends for organizations and their members, defining the appropriate behaviors and success criteria within the organization (Friedland & Alford, 1991; Pache & Santos, 2010). Institutional logics also serve as guiding decision-making principles for organizations or groups (Lounsbury, 2008). They place structure above agency: society creates constraints and opportunities for organizational action, while organizations create constraints and opportunities for individual and group actions. This framework leaves little room for individuals, groups, or organizations to bypass, challenge, or change the prevailing institutional logics (Friedland & Alford, 1991; Haveman et al., 2023; Lounsbury, 2007; Thornton & Ocasio, 2008).

### **2.3.2 Characteristics of institutional logics**

#### **2.3.2.1 Historical contingency of institutional logics**

Contemporary societies are recognized for their high levels of differentiation and complexity, continuously evolving in response to shifts in social, political, and economic forces. However, despite the dynamic nature of these societies, institutional logics, which serve as the guiding principles for the behavior of individuals and organizations, tend to be relatively stable in the short term. As such, altering or transforming these logics within a brief period is often difficult or even infeasible. This stability of institutional logics, however, does not imply that they are immutable. Each ideal type of institutional logics (e.g., market logic) is not fixed but instead may manifest in a virtually infinite number of ways depending on specific circumstances. In

other words, the underlying structure of logic may change across time and space, leading to different instantiations. These shifts can result from internal transformations within the logic itself or from the establishment of new logics between institutions. For instance, the shift in the logic of American corporations during the 19th and 20th centuries, from managerialism to financial capitalism, represented a significant institutional shift, marking the emergence of a new order (Ocasio et al., 2016; Ocasio & Radoynovska, 2016).

The strength of institutional logics typically fluctuates over time. For example, the dominant logic within an organizational field may undergo a process of collapse and replacement as it interacts with shifting temporal and spatial factors, which in turn impacts both the organizations within the field and the field itself (Besharov & Smith, 2014). Logics that were once marginalized may become amplified and shifted to the center, thereby challenging the historically dominant logics that define organizational priorities and strategies. However, the replacement of one logic by another does not necessarily imply the complete eradication of the former. For example, in the context of American medical schools, the relative dominance of two competing institutional logics—care logic and science logic—has fluctuated over time. These shifts have been shaped by various factors, including inter-professional competition between physicians and other healthcare practitioners, growing rivalry in care provision, structural changes in funding mechanisms (such as the rise of managed care), and evolving gender representation within the healthcare professions (Battilana & Lee, 2014; Dunn & Jones, 2010).

### **2.3.2.2 Multilevel analysis of institutional logics**

Institutional logics operate across multiple levels—individual, group, organizational, inter-organizational, field, and societal—shaping actors' behaviors and organizational practices in complex and dynamic ways. Each level offers a distinct lens through which these logics are interpreted and enacted.

Friedland and Alford (1991) argue that institutional logic originates at the societal level, embedded within macro-level structures and cultural systems. Although organizations and individuals enact these logics, the logics themselves are fundamentally rooted in broader societal norms, values, and ideologies. As logics propagate across institutional levels, they are contingently reinterpreted through contextual factors, cultural negotiations, and power dynamics. Therefore, institutional logics evolve through a dialectical process, shaped by the interplay between macro-level frameworks and localized practices.

At the individual level, actors internalize societal logics through socialization and reflect

them in their behavior, shaped by personal experience and institutional context (Scott, 2013). At the organizational level, these logics manifest in norms, structures, and decision-making processes, influenced by the broader institutional field but also actively negotiated and hybridized by organizations (Battilana & Dorado, 2010).

Within a field, organizations interact, negotiate, and sometimes compete over dominant logics, making the field a dynamic arena of institutional change (DiMaggio & Powell, 1983). At the societal level, logics are embedded in laws, policies, and cultural narratives, guiding the functioning of political, economic, and social systems. For example, the transition to knowledge economies has shifted dominant logics toward innovation and human capital (Zilber, 2002).

Crucially, the interaction between levels is bidirectional: local adaptations can influence societal change, just as societal logics shape local actions. This multilevel perspective reveals that institutional logics are not static but continuously negotiated and reconstructed across contexts (Greenwood et al., 2011).

In sum, a multilevel analysis offers a comprehensive framework for understanding how institutional logics evolve, interact, and influence both organizational outcomes and broader social change.

### **2.3.2.3 Embedded agency paradox**

New institutional theory posits that dominant institutional logics guide organizational behavior, resulting in isomorphism. However, it struggles to explain heterogeneity—why some organizations deviate from institutional norms. This dilemma is known as the embedded agency paradox, which asks: how can actors enact change while embedded within the very structures that constrain them?

Institutional logics theory addresses this paradox in two ways. First, institutional environments are pluralistic; competing logics can create tensions that drive change. Second, influence is bidirectional: while institutional logics constrain actors, actors also selectively draw on higher-level cultural elements to reinterpret or reshape lower-level logics for strategic purposes (Haveman et al., 2023; Thornton et al., 2012).

Institutionalist perspectives generally hold that both actors and their interests are deeply institutionalized. Most modern “social action” is carried out by collective actors—governments, corporations, NGOs—whose agency differs from that of individuals. While individual agency stems from cognition and experience, collective agency is externally embedded (Kinder et al., 2022).

Almandoz (2014) shows that founders’ institutional backgrounds influence risk decisions

in hybrid organizations. As carriers of multiple logics, individuals face institutional constraints, but the group context amplifies these through cognitive coordination and conformity to dominant logics. The internalization of logics varies among individuals, forming a continuum of embeddedness, which creates room for agency.

However, this space is shaped by organizational size: large groups enhance institutional constraints via shared norms and reduce individual agency; smaller teams allow more discretion, increasing the role of individual influence in decision-making (Almandoz, 2014).

Khurana and Pick (2005) similarly highlight that group norms and social dynamics strongly shape the beliefs and behaviors of individuals within governing bodies.

#### **2.3.2.4 Materiality and symbolism of institutional logics**

Institutional logics are inherently composed of both material and cultural foundations, with each logic encompassing both dimensions. Both elements play crucial roles in the process of institutional change. The material aspects of institutional logics refer to the tangible structures and practices that underpin it, while the symbolic elements pertain to the ideas, meanings, and beliefs that those structures and practices convey. These symbolic and material components are intricately intertwined, mutually constituting and influencing one another. Symbolic elements are embodied in structures and practices, which, in turn, both express and impact the meanings associated with them. This interdependence does not imply that they cannot be analytically separated; in fact, even identical structures and practices can involve different actors, thereby producing divergent outcomes.

The institutional logics perspective thus offers a dynamic view that incorporates both the material and symbolic dimensions, which represents a key distinction from early new institutional theory. While institutional logics are cognitive-cultural elements utilized for meaning construction, evaluation, and planning, they are observed through their material manifestations: organizational structures, practices, policies, and the roles played by organizational members. These material forms are not merely reflections but active presences of institutional logics—embodying and reinforcing the very logic they represent (Friedland & Alford, 1991; Zilber, 2002).

#### **2.3.2.5 Activation, availability and accessibility of institutional logics**

Within decision-making processes, multiple institutional logics are not always equally available, accessible, or activated, which can lead hybrid organizations to prioritize one set of objectives over others, potentially causing mission drift or organizational failure. *Availability* refers to the knowledge and information an individual possesses regarding a given logic. *Accessibility* refers



to the degree to which knowledge and information about a particular logic come to the forefront of one's awareness. *Activation* pertains to whether this available and accessible knowledge and information are actually employed in social interactions. The interplay of these factors shapes the relationship between individuals and the various logics they encounter (Pache & Santos, 2013b). Not everyone has equal access to these logics. Some individuals have different means of accessing information, or they activate these logics in varied ways. The maintenance of institutional logics depends on the actions and interactions that occur within an organization.

A central assumption of institutional theory is that actors who belong to a profession or organizational group will adhere strictly to the dominant logic of that group (Pache & Santos, 2013b). Individuals become carriers of institutional logics through past or present socialization experiences, which may originate from both their professional and personal lives (Almandoz, 2014; Pache & Santos, 2013b). They envision their future through the norms and values embedded in the logic they carry (Voronov et al., 2013).

However, certain studies (e.g., McPherson & Sauder, 2013) challenge this key assumption, suggesting that actors have the freedom to access and strategically activate institutional logics, even appropriating the logics of others. In such localized contexts, logics can function as tools, available for actors to "pick up" and use to achieve personal or organizational objectives. Furthermore, actors generally exercise considerable discretion when utilizing these tools, strategically invoking logic—whether they are their own or those of other groups—to serve their purposes. This reveals the significant agency that actors possess when translating logics into actions. However, McPherson and Sauder's (2013) research represents an extreme view, offering an almost unimpeded notion of institutional agency that challenges conventional assumptions about logic adherence.

Most studies do not acknowledge that people may carry multiple logics and that individuals are more restricted and conflicted in accessing and activating other logics (Battilana & Dorado, 2010).

### **2.3.3 Interrelations between institutional logics**

The research of institutional logics involves understanding how different logics interact with one another within organizational and social contexts. Greenwood et al. (2011) assert that the nature of these interrelations is crucial to institutional theory. Institutional logics are not isolated; they interact through multifaceted engagements. Within a given organizational field, multiple logics may coexist, hybridize, collide, reciprocally reinforce, supersede, or achieve provisional détente.

At times, logics may coexist in a complementary manner, whereas at other times, they may exhibit a competitive or conflicting relationship. Additionally, it is possible for different logics to blend, merge, or transform into new configurations, or for a dominant logic to emerge and overshadow others, thereby asserting itself as the primary guiding force.

### **2.3.3.1 Incompatibility of Institutional logics**

Incompatibility between institutional logics refers to situations where the demands of different institutional logics are difficult to reconcile. In practice, this manifests when it is challenging to combine or comply with the prescriptions and prohibitions of multiple logics (Besharov & Smith, 2014; Greenwood et al., 2011).

The degree of incompatibility between logics can be assessed through two key dimensions. First, the nature of divergence in goals and means. Specifically, goal divergence occurs when the foundational principles and core objectives of two institutional logics conflict to such an extent that they are difficult to reconcile. In contrast, means divergence refers to differences in the ways these goals are pursued, which typically allows more room for negotiation and compromise, resulting in a lower degree of incompatibility (Pache & Santos, 2010).

Second, the specificity of the logics themselves. First, if adherence to one logic precludes compliance with another—due to absolute incompatibility (e.g., normative demands or regulatory constraints)—there is no room for negotiation or discretion. Second, specificity is critical in understanding its impact on organizational discretion. More specific, explicit, and targeted institutional logics tend to constrain the flexibility of organizational actors, making it harder for them to divert attention or obscure their commitment to one logic in favor of another. This high degree of specificity amplifies institutional complexity (Greenwood et al., 2011).

### **2.3.3.2 Coexistence of institutional logics**

In a given organizational field, multiple institutional logics can coexist over time without direct conflict (Goodrick & Reay, 2011; Lounsbury, 2007; Reay & Hinings, 2009). As such, hybridity is seen as a stable and inherent feature of organizational identity (Battilana & Lee, 2014).

Goodrick and Reay (2011) outline three coexistence mechanisms: (1) Dominance with coexistence, where one logic dominates while others continue to influence specific actors; (2) Segmented competition, in which different logics shape different domains of practice, as seen in the pharmacy field; and (3) Audience differentiation, where the influence of logics varies across individuals, groups, or contexts (Goodrick & Reay, 2011).

To explain the organizational outcomes of such coexistence, Besharov and Smith (2014) propose a framework based on two dimensions: logic compatibility and logic centrality. These

dimensions shape the interaction of logics within organizations, which are further mediated by field-, organizational-, and individual-level factors.

### **2.3.3.3 Reinforcement of institutional logics**

While it is widely acknowledged that institutional logics can often exist in competition with one another, it is also crucial to recognize that these logics can, under certain conditions, mutually reinforce each other (Greenwood et al., 2011). This concept challenges the simplistic dichotomy between competition and complementarity by highlighting the dynamic interplay where logics may not only coexist but also work synergistically to promote organizational success.

For instance, consider modern examples such as the ride-sharing service Uber, the accommodation rental platform AirBnB, and the e-commerce giant eBay. These organizations, while primarily driven by the logic of profit maximization inherent to market and corporate institutions, also engage with and cater to community-based logics, albeit in seemingly conflicting spheres. These businesses are perceived to operate under the market logic, where efficiency, profit generation, and scalability dominate. However, they simultaneously uphold principles aligned with community logics, such as trust, shared economy practices, and collective user engagement. Uber, AirBnB, and eBay have leveraged these community logics in their business models to build robust customer networks, establish trust among users, and foster a sense of belonging within their platforms. Despite the apparent tension between the commercial and community logic, these organizations have managed to thrive by integrating elements from both systems, illustrating that the presence of multiple institutional logics can sometimes serve to amplify one another rather than lead to inherent conflict (Almandoz et al., 2017).

In sum, the dynamics of institutional logics reinforcement illustrate that organizational success does not solely depend on the ability to manage competing logics but also on the strategic interplay between them. This has important implications for future research on organizational hybridity and institutional theory, suggesting that scholars should explore not only how logics conflict but also how they may support and strengthen one another, creating novel organizational forms and strategies that transcend traditional dichotomies of competition and complementarity (Besharov & Smith, 2014; Thornton & Ocasio, 2008).

### **2.3.3.4 Hierarchical ordering of institutional logics**

The hierarchical ordering of institutional logics refers to the prioritization or dominance of certain logics over others within an organizational field or system. This hierarchy is shaped by

power dynamics, historical precedence, resource allocation, and the legitimization of specific logic by key stakeholders (Thornton et al., 2012).

Institutional logics may be ranked based on their perceived legitimacy, alignment with societal norms, or capacity to influence organizational behavior. For example, in healthcare systems, professional logic (emphasizing patient care and medical expertise) has historically dominated over market logic (prioritizing efficiency and profitability). However, shifts in regulatory environments or stakeholder expectations can destabilize this hierarchy, leading to tensions or renegotiations of logic prioritization (Reay & Hinings, 2009).

Early studies in institutional theory posited that within organizational fields, a dominant logic invariably exists. When a new institutional logic enters the field, it initially assumes a subordinate position before competing with the prevailing dominant logic for ascendancy. However, over time, scholars have come to recognize the possibility of multiple logics coexisting within the field. In such more mature fields, it becomes increasingly likely that a stable hierarchy of priorities will emerge among the coexisting logics (Mary et al., 2010). In some fields, particularly in emerging sectors, there is no widely accepted order of precedence among the logics. In these cases, actors continuously attempt to subvert the established institutional order, leading to intense competition among the logics. The result is often a fluctuating hierarchy of relative priorities for specific logics.

The hierarchical ordering of logics within organizations can align with the broader field-level prioritization of logics (Raynard, 2016), or it may diverge. For instance, organizations and fields may delay the adoption of new logics emerging from social changes, which may then conflict with the prevailing organizational logics. Alternatively, the logic within a field may evolve, but the organizational logics may remain stagnant, leading to a misalignment between organizational and field-level logics, or even with broader societal logics (Malhotra et al., 2020).

Moreover, it is crucial to note that while the logic under investigation may be perceived as a new institutional logic within a particular field, it may already be a long-standing, more universally established logic in other fields. For instance, with the advancement of market-oriented reforms, the market logic emphasizing efficiency and profitability has gradually permeated the healthcare system. Within this field, the market logic is identified as a "new" logic. However, in other fields, this logic has already been well-established and is no longer considered "new" (Scott, 2013).

#### **2.3.4 Institutional pluralism and institutional complexity**

When an organization operates within a field characterized by the coexistence of multiple logics

that shape its practices and structures, it encounters institutional plurality. Institutional complexity emerges when these logics generate conflicting demands that resist reconciliation (Greenwood et al., 2011).

The presence of multiple institutional logics is pervasive across many organizational fields, including social enterprises, healthcare, cultural industries, and professional services. In these fields, organizations frequently confront divergent institutional demands and must structure their operations and practices to navigate these competing logics.

Institutional plurality can yield varied outcomes, such as the coexistence or collision of distinct logics. In some cases, multiple logics may provide relatively consistent and complementary prescriptions, enabling organizations to reconcile—or even integrate—them with relative ease (Brantnell & Baraldi, 2020).

However, institutional complexity can generate significant tensions. These tensions may escalate into power struggles or public conflicts and, in extreme cases, threaten organizational survival (Ocasio & Radoynovska, 2016). Such challenges intensify when conflicting logic becomes embedded in critical organizational features, practices, and activities, creating profound misalignments in organizational goals, strategies, and operational practices (Besharov & Smith, 2014).

### **2.3.5 Institutional logics in healthcare**

From an organizational perspective, the landscape of healthcare institutions has evolved dramatically over the past several decades. In the 1960s and 1970s, hospitals and healthcare systems were relatively straightforward in terms of structure and operational complexity. Healthcare professionals, particularly physicians, exercised substantial autonomy in their practice, with a strong emphasis on professional norms and self-regulation. At this time, the logic of medical professionalism, grounded in the expertise and judgment of highly trained and independent doctors, dominated how individuals, groups, and organizations understood and engaged with healthcare systems worldwide (Martin et al., 2021). This Professional logic was primarily influenced by a set of tools, such as medical education, peer review, and clinical guidelines, which were designed to ensure the quality of care while maintaining the professional autonomy of healthcare providers.

However, by the late 20th century and early 21st century, the healthcare sector began to experience significant changes driven by the forces of marketization. The introduction of competitive practices, often seen as a response to rising healthcare costs and inefficiencies, led to the emergence of market and corporate logic. These logics were not merely external pressures

but became deeply embedded in the way healthcare systems functioned. The rise of managed care organizations, healthcare privatization, and the growing focus on cost-efficiency and accountability resulted in a significant shift away from the traditional Professional logic. Market logic, with its emphasis on competition, cost-cutting, and efficiency, increasingly influenced decision-making within healthcare organizations.

Concurrently, healthcare systems around the world came under increasing scrutiny from governments and legislative agencies, which sought to regulate healthcare practices more rigorously. This led to the rise of state logic, which sought to impose national regulations on healthcare delivery, further complicating the institutional landscape of healthcare organizations (Kyratsis et al., 2017). As a result, healthcare institutions, particularly hospitals, became highly complex organizations where multiple institutional logics—profession, market, corporate, and state—competed for dominance.

In Sweden, Blomgren and Waks (2015) analyzed the healthcare environment and identified four conflicting institutional logics: democratic logic, Professional logic, managerial logic, and market logic. The inclusion of democratic logic is particularly noteworthy, as it emphasizes principles of democratic participation and equity in healthcare decision-making. However, as the healthcare system became more market-driven and management-oriented, democratic logic played a relatively limited role in shaping organizational practices. This contrast between the profession and managerial logics highlights the tensions inherent in the contemporary healthcare environment, where the pursuit of efficiency and cost-effectiveness often clashes with the ideals of medical professionalism and patient-centered care.

The analysis of institutional logics in healthcare reveals that these logics are not merely theoretical constructs but are actively shaped by the broader social, economic, and political contexts in which healthcare systems operate. As healthcare systems evolve, different institutional logics gain prominence, and the relationships between these logics are constantly shifting. For example, Reay and Hinings (2009) and Thomas and Roy (2018) observed that, in certain contexts, there was no clear hierarchy among the competing logics. No single logic—be it profession, market, or managerial—could claim dominance in shaping healthcare practices and policies. Instead, these logics operated in parallel, influencing decision-making and organizational behavior in complex and often contradictory ways.

In conclusion, the evolution of healthcare systems has been shaped by the increasing prominence of multiple institutional logics, including the professional, market, corporate, and state logics. These logics, often in competition or conflict with one another, have created a highly complex institutional environment in which healthcare organizations must navigate

competing demands and priorities. As healthcare systems continue to evolve, understanding the dynamics of institutional logics will be crucial for both researchers and practitioners seeking to understand the forces that shape healthcare delivery and organizational behavior. The integration of diverse logics into healthcare systems presents both opportunities and challenges, and addressing these complexities will require a nuanced understanding of the ways in which logics intersect and influence one another in different organizational and institutional contexts.

## **2.4 Institutional logics in Chinese hospitals**

Numerous studies examining the transformation of the healthcare sector have adopted the institutional logics perspective. In these studies, the seven ideal-typical institutional logics—originally developed to better understand the institutional context of society and representing coherent configurations of beliefs and practices that guide action—have become a common analytical tool for understanding institutional complexity in healthcare (Goodrick & Reay, 2011; Reay & Hinings, 2009; Thornton et al., 2012). Although institutional logics are socially constructed and thus these ideal-typical logics are context-dependent and subject to evolution, Thornton et al.'s (2012) theoretical framework provides valuable insights into how different logics manifest in the governance and practices of healthcare organizations, including Chinese hospitals (Thornton et al., 2012; Zheng et al., 2017). In this section, we analyze the seven ideal-typical logics that may reflect the governance practices of Chinese hospitals and highlight how they interrelate and influence decision-making.

### **2.4.1 State logic**

State logic is conceptualized as a redistributive mechanism, encompassing two variants of bureaucratic state logic and democratic logic. According to Thornton and Ocasio (2012) and Friedland and Alford (1991), bureaucratic state logic seeks to standardize behavior through a hierarchical decision-making process based on legal authority, while democratic logic aims to achieve consensus or decisions through the majority rule. These forms of state logic are foundational to understanding the organization of public institutions, including healthcare systems, especially in a context like China.

In China, since the founding of the People's Republic of China in 1949, the governance of healthcare has been rooted in state logic, which reflects a broader pattern of state intervention across various sectors, from agriculture to industry. This logic is deeply embedded within the administrative structure of China's healthcare system, influencing the functioning and

organization of public hospitals. The state's role in the healthcare system is not just regulatory but also operational, guiding the provision of healthcare services through centralized planning and direct control over resources (Haveman et al., 2023).

At its core, state logic in healthcare prioritizes collective well-being and social equity, especially through the provision of public healthcare. One key characteristic of this logic is its emphasis on equality, where public hospitals, regardless of their financial inefficiencies or lack of profitability, are guaranteed survival. The primary goal of public hospitals is not to generate profit, but to achieve policy objectives set by the government, such as ensuring equitable access to healthcare and maximizing social benefits. Unlike private-sector institutions, where profit maximization is often a dominant objective, state logic in healthcare focuses on achieving broader social and political goals. The relationship between the state and public hospitals is not one of ownership in the traditional capitalist sense; rather, it is based on a framework of rights and responsibilities, with the government assigning duties and privileges to these institutions (Zheng et al., 2017).

State logic is particularly evident in the centralized control over human resources, financing, and governance structures within hospitals. Central government officials, rather than managers, determine healthcare objectives, resource distribution, and operational guidelines. For example, hospital staff recruitment and salary structures are centrally regulated, with physicians and other medical personnel effectively functioning as public servants. The government establishes recruitment quotas, oversees the appointment of hospital staff, and ensures that personnel adhere to national policies regarding education, training, and professional standards. This centralized control extends to broader organizational structures, where hospital leaders, such as the president and party secretary, are typically appointed by higher authorities within the Communist Party, rather than selected based on professional qualifications or performance (Xing et al., 2020).

Furthermore, the state's influence on hospital management is manifest in its hierarchical governance model. Hospitals are classified according to administrative levels, with those at higher levels receiving more resources and autonomy. The state also plays a direct role in shaping the size, specialization, and distribution of healthcare facilities through policies related to hospital accreditation, regional medical centers, and the development of specialized departments. State logic shapes the very fabric of hospital governance in China, from staffing decisions to the allocation of financial and material resources. As such, the state logic remains deeply embedded in the way Chinese hospitals are managed and how healthcare services are delivered (Ge & Micelotta, 2019; Haveman et al., 2023).



While the state logic emphasizes equality and collective welfare, it also carries an inherent focus on political stability. The Chinese government views healthcare not just as a service to be efficiently delivered, but as a key pillar of social stability and political legitimacy. Healthcare delivery is framed as a means of maintaining social cohesion, managing political risks, and reinforcing the state's role in providing public goods. Thus, political goals—such as maintaining social stability, ensuring public welfare, and promoting national health equity—take precedence over economic efficiency or market-driven principles in the governance of healthcare institutions. This political dimension of state logic is particularly important in understanding the relationship between the state and public hospitals, as it shapes how hospitals balance their clinical responsibilities with their role as instruments of political strategy (Du, 2023).

Thus, the state's involvement in the healthcare system is not limited to regulatory oversight but extends deeply into the operational and structural dimensions of hospital governance. The continued entrenchment of state logic within Chinese hospitals has significant implications for the future of healthcare reform. While market and Professional logic have gained ground in certain sectors of healthcare, state logic remains a defining feature of hospital governance, influencing everything from the allocation of resources to the setting of healthcare priorities.

In sum, state logic in Chinese hospitals is a complex and multi-dimensional phenomenon that blends bureaucratic structures, democratic decision-making principles, and political considerations. Its influence pervades every aspect of hospital governance, from staffing and resource allocation to the delivery of healthcare services. This logic reflects the broader ideological underpinnings of China's healthcare system, where the state plays an active and guiding role in shaping the organization, administration, and delivery of healthcare. As China continues to navigate its healthcare reforms, understanding the persistence and evolution of state logic is crucial for assessing the future trajectory of hospital governance and healthcare delivery in the country (Chen & Cheng, 2023; Liu et al., 2000; Lounsbury & Wang, 2023).

#### **2.4.2 Market logic**

Market logic refers to a framework in which all human activities are framed as commodity exchanges, with transactions governed by monetary values (Friedland & Alford, 1991; Thornton et al., 2012). Within a society governed by market logic, participants are akin to shareholders in a free market, each acting in pursuit of personal profits and returns on investment. The guiding principles of market logic prioritize efficiency, profit maximization, and the optimization of resources in pursuit of financial gain (Thornton et al., 2012). In this context, actors (whether individuals or organizations) are driven by the underlying goal of

increasing profitability and ensuring sustained market dominance through strategic business practices. In essence, market logic reframes social interactions and organizational behaviors by quantifying them into market transactions.

In China, the application of market logic is uniquely tailored to the country's political and economic landscape, often referred to as having "Chinese characteristics." This version of market logic differs significantly from those found in more developed capitalist economies such as the United States, Japan, the United Kingdom, or Germany. While these nations embrace a relatively pure form of market-driven economics, China's market logic remains deeply intertwined with the state's governance and the Communist Party's central role in economic life. This distinctive feature of market logic in China is encapsulated in the hybridization of capitalist market mechanisms with state-controlled interventions (Haveman et al., 2023). The state's continuing influence on economic matters serves to shape the contours of market dynamics, creating a system where the market operates within parameters that are, to some extent, defined by the state's regulatory framework.

Within this context, Chinese hospitals function as service providers engaged in the transaction of healthcare services. Under the influence of market logic, these institutions strive to increase efficiency and profitability to maintain their competitive position in the healthcare market (Thornton et al., 2012). With the introduction of market-oriented reforms since the late 20th century, especially following China's economic liberalization and integration into the global market, hospitals—particularly public ones—have progressively adopted market-driven practices. These changes have led to a shift in the operational incentives of medical institutions, with a growing focus on profit generation rather than purely public welfare.

From the late 1970s onwards, China underwent substantial economic restructuring, and this transformation extended into the healthcare sector. Beginning with the early phases of the marketization of public hospitals, healthcare providers were increasingly encouraged to operate with a market logic orientation, wherein revenue generation became a core component of hospital strategy. As hospitals became more market-oriented, healthcare professionals, too, began to align their actions with profit-maximizing behaviors. This shift manifested in several ways, including increased patient volume and higher rates of prescribing medications, thus directly boosting hospital revenue. This phenomenon is particularly noticeable in the practice of overtreatment, over-prescription of drugs, and unnecessary diagnostic procedures, all of which contribute to rising healthcare costs and intensifying physician-patient conflicts. The adoption of such profit-driven practices has exacerbated issues of "*Kan Bing Nan, Kan Bing Gui*" with rising concerns over the affordability and accessibility of healthcare in China.

Despite efforts to reintegrate public welfare principles into the healthcare system following the 2009 healthcare reforms, the pace of this shift has remained slow, and market-oriented strategies continue to dominate in many public hospitals. While the Chinese government has gradually reasserted public service goals in hospital management, such as reducing reliance on revenue generation, many hospitals still operate under a model where market logic—driven by efficiency and profitability—remains predominant (Hsiao, 2014).

The consequences of embedding market logic in healthcare practices are multifaceted. On the one hand, market logic has driven improvements in efficiency, resource allocation, and service delivery in some areas of healthcare provision. Hospitals have been incentivized to streamline operations, improve service quality, and innovate in the delivery of care. On the other hand, the pursuit of profit has led to problematic practices, such as overtreatment, unnecessary medical procedures, and a focus on high-revenue specialties at the expense of broader healthcare needs. This has created a situation where the healthcare system often prioritizes financial gain over patient welfare, undermining the trust between doctors and patients and perpetuating a cycle of inequality in healthcare access.

Moreover, the influence of market logic has extended beyond the direct operations of hospitals and into the broader healthcare environment, including pharmaceuticals, medical equipment, and insurance markets. For instance, pharmaceutical companies and medical suppliers operate within a market logic framework, where profit maximization through product sales is a central objective. This dynamic often leads to higher costs for medical supplies and pharmaceuticals, contributing to the overall increase in healthcare expenses for patients. Insurance providers, too, play a role in this market logic system, where the balance between profit generation and patient access to care remains a delicate and contentious issue (Hsiao, 2014).

The persistence of market logic in the Chinese healthcare system suggests that, while reforms have been introduced to address issues of equity and access, the market-driven mechanisms that underlie hospital operation have not been fully dismantled. Public hospitals, although formally tasked with upholding the principles of public health and welfare, continue to operate in a way that prioritizes financial stability and revenue generation. The tension between these objectives—profitability and public service—remains a defining characteristic of China's healthcare system.

In sum, market logic in the Chinese healthcare sector represents a complex and hybrid system that blends capitalist market mechanisms with the overarching presence of state control and influence. While this logic has driven improvements in efficiency and resource

management, it has also contributed to significant challenges, including rising healthcare costs and patient dissatisfaction. The persistence of market logic in public hospitals, despite the government's attempts to reorient the system towards public welfare goals, reflects the ongoing struggle to balance market forces with the broader objectives of social equity and public health. Understanding the role of market logic in Chinese hospitals is crucial for comprehending the dynamics of healthcare reform in China and the broader implications for healthcare delivery in a state-capitalist context (Chen & Cheng, 2023; Liu et al., 2000; Lounsbury & Wang, 2023).

### **2.4.3 Corporate logic**

Friedland and Alford (1991) noted that their discussion of multiple institutional logics omitted corporate and professional logics. Later, Thornton et al. (2012) distinguished corporate logic from market logic, arguing that the corporation constitutes a distinct governance system and represents an institutional innovation. The characteristics of limited shareholder liability, the capacity to attract capital, and the ability to engage in contractual participation endow the corporation with an independent institutional order.

Corporations are structured with a formal hierarchy in which the official roles and positions of all organizational members are clearly defined and differentiated. This hierarchical structure generates predictable and consistent outcomes—not only through top-down command and control, but also via the execution of well-defined, orderly, and controlled tasks aimed at achieving predictability. This underscores the corporation's internal authority to set its operational direction and boundaries (Immonen, 2023).

It is important to note that hierarchy is not synonymous with corporate logic. Thornton challenges Friedland and Alford's (1991) characterization of the state institutional order as a "bureaucratic state." Bureaucracy, or hierarchical organization, is merely one organizational form used by the state to achieve its objectives, and other institutional orders may also adopt bureaucratic forms. For example, both corporate logic and religious logic (e.g., Catholicism) are fundamentally based on bureaucracy. Thus, while hierarchical elements such as employment relationships can serve as evidence of corporate logic, hierarchy itself does not fully encapsulate the notion of corporate logic, which ideally refers to the traditional organizational form built upon bureaucratic roles and status (Friedland & Alford, 1991; Thornton et al., 2012).

In contrast, if an organization lacks clearly defined hierarchical positions—such as in cases of informal employment or where independent workers retain significant autonomy—this is indicative of market logic. Under market logic, legitimacy is derived from unregulated profit-

making and free competition, with operators seeking to maximize efficiency and profit while securing competitive market positions. Corporate logic, on the other hand, refers to a company's ability to coordinate and control its workforce to ensure alignment with corporate objectives, thereby driving growth in market share and revenue. The interests of employees are often contingent on their status within the organizational hierarchy and their roles within the bureaucratic structure.

The operation of corporate logic relies on encoding work processes into standardized routines—a mechanism that achieves both predictability and cost control. By formalizing tasks through bureaucratic systems, organizations can implement labor substitution strategies (e.g., replacing highly skilled professionals with lower-paid workers) while maintaining quality thresholds deemed acceptable by management. For example, in healthcare systems, physicians and dentists transition from independent practitioners to salaried employees, with their roles redefined by administrative agreements rather than by professional discretion (Goodrick & Reay, 2011).

#### **2.4.4 Community logic**

Community logic, as described by Thornton et al. (2012), is rooted in the social cohesion and collective action within a group defined by shared boundaries and a value system that drives its economic activities. Social actions in a community are motivated by the pursuit of common economic needs and the values that shape these needs, such as mutual support, solidarity, and the enhancement of individual and collective honor. This logic manifests itself in a system of rules that prioritizes emotional ties, loyalty, and shared values, with an emphasis on upholding community policies and satisfying the needs of the community members.

In the context of China, a key institutional phenomenon that aligns with community logic is the “*danwei*” system, which has long played a critical role in organizing urban, state-owned labor forces into tightly knit, self-contained communities. This system, which offered lifetime employment and extensive welfare benefits, is distinctive in its combination of bureaucratic control and community-oriented objectives, such as the promotion of social stability and collective well-being. The “*danwei*” in China closely mirrors the concept of a community-based organization, a view that has been discussed in European management theory since the early 20th century, which describes companies as communities of people engaged in economic activities, an idea that has significantly influenced Western discourses on corporate ethics, social responsibility, and governance (Haveman et al., 2023; Martin et al., 2021; Pina E Cunha et al., 2014).

This framework for understanding organizations as communities has become especially pertinent in the aftermath of the 2008 global financial crisis, which spurred a re-examination of the limitations of market-driven organizational models. Scholars such as Mintzberg (2009) have argued that organizations should be reconceptualized as communities to address issues of market failure. Pfeffer (2006) further identified several dimensions by which organizations might be seen as communities, including the provision of economic, interpersonal, and emotional support to employees, and the creation of communal spaces within the company (Georgiou & Arenas, 2023; Pfeffer, 2006).

Marquis, Thornton, and colleagues have recently suggested that community logic may be particularly relevant in the study of Chinese firms, due to their unique combination of organizational and community functions (Marquis et al., 2011). This insight has led to a growing body of research that explores how Chinese companies incorporate elements of community logic into their organizational structures. In fact, a study such as that by Han and Yao (2022) has found that certain Chinese companies have developed a distinctive organizational model that embeds community logic within the core of their operations, despite broader trends toward modern corporate structure.

The connection between community logic and the "*danwei*" system in China is especially striking when we consider the unique social and political functions it has served. Unlike Western organizations, which often prioritize profit maximization and shareholder value, the "*danwei*" system in China was deeply intertwined with state policy, ensuring not only economic production but also social and political stability. The government provided these units with significant resources and protections, creating a structure that promoted both economic security and social cohesion.

In conclusion, the community logic manifested in Chinese institutions, particularly within the context of the healthcare system, constitutes a distinctive adaptation of Thornton et al.'s (2012) ideal-type community logic. It highlights the role of the state in shaping the community-oriented behavior of organizations, while also incorporating market and bureaucratic elements that complicate traditional notions of community logic. This adaptation underscores the ways in which cultural, political, and economic contexts shape the application of institutional logics within organizations, particularly in a rapidly evolving society like China. The ongoing transformation of Chinese hospitals, particularly hybrid models, further illustrates the complex interplay between community-based values and the imperatives of financial survival and organizational performance (Georgiou & Arenas, 2023; Han & Yao, 2022; Pina E Cunha et al., 2014; Thornton et al., 2012).

### **2.4.5 Family logic**

Family logic, as articulated by Friedland and Alford (1991), is characterized by a fundamental drive to transform all social relationships into reciprocal and unconditional obligations, oriented towards the propagation and preservation of family lineage. This logic is deeply embedded in a patriarchal system, where the social structure places emphasis on the augmentation of family honor and prestige. In the context of family-owned businesses, family logic becomes particularly prominent, as it directly influences the strategic decisions and operational practices of the organization. Such enterprises often prioritize the transmission of power, resources, and influence within the family, thereby ensuring its enduring dominance and legacy. Family members are expected to uphold and reinforce these values, contributing to the family's long-term success and stability. This dynamic is particularly visible in the ownership structures and governance practices of family firms, where the boundary between the family and the organization often becomes blurred. The family's interests and the organization's goals are frequently aligned, resulting in a distinctive form of decision-making that prioritizes familial control and the safeguarding of familial wealth (Friedland & Alford, 1991; Thornton et al., 2012).

However, its influence varies by sector. In healthcare, bureaucratic and market-driven logics outweigh familial priorities, even in family-run hospitals, where regulations and efficiency take precedence. Thus, this research excludes it as a focus, given its limited relevance to institutionalized healthcare settings.

### **2.4.6 Professional logic**

Professional logic centers on expertise-based authority, where professionals gain status through specialized knowledge (Thornton et al., 2012). In healthcare, it traditionally emphasized physician autonomy, clinical judgment, and ethical care over efficiency or patient satisfaction (Reay & Hinings, 2009).

However, modern healthcare increasingly prioritizes measurable outcomes (e.g., cost-efficiency, patient satisfaction), eroding professional autonomy (Haveman et al., 2023). External pressures—pharmaceutical influence, insurance systems, and patient self-advocacy—further diminish physicians' gatekeeper role. This shift reflects broader institutional conflicts between Professional logic and dominant market/bureaucratic logic.

Thus, while Professional logic still plays a significant role in individual clinical practice, its influence on hospital governance and organizational decision-making has diminished. Today,

hospital boards often prioritize administrative efficiency, financial sustainability, and regulatory compliance over the traditional principles of medical professionalism. The shift from physician-led decision-making to a more corporate and bureaucratically driven model of healthcare management reflects broader changes in the healthcare industry, where professional expertise must increasingly align with organizational goals and external regulatory pressures (Eeckloo & Melissa, 2023; Zilber, 2002).

#### **2.4.7 Religious logic**

Religious logic, as conceptualized within institutional theory, seeks to transform all social issues and organizational practices into expressions of faith-based, voluntary adherence to absolute moral principles grounded in a specific cosmology or religious worldview (Friedland & Alford, 1991). It involves the subordination of organizational goals and individual actions to divine or transcendental imperatives, which provide moral clarity and guide decision-making processes based on a fundamental understanding of right and wrong. These moral directives are often considered non-negotiable, operating based on faith rather than empirical reasoning or material interests. Historically, it shaped Western capitalism, with Christian ethics influencing economic and social norms.

Yet, its role in modern hospital governance is marginal. While religious values may inspire missions or individual ethics, most hospitals prioritize market, bureaucratic, and Professional logic (Gümüşay & Claus et al., 2020).

Thus, this research excludes religious logic as a focus, given its limited impact on hospital decision-making compared to dominant institutional logics.

This research highlights the need to explore how multiple institutional logics intersect, converge, or conflict in different hospital settings, particularly in hybrid organizations. By considering both macro-level and micro-level dynamics, we can gain a more comprehensive understanding of the institutional logics that guide hospital governance in China, and how these logics shape the broader healthcare system's approach to governance, service delivery, and organizational sustainability.

### **2.5 Conflicts between multiple institutional logics and organizational responses**

Organizational responses to institutional complexity primarily focus on two aspects:



organizational strategy and organizational structure (Greenwood et al., 2011).

### **2.5.1 Organizational structural responses**

Researchers have identified two distinct structural approaches to managing institutional complexity. The first is the hybrid structure, in which organizations combine the practices of different logics within a single framework. This structure fosters cooperative arrangements both between and within organizations to achieve effective performance. For instance, social enterprises, as prototypical hybrid organizations, merge economic and social welfare logics (Battilana & Dorado, 2010; Battilana & Lee, 2014). Research hospitals combine scientific and care logic (Dunn & Jones, 2010), while public-private organizations integrate the logic of government, business, and non-profits (Jay, 2013).

The second structural response is structural differentiation, wherein distinct subunits are created within an organization to house different institutional logics and practices. This approach aims to minimize conflict through a strategy of compartmentalization, where conflicting logics are handled within separate organizational units (Lounsbury, 2007). Universities and hospitals, for example, often exhibit hybrid structures due to the necessity of integrating the professional and business logic. While differentiation is often a more feasible approach, it can lead to organizational fragmentation, limiting the potential for synergies between competing logics (Greenwood et al., 2011).

### **2.5.2 Organizational-level response strategies**

Institutional logics, a concept situated at the field level, has traditionally focused on the relationship between organizations and their operating environments. More recent scholarships, however, have shifted toward examining organizational-level responses to multiple institutional logics (Greenwood et al., 2011). Given the varying degrees of complexity of organizations' experience, their responses are diverse.

#### **2.5.2.1 Decoupling strategy**

The decoupling strategy has a long-standing tradition in institutional theory. It refers to the process by which organizations separate their formal structures and policies from actual operational practices (Meyer & Rowan, 1977). In the context of conflicting institutional logics, organizations may symbolically endorse a legitimizing practice while operating according to another logic in daily practice—this is often described as a "do as I say, not as I do" approach. This decoupling can take the form of a decoupling between policies and practices or, more

critically, between means and ends (Bromley & Powell, 2012).

### **2.5.2.2 Oliver's typology of organizational responses**

Oliver's seminal work combines institutional theory with resource dependence theory to identify five common coping strategies that organizations may adopt when faced with external institutional pressures.

These strategies are ranked from low to high resistance: acquiescence, compromise, avoidance, defiance, and manipulation (Oliver, 1991).

*Acquiescence* involves organizations accepting institutional demands through *habit, imitation, and compliance*. The strategy can enhance legitimacy and social support, although unconditional compliance might be seen as unsatisfactory or unfeasible by the organization. Acquiescence can also represent a form of negotiation with stakeholders to meet their demands (Pache & Santos, 2010).

*Compromise* refers to organizations attempting to satisfy competing institutional expectations by *pacifying* partial adjustments. This can take the form of *balancing* conflicting goals, settling for the minimum acceptable standards, or *bargaining* with institutional reference points to alter demands. Compromise can stabilize organizations internally but may not always be viable when institutional logics are in deep conflict (Pache & Santos, 2013a). For example, microfinance institutions often balance between the business logic of maximizing profits and the social logic of alleviating poverty by setting interest rates that partially satisfy both commercial and developmental stakeholders (Meyer & Rowan, 1977).

*Avoidance* involves organizations attempting to evade the need for consistency. This can be achieved by concealing non-compliance, *buffering* against external pressures, or finding ways to *escape* the demands of institutional norms.

*Defiance* is a more active form of resistance, where organizations explicitly reject one or more institutional demands. This can involve *dismissing, challenging, or attacking* norms and values, and is a direct repudiation of institutional expectations.

*Manipulation* refers to efforts by organizations to alter the content of institutional demands, attempting to *co-opt, influence, or control* the expectations of institutional reference points (Pache & Santos, 2010).

These responses reflect the various ways that organizations deal with institutional pressures and indicate the level of resistance they are willing to engage in.

### **2.5.2.3 Pache & Santos' expansion on Oliver's framework**

Pache and Santos (2013) divided organizational conflict into means conflict and goal conflict,

and built on Oliver's typology, emphasizing that hybrid organizations strategically couple elements from each logic at the organizational level. This selective coupling allows organizations to systematically integrate conflicting logics in a way that maximizes performance (Pache & Santos, 2013a). However, scholars like Gabriagues and Garreau (2023) reflect on the nature of institutional logics and argue that social welfare logic and business logic are not mutually exclusive, but instead are highly compatible, and thus, whether selective coupling is effective as a strategy requires further research.

#### **2.5.2.4 Kraatz & Block's strategies**

Kraatz and Block (2008) proposed a seminal typology of organizational responses to institutional pressures comprising four strategic approaches: First, implementing resistance tactics to neutralize or mitigate environmental demands; second, employing structural decoupling through semi-autonomous subunits that selectively address competing institutional requirements with prioritized responses; third, adopting a dialectical engagement strategy that capitalizes on contradictory demands through calculated tension leveraging; fourth, constructing institutional ambidexterity by developing hybrid identities that strategically embody environmental expectations while maintaining operational duality.

#### **2.5.2.5 Mixing and blending strategies**

Grossi et al. (2021) suggest that hybrid organizations can adopt diverse approaches of mixing, compromise, and legitimization strategies to manage competing institutional logics. This can involve mixing logic into a new hybrid form or balancing conflicting demands through compromise or segmented practices. A similar study by Haveman et al. (2023) explores how organizations use the ambiguity between institutional logics to navigate their contradictions. The strategy of blending assumes that there is a high compatibility between the coexisting logics and that the blending can be adjusted around common goals. However, strategies such as compromise and blending are difficult to implement if the members of the organization commit strongly to the logic. Gümüşay et al. (2020) studied the coexistence of religious and market logic and showed that organizations can manage institutional complexity through elastic hybridity. This concept allows for the dynamic reduction of institutional conflict by democratizing the management of institutional complexity, where balancing strategies are not the prerogative of leaders or professionals, but rather a negotiated balance between organizational structure and employee behavior across the organization.

### **2.5.2.6 Temporal (mis)alignment strategies**

Ramus et al. (2021) propose a strategy of temporal misalignment, where organizations strategically manage the competing demands of social and business stakeholders through a carefully orchestrated sequence of substantive and symbolic actions. For instance, Italian work integration social enterprises (WISEs) had to rely more on market revenues due to a reduction in public subsidies and thus had to balance the competing pressures from their social and business stakeholders over time.

Each of these strategies highlights the varied and complex ways that organizations confront institutional pressures, revealing a rich landscape of responses that reflect organizational power dynamics, stakeholder expectations, and institutional contexts. The study of these responses continues to evolve, offering nuanced insights into how organizations navigate the challenges posed by multiple competing institutional logics.

### **2.5.3 Individual-level responses to institutional complexity**

While institutional complexity exists across multiple levels, research has largely focused on organizational and field dynamics, with limited attention to how individuals interpret and navigate competing institutional logics (Lounsbury & Glynn, 2020). As carriers of institutional logics, individuals embody broader organizational and societal values through their beliefs and behaviors (Svenningsen-Berthélem et al., 2018).

Smets et al. (2014) identify three individual strategies: segmenting, which isolates conflicting logics through roles or time; bridging, which combines elements of different logics to create synergies; and demarcating, which sets boundaries to maintain balance and legitimacy across logics.

Pache and Santos (2013b) outline five responses: ignorance, compliance, defiance, compartmentalization, and combination. These strategies reflect varied degrees of awareness and engagement with institutional pressures. However, individual strategies like compartmentalization or integration may not fully resolve tensions without organizational-level support (Maria & Caroline, 2015).

Battilana and Dorado (2010) highlight how hybrid organizations manage logic conflicts by fostering a shared identity, using open recruitment and value-oriented socialization to reinforce balanced behaviors (Battilana & Dorado, 2010).

Collectively, these frameworks illuminate the nuanced, contextually embedded nature of individual responses to institutional complexity, providing critical insights for advancing

institutional theory and managing organizations in multi-logic environments.

## 2.5.4 Interorganizational Responses to Institutional Complexity

In recent years, an increasing body of institutional research has focused on how organizations and individuals respond to conflicting institutional logics. However, there is limited research addressing how inter-organizational actors—particularly those navigating institutional complexity across sectors—formulate their strategic responses.

One significant area of interest is cross-sector partnerships (CSPs). CSPs are collaborations between organizations from at least two different societal sectors (i.e., business, government, and nonprofit) that work together in the strive for economic, social, and environmental welfare (Vogel et al., 2022). There are four different types of partnerships: Public-Private (PPP), public-NPO, private-NPO, and Tripartite (Figure 2.1).

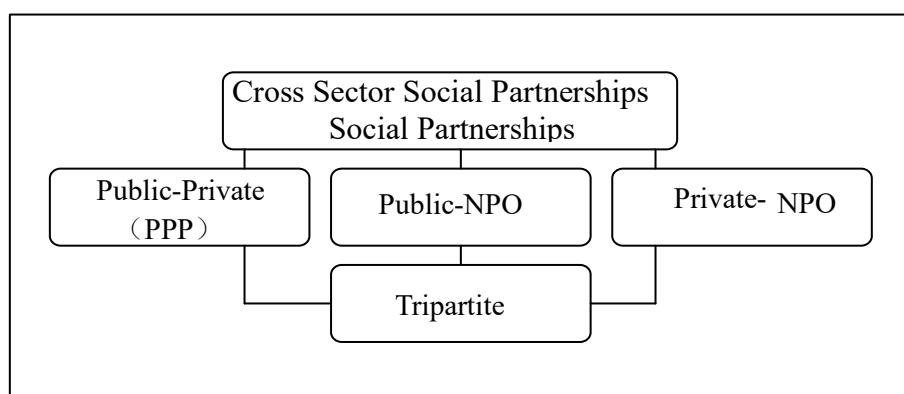


Figure 2.1 Cross sector social partnerships

Source: Seitanidi and Crane(2009)

These partnerships are particularly valuable in tackling large-scale, persistent, and "wicked" problems that transcend the boundaries of individual sectors, making them difficult to resolve within any one sector due to the inherent limitations of sector-specific problem-solving capacities. CSPs are characterized by collective decision-making, where participants from each sector—business, government, and non-profit—contribute equally to the process. These partnerships are designed to be non-hierarchical, with minimal political and power dynamics influencing the decision-making process. The collaboration is rooted in the assumption that all sectors bring unique strengths and perspectives that, when combined, can address societal issues more effectively than any single sector acting alone (Dewulf & Elbers, 2018).

However, CSPs are inherently complex, as each participant is driven by distinct motivations, self-interests, needs, and behaviors, which stem from differing institutional logics. These logics, which define the content and meaning of actions within each sector, often involve contradictory

action prescriptions, making the compatibility between them relatively low (Seitanidi & Crane, 2009). Particularly in partnerships involving business and community or business and government, these competing logics can lead to significant tensions and conflicts. Kraatz and Block (2008) highlight that CSPs often lack the structural mechanisms and strategic frameworks necessary to establish the dominance of a single guiding logic, which leaves them vulnerable to the influence of multiple, sometimes incompatible logics. When these logics play a central role in guiding organizational actions, the potential for conflict increases (Besharov & Smith, 2014; Kraatz & Block, 2008).

Yin and Jamali (2020) examined how to navigate the conflict arising from competing logics in China's nonprofit sector, proposing a model of the process of creating value through collaborative institutional work. It argues that successful partnerships are guided by an "either/and" logic, in which participants collectively take ownership of social or sustainability issues, integrating these concerns into their core activities and goals. In contrast, less successful partnerships operate under an "either/or" logic, wherein problems and projects are separated from the core objectives, leading to marginalization and inefficiency in the collaborative process.

While much of the literature on institutional complexity has focused on the responses of individual organizations and actors, there has been relatively little attention paid to the systematic power asymmetries that exist within organizations and between them across sectors (Gray et al., 2022). Nicholls and Huybrechts (2016) examine the management of power asymmetries and the apparent contradictions in institutional logics within CSPs, thus addressing a gap in the existing research. Their work underscores the fact that institutional logics are not just sources of conflict but can also reflect and reinforce underlying power imbalances, which influence how partnerships operate and evolve over time.

Moreover, the body of literature on organizational responses to institutional complexity remains fragmented and does not fully capture the breadth of response strategies. The variance in these strategies can be attributed to several factors, including the differing characteristics of institutional complexity, the relationship between government and market forces, and the influence of socio-cultural factors. For instance, the Chinese concept of *yin-yang* balance emphasizes the integration of opposing elements instead of choosing either of them, underscoring the importance of embracing both sides of a duality. This contrasts with Western management traditions, which are grounded in Aristotelian logic and often favor an "either/or" approach (Rubens, 2022).

Such contrasting frameworks suggest that responses to institutional complexity may be

deeply shaped by the underlying cultural and institutional environments in which organizations operate, highlighting the need for further research that explores these cross-cultural differences in response strategies (X. Li, 2021).

Thus, understanding the strategies that organizations employ to navigate institutional complexity in cross-sector partnerships requires a deeper exploration of both the structural and relational dynamics at play. This includes not only examining the competing logics within these partnerships but also addressing the power asymmetries and socio-cultural factors that influence the negotiation and resolution of conflicts. A more nuanced understanding of these dynamics will allow researchers and practitioners to develop more effective strategies for managing institutional complexity and fostering successful, sustainable cross-sector collaboration.

## **2.6 The beneficial aspects of institutional complexity**

Research on organizational institutions has often focused on the conflicts and debates between different logics, frequently overlooking the generative potential organizations hold in recombining such logics. While the instability and complexity inherent in organizational environments can foster contention and unpredictability, institutional complexity can also provide several advantages for organizational functioning. Notably, the absence of rigidly defined jurisdictional boundaries and prioritized logics allows organizations to creatively adopt or assemble flexible and context-specific structures in alignment with their unique interests and constraints (Maria & Caroline, 2015; Voronov et al., 2013).

Secondly, organizations may strategically opt for symbolic compliance, which involves signaling adherence to certain institutional logics in a ceremonial manner without engaging in substantive actions (Raynard, 2016).

Thirdly, institutional complexity is not merely a constraint on organizational legitimacy imposed by multiple institutional demands. Rather, it serves as a strategic opportunity, providing organizations with accessible resources and actionable strategies (McPherson & Sauder, 2013). Jay (2013), in his study of the Cambridge Energy Alliance, highlights how meaning construction facilitates the transformation and blending of different institutional logics within organizations. This process can lead to innovative organizational practices, fostering the development of flexible solutions to complex problems, thus enhancing organizational sustainability (Jay, 2013).

Fourthly, although institutional logics limit the range of choices available to individuals, groups, and organizations, it also provides a way to reflect the interests of actors themselves.

Through this approach, social construction and reconstruction of logic can change or destroy existing logic and create new logic. By selecting cultural elements of advanced logic and applying them to lower-level logic, actors can achieve their interests. In this sense, when an organization's actions are challenged under one order or logic, it can assert that it operates within the framework of another, thereby deflecting criticism and preserving its legitimacy

## **2.7 Corporate governance and its theoretical framework**

Throughout this research, the terms “board,” “council,” “governing body,” and “board of administration” are used interchangeably to refer to the hospital’s core governing body. This institution is responsible for strategic decision-making, balancing institutional logics, and coordinating diverse stakeholder interests within the hybrid hospital governance structure.

### **2.7.1 The Significance of the board of directors in corporate governance**

Since the advent of the Industrial Revolution, the structural framework of corporate governance has remained largely unchanged, with contemporary practices still rooted in legal concepts from the 19th century (Tricker, 2005). For decades, scholars and practitioners have extensively examined the role of boards of directors as the ultimate decision-making bodies within both corporations and societal sectors. The study of the board’s functions has become a core aspect of corporate governance research, given its centrality to understanding how boards and their members influence corporate behavior (Engbers & Khapova, 2024). Over time, a plethora of corporate practices and guidelines have emerged (e.g., the UK Corporate Governance Code and the US Sarbanes-Oxley Act), primarily focusing on the characteristics and structure of the board as key determinants of effective governance. These include factors such as gender diversity, board size, the establishment of committees, leadership structures, the frequency of board meetings, and the presence of independent non-executive directors.

In Western countries, board governance is considered an intrinsic institutional norm. Historically, while China has had boards or similar governance structures, the governance of state-owned enterprises (SOEs) was directly managed by the Communist Party and government. It was only with the enactment of the Company Law in 1993 that structural changes were introduced, establishing the board of directors, supervisory board, and shareholders' general assembly as part of the corporate governance framework (Mutlu et al., 2018). Through legislative measures, the government formally designated the board of directors as the primary governance body.



The structure of the board of directors constitutes a pivotal characteristic of global governance systems. Corporate boards universally divide into single-tier systems (adopted in Anglo-Saxon nations such as the UK and US, where a unitary board integrates decision-making and oversight functions) and dual-tier systems (implemented in Germany/Japan and others, featuring a division of powers between the board responsible for operational execution and the supervisory board exercising independent monitoring); China, as an emerging market exemplar, adopts a dual-tier model in its statutory governance framework (with parallel separation between board and supervisory board), yet in practical application, due to constrained authority of the supervisory board (lacking decision-making participation and personnel appointment/removal powers), it frequently degenerates into a ceremonial appendage, resulting in substantive governance power concentrating within the unitary board, forming a distinctive hybrid pathway characterized as "formal framework emulating Germany while actual operations approximating Anglo-American models"; accompanying the 2024 New Company Law reforms, China permits enterprises to replace supervisory boards with board-established audit committees, while mandating wholly state-owned companies to adopt single-tier systems, signifying institutional alignment toward Anglo-Saxon governance paradigms—this evolution profoundly reflects the reconfiguration logic imposed by China's socio-economic context upon governance efficacy (Guo et al., 2023).

Prior to 2004, the concept of non-profit organization governance was virtually absent from Chinese policy documents. Drawing upon Western models of non-profit governance, the board structure has been institutionalized as a self-regulating entity, which shares the responsibility of oversight with the state. From 2004 to 2015, as privatization progressed, the government advocated for the reduction of state control, encouraging more public services through public-private partnerships (PPPs). Within non-profit organizations, particularly those with high levels of autonomy and distinct characteristics, the board unquestionably plays a more significant role than in for-profit organizations, assuming greater responsibilities (Liu, 2006).

According to the *Civil Code of the P.R.C.*, an endowment-funded legal person shall establish decision-making bodies such as a council... and supervisory bodies such as a supervisory board, as well as executive bodies. In such settings, the councils perform the critical decision-making function. Council governance is not only central to hybrid hospital governance but also pivotal in ensuring its overall effectiveness (Wang et al., 2023; Zhang & Guo, 2020).

### **2.7.2 Theoretical framework**

Despite several decades of research on governance, there remains limited understanding of the

processes and practices involved (Watson et al., 2021), and the field has not yet evolved sufficiently to support more innovative and nuanced approaches (Carroll et al., 2017). The predominant theoretical frameworks underpinning governance research include agency theory, institutional theory, management theory, stakeholder theory, and resource dependency theory, with agency theory being the most dominant.

#### **2.7.2.1 Agency theory**

Agency theory remains one of the most influential frameworks when discussing board composition and characteristics. Developed in the 1930s, it emerged from studies on the separation of ownership (shareholders) and control (management). Rooted in economic theory, agency theory posits that conflicts of interest between principals (owners) and agents (managers) may result in managers acting in their own self-interest to the detriment of owners. Essentially, it frames the governance relationship as a contract between shareholders and directors, where directors may take actions that benefit themselves at the expense of shareholder interests.

Over the past few decades, corporate governance research has predominantly focused on Anglo-Saxon governance models and for-profit organizations, often overlooking the distinctions between governance strategies for for-profit, non-profit, and hybrid organizations (Ocasio & Radoynovska, 2016). For-profit organizations, driven by shareholder primacy and profit maximization logic, typically support a shareholder-oriented and unitary board structure (Wang et al., 2023). In developed economies, principal-agent conflicts are commonly observed; however, in emerging economies such as China, the predominant conflict is between principals themselves, notably between majority and minority shareholders.

Over time, the shareholder primacy logic has become institutionalized, and agency theory has, in many respects, become embedded as an “institutional logic” that shapes the norms, assumptions, values, beliefs, and policies of corporate governance. These institutionalized patterns guide governance practices at both the macro and micro levels, with the main goal being the reduction of agency costs—costs arising from managers' pursuit of personal interests at the expense of shareholder interests. However, despite its popularity, agency theory has faced significant empirical contradictions and ambiguities, with many studies failing to establish a clear causal link between board structure and financial performance.

In China, the development of corporate governance has largely followed the Anglo-American model, with agency theory being incorporated as the core framework in the establishment of modern corporate structures. However, given China's relationship-based society, the applicability of agency theory, which emphasizes fairness and alignment, has been

questioned.

#### **2.7.2.2 Institutional theory**

The second most prevalent theoretical approach in corporate governance is institutional theory. This theory is used to explain the motivations behind adherence to governance codes at both the organizational and national levels, exploring the underlying reasons for their spread and the diversity of their practices globally. Institutional theory focuses on the concepts of rational myths, isomorphism, and legitimacy (Scott, 2013). Within organizational operations, institutions provide behavioral standards and normative values, with organizational survival dependent on adherence to pervasive rules and norms in the external environment (DiMaggio & Powell, 1983). Legitimacy enables organizations to accomplish tasks in particular ways and gain structural and procedural recognition.

In contrast to agency theory, which largely neglects the influence of the institutional environment and social relations on human behavior (Eisenhardt, 1989), institutional theory considers the processes through which structures, rules, and routines imbue social actions with meaning. As a more profound theoretical perspective on social structures, institutional theory encompasses all the processes that make rules and norms suitable for guiding appropriate social behavior. In the context of corporate governance, institutional theory highlights how boards provide legitimacy, with external institutional pressures potentially influencing the board's function (Alessandro et al., 2012).

#### **2.7.2.3 Management theory**

Management theory presents a sharp contrast to the assumptions of agency theory, positing that senior managers are not inherently self-interested, as suggested by agency theory, but rather act with the intention of effectively managing organizational resources and maximizing shareholder value. In this view, executives and shareholders are best seen as partners. The primary role of the board is not to ensure compliance with managerial actions but to provide strategic advice throughout the decision-making process. Boards that adhere to management theory emphasize collaboration and trust between the board and top management (Kumar & Zattoni, 2018). This cooperative approach underscores the long-term welfare of the organization and the mutual benefits of achieving shared goals.

#### **2.7.2.4 Stakeholder theory**

Stakeholder theory asserts that the purpose of an organization is to serve its stakeholders—any party whose interests are affected by the organization's decisions. This broad group includes

management, shareholders, suppliers, employees, customers, communities, and even competitors. The foundational premise of stakeholder theory is the maximization of stakeholder value, not merely shareholder value. As Hirota (2015) as noted, agency theory neglects this aspect, raising questions about its relevance to governance in non-profit organizations such as hospitals.

In the contemporary business environment, hybrid organizations, which pursue dual or triple bottom lines (financial, social, and environmental), are increasingly common. These organizations face new governance challenges as they strive to meet business objectives without disregarding social goals (Ebrahim et al., 2014). Pache & Santos (2013a) argue that governance based on social welfare logic is driven by democratic control, whereas governance based on business logic is hierarchical, focusing on productivity, market orientation, and control to meet customer demands. Battilana et al. (2018) suggest that more democratic organizational models may be better suited to the governance challenges posed by hybrid logics, as democracy can more effectively represent and integrate diverse and competing values in decision-making processes.

The board of directors plays a crucial role in ensuring stakeholder engagement (Van Buren III, 2010). It is widely believed that one of the most effective ways to empower various stakeholders and increase organizational influence is through board appointments. Typically, boards operate as consensus-driven bodies, where members are equal, and the chair is the "first among equals." However, a common assumption is that stakeholders cooperate voluntarily, sharing common goals, even in the face of conflicting objectives, values, and beliefs. In practice, power asymmetries often arise, with dominant parties (e.g., corporations) imposing their market logic on weaker entities (e.g., social enterprises) (Nicholls & Huybrechts, 2016).

#### **2.7.2.5 Resource dependency theory**

Unlike agency theory and management theory, which focus on internal organizational dynamics, resource dependency theory explains the external pressures faced by organizations. Resources, including skills, information, legitimacy, and access to suppliers, buyers, and policymakers, are essential for organizational survival. Like agency theory, resource dependency theory positions the board as a key governance mechanism, but with a focus on the service role rather than the control function. In this view, the board serves as an important resource for the organization, facilitating access to crucial external networks. Since the 1980s, resource dependency theory has dominated the literature on non-profit organizations and charities, where boards are often associated with organizations that depend on external funding to sustain their activities. Like

institutional theory, resource dependency theory emphasizes the need for organizations to adapt to evolving and uncertain environments (Boyd et al., 2011).

In summary, the role of the board in organizational operations is a complex phenomenon, with each of the aforementioned theories highlighting different aspects of governance. Agency theory addresses the relationships between principals and agents, focusing on power allocation between monitoring and control functions. Stakeholder theory emphasizes the inclusivity of governance, advocating for the consideration of all stakeholders' interests. Resource dependency theory highlights the external relations organizations rely on, and management theory underscores the collaborative efforts between boards and management for long-term organizational success. As such, no single theory provides a comprehensive explanation, and a combination of these frameworks may offer the best insights into the evolving roles of boards in the contemporary governance landscape (Melissa & Eeckloo, 2020; Tricker, 2005).

### **2.7.3 Research on board governance: content and method**

Evered and Louis (1981) established a fundamental distinction between external and internal inquiry as two principal methodological approaches in organizational research. External inquiry maintains researcher objectivity through the examination of organizational artifacts such as official documents and financial statements, whereas internal inquiry necessitates direct researcher engagement with the organizational environment to obtain experiential knowledge of studied phenomena. The internal approach proves particularly advantageous as it generates operationally significant insights through privileged access to typically concealed organizational processes, enabling observation of naturally occurring events that remain inaccessible through conventional data collection methods. This methodological orientation affords researchers unique opportunities to examine the actual functioning of critical organizational mechanisms including governance structures, control systems, and accountability processes by revealing their informal, relational dimensions that frequently determine operational outcomes. The approach's distinctive value lies in its capacity to uncover the implicit, interpersonal dynamics that shape organizational effectiveness but often escape formal documentation, thereby providing a more authentic understanding of how institutional processes operate in practice beyond their prescribed designs.

Access to boardrooms and board members is notoriously difficult for researchers, and collecting data on group processes during board meetings remains a significant challenge. Much of the literature on corporate governance treats board decision-making processes and dynamics as a "black box" (Van Ees et al., 2009). This highlights the urgent need for a closer examination

of actual board behavior and decision-making processes. Historically, most research on board processes has relied on indirect sources, such as retrospective interview data or statutory disclosures, due to the lack of access to real-time data on boardroom activities. While such studies offer valuable insights, they remain inherently limited in their scope and accuracy. That this approach often fails to capture the actual activities that occur within boardrooms, particularly the group dynamics during board discussions (Heemskerk et al., 2017). Kumar and Zattoni (2019) suggest that researchers should strive to "open the black box of governance," with a particular focus on how boards deliberate, make decisions, exercise power, and ultimately impact organizational outcomes.

Qualitative research methods have become increasingly prevalent, providing a critical lens through which to examine board performance and challenging traditional theoretical frameworks, such as agency theory. This body of work has offered valuable insights into board behaviors and dynamics, but most qualitative studies remain entrenched within traditional research methods, focusing on the perspectives and experiences of board members, typically through semi-structured interviews. While these studies help illuminate the construction of meaning and identity in governance, they fail to capture the real-time complexities of strategic decision-making as it unfolds in board meetings (Watson et al., 2021).

Heemskerk et al. (2017) argue that direct observation of boardrooms represents one of the most promising methods for uncovering board dynamics. The authors themselves have actively participated as board advisors across eleven different boards, conducting observational research into conflict models within these settings. Similarly, Collier (2008) conducted research as an independent board member, attending formal board meetings, informal meetings, and interacting with other board members and senior executives. This research underscores the importance of examining the motivations behind decisions, the content of these decisions, and the processes through which they are made. Ahrens and Mollona (2007) employed a longitudinal, complete member researcher (CMR) participant-observer approach to investigate the internal governance processes of nonprofit boards and their influence on corporate governance. This remains one of the few observational studies in international management literature focusing on internal board processes and behaviors. Similarly, Parker (2007, 2008) served on the boards of two Australian nonprofit organizations, conducting research over a two-year period as a "formal member researcher" and using the CMR approach to examine operational and financial control processes. The study's main objective was to explore how these boards exercised control over organizational activities.

In summary, the contrasting viewpoints on the role of boards highlight the necessity of

transcending perspectives that focus solely on board composition or structure. Instead, greater attention must be paid to the internal processes and mechanisms within the boardroom, examining what actually occurs during meetings and how these internal dynamics influence board effectiveness. A deeper understanding of these processes is essential for comprehending the real workings of boards and their impact on governance outcomes.

#### **2.7.4 From corporate governance to hospital governance**

Governance strategies differ significantly across profit-oriented, nonprofit, hybrid, and public organizations (Ocasio & Radoynovska, 2016). Hospitals, in particular, are more complex than many other organizations, and hospital governance refers to the systems of checks and balances, as well as the control mechanisms that influence the decision-making processes within healthcare institutions.

A key distinction between corporate and hospital governance lies in their primary objectives. Corporations typically focus on maximizing shareholder value and profits, driven by economic goals. In contrast, nonprofit hospitals lack clear ownership structures, and their principal-agent relationships are less straightforward. Here, the economic objectives are secondary, while organizational goals tend to be more diverse and, at times, ambiguous. The principal-agent problem is more difficult to identify in the context of nonprofit hospitals due to the involvement of a wide range of stakeholders—such as taxpayers, patients, general practitioners, government agencies, and health insurance companies. This complexity makes it difficult to quantify the tasks of hospital managers and board members, and accountability mechanisms are less easily implemented. Consequently, agency theory proves to be less applicable in these contexts. Instead, nonprofit hospitals often lean toward the implementation of management theories and stakeholder theory to guide governance practices (Watson & Ireland, 2021).

Another notable distinction between corporate and hospital governance pertains to the structure of the board. Board composition is a defining feature of governance systems across different sectors. Corporate boards are typically composed of shareholders, while hospital boards in the nonprofit sector predominantly consist of representatives from various stakeholders (Zhu et al., 2014). In contrast to the single-tiered board model common in corporate governance, the two-tier board model in hospital governance allows for broader stakeholder participation. This structure often includes management and economic experts, physicians and nurses, as well as community representatives (Jalilvand et al., 2024). Such arrangements foster a more inclusive decision-making process in hospitals, aligning with the diverse interests of the multiple stakeholders involved.

Over the past few decades, healthcare systems in developed countries, traditionally oriented towards the public sector, have transitioned towards more diversified service delivery models. For example, hospital governance in the UK increasingly mirrors corporate governance structures. The *NHS Act* (1990) marked a shift from the traditional large public boards to smaller, more “business-like” boards, akin to those found in Anglo-Saxon private companies. The *Health and Social Care Act* (2012) further promoted the entry of private and third-sector organizations into the market, with NHS Foundation Trusts (NHS FT) evolving into hybrid entities that blend characteristics of public institutions and private companies. The governance arrangements of these hybrid entities combine diverse elements from both sectors, reflecting the ongoing changes in the governance landscape (Ferlie et al., 2017).

Although corporate governance provides a useful "framework" for hospitals to adapt to their governance structures, it cannot be directly applied to nonprofit organizations without modification. According to Eeckloo et al. (2004), corporate governance principles must be specifically adjusted and translated into hospital governance principles to account for the unique challenges and objectives of healthcare organizations. As such, while there are similarities in governance models between corporations and hospitals, the latter requires a more tailored approach, sensitive to the distinct nature of healthcare provision and the range of stakeholders involved.

### **2.7.5 Governance of hybrid hospital councils in China**

Boards play a critical role in balancing the regulations of differing institutional logics, yet their mere existence does not guarantee optimal outcomes (Eeckloo & Melissa, 2023). In hybrid organizations, governance functions as a key mechanism for balancing institutional logics and fostering both external and internal legitimacy (Mair et al., 2015). Governance strategies oriented toward external legitimacy examine how macro- and meso-level organizations negotiate external institutional demands within their organizational fields, while dynamically balancing the interplay among competing logics, field-level pressures, and organizational imperatives. On the other hand, governance for internal legitimacy is demonstrated through internal micro-processes that manage and coordinate competing logics within the organization, thus promoting internal legitimacy. By examining the complex interactions across micro, meso, and macro levels, one can better understand the governance and management of hybrid organizations (Vakkuri et al., 2021).

Over recent decades, the institutional logics perspective has become central to the fields of organizational sociology and management. However, there remains a need for further research,



particularly in non-Western contexts such as China (Lounsbury & Wang, 2023; Thornton et al., 2012). Each nation tends to have its own distinct corporate governance system, where the nature of governance issues and the mechanisms operating at the corporate level are deeply rooted in the national business system and influenced by macro-level political, economic, social, and legal institutions. In contrast to many Western civilizations, China not only exhibits a markedly different structural logic but also offers valuable insights into how institutional logics have cohered and been maintained historically, particularly through the interactions among society, organizations, and individuals. The study of these enduring patterns can thus contribute to a more nuanced understanding of institutional logics.

There is a growing body of research that employs an institutional perspective to examine how actors respond to conflicting institutional logics and the process of creating new organizational forms. Despite China's potential as a natural laboratory for exploring this topic, empirical research in this area remains sparse (Liu et al., 2016). Furthermore, the institutional environment in developed markets may differ significantly from that in emerging markets, especially regarding the nascent nonprofit sector. Thus, hybrid hospitals in China present a unique and timely "laboratory" for studying the development of institutional logics and advancing theory in this domain (Xing et al., 2020).

Another distinctive feature of China's governance landscape is its position in a unique hybrid state, reflecting (1) a "hybrid" between central planning and market competition and (2) a blend of relationship-based and rule-based institutions (Peng, 2004). This hybrid state accentuates the role of newly adopted corporate governance mechanisms in controlling managerial self-interest, as managers increasingly shift from relationship-based concerns to more market-oriented thinking.

A review of the existing literature on board governance, institutional logics theory, institutional complexity, and organizational responses reveals that much of the research on hybrid organizations has concentrated on their formation, functions, and macro-level relations, such as those involving state-owned equity and external governance mechanisms. However, micro-level governance, particularly the specific operations of hybrid hospital councils, remains underexplored. More detailed studies focusing on the internal workings of these boards are necessary to fully understand the complexities of governance in hybrid healthcare organizations.

## Chapter 3: Research Method

### 3.1 Pattern inducing: interpretivist analysis

Institutional logics typically require an in-depth analysis of the actions and behaviors of individuals in the field to determine whether these actions align with idealized logic types and to identify the specific logics represented. In studying logics, researchers must construct their insights and abstractions within a contextual framework through careful observation, citation, and description (Lounsbury & Wang, 2023).

Using the *Pattern Inducing* technique described by Reay and Jones (2016), we analyzed qualitative data through an inductive approach to capture institutional logics. This qualitative method is particularly effective in capturing, identifying, and documenting institutional logics within the context of hybrid hospitals. Such an approach allows for a nuanced understanding of how institutional logics manifest and operate within the complex dynamics of hybrid organizations. Researchers fully utilize textual data (including interviews, participant observations, and archival documents) to categorize text fragments into meaningful categories, thereby identifying logical relationships. These categories reflect behaviors, beliefs, or combinations thereof guided by one or more institutional logics.

A widely recognized analytical approach to institutional logics is the use of ideal types (e.g., market, corporation, professional, state, family, community, and religious logic). However, ideal types should not be conflated with institutional logics; rather, they serve as a specific method for measuring and conceptualizing logics. The ideal-typical models of societal logics presented by Thornton et al. (2012) were developed through a close reading of Weber's *Economy and Society* and contemporary organizational theory. These models represent illustrative examples rather than exhaustive or exclusive representations.

The institutional logics are inherently multidimensional, composed of distinct yet interrelated dimensions. Thornton and Ocasio (2008) identified four fundamental dimensions common to all institutional logics: the source of collective identity, the determinants of power and status, systems of social classification, and the allocation of attention. Expanding on this framework, Thornton et al. (2012) introduced an analytical framework to describe and compare the core dimensions of different institutional logics. This framework conceptualizes institutional logics as "elemental categories" composed of nine fundamental components, which collectively constitute the vertical dimension (Y-axis) of the institutional order. These

components include: Root metaphors, Sources of legitimacy, authority, and identity, Bases of norms, attention, and strategy, Informal control mechanisms (e.g., rituals, traditions), and Economic systems (e.g., market types). These elemental categories enable systematic comparisons of how distinct institutional logics (e.g., market, family, state, religious) shape individual and organizational behavior, cognition, and decision-making. For instance, whereas market logic prioritizes competition and profit maximization, family logic emphasizes unconditional loyalty and kinship ties.

In more recent studies, while the dimensions of institutional logics remain central to the perspective, they are not fixed; rather, they are contingent upon specific empirical contexts. The relevance of particular dimensions varies across different studies, and it is up to individual scholars to demonstrate the presence and applicability of specific logics and their associated dimensions. Institutional logic comprises theories, frameworks, narratives, practices, and categories, yet these components alone do not constitute institutional logics themselves (Thornton et al., 2012).

Beyond the nine fundamental components of the ideal types, alternative approaches to representing and measuring institutional logics are both feasible and desirable. For instance, Pahnke et al. (2015) provided a simplified representation of institutional logics by focusing on three core dimensions—normative foundations, strategic bases, and attentional foci—facilitating their empirical analysis of innovation financing. In their study of classical and nouvelle French cuisine, Rao et al. (2003) utilized ideal types to analyze how emerging institutional logics displace established ones and facilitate the formation of new role identities. Their analytical framework, structured along a Y-axis, examined key dimensions including culinary rhetoric, cooking conventions, archetypal ingredients, the evolving role of chefs, and menu organization. This multidimensional approach effectively demonstrated how the X-axis delineates the defining characteristics of both classical and nouvelle cuisine, highlighting the transformative dynamics between these two culinary paradigms. Similarly, the research method section of this thesis also draws on previous research and simplifies the expression of the institutional logic dimensions in the decision-making practice of the council.

### **3.2 Case study method**

For the study of council governance, a single-case study research method was selected. Case studies are empirical investigations that place contemporary phenomena (e.g., a "case") within real-world contexts, making them ideal for answering "why" and "how" questions (Robert,

2003; Yin, 2009). Specifically, this research aims to answer the following questions: Why do seemingly well-intentioned policies face significant challenges and conflicts in hospital operations? Are there unique challenges specific to hybrid hospitals in China? How do hospital councils construct strategies for navigating conflicting logic? How can the government play a more effective role in governance? How can hybrid hospitals ensure their survival and sustainability?

Case studies can be conducted at various levels, including individual, group, and organizational levels, and may involve either single or multiple cases. A single-case study provides an opportunity to uncover previously unknown facts as it allows for a deeper investigation into the causes of the phenomenon under study. According to Yin (2009), a single-case study helps to identify trends in a case process over time. This research focuses on the governance process of a hospital council comprised of government, hospital, and capital stakeholders, making it particularly suitable for a single-case design, as it tracks changes and trends over time. Furthermore, Yin (2009) argues that single-case studies are effective for studying organizational processes and uncovering underlying mechanisms, thus providing a valuable tool for investigating conflict-response strategies in hybrid organizations.

In accordance with the theoretical sampling principles of case studies, which emphasize the uniqueness and representativeness of the case (Yin, 2009), this research adopts purposive sampling. When selecting a case, attention is given to its extremity and its potential for yielding insights (Eisenhardt & Graebner, 2007).

Three key factors informed the selection of this hospital. First, the hospital has undergone multiple governance and ownership transformations over the past decade. Initially a public hospital, it was restructured into a joint-stock for-profit entity through the introduction of private capital. Following regulatory changes and critical incidents, all equity shares were donated by the investors, and the hospital was re-registered as a “*Minban Fei Qiye Danwei*” (a non-profit private institution, now categorized as a Social Service Organization). Despite this legal transformation into a non-profit entity, its governance structure remains capital-dominated.

Second, these sequential transitions and a series of external shocks reflect not only structural changes but also deeper institutional realignments. As an organization situated at the intersection of welfare provision, market-driven efficiency, and collective community welfare, this hospital exemplifies characteristics of cross-sector social partnerships. Its hybrid organizational form offers an ideal longitudinal lens through which to trace how institutional logics emerge, interact, and shift over time within a contested governance space.

Third, the hospital has established a top-tier decision-making body—a hospital council—

which is relatively rare in the governance arrangements of Chinese healthcare institutions. This feature makes it particularly valuable for investigating how formal governance structures mediate logic struggles, and how actors with unequal power resources engage in strategic responses to institutional contradictions.

In sum, the hospital was not selected for convenience, but as a “critical case” that maximizes theoretical visibility. It provides a rare and information-rich context for examining how multiple institutional logics evolve, collide, and are strategically enacted within hybrid governance arrangements during periods of institutional transition.

### **3.3 Research environment**

DS is a 1,150-bed tertiary Grade A general hospital with 1,800 employees, operating as a public non-profit institution for 70 years in China's transitional zone between North and South China. For the first six decades, its governance and policies were centrally determined by national authorities, with the hospital director and Communist Party committee secretary reporting to higher-level Party committees. In 2014, leveraging China's nationwide healthcare reform, local authorities facilitated private SB capital investment to transform DS into a for-profit joint-stock entity, with the government retaining 20% ownership and private investors holding 80%. The hospital was subsequently renamed as a specialized oncology institution, marking a strategic shift in its operational model.

On the morning of May 18, 2020, the hospital staff organized a large-scale protest, strongly expressing their dissatisfaction with the restructuring and SB Capital. Their main concern was the upcoming implementation of the Basic Medical Health Promotion Law in June 2020, which would prohibit public hospitals from establishing for-profit medical institutions with non-state actors. Employees are concerned about losing their staffing of public institutions (“*bian zhi*”), and the financial strain on the SB Capital during the 2018 financial crisis further eroded their confidence. In response to the crisis and instability, the local government formulated a document (Government policy document No. 72 of 2020) that restored the Cancer Hospital as a non-profit hospital, reaffirming its public welfare nature. The organizational structure was also reformed, adopting a governance model like the two-tier system, including a council (functioning as the decision-making body), a supervisory board, and an executive team (hospital chief executive officer). Government policy document No. 72 forms the basis for hospital restructuring, and subsequent agreements, contracts, and organizational designs follow this document.

To comply with the January 2021 implementation of the *Civil Code*, both parties donated their respective shareholdings to the Cancer Hospital in February 2021, converting the Cancer Hospital into a Civil Non-Enterprise Unit (China's Civil Non-Enterprise Units are now collectively referred to as Social Service Organizations (SSO), a type of non-profit social organization). While both parties lost ownership, the organizational structure and personnel remained the same, and the SB Capital stakeholders continued to control the board of directors and management.

The concept of 'tunneling' was first proposed by Johnson et al. (2000), referring to the practice in listed companies with highly concentrated or moderately concentrated ownership structures where controlling shareholders exploit their dominant positions to surreptitiously divert corporate assets and profits for personal enrichment, thereby inflicting substantial harm on minority shareholders and undermining the interests of the firm itself.

In March 2021, SB Capital established a for-profit general hospital (a Geriatric Hospital) 4 kilometers away from the Cancer Hospital. Due to a shortage of medical and managerial personnel, the Geriatric Hospital negotiated resource-sharing with the Cancer Hospital. To maximize profits, SB Capital allocated top doctors and nurses to the Geriatric Hospital, with their base salaries covered by the Cancer Hospital—a clear act of tunneling. Following the Geriatric Hospital's opening, the Cancer Hospital's revenue declined while the Geriatric Hospital's income surged, creating a seesaw effect. Board tensions escalated, marked by frequent arguments during meetings, and off-board communication between hospital and capital representatives ceased entirely.

The DS Hospital repeatedly reported these issues to the Municipal Health Commission and local government. In May 2022, a new mayor took office, and the local government and health commission began intensive investigations and coordination meetings, bringing national logic into hospital affairs. Despite legal reforms affirming the hospital's full asset ownership, the government upheld its 2020 agreement with SB Capital (which designated SB Capital as the controlling shareholder), allowing continued control. At a government meeting, an SB Capital representative, adhering to shareholder primacy, publicly berated the Health Commission director. Officials cautiously engaged in protracted negotiations, achieving minimal progress. Fearing the hospital's collapse, the mayor replaced the Health Commission director in April 2023. The new director decisively severed all operational ties between the Cancer Hospital and the Geriatric Hospital, impeded tunneling, and issued binding administrative orders to the council. Reforms accelerated, and despite minor losses, the hospital's trajectory turned positive.

### 3.4 Data collection method

Case studies typically employ six common data collection methods (Yin, 2003). This research utilizes three of these methods: interviews, participant observation, and document analysis.

#### 3.4.1 Interviews

Between August and December 2024, the researchers conducted semi-structured interviews with 21 informants, including council members, supervisors, hospital leadership, board secretaries, and government officials involved in hospital reform (See Table 3.1). These interviews provide valuable information on the manifestation of institutional logics in council decision-making, the causes and response strategies of council conflicts, and the impact of government departments on council decision-making. On average, interviews lasted between 30 minutes to 1.5 hours, and the transcriptions of each interview amounted to approximately 5,000 to 12,000 Chinese characters. (Please refer to Annex A for the interview protocol.).

Table 3.1 List of interviewees

Interviewee	
Members of council	7
Supervisor	3
Executive leadership	5
Local health commission	2
Middle-level management	4

Despite the participants' diverse backgrounds and roles, none of them reported directly to the researchers, which mitigated potential power-related influences. This arrangement maintains the necessary distance between participants and researchers. Before each interview, participants will obtain informed consent (see Appendix A). For those who are unwilling to record, researchers will try to remember some key points and ask them to answer on paper.

All interview recordings are transcribed into text, and interviewees' responses are compared with internal documents and council meeting minutes. Data collection and analysis occurred concurrently, through continuous iteration, until a systematic transition from raw data to theoretical interpretation was achieved (Saunders et al., 2018).

#### 3.4.2 Participant observation

Participant observation (PO) is an empirical fieldwork method that involves the researcher actively engaging in the studied environment. This research adopted a longitudinal complete member researcher (CMR) participant observation method, where the researchers immersed themselves in all aspects of the case and observed processes. Specifically, as the chair of the

hospital supervisory board, the researcher attended council meetings without voting or speaking and therefore did not interfere with council decisions. The researcher could deeply participate in council activities and have the opportunity to observe the behavior and interactions of council members critically, thus fulfilling the role of a 'complete participant' (Gold, 1958).

The complete participant observation research method demonstrates significant method-related advantages in mitigating the Hawthorne Effect, as subjects exhibit near-natural behavioral patterns when unaware of observation. Nevertheless, the ethical implications regarding informed consent principles warrant critical examination. Since researchers typically need to conceal their true identities and research purposes to conduct covert observation, academic circles remain divided on this approach: critics argue that this method may violate research ethical standards, while proponents advocate its methodological validity—by capturing group behavioral characteristics in natural contexts to objectively document events and interactions through non-interventional means (Uwamus & Abdulqader, 2023).

When weighing ethical norms, researchers may conduct necessity assessments based on study objectives (e.g., research conducted for formulating public policies or serving societal public interests) (Mustapha, 2020), for example, by addressing three key questions to ensure ethical and respectful participant observation practices: How public or private is the venue? What kind of data will you be collecting, and how will you analyze it? How are you presenting yourself (Guest et al., 2013)?

Since this research aims to uncover largely unknown council meetings, the adoption of covert participant observations is well-founded. First, data collection is entirely based on public deliberate scenarios (council meetings, working meetings), and there are no private actions involved. The observations in this research are at the level of public behavior and do not involve personal privacy information. Therefore, revealing the research identity is neither necessary nor practical (Guest et al., 2013; Li, 2008).

Second, in this case, council members only visit the hospital during the council meeting, and due to conflicts arising from institutional logics, they rarely engage in private contact. While incidental recordings of informal interactions occurred, these were systematically excluded from analytical datasets. Council members' interactions have clear temporal-spatial boundaries (limited to meeting periods), with an inherent lack of objective conditions for private communication, ensuring the public nature of research materials. When research addresses significant public interests and involves public role occupants, societal welfare takes precedence over individual privacy rights. In studies examining systemic governance challenges—such as corruption or institutional logics conflicts—covert observation serves as a



methodological necessity to overcome empirical inaccessibility. Its ethical legitimacy derives from the collective benefit of research outcomes. This research adheres to the principle of public interest primacy: where public role behaviors concern systemic governance issues (e.g., healthcare resource allocation), limited concession of individual privacy expectations to obtain authentic decision-making data aligns with welfare-maximizing ethics. Particularly in contexts where institutional logics conflicts create natural interaction barriers, covert observation becomes an essential pathway to penetrate informational opacity (Mustapha, 2020).

Third, this research aims to document the activities of real hybrid hospital councils. It therefore requires to be fully immersed in the organizational context, aligning their observations and behaviors with the actual operational environment. Such immersion facilitates the validity of data collection while minimizing interference with daily hospital activities. In summary, the researchers have comprehensively considered potential ethical impacts and implemented all necessary steps to ethically collect data. As Gold's (1958) role classification theory posits, when researchers immerse themselves as 'complete participants' without disclosing research objectives, interference with group dynamics is minimized, thereby yielding undistorted behavioral data unaffected by researcher presence.

In this research, the researcher participated in and observed almost all routine and special council meetings, as well as government-relevant work meetings, from May 2023 to January 2025. Data were collected from meeting recordings and qualitative fieldnotes taken during observations. Fieldnotes included records of verbal comments made by council members during meetings, as well as reflective commentary on the observed events. These notes were updated promptly after each meeting. In addition, the researcher also wrote a Work Diary, recording his reflections at council meetings, as well as the discussions, emotions, and thoughts during these meetings (Parker, 2017).

### **3.4.3 Archival documents**

The researchers collected many documents for analysis, spanning multiple sources and time periods: Government and capital cooperation agreements (2014,2016) and supplementary Cooperation Agreements (2021). Government policy document No. 72 (2020). Minutes from mayoral meetings (2023) and Memorandum of leaders' appointments (2024). Reports and meeting minutes from the Health Commission Committee (2023, 2024). The Hospital Constitution. Agendas and plans for 37 council meetings, with 18 audio recordings. Documents issued by the hospital's council (2 documents). Reports on hospital operations submitted to municipal authorities (2021,2022,2023,2024). Financial analysis reports (2022, 2023) and

development plans. These documents provided critical insights into the governance processes and institutional logics within the hospital, complementing the data obtained from interviews and observations.

### 3.5 Data analysis method

#### 3.5.1 Capturing institutional logics

Our first analytical task was to explore the types and relative strength of institutional logics embedded within the governance framework of hybrid hospitals in China. Building on insights from the existing literature, we first identified state authoritarian and market/corporate logics as particularly prominent in our empirical setting. Subsequently, through an iterative cycle of data collection, analysis, and literature engagement—focusing on the material manifestations of these logics within organizational practices—we recognized the pervasive presence of community logic in our data, underscoring its significance in shaping governance dynamics.

We adopted the *Pattern Inducing* method described by Reay and Jones (2016) to analyze and classify the strength of these logics. This method is integral to qualitatively capturing institutional logics within organizations. The first step involved constructing an analytical framework.

We leveraged the research findings of Wang et al. (2023) and Xing, Y. et al. (2020) to present indicators for identifying the characteristics of council governance in hybrid organizations. The governance of non-profit organization councils in China includes determining hospital priorities and strategies, appointing council members and hospital leadership, and selecting and implementing projects (refer to the Y-axis in Table 3.2) (2023). These decision-making processes were analyzed against three ideal types of institutional logics (as shown on the X-axis of Table 3.2). We argue that the dominant logic guiding decision-making in Chinese hospitals is heavily—though not exclusively—influenced by the hospital’s governance and ownership structures (Haveman et al., 2023; Xu et al., 2014). Building on previous research (Xing et al., 2020), we incorporated ownership structures into our framework on the Y-axis. This resulted in a comprehensive analytical framework (see Table 3.2), which elucidates how each institutional logic shapes board decision-making and governs appropriate behavior within hospital governance (Reay & Jones, 2016).

Table 3.2 An analytical framework for the main decision-making behaviors of hospital councils

X-Axis: ideal types of institutional logic	state logic	market logic	community logic
Y- Determine priorities/ strategies			

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Axis:	Appointment of leadership
	Project selection/ implementation
	Ownership

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In our analysis, we applied Langley's (1999) *temporal bracketing* strategy to systematically organize the sequence of events, identifying key occurrences, decision points, and developmental phases, along with their interconnections. To illustrate the dynamic nature of partnership evolution, we conducted an in-depth analysis of events derived from interviews, participant observation, and archival documents. We further employed Langley's visual mapping technique to construct a multi-level process diagram. This diagram features a horizontal timeline representing the evolution and intensity of institutional logics, with square boxes denoting critical events and their corresponding logics. Solid and dashed lines respectively indicate substantive and symbolic dimensions. Solid horizontal arrows represent actual or causally linked developments, while dashed arrows denote symbolic implications or ongoing, yet unrealized processes.

### 3.5.2 Coding analysis

To manage our data, we utilized a qualitative analysis software program (NVivo 11). After transcribing the interviews and compiling fieldnotes and archival documents, we adhered to established data analysis procedures, employing an inductive approach to iteratively examine interviews, observational data, archival records, existing literature, and our theoretical contributions, conducting a two-stage coding analysis (Gioia et al., 2013; Saunders et al., 2018).

In the initial stage, we conducted open coding to identify emergent themes. This phase involved a thorough examination of the raw data, with particular attention to recurring themes related to the practices of hybrid hospitals, including institutional logics, strategy formulation, leadership appointments (e.g., hospital chief executive officer), financial management, recruitment decisions, and other aspects pertinent to board governance decisions. To ensure the validity of our findings, we performed triangulation by cross-referencing archival documents with interview and observational data.

In the second stage, we applied axial coding to identify relationships and similarities among the identified empirical themes. The goal of this stage was to construct conceptual categories based on the data, which were also aligned with previous studies (Wang et al., 2023). The axial coding process facilitated a more nuanced understanding of the interconnections between various themes and institutional logics within the governance framework.

After the coding process, we referred to two studies with good application pattern induction techniques, namely Reay and Hinings' (2005) study on healthcare in Alberta, and Smets et al.'s

(2012) study explaining how change occurred in the dominant logic of a legal services field from a German (fiduciary) logic to an Anglo-German hybrid (expertise/client service) logic. We employed a logic-capturing analytical framework to conduct research, aiming to uncover the key actors and decision-making processes involved in the governance of the case hospital's council. Specifically, we identified key actors and collected dynamic data on their behaviors and perspectives within the hybrid organization. This longitudinal and holistic research approach provided a framework for qualitatively analyzing documents generated by each key actor, which served as valuable resources for gaining a multi-faceted understanding of hospital reform.

We analyzed the content of all written materials to identify and categorize events, patterns, and conflict resolution strategies that occurred during this period. First, we classified the documents by key actors, separating materials from the government, hospital, and capital. Each category of documents was arranged chronologically, followed by an examination of evidence of changes in institutional logic. Based on the logic-capturing analytical framework, we analyzed the written materials of each key actor, emphasizing differences in understanding and interpretation among different actors to explain the dynamics of change within the case hospital's organization. During the analysis, we paid attention to preserving the context of the documents and grounded our approach on the assumption that beliefs, ideas, and intentions significantly influence actions and practices. Therefore, we first read the documents in their entirety and classified them according to perspectives and purposes. Subsequently, we extracted statements from the documents that reflected the institutional logic held by each key actor over time. Based on these representative documents, we developed an interpretation of the change process, namely the shift from one dominant institutional logic to another within the organization, while certain key actors maintained their consistent institutional logic (Reay & Hinings, 2005; Reay & Jones, 2016; Smets et al., 2012).

### **3.6 Bias, reliability, and validity in case study research**

#### **3.6.1 Bias**

All qualitative research is subjective to some degree, manifested in data collection, analysis, and interpretation. One of the two major challenges in case study research is how to maintain objectivity and reduce researchers' biases and preconceptions (Priya, 2021). The second challenge is that deep participation is a necessary condition for understanding phenomena but

may introduce bias. For example, a primary issue with participant observation is that it may carry bias (Yin, 2009). However, without contextual background, researchers cannot understand the phenomena expressed by people in the case; only direct participation as group members can fully comprehend the causes of such phenomena (Uwamus & Abdulqader, 2023).

Bias is unavoidable. Both qualitative and quantitative research may be subject to potential impacts from researchers' biases (Uwamus & Abdulqader, 2023). Researchers must systematically manage biases to enhance the reliability and validity of case studies.

### **3.6.2 Reliability and validity**

The issues of reliability and validity in qualitative research can be evaluated by the primary criterion of "trustworthiness". Trustworthiness has four main dimensions, each equivalent to quantitative research concepts:

(a) Credibility: Mainly reflects whether research results authentically, accurately, and reliably "capture" the real world of the research subjects. Equivalent to internal validity in quantitative research.

(b) Transferability: Mainly concerns the extent to which research conclusions can be applied to other contexts, equivalent to external validity.

(c) Dependability: Concerns whether research procedures, analytical processes, etc., are clear, consistent, and transparent? If repeated, is it possible to obtain similar results? Equivalent to reliability.

(d) Confirmability is equivalent to objectivity, referring to the degree to which conclusions are influenced by the researcher's subjective stance (Uwamus & Abdulqader, 2023).

### **3.6.3 Ensuring reliability and validity in participant observation**

To ensure the reliability and validity of participant observation, this study draws upon the principles outlined by Saunders et al. (2023), especially those relating to observer bias, reflexivity, triangulation, and the importance of temporal engagement. Six interrelated strategies were employed throughout the research process:

#### **3.6.3.1 Maintaining role distance**

In line with Saunders et al. (2023), deliberate efforts were made to separate the researcher's observer role from the participants' operational role in order to mitigate the risk of "going native." The researcher maintained a disciplined awareness of their position through daily reflexive journaling, immediately after each observation session. These reflections focused on

identifying emotional responses, potential biases, and role conflicts. In addition, observation was consistently anchored to the research questions to prevent uncontrolled immersion in the field.

### **3.6.3.2 Analytic induction**

The research employed analytic induction, involving the iterative development, testing, and refinement of provisional explanations against observational data. Initial assumptions were continuously adjusted or replaced in light of negative cases or contradictory evidence. This strategy enhanced the internal validity of emerging interpretations and allowed for a theory-building process consistent with data saturation principles. As Saunders et al. (2023) note, such analytical iteration is central to developing credible and theoretically grounded insights from observational studies.

### **3.6.3.3 Post-observation informant interview triangulation**

To strengthen the descriptive and interpretive validity of observations, semi-structured interviews were conducted with key informants following observation sessions. This practice served as a form of informant verification, allowing for the cross-checking of observed behaviours and contextual meanings. The triangulation of methods—observational data with post-hoc interviews—helped minimise observer bias and clarified ambiguous or nuanced events.

### **3.6.3.4 Reflexivity and bias awareness**

Acknowledging the inevitability of observer bias, this research adopted a reflexive approach throughout the study. The researcher actively questioned interpretive assumptions and considered alternative explanations, guided by the critical questions recommended by Saunders et al. (2023), such as: “Is this conclusion justified?” and “Could this be explained differently?” In addition, subjective impressions and shifts in the researcher's own values were systematically recorded and analysed to assess their influence on data interpretation. This enhanced the transparency and trustworthiness of the findings.

### **3.6.3.5 Minimising recall bias through timely recording**

To preserve the richness and accuracy of observed phenomena, observational data were recorded as soon as possible following each field interaction. According to Saunders et al. (2023), prompt documentation reduces recall bias and ensures that subtle interactions, non-verbal expressions, and contextual cues are captured reliably. Structured field notes were taken

to support both descriptive detail and future cross-temporal comparison.

#### **3.6.3.6 Reducing observer effect through prolonged engagement**

In accordance with Saunders et al. (2023), the researcher engaged in extended and repeated contact with the field setting. This prolonged engagement served to normalise the observer's presence and reduce participants' reactivity over time. As a result, more naturalistic data were collected. Moreover, the longitudinal perspective afforded by repeated exposure enabled deeper insight into evolving dynamics and strengthened the ecological validity of the study.

##### **Summary**

By integrating these six strategies—role distancing, analytic induction, informant triangulation, reflexive practice, timely recording, and extended engagement—this research systematically addressed both the descriptive and interpretive dimensions of reliability and validity in participant observation. These measures collectively ensured a rigorous and contextually grounded qualitative inquiry.

## Chapter 4: Data Analysis and Results

### 4.1 Institutional logics capture

Institutional logics, as culturally embedded cognitive templates, shape organizational members' decision-making and actions by providing value standards, behavioral norms, and meaning frameworks (Thornton et al., 2012). However, institutional logics are inherently abstract, necessitating their observation and analysis through material manifestations, such as organizational structures, practices, and policies (e.g., standardized procedures, performance evaluation systems), and member roles.

As socially constructed phenomena, these material manifestations also shape institutional logics themselves, driving their localized evolution. Like "dialects" in language, ideal-typical logics are constrained by their contextual environments, giving rise to distinct logical "dialects." The material manifestations generated by specific institutional logics can be locally adapted, modified, and interpreted, leading to meanings that may diverge from those derived from their original, foundational premises (Sætre, 2023).

For instance, the organizational structure of a hybrid hospital council integrates diverse stakeholders—including professional managers, government officials, and hospital representatives—who embody and promote competing institutional logics. Within the council, these actors serve as representatives of distinct logic (i.e., market, state, and community), each seeking to assert their normative beliefs and interests in the decision-making process.

While corporate logic (centered on hierarchical control) and market logic (premised on competitive pricing mechanisms) are ontologically distinct institutional logics, they demonstrate mutual constitution in practice through dynamic interplays. For instance, corporate logic's emphasis on organizational scale expansion through vertical integration or diversification directly interacts with market logic's performance metrics: increased market share and revenue growth materialize as rising stock prices in capital markets. These price signals, in turn, become institutionalized as legitimacy markers for market logic within corporate decision-making frameworks (Thornton et al., 2012). Consequently, market and corporate logics tend to be highly consistent in practice. In healthcare analysis, a similar dynamic is observed. Scott (2013) delineated the evolution of the American healthcare system since World War II into three major phases—namely, the professional-dominated era (1945–1965), a period of increasing federal influence (1966–1982), and the era of managerial control



and market mechanisms (1983–present)—and argued that market and corporate logics complement each other (Scott, 2013). Nigam and Ocasio (2010) analyzed the emergence and adoption of managed care logic during Clinton’s Health Care Reform, suggesting that its field-level logic is rooted in the social bases of both market and corporate logic, rather than in state logic aimed at political reform. Thus, managed care logic represents a hybrid logic that integrates market, bureaucratic, and, to a lesser extent, professional social logics.

Different ownership structures may be influenced by distinct institutional logics, shaping the governance and operational practices of hospitals. In China, hospitals are categorized based on their ownership type, primarily into government-owned, privately owned, and non-government hospitals (*shèhuì bànyī*). These categories correspond to three major sectors of society: the public, private, and civil society sectors, respectively. The dominant institutional logic guiding a hospital is largely (though not exclusively) determined by its governance and ownership structure (Xu et al., 2014). As Haveman et al. (2023) suggest, the logic that governs any given Chinese hospital is intricately linked to its ownership and funding model, with different ownership types reflecting different organizational imperatives, priorities, and strategies.

Government-owned hospitals, typically operated by central or local government agencies, are primarily influenced by the logic of the state. These hospitals are deeply embedded within the broader national health policy framework, and their operations are closely aligned with state objectives, including ensuring equitable access to healthcare, adhering to public health mandates, and fulfilling broader social welfare goals. State logic emphasizes the centrality of public service and social responsibility, with efficiency and financial performance often subordinated to the overarching goal of delivering health services as a public good. In such institutions, the key drivers of organizational behavior are related to policy compliance, public accountability, and the pursuit of welfare-oriented outcomes, rather than profit maximization or market competition (Du, 2023; Xu et al., 2014).

In contrast, privately owned hospitals are predominantly financed by individual investors, families, or investment groups such as private equity firms or joint ventures. Here, market logic predominates. These institutions, regardless of whether they are for-profit or nonprofit, operate within a competitive environment and are driven by the imperative of achieving financial sustainability and maximizing shareholder value. The market logic encourages these hospitals to focus on patient satisfaction, operational efficiency, and the strategic positioning necessary to attract clients in a competitive healthcare marketplace. Even nonprofit private hospitals, which may focus on community health goals, often prioritize financial outcomes, striving to

generate revenue that is ultimately reinvested back into the hospital or distributed to owners or investors. This logic aligns with capitalist principles, where financial survival and growth are primary objectives (Hsiao, 2014; Liu et al., 2020).

Non-government hospitals (*shèhuì bànyī*) are owned by different local communities (e.g., the ownership of the case hospital belongs to this hospital). Research on these hospitals has been less extensive. In China, many of these are registered as “Civil Non-Enterprise Units” and are now collectively referred to as Social Service Organizations (SSO), a type of non-profit social organization. These hospitals might operate under a hybrid organizational model, incorporating elements of both state welfare and market-driven efficiency, making them unique in terms of institutional logics. These are hybrid organizations, similar to “cross-sector social partnerships,” where community logic is a prominent logic in the early stages of cross-sector partnerships (Seitanidi & Crane, 2009).

In this case, community logic, with its emphasis on collective welfare, loyalty, and shared values, can be particularly prominent during the establishment and governance of such hospitals. The community logic here is intertwined with local social structures, non-state capital, and the desire to meet community-specific needs.

Unlike public hospitals, which benefit from state financing and guarantees, or private hospitals, which rely heavily on investor capital, non-government hospitals often face a more precarious financial situation. They lack direct financial backing from government or private sources and thus must generate revenue through market-based activities in order to sustain their operations. In this context, the adoption of market logic becomes crucial for ensuring the hospital's financial viability, as it must continuously compete for resources and patients. Community logic, therefore, operates as a unique and defining feature in the governance and operations of these hospitals (Han & Yao, 2022).

Based on data analysis, we identified three underlying logics within the hybrid organizational structure of Chinese hospitals: state logic, market logic, and community logic. Religious, family, and professional logic are almost imperceptible. Next, we explain each of the three logics using the four dimensions of the analytical framework. The analysis shows that case hospitals can be divided into five periods according to changes in institutional logics: the market period (May 2014 - May 2020), the community involvement period (May 2020 – January 2021), the market and community logic conflict period (January 2021 - May 2022), the Mediation period (May 2022 - April 2023) and the state logic control period (April 2023 - present).

#### **4.1.1 The market logic period (May 2014 - May 2020)**

As required by the local government, the public DS Hospital and SB Capital (private capital) implemented mixed ownership reform, with the government holding 20% of the shares and SB Capital holding 80% of the shares. Hospital Co., Ltd. was established. DS Hospital “transformed from a public non-profit hospital into a joint-stock for-profit hospital, enjoys operation and management autonomy, and independently bears the legal responsibility” (Cooperation Agreement, May 2014). The hospital is managed and operated by a limited company based on market logic. SB Capital holds a controlling majority stake in the hospital’s ownership structure, granting it decisive authority to define institutional priorities, formulate strategic directions, appoint members of the governing board and executive leadership, and oversee the selection and execution of operational projects. Consequently, the hospital operates under the dominant influence of SB Capital, with market logic prevailing as the primary institutional framework shaping governance and decision-making processes.

The initial period of the hospital's restructuring appeared promising, marked by optimistic institutional reforms. “...The hospital’s reform and transformation have achieved a historic breakthrough in development, successfully realizing the hospital’s transformation... Establishing a new reform mechanism, exploring new development ideas, and pointing the way forward for the hospital’s future” (Hospital Reform Advocacy Report, November 2015).

However, five years after the reform, the Cancer Hospital faced severe challenges “...aging medical equipment, the absence of a structured talent pipeline, stagnation in key medical specialty development...constrained growth space, depleted developmental potential, and demoralized staff...” (Health Commission Reports, December 2021).

#### **4.1.2 The community logic involvement period (May 2020 - January 2021)**

In May 2020, medical staff collectively protested the reform and opposed SB Capital. After negotiations between the local government and SB Capital, the shareholding ratio remained unchanged, and the Cancer Hospital changed from a for-profit to a joint-stock non-profit hospital.

The new organizational structure consists of a council, a supervisory board, and an executive management team (hospital CEO), which are respectively a decision-making body, a supervisory body, and an executive body, resembling Germany’s dual-board system.

“...a hospital council was established... The council consists of 7 members, 3 of whom are appointed by the government, including one vice-chairman, and 4 by SB Capital, including the

chairman and vice-chairman. The hospital chief executive officer (CEO) is nominated by SB Capital... The vice CEO and middle management are nominated by the CEO, and the council employs them..." (Government Document No. 72, June 2020).

Two government officials were transferred to the Cancer Hospital as Secretary of the Party Committee and secretary of the Discipline Inspection Commission, and the party secretary is the legal representative of the DS Hospital.

"The Party Secretary... Discipline Inspection Secretary...the main responsibilities were to maintain the stability of the hospital situation, steadily improving employee income, and effectively safeguarding the legitimate rights and interests of hospital staff" (Government Document, June 2020).

The Cancer Hospital shall "ensure the treatment of DS Hospital's retired employees... retirement wages or pensions, pensions, funeral expenses, and various benefits, the costs of which shall be implemented following national policies and relevant regulations to ensure timely and comprehensive payment." (Supplementary Cooperation Agreement, January 2021).

On September 16, 2020, during the second council meeting, two of the five agenda items were focused on employee welfare. The first issue discussed was the housing allowance and housing provident funds, both mandatory employee benefits under government policy. These benefits are tied to national regulations, and any adjustments would require substantial additional funding — over 4 million yuan to cover more than 2,000 current and retired employees. Due to financial constraints, the hospital had not implemented these adjustments the previous year, but when revisited, the CFO (a representative from SB Capital) expressed that, "We are a company and are not necessarily bound to follow the government's prescribed amounts. What does the policy have to do with us? If we have the money, we will give more; if not, we will give less. There are more pressing areas for funding... if we must make adjustments, we can reduce the allocation by half."

In response, both the Party Secretary and the Discipline Inspection Secretary of the hospital insisted on fully adhering to government regulations. Before the meeting, urgent discussions took place outside the conference room with the chairman of the council (who had rushed from another location). The Discipline Inspection Secretary expressed concerns, "Things have only just stabilized. If employees only receive half of the subsidy, they will certainly be upset. We discussed this before the meeting, so why has the amount been reduced by half? ... We need to consider the overall situation."

The Party Secretary added, "This is a policy-based welfare benefit. If we do not pay, issues will arise... We must comply with the government's directives. If we cut it now, the benefit will

remain perpetually reduced in the future, never catching up."

Then, the Chairman immediately instructed the CFO: "Since this was discussed earlier, and both Secretaries have emphasized the point, we must provide the full amount as stipulated by the government directive." (Work Diary, September 2020).

The second agenda item concerned an enhancement of employee health benefits, specifically, the inclusion of chest CT scans in the routine health check-up program. The proposal, initiated by the hospital's labor union, argued that this was a practice already adopted by other hospitals. The union's representatives highlighted, "Other hospitals have implemented this. We've been requesting it for several years, but it has always been rejected... Our hospital has followed the model of the First People's Hospital (a major public hospital in the region), where this has been added over the years." During the council meeting, a representative from DS Hospital emphasized, "We are a reform-oriented institution. The goal of reform is to ensure that employees feel their contributions are recognized. We want our employees to feel even though our wages are lower than other hospitals, our benefits are better, and they can be proud of their work. This is what reform should achieve. A small investment, like adding this CT scan service, will have a significant impact. I suggest we move forward with this proposal." (2nd Council meeting Recording and Work Diary, September 2020).

Both proposals were approved by the council, addressing long-standing issues related to employee housing and healthcare benefits. The council secretary remarked, "The employees said, 'You two Secretaries have really helped us. Someone finally spoke up for us... These benefits have been delayed for years, but now they are being addressed.'" One clinical director commented, "They (representatives of SB Capital) do not even receive their salaries here... They got them from SB Capital. What does this welfare benefit have to do with them?" (Work Diary, September 2020).

In this joint-stock hospital, while the ultimate decision-making authority formally rested with the Chairman of the council in accordance with standard corporate governance mechanisms, the priorities and strategic decisions regarding employee social welfare were significantly influenced by the Party Secretary and Discipline Inspection Secretary. This governance dynamic demonstrates how community logic began to permeate decision-making processes in the hybrid organization through the institutional roles of party-appointed officials, who served as bridges between corporate performance objectives and social welfare goals.

The other two members of the council, one from the local health commission and the other from the finance bureau, are representatives of state logic, which theoretically has also entered the hospital. However, these two officials, whose primary responsibility was to take care of

their own jobs at the Health Commission and Bureau of Finance, were part-time and unpaid at the Cance Hospital. They come to the hospital only for council meetings, where they would say, "...this is an internal matter for your hospital... I'm not familiar with the situation..." (Council Meeting Recording and Work Diary) or remain silent without taking a position. The city government and health commission do not intervene in decisions regarding the council's membership, CEO appointment, or council meetings. When DS Hospital reported to the health commission and the deputy mayor, the leadership would say, "...Just follow the Government Policy Document No. 72 of 2020..." and no further instructions were given (Work Diary, 2021).

Although the government has veto power in cases of legal violations, intentional defaults, or actions severely infringing on local government and public interests, this "golden share" power (veto power) has never been exercised by government representatives due to the lack of explicit authorization. Therefore, while state logic seems to exist in the governance structure, it was practically absent during this period.

Moreover, the transition from the "*danwei*" system to more market-oriented organizational models in the 1990s—particularly the restructuring of state-owned enterprises (SOEs)—did not completely dissolve the community logic embedded in these organizations. Even as Chinese enterprises adopted more modern corporate forms, they retained many of the functions traditionally associated with the "*danwei*," such as labor protection and welfare management. This persistence of community logic in Chinese organizations suggests that the concept of community is not merely a historical artifact but a significant driver of contemporary organizational behavior in China (Georgiou & Arenas, 2023; Han & Yao, 2022).

In the healthcare field, this community logic is evident in the operation of hybrid hospitals—institutions that blend public and private sector functions. While public hospitals in China operate under strict state control and fulfill policy objectives related to public welfare, hybrid hospitals face additional pressures to generate revenue. These hospitals must balance their obligations to serve the public good with the need to sustain financial viability. As a result, the management of hospital finances becomes a critical aspect of community logic, as securing the hospital's financial resources is seen as essential to safeguarding the collective well-being of staff, patients, and the broader community. This reflects a tension between community-based objectives (such as the provision of welfare and security) and the necessity of generating financial resources through market-oriented practices, often emphasizing cost-effectiveness, resource allocation, and the pursuit of profit (Ocasio & Radoynovska, 2016; Pina E Cunha et al., 2014).

The community logic within Chinese hospitals thus differs from Thornton et al.'s (2012)

idealized form in some significant ways. While community logic, in the abstract, is defined by a focus on loyalty, shared values, and mutual support, the version of community logic in China has been heavily influenced by the state's role in managing social order and economic resources. The Chinese “*danwei*” system integrated community logic with state-driven governance, creating a unique hybrid that combined bureaucratic control with communal welfare. Furthermore, while community logic generally emphasizes the provision of emotional and social support, Chinese hospitals face a more complex balancing act, incorporating elements of market logic and bureaucratic efficiency alongside their commitment to collective welfare. This dual focus on community loyalty and financial stability reflects the broader institutional pressures facing Chinese healthcare organizations in the contemporary era (Thornton et al., 2012).

During this period, as the shareholding ratio remained unchanged, SB Capital continued to be the controlling shareholder, determining the hospital's priorities and strategy, appointing the council members and hospital leadership, and selecting and implementing projects. Thus, market logic dominates, while community logic is in a subordinate position. State logic does not seem to be felt in this hospital in this period.

#### **4.1.3 The market and community logic conflict period (January 2021 - May 2022)**

To comply with the *Civil Code*, both parties donated their shares to the Cancer Hospital in February 2021, and neither held shares anymore. The hospital transitioned from a joint-stock non-profit hospital to a Civil Non-Enterprise Units (SSO) hospital with a legal status as endowment-funded legal persons. In March 2021, SB Capital established a similarly scaled for-profit general hospital (Geriatric Hospital) 4 kilometers from the Cancer Hospital. Due to a shortage of medical staff and management personnel, this for-profit hospital “negotiated with the Cancer Hospital to share doctors, equipment, and reputation, and jointly develop.” (Government policy document No. 72, June 2020). This opened the door for “tunneling behavior.” SB Capital transfers hospital medical resources to Geriatric Hospitals for profit, while DS Hospital must prevent this transfer of benefits to maintain the common interests of the hospital and its employees. Institutional logic is captured through the four category elements of the constructed analytical framework.

##### **4.1.3.1 Determining hospital priorities and strategy**

At the fifth council meeting on March 9, 2021, the proposed "2021 Hospital Equipment Procurement Plan" with a budget of 43 million yuan (to be implemented in four phases) faced

objections from DS Hospital representatives. They explicitly stated: "The first-phase plan allocates nearly half the budget (18 million yuan) exclusively to cardiovascular surgery and cardiology departments... Yet smaller equipment for other departments, some costing as little as 100,000 yuan, with cost recovery achieved within six months, is deferred to the second phase. Why such prioritization?" (Council Meeting Recording, March 2021).

DS Hospital Party secretaries revealed the underlying rationale: "This primarily stems from the Geriatric Hospital's strategic focus on developing these two departments. SB Capital intends to join the \*\*Cardiac Alliance (a healthcare consortium) and pursue an IPO (*Initial Public Offering*). Consequently, they prioritize acquiring specialized cardiac equipment using funds designated for Cancer Hospitals, while resisting procurement of low-cost devices essential to oncology departments" (Work Diary, March 2021). Despite these objections, the first-phase procurement proceeded, with subsequent phases remaining unimplemented.

#### **4.1.3.2 Appointment of the council and hospital leadership**

In China, the Communist Party Committee (referred to as the "Party Committee") plays a central leadership role in the governance structure of public hospitals. In February 2021, the Cancer Hospital, as a social service organization, also established a Party Committee. Although its functional positioning differs from that of a leadership body in traditional public hospitals, within China's unique political and social context, the Party Committee remains an institution of significant influence. During the formation of the Party Committee at this hospital, the Party Committee Secretary and the Discipline Inspection Commission Secretary jointly nominated all seven candidates for Party Committee members. However, on February 3, just before the Spring Festival, a meeting was held between the senior management of SB Capital and DS Hospital. At the meeting, SB Capital expressed strong dissatisfaction with the nomination process for Party Committee members, noting that it had not been formally discussed by the council and that SB Capital's representation in the Party Committee was disproportionately low, with only one medical deputy CEO being selected.

In response to this situation, SB Capital initiated a series of measures aimed at weakening the functions of the hospital's Party Committee. These measures included proposing a reorganization of the Party Committee to ensure that SB Capital representatives constituted a majority of the new Party Committee members and to re-elect the Party Committee Secretary, replacing the current DS Hospital Party Committee Secretary; restricting the scope of Party Committee meetings to only discuss Party affairs, excluding hospital operations and "three major and one big" issues (i.e., major decisions, important personnel appointments, major



project arrangements, and large capital expenditures); minimizing the frequency of Party Committee meetings; and establishing new rules for administrative office meetings that excluded the DS Hospital Party Committee Secretary and Discipline Inspection Commission Secretary from participating (Work Diary, March 2021).

However, due to strong opposition from the DS Hospital Discipline Inspection Commission Secretary, who repeatedly pointed out that these measures violated the "Constitution of the Communist Party of China," SB Capital's initiatives not only conflicted with social and field logic but also failed to be effectively implemented. Ultimately, the nomination of Party Committee members still followed the opinions of the two secretaries of the DS Hospital.

#### **4.1.3.3 Selection and implementation of projects**

In May 2021, SB Capital proposed reallocating certain departments of the Cancer Hospital, including a 120-bed neurology unit, to the Geriatric Hospital, initiating the transfer of 20 beds with plans to redistribute 50% of the remaining capacity subsequently. By July 2021, SB Capital further advocated for duplicating the Cancer Hospital's clinical department structure within the Geriatric Hospital. DS Hospital officials countered: "This violates the agreement; how is this not direct competition? If new departments are established, they must align with geriatric medicine, adopting designations such as Geriatric Internal Medicine or Geriatric Neurology. Replicating identical departments is unacceptable" (Work Diary, May 2021).

Despite objections, SB Capital bypassed collective council deliberation and unilaterally directed the heads of various clinical departments in the Cancer Hospital to establish outpatient services and inpatient facilities at the Geriatric Hospital. Concurrently, a performance evaluation scheme was implemented to incentivize physicians to refer patients from the Cancer Hospital for inpatient treatment at the Geriatric Hospital.

Leveraging its administrative control over human resources, finances, and assets, SB Capital executed personnel transfers to the Geriatric Hospital based on operational needs and diverted Cancer Hospital funds to cover the Geriatric Hospital's financial deficits.

Key developments in July 2021 included: SB Capital initiating the relocation of the cytology laboratory, the full transfer of the pathology department planned within two weeks, and a proposal to relocate the clinical laboratory department.

To preserve hospital capacity and departmental integrity, DS Hospital leadership intervened to halt 13 specific initiatives. However, due to power asymmetry and limited bargaining power, decision-making authority over most strategic initiatives remained predominantly under SB Capital's control (Work Diary, July 2021).

#### 4.1.3.4 Hospital ownership

At a staff representative assembly, one delegate articulated: "An 80% equity stake by SB Capital does not translate to 80% governance authority... Hospitals differ fundamentally from corporations — capital ownership cannot dictate operational control. 80% reflects purely financial equity... Your 1.6-billion-yuan investment in the Geriatric Hospital failed operationally? The reason is evident: the absence of human capital. Physicians constitute the core value of a hospital, an intangible asset excluded from SB Capital's equity valuation during the 80% share acquisition" (Work Diary, April 2021).

An SB Capital council member reacted vehemently: "This rhetoric is incendiary... It must not reach the President's (SB Capital's CEO) ears... Such statements risk destabilizing hospital staff!" (Work Diary, April 2021).

Another SB Capital executive informed the DS Hospital Party Secretary: "...This hospital is ultimately SB Capital's property... (DS Hospital leadership) would benefit from aligning with SB Capital's strategic priorities..." The capital entity asserted proprietary ownership, positioning DS Hospital as a subordinate operational unit (Work Diary, April 2021).

Notwithstanding SB Capital's formal divestment of ownership, the unchanged organizational structure and council composition enabled its continued de facto control over governance. However, having relinquished equity shares, SB Capital's persistent claims to be a majority shareholder faced legitimacy challenges from DS Hospital leadership (Work Diary, July 2021).

The establishment of the Geriatric Hospital precipitated institutional "rifts" between DS Hospital and SB Capital within the council, precipitating a legitimacy contest between community logic (prioritizing hospital interest) and market logic (emphasizing capital efficiency). While market logic retained nominal dominance, its influence demonstrably weakened compared to prior phases.

Applying the four-dimensional analytical framework: Community logic exhibited ascending influence, gaining substantive control over leadership appointments; State logic, though dominant in external regulatory contexts, remained passive in internal governance; Market logic demonstrated diminished organizational penetration.

This phase reflects a period of coexistence and contention between market and community institutional logics, where neither logic achieved complete hegemony. Instead, the two logics engaged in sustained competition within the hospital's governance structure. While market logic initially retained dominant influence through organizational imprinting and capital control

mechanisms, community logic progressively expanded its foothold by asserting legitimacy claims and mobilizing collective interests. This dynamic struggle resulted in the gradual erosion of market logic's uncontested dominance, though no single logic fully consolidated supremacy during this period. Rather than a hybridization of logics, the organizational field was characterized by a fluctuating balance of power.

#### **4.1.4 The mediation period (May 2022 - April 2023)**

SB Capital transfers hospital healthcare resources to Geriatric Hospitals' profits, while DS Hospital is compelled to halt this transfer of benefits to protect the collective interests of the hospital and its employees. In May 2022, the municipal government appointed a new local leader (new mayor). As the 2020 incidents remained unresolved, the new mayor tasked the deputy mayor and the director of the Health Commission to investigate the Cancer Hospital. Institutional logic is captured through the four category elements of the constructed analytical framework.

##### **4.1.4.1 Determining hospital priorities and strategy**

From June to October 2022, the health commission frequently convened meetings with SB Capital and DS Hospital for negotiations. Key findings included: "The hospital's financial operations were struggling, staff income had declined, and the asset-liability ratio had risen (to 87.3%) ... the mechanism for allocating medical resources had deviated, gradually evolving from joint development to prioritizing support for the Geriatric Hospital (a for-profit hospital established by SB Capital), while non-cancer departments of the hospital were drastically reduced. The hospital's human resource costs were not reasonably shared... There were certain risks to the overall stability and safety of the hospital..." (Archival document, August 2022).

Regarding the hospital's development direction, SB Capital and DS Hospital representatives engaged in heated debates and even confrontations. SB Capital believed the hospital should focus on developing oncology specialties, while DS Hospital representatives argued that: "The Cancer Hospital has always operated as a general hospital, with staff, equipment, and technical capacities configured for comprehensive services. The current oncology department lacks the capacity to sustain a specialized cancer hospital...Therefore, the hospital should position itself as a 'general hospital', reducing general services only after oncology capabilities mature" (Health Commission Report, August 2022).

Eventually, the health commission suggested that "by the end of December 2022, the Cancer Hospital should gradually resume the outpatient and inpatient services of its original

non-oncology departments and continue to develop according to the direction of ‘strong specialties, comprehensive services’” (Health Commission Report, October 2022).

According to this direction, medical and management staff from the Cancer Hospital working at the Geriatric Hospital (for-profit) were required to return to the Cancer Hospital. As a result, the Geriatric Hospital might immediately face business shrinkage and even a survival crisis. SB Capital strongly protested and expressed dissatisfaction, writing a special report to the mayor, proposing "to continue leading with SB Capital, in accordance with the Government policy document No. 72 (regarding the Cancer Hospital) that requires ‘doing what we should, and not doing what we should not,’ and firmly advancing the focus of the Cancer Hospital on developing oncology specialties and following the path of developing a specialized hospital." At the same time, "it is clear that the hospital should be managed and decided by the council of directors... and should exercise its authority according to the requirements for non-public institutions, without interfering in the hospital’s normal administrative and medical work" (Health Commission Report, December 2022).

#### **4.1.4.2 Appointment of the council and hospital leadership**

The appointment of the CEO and deputy CEO of the Cancer Hospital is primarily based on their comprehensive support for and compliance with SB Capital, rather than their ability or experience in hospital management. Although “the council appointed the hospital's executive management, their prestige and capabilities are not strong... Since the second round of reforms, the overall execution ability of the executive management has been relatively poor, resulting in low recognition and trust among staff, which is detrimental to the development of the hospital (Health Commission Report, August 2022).

The health commission recommended "that the government appoints the hospital’s leadership after evaluation, and the council follows the decision-making procedures to appoint them" (Health Commission Report, December 2022). However, SB Capital firmly insisted on executing the government Document No. 72 of 2020 "that the hospital CEO should be nominated by SB Capital," and further suggested "that the current party secretary and discipline inspection secretary should either be government officials working part-time or be recommended by SB Capital" (SB Capital Report, January 2023).

#### **4.1.4.3 Selection and implementation of projects**

As of the end of April 2023, the Cancer Hospital council has not implemented any of the Health Commission's recommendations, such as "gradually restoring existing outpatient and inpatient services" and the hospital's development positioning.

#### 4.1.4.4 Hospital ownership

The reason the health commission's suggestion could not be carried out was mainly because the executive team (hospital CEO and deputy CEO) and middle management were appointed by SB Capital. Despite the shares being donated, the structure of the council and the Hospital Constitution have not changed. The council remained under the control of SB Capital.

This created some confusion. In response to the first interview question, a key decision-maker expressed confusion: "What type of hospital is this? How should we define it? It's hard to say. If you say the sharing has been donated, SB Capital has sent so many managers to the hospital... Typically, you will send a financial person to check how the donated shares are being used. But (you said) if it's a private hospital, why does it follow the management of public hospitals? The government still needs to supervise it, which is (very strange)" (Interview, November 2024).

Another key decision-maker argued, "Our country's laws (The Law on Public Welfare Donations) stipulate that donations must be voluntary and without compensation. Donors should not attach specific economic benefits or claims to the donation, so why is SB Capital still able to use the hospital's experts, nurses, and other human resources, as well as its brand and reputation, for free?" (Interview, September 2024).

The director of the health commission believed, "Even though SB Capital is not the largest shareholder, it is still the primary founder... You (DS Hospital) must consider the investors... consider their interests as well..." (Work Diary, December 2022).

At the council meetings, several council members (SB Capital representatives) often emphasized, "We are the majority shareholders, so of course, we must prioritize financial returns and governance control in strategic decisions..." (Work Diary and Fieldnotes).

In early 2023, higher-level officials, including the vice mayor, intervened and called a work coordination meeting. At the meeting, DS Hospital representatives raised similar concerns but were criticized by the mayor. "Do not quote me legal texts, that's a lawyer's job... How can a hospital not have state-owned assets? If state-owned assets are lost, you (DS Hospital representative) will be the first to go in (to jail) ..." (Work Diary, January 18, 2023).

The vice mayor required that "the three core documents—Government policy document No. 72 of 2020, the Supplementary Cooperation Agreement (2021), and the Hospital Constitution—be strictly followed as the basic foundation for driving the hospital's work... Do not overstep your authority... The SB Capital should implement the nomination of the hospital CEO as soon as possible... Matters decided unanimously by the three core documents should

be promptly advanced... The business departments should be restored and operated, and the council should research and propose solutions. This year's goal is to focus on the preparation work for the 're-accreditation for Tertiary Grade A Hospital' (Government Coordination Meeting Minutes, January 2023).

As a result, the direction shifted. The hospital's development direction was changed to "specialized specialties, strong comprehensive services." Although it was a small change in wording, the return of non-oncology departments became more difficult, and the hospital's financial situation continued to deteriorate. The three core documents that needed to be strictly followed were based on SB Capital holding a majority share, and the authority to nominate and appoint hospital leadership still belonged to SB Capital.

During this phase, the health commission proposed "appointing the council and hospital executive leadership, selecting and implementing projects," but none of these suggestions were realized. In terms of determining the hospital's priorities and strategy, despite communication and negotiation between governmental and capital actors, the hospital's direction still followed SB Capital's view. As state logic and market logic competed for institutional dominance, state logic ultimately conceded, and the matter was hastily concluded. The hospital continued to adhere to the shareholder-first logic (market logic).

The conflict between community logic and market logic also became apparent. "Major matters in the council meetings were not adequately prepared, and there were significant disagreements between DS and SB on some major decisions. There was a lack of understanding of the council's procedures and rules, and it was common for meetings to be held without following the rules. Major issues were discussed but not decided, decisions were made but not implemented, and progress was slow, making it difficult to form a unified effort" (Health Commission Report, October 2022).

#### **4.1.5 The control period (May 2023 - present)**

Despite nearly ten months of work, the progress of the hospital's reform remained limited. In April 2023, both the vice mayor and health commission director were replaced. Through the four categorical elements of the constructed analytic framework, we capture the material manifestations and evolving dynamics of institutional logics.

##### **4.1.5.1 Determining hospital priorities and strategy**

Shortly after taking office, the new director of the health commission, based on prior research, issued a meeting summary on "Reform Matters for the Cancer Hospital" from the party

committee, which outlined a plan to "focus on the development of oncology departments and set up necessary general departments... move obstetrics and pediatrics to the Geriatric Hospital; fix the number and positions of medical staff for both hospitals and submit the list to the health commission for approval... the two hospitals should operate independently, with no personnel cross-appointments... financial transactions between the Cancer Hospital and the Geriatric Hospital should be strictly prohibited" (Health Commission Report, August 2023).

#### **4.1.5.2 Appointment of the council and hospital leadership**

In August 2024, the government, Health Commission, and SB Capital reached a consensus memorandum, which stipulated that the "...president of the DS Hospital, appointed by the government, will be hired according to procedure as the Cancer Hospital's CEO..." (Memorandum of leaders' appointments, August 2024). In other words, the government can directly appoint the CEO and deputy CEO of the Cancer Hospital. Despite a convoluted process, this was a crucial step, effectively breaking SB Capital's power to nominate the hospital CEO and transferring the authority to the government. From then on, the autonomy of the council in appointing leaders only exists on paper, but in practice, it does not exist.

#### **4.1.5.3 Selection and implementation of projects**

During council meetings, a health commission representative three times interrupted or criticized the vice chairman (SB Capital representative): "...The agenda is quite full today, and we're running out of time, so let's not go into too much detail. For now, the priority is 'ensuring basic survival'... There are too many issues; just follow the health commission's guidance and do not negotiate..." (35th Council meeting Recording, June 2024).

When a council member from SB Capital proposed an agreement to share personnel and equipment between the two hospitals (the Cancer Hospital and the Geriatric Hospital), the health official responded, "I have a different opinion. Last year, we already discussed the separation of personnel, finances, and resources for these two hospitals. If there's any personnel overlap, it will give the staff the wrong impression: how can the two hospitals still not be separate? I suggest that you do not formalize such an agreement. If there are clinical challenges, you can submit a report to the health commission" (35th Council meeting Recording, June 2024).

#### **4.1.5.4 Hospital ownership**

During a research meeting, the new director said: "Don't mess with the Health Commission. I have a hundred ways to deal with you. Go ahead and try—see that [XX Private Hospital]?"

They're tough, right? Now they obey every order." (Fieldnotes, January 2024).

"The mayor has issued instructions... this hospital (the Cancer Hospital) is different; it must be managed like a public hospital." (Fieldnotes, October 2023).

At this stage, the local health commission imposed a strongly authoritative logic. The council and its members had little autonomy in decision-making. The local health commission guided the hospital's development direction by determining its strategic priorities, clinical department configuration, and appointments to leadership positions. While the health commission symbolically communicated and negotiated with SB Capital's representatives, the implementation of policies was driven through administrative orders or informal administrative means. The regulatory body's dominance was so strong that it steamrolled through opposition. While market logic still had a say in non-strategic areas such as human resources and finance, state logic ultimately prevailed in the hospital's strategic planning, leadership appointments, and project implementation.

Previously, DS Hospital and SB Capital would engage in discussions, arguments, or even covert actions in and outside the council meeting room, each striving for their respective interests and values. However, now the health commission director demanded that DS Hospital representatives: "Your task is to supervise. If something happens, report to us, and we will handle it... (You) don't need to worry about it... We (the local health commission) will manage" (Fieldnotes, August 2024). The health commission directly liaised with the management team and SB Capital, leaving DS Hospital leaders as mere "observers" with no power to act. The influence of community logic became increasingly marginalized. However, the conflict between DS Hospital and SB Capital seemed to decrease.

### **Summary**

Through systematic observation and analysis of material manifestations within the organization, we identified the coexistence and interplay of state, market, and community logics in the governance of Chinese hybrid hospital councils. To capture, categorize, and document the complex dynamics of these institutional logics, we employed a council governance analytical framework, focusing on four key dimensions: the definition of strategic priorities, the appointment of council members and hospital executive leadership, the selection and implementation of major projects, and the evolution of ownership structures (Reay & Jones, 2016). Furthermore, we constructed a detailed timeline of critical events that significantly influenced the emergence, transformation, and entwinement of institutional logics, mapping their chronological development in relation to these pivotal moments (see Figure 4.1 and Table 4.1).



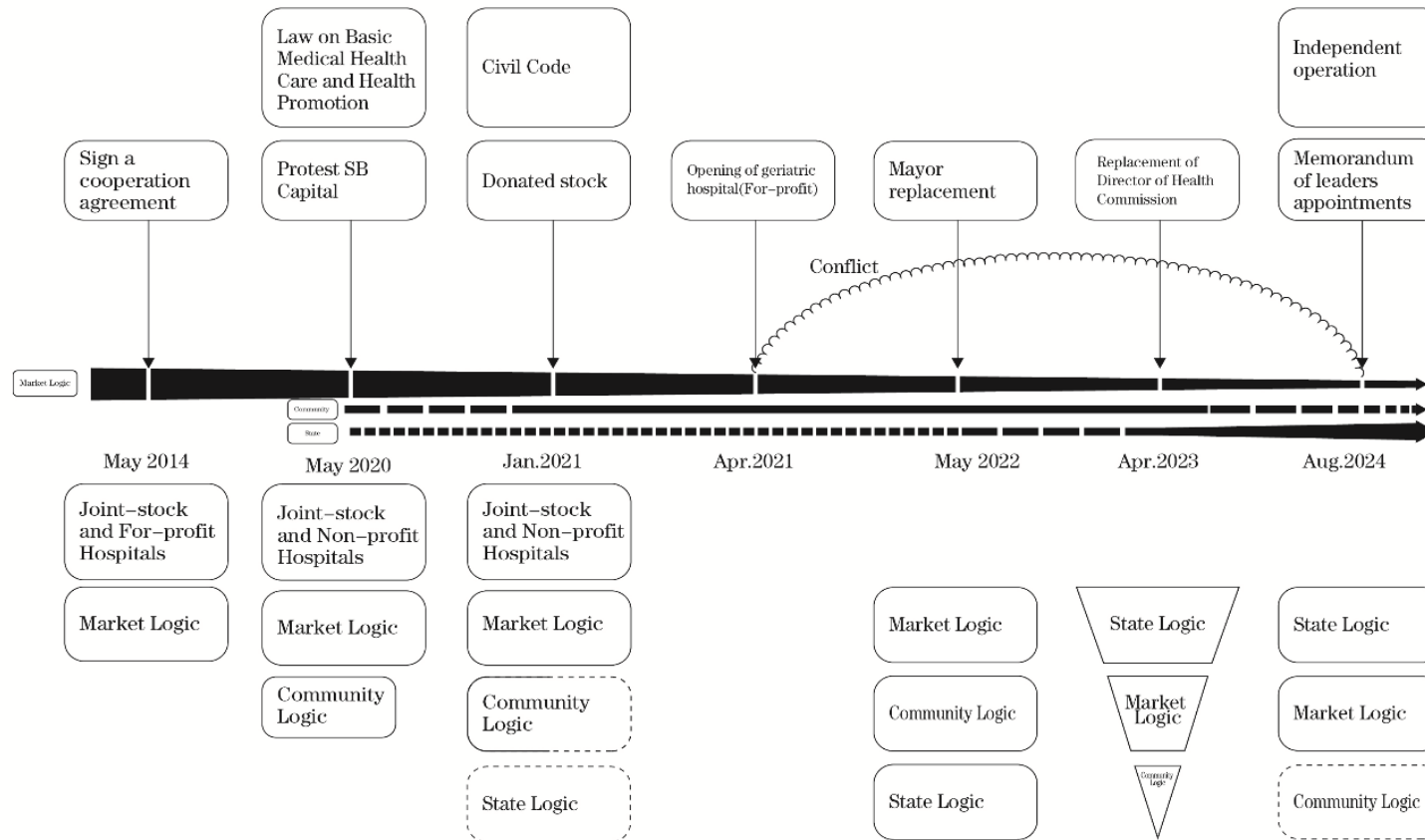


Figure 4.1 The formation and evolution of logic in hospitals and the chronology of pivotal events

Table 4.1 Pivotal events and their influence on logic

Period	Events		
Market period (2014.5-2020.5)	<i>CPC Central Committee Opinions on Medical Reform</i> <i>State Council Notice on Encouraging Non-state Capital in Healthcare</i> Sign a cooperation agreement	2009 2014	Non-state capital participation in the restructuring of public hospitals Joint-stock for-profit hospital
Community involvement period (2020.5-2021.1)	<i>Law on Basic Medical Health Care and Health Promotion</i> Protest SB Capital	2020.5	Establishing hospital council Joint-stock and non-profit hospital
Market& Community conflict period (2021.1-2022.5)	<i>Civil Code</i> Donated stock Geriatric Hospital opening	2021.1 2021.2	Social service Organizations
State mediation period Market& Community (2022.5-2023.4)	Mayor replacement	2022.5	Conflict
State logic control period (2023.4---)	Director of Health Commission Replacement Memorandum of leaders' appointments	2023.4 2024.8	

In Figure 4.1, the three horizontal lines in the middle represent the dynamic trajectories of the three institutional logics. The thickest solid black line reflects the continual presence of market logic, which gradually weakens as the line thins over time. The middle line, denoting community logic, begins with dashed segments at both ends, signifying its symbolic role in the organization; the solid portion, thinner than that of the market, illustrates its subordinate status. The bottom line, representing state logic, starts as a dashed line (implying symbolic or absent presence), later becoming a thick solid line, indicating the state logic's increasing dominance.

The curved wave lines illustrate fluctuations in conflict intensity among competing logics—rising, peaking, and then declining. Above the timeline, horizontally arranged boxes denote events such as legislation, partnership formation, and the emergence of key institutional actors. These align with the timeline to show the parallel trajectories and durations of different logics. The content of each box reflects changes in the hospital's legal nature and the evolution of logics. Dashed box borders indicate that the logic was not materially manifested in the organization; half-dashed borders represent logics that did not achieve full organizational status.

Specifically, in 2014, when DS Hospital—then a public institution—entered a partnership with SB Capital and established a hospital management company, operations became closely aligned with market logic.

Following the enactment of the *Basic Healthcare Promotion Law* in May 2020 and the subsequent employee protests, the hospital transitioned into a non-profit joint-stock entity. A community logic actor was introduced, though with minor shareholding and hence subordinate influence. Market logic remained dominant. However, in the immediate aftermath of the

protests, SB Capital temporarily relied on the community actor to stabilize the situation, resulting in a short-lived balance of power between the logics—forming a temporary cooperative partnership. During this period, market and community logics coexisted in a relatively balanced and complementary manner.

However, this equilibrium was short-lived. In response to new legal requirements, both SB Capital and DS Hospital were compelled to donate their equity, resulting in formal legal equality. Nonetheless, due to organizational imprinting, SB Capital—despite relinquishing ownership—continued to exert substantial influence over decision-making and priority-setting. Market logic, embodied by its former majority shareholder status, effectively marginalized community logic in practice. This persistence of market logic supports institutional theory's emphasis on path dependency (Thornton et al., 2012).

However, when SB Capital opened a for-profit geriatric hospital, signaling self-serving tunnel behavior, community logic began to actively compete with market logic in decision-making, leading to intensifying conflicts. This critical event thus functioned as a trigger for the strengthening of community logic. Representatives of community logic leveraged legitimacy claims and field-level strategies to erode the dominance of market logic, gradually infiltrating governance structures and escalating the conflict. Under a shareholder-dominant governance orientation, government officials actively supported market-driven behavior, reflecting the broader sociopolitical openness in China toward market logic and capital interests. As a result, market logic remained dominant, prioritizing investment return maximization and exacerbating tensions with community logic.

Amid leadership changes among key government actors, the government was compelled to intervene, and state logic began to surface. Initially, the role of state logic was weak and mainly served as a mediator between market and community logics. However, due to SB Capital's unwavering adherence to market logic, the mediating efforts proved ineffective. Consequently, the government intensified its intervention, including reshuffling senior government leadership. Over time, state logic assumed an increasingly dominant role. The government deepened its involvement through equity control (e.g., the “golden share” mechanism), regulatory compliance (e.g., Document No. 72 of 2020), and party committee embedding mechanisms, issuing administrative directives directly to the hospital board to enforce state logic and safeguard public welfare.

In addition, informal control measures—such as legitimacy-based discursive deterrents—played a crucial role, consistent with Wang et al.'s (2023) concept of “regulatory reliance.” Under strict regulatory and policy constraints, state logic gradually constrained market logic

while simultaneously suppressing community-driven governance initiatives (Wang et al., 2023).

This research reveals that the evolution of state logic in China's hybrid hospitals follows a distinct trajectory. The enduring embeddedness of state logic reflects the government's deep involvement in healthcare governance beyond regulatory oversight, encompassing operational and structural dimensions. Substantively, the government's influence is manifested in institutional structures, including legal frameworks, administrative systems, and financial mechanisms. The government modernizes hospital governance and enforces transparency through approved regulations, standards, health insurance, and fiscal mechanisms assuring equity and collective welfare in healthcare delivery.

Symbolically, state logic operates through national campaigns like "Healthy China," repositioning hospitals as central actors in the realization of public health policies and human rights discourses. These actions mirror China's broader social transformation and legitimacy-building goals, with healthcare occupying a strategic role in national development narratives. In this context, hospitals are not merely healthcare providers but serve as platforms for executing political and developmental agendas.

Throughout the hospital's transformation, state logic effectively curbed the expansion of market logic and facilitated a more balanced interaction with community logic. As the hospital evolved into a more clearly defined and independently operating entity, state and community logics began to converge, fostering a more coherent governance structure. Although the initial protest temporarily amplified the influence of community logic, its legitimacy claims were eventually absorbed into state logic, highlighting the governance dilemma of "symbolic hybridity" in transitional economies (Haveman et al., 2023).

While market and Professional logic have made inroads into certain healthcare domains, state logic remains a defining force in hospital governance—shaping everything from resource allocation to strategic priorities. In the early stages of our study, although two government-appointed officials served on the council, their symbolic presence, constrained by a shareholder-dominant governance logic, reflected broader societal openness to market forces and capital interests. These representatives did not enact or advocate for state institutional imperatives.

However, when SB Capital's tunnel behavior compromised the oncology hospital's mission and reform goals, market logic—prioritizing return on investment—escalated conflicts with the community logic. In response, the government attempted intervention, positioning itself as a mediator between SB Capital and DS Hospital. Yet SB Capital resisted on all fronts—rejecting proposals to appoint new hospital leaders or collaboratively define strategic priorities—forcing operations to remain governed by market logic. In the end, the government opted to

compromise and retreat, bringing the matter to a hasty and perfunctory conclusion.

In 2022, a new mayor took office, followed by a new director of the local Health Commission in 2023. These pivotal shifts disrupted institutional legitimacy and practice, prompting the government to intensify intervention. Administrative directives were issued directly to the board, with the government assuming a central decision-making role. This suppressed market logic and marginalized community logic.

Over the past decade, the Cancer Hospital has undergone persistent shifts in its foundational institutional logics, resulting in ongoing instability and organizational turbulence. Tracing the historical roots of these dynamics reveals a set of interrelated drivers, including the legal environment, national and global economic conditions, government power, market influence, and cultural traditions. Notably, the entry of state logic did not fully displace market or community logics. Instead, their coexistence and competition have amplified institutional complexity. Despite state dominance in the external field, the internal structure remains largely shaped by market imperatives. The misalignment between field-level and organizational-level logics further exacerbates this complexity.

## **4.2 Council governance practices**

We analyzed interview transcripts, observational data, and archival documents to identify and categorize the behaviors of key actors in the hospital council and the conflict resolution strategies that emerged during the decision-making processes. Figure 4.2 illustrates how we transitioned from empirical themes to conceptual categories and aggregated theoretical dimensions in our analytical process (see Figure 4.2).

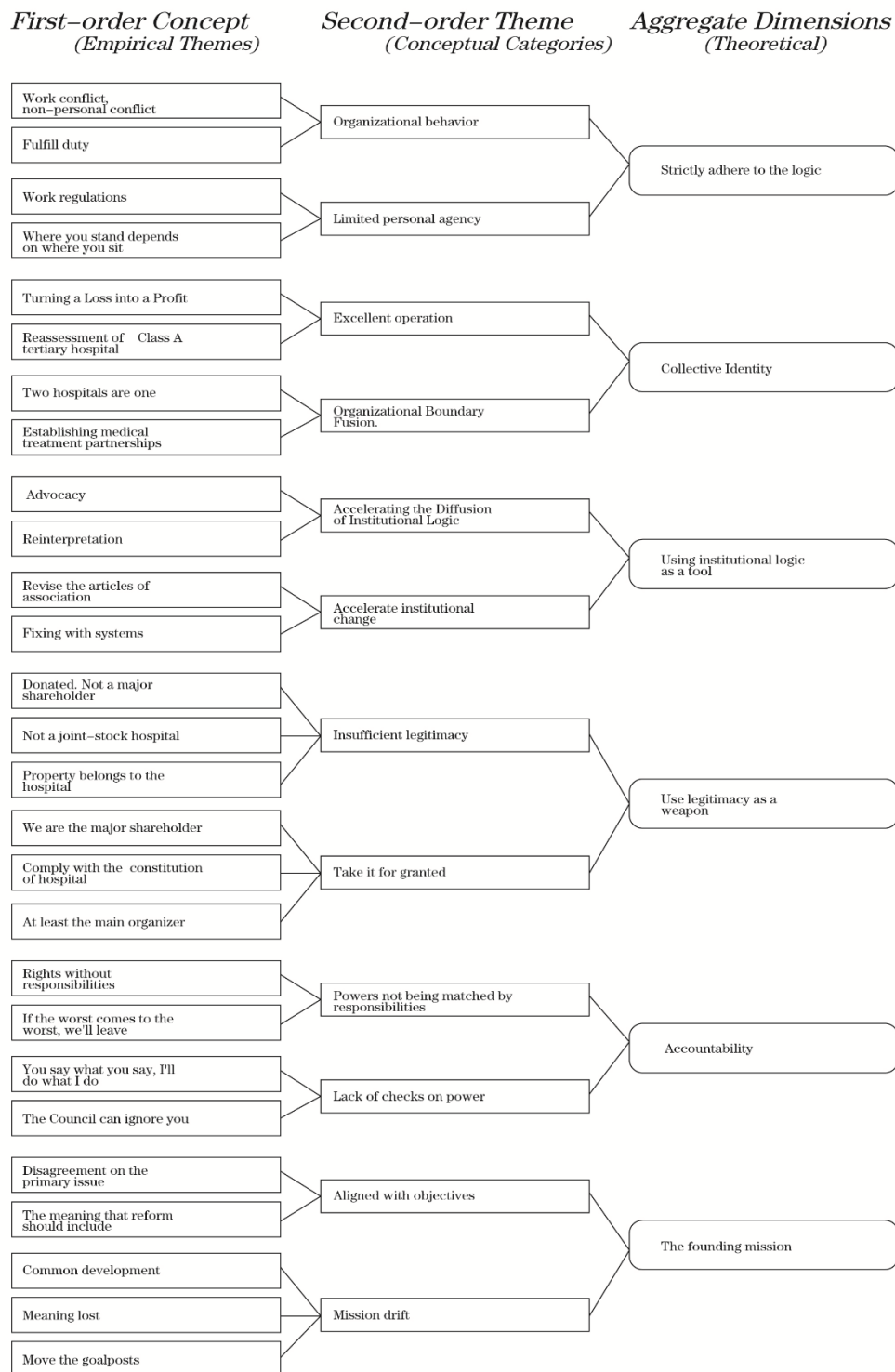


Figure 4.2 Data structure

#### **4.2.1 Adhere strongly to institutional logics**

Most studies contend that individuals are unlikely to carry multiple institutional logics simultaneously, particularly when confronted with logic conflicts—in such situations, they tend to defend the logic with which they most strongly identify. However, little is known about when and how individuals become constrained by these logics in the first place. (Malhotra et al., 2020) .

During interviews, one council member stated: “There are no personal conflicts, only work-related conflicts... We are not teenagers anymore... It’s akin to public hospitals (just like any other public hospital, you’re bound to encounter these kinds of professional tensions and clashes in the workplace)...” (Interview, September 2024).

Another council member said: “Your role defines your perspective. We aren’t friends; we’re adversaries—no, to be precise, political adversaries, rivals in this arena.” (Interview, December 2024).

Similarly, a representative of SB Capital remarked: “We have no choice but to obey the boss... We work for the company, and you do the same... I am a professional manager... I have my own integrity... We have no personal opinions” (Interview, October 2024).

First, we extracted the aforementioned raw quotes directly from participants' statements as first-order empirical themes, such as “non-personal conflicts” and “fulfilling duty”. These were then inductively categorized into the second-order concept of “organizational behavior”. Concurrently, quotes including “work regulations” and “where you stand depends on where you sit” were coded as the second-order concept “limited personal agency”.

Thus, the council members' actions are organizational actions rather than expressions of personal agency. Members of the council from SB Capital, DS Hospital, and the local government represent their respective organizations in the council. Their behaviors are organizational behaviors, as they are acting on behalf of their organizations. Simultaneously, the clear authority, strict hierarchical control, and discipline inherent in bureaucratic organizations limit their individual agency. Finally, these two second-order concepts (“organizational behavior” and “limited personal agency”) were synthesized into the theoretical dimension “Adhere strongly to institutional logics.” The strong commitment of SB Capital’s council members to advancing market logic is particularly noteworthy. In contrast, while government and hospital representatives are also resolute actors, their adherence to the logic is less pronounced than that of SB Capital representatives. A deputy director of the local Health Commission commented, “When undertaking any task, it must be done resolutely. Once

something is decided, it should be pushed forward without hesitation... You (DS Hospital and government representatives) are too soft in your approach... SB Capital pushes things forward like this (with unwavering determination)" (Interview, October 2024).

There are three reasons behind this difference in commitments: First, SB Capital has four council representatives, while DS Hospital and the government each have only one. Resentative volume dilutes individual agency; larger groups reduce per-member influence. Second, government representatives are part-time and unpaid, with their primary responsibilities in the government department. This workload leaves them poorly equipped to handle such a complex situation. One government representative expressed: "I have my own pile of work... there's no one in my department to help... I'm the only one doing everything... I'm at an age where I can't even finish my own tasks... I really do not want to do this (council member role)" (Interview, October 2024).

Third, authorization is crucial. A government representative explained: "Before the new director came in, for four years, no one contacted me. There have been so many meetings about the Cancer Hospital, but I was never asked to report on the situation; it was as if I didn't exist... Now, after the new leader arrived, the first thing they did was ask about the hospital situation, saying I was sent by the government to play a role... now every time we have a council meeting, there are clear instructions for me..." (Interview, October 2024). Authorized council actions are representative of the organization's intent, ensuring compliance with institutional logics.

### **Summary**

Within the hybrid hospital council, both individual and subgroup representatives embody a firm adherence to institutional logics.

Research by Malhotra et al. (2020) indicates that individuals find it difficult to freely express their personal identities, values, and beliefs in the workplace, particularly those that are deemed illegitimate under prevailing logics. While individuals may acquire multiple logics through their personal and professional networks, they may not be able to access their personal logic in the workplace, as only their professional or work-related logics are likely to come to the forefront or be considered appropriate in workplace interactions (Lok, 2010; Thornton et al., 2012). When organizational change programs are introduced to adapt to shifting societal logics but contradict the dominant workplace logic, employees may resist change, even when they personally value the societal transformation (Malhotra et al., 2020).

Meanwhile, each individual actor cannot singularly control the shape of the social order (institutional logics). While this may be possible in a dictatorial regime, it is not feasible in a democratic society. No matter how hard each of us tries to change the social order, we will be



powerless without the cooperation of our peers.

Previous research (Greenwood et al., 2011; Pache & Santos, 2010) has focused on the political or power dynamics and conflict management of representatives of different logics. Individual power and political skills within an organization may influence the strategies the organization adopts. However, this result undermines the pure mechanism of institutional logics as an organizational principle. Almandoz (2014) studied hybrid organizations that combine competing logics, arguing that individuals as representatives of institutional logics are constrained by institutional forces. Specifically, the institutional background of founders may exert significant influence on their practices, impacting the organization's risk management. Individuals tend to conform to the group's influence, and the assumptions, values, and preferences related to those logics are internalized by team members. As a result, individual behavior is more likely to align with the subgroup norms that are activated. However, the degree to which individuals are embedded in various institutional logics varies, leaving room for agency. This space for agency is moderated by team size: in larger teams, where collective action is emphasized and responsibility is diffused, individual agency tends to diminish; in smaller teams, individual discretion becomes more prominent, as institutional constraints are comparatively less reinforced.

Hesse et al. (2019) similarly observed that German civil servants (of various public authorities and agencies) are, almost without exception, performing their duties in accordance with the law and following policies.

According to Kinder et al. (2022), collective agency (e.g., from the state, working-class, or corporate logics) differs significantly from individual agency. While individual consciousness is shaped by cognitive and affective influences, collective consciousness is embedded externally. In the case of the hospital council, the four representatives from SB Capital, organized hierarchically, demonstrated remarkably constrained agency compared to individual council members. Their actions were rigidly dictated by institutional logics, leaving little room for independent initiative.

Likewise, health commission representatives, who initially lacked institutional legitimacy during the "national logic regulatory phase," shifted to actively advocating for state logic in the subsequent phase. This transformation primarily stemmed from their enhanced organizational legitimacy, and once formally authorized, the strict discipline and accountability embedded in the bureaucratic system ensured that they fulfilled their duties in alignment with state institutional logics.

### 4.2.2 Strategies for Resolving Conflicts and Contradictions

In response to the sixth interview question, "Have any conflicts or contradictions formed?", almost all participants acknowledged the inevitable existence of conflicts, stating, "There are definitely contradictions; this (structural design) inherently leads to conflicts," and "Conflicts certainly exist..." (Interview, September and November 2024).

In complex institutional environments, there are greater opportunities for accessing strategic resources and action, which, in turn, can contribute to the organization's growth (Thornton et al., 2012). Particularly, hybrid organizations are increasingly recognized as powerful tools for addressing global challenges (Karré, 2022). Thus, it becomes critical to seek strategies that manage conflicts and contradictions, leveraging strengths while mitigating weaknesses.

#### 4.2.2.1 Temporary collective identity construction

As a cross-sector partnership, the Cancer Hospital can establish itself as a coherent entity through the achievement of mutual benefits and internal solidarity. Collective identity construction provides partners with a "sense of collective awareness" — a shared feeling of "unity." A strong collective identity fosters higher levels of commitment and guides organizational behaviors, contributing to the partnership's success (Kavanagh et al., 2020).

The process of constructing a collective identity does not occur spontaneously. Establishing common collective goals is central, offering overall direction for the formation of this identity.

The local government has successively set two collective goals. The first, "Turning a Loss into Profit" (from February to May 2023), was articulated during a government coordination meeting in early 2023. The vice mayor announced the collective goal, stating, "I will personally visit the hospital with you (the primary representatives of capital) to the provincial government if you achieve this goal within three months" (Work Diary, January 2023).

The second collective goal was "Re-accreditation for Tertiary Grade A Hospital" (from July to December 2024). The Director of the Health Commission stated, "If the hospital fails ..., I will be held accountable by the mayor. However, the responsibility starts from the bottom up—you (SB Capital, DS Hospital) are part of the same entity, and both of you (DS Hospital leaders) must take responsibility first" (Fieldnotes, October 2024).

The collective goals of "turning losses into profits" and "re-accreditation for Tertiary Grade A hospital" both represent and enhance the hospital's operational excellence. We classified these objectives under the second-order conceptual category "Operational Excellence". Simultaneously, due to shortages of medical and management personnel, the Geriatric Hospital

negotiated with the Cancer Hospital "to share doctors, equipment, and reputation, and to jointly develop services" (Government Policy Document No. 72, June 2020). Consequently, we inductively categorized the first-order empirical themes "Two hospitals are one" and "Establishing medical treatment partnerships" into the conceptual category "Organizational Boundary Fusion". These two conceptual categories were then aggregated to form the theoretical dimension "Collective Identity".

Faced with these goals, the two parties at the hospital had no choice but to unify their efforts, focusing on completing the two collective goals. This period marked a phase of calm and hard work within the hospital.

For example, after achieving the second collective goal, coinciding with the New Year, the Cancer Hospital hosted an awards ceremony and a festive gathering, followed by a council meeting. During the meeting, the Finance Bureau official remarked, "I'm astonished... It's been some time since my last visit, but today, I can see tangible progress. Other hospitals aren't faring nearly as well..." (39th Council Meeting, January 2025).

A council member of SB Capital said, "This has been the best period in over four years. I feel that everyone is truly united, working together—there's a significant improvement in staff morale and energy" (39th Council Meeting, January 2025).

In theory, organizational actors, as supporters of competitive logic, are able to temporarily set aside their differences and work toward a common goal (Reay & Hinings, 2009). However, as the Chinese proverb goes, "While the tree craves calmness, the wind refuses to cease." The dominant actors within the organization (those holding power positions or the strong ones) may disrupt this fragile "truce".

During the "Turning a Loss into Profit" phase, SB Capital covertly pressured 227 doctors to terminate their contracts with the Cancer Hospital, transferring them to the Geriatric Hospital. At the council meeting held on February 9, 2023, a heated argument broke out between DS Hospital representatives and the chairman (SB representative), who remarked, "You've taken away so many medical staff without informing us. Are these staff necessary for the Cancer Hospital? Will this affect clinical work? What will be the impact on the hospital?" (Council meeting Recording, February 2023).

During the preparation for the "Re-accreditation for Tertiary Grade A Hospital," in July 2024, SB Capital, without consulting the council or the Health Commission, directly allocated 28.57 million yuan to the Geriatric Hospital under the guise of rent. It wasn't until a month later that the chief accountant exposed the matter, leading to strong opposition from both DS Hospital and the Health Commission. The main leader from DS Hospital explained, "The council had

discussed this matter, but there were concerns back in December 2023 regarding the rent, area, and other details, which were unilaterally decided. Now, with the hospital's financial difficulties, owing money to suppliers and facing shortages in clinical supplies, we should first pay off our debts to suppliers. This payment violates hospital regulations and financial policies, and we need to take action." (Health Commission, 2024-10).

### **Summary**

The construction of collective identity is not intended to balance competing institutional logics, nor is it a process of decoupling logic and practice. Instead, it centers on the formation of collective identity through common organizational goals. However, constructing a collective identity is a complex strategy that requires a set of resources and skills to succeed, and it is a challenging transition that demands time and consistent leadership (Kavanagh et al., 2020).

In hybrid organizations, when institutional logics conflict, power asymmetries typically lead dominant actors to impose their institutional demands on the organization and subordinate actors rather than engaging in negotiation or collaboration. Consequently, there is minimal incentive for collective identity construction. Paradoxically, while collective identity building may be a strategy that subordinate actors are more inclined to adopt, their resource and capability constraints render organizational goals proposed by these actors unlikely to become shared objectives. This dynamic often necessitates external intervention to initiate the process, assisting in identifying common goals and facilitating collective identity formation through shared practices within an aligned framework. Empirical case studies reveal that both documented instances of collective goal formation were externally proposed by government or regulatory regimes.

Given the sustained nature of inter-organizational relationships, collective identity and shared consciousness tend to dissipate once common goals have been achieved. Thus, collective identity is inherently temporary and requires continuous rediscovery and reconstruction. This dynamic process may be a key driver of vitality and innovation, and it may also explain why hybrid organizations are particularly well-suited to addressing complex challenges.

The hospital council's ability to mobilize its power and resources to achieve its goals, and which means or solutions are considered appropriate to accomplish those goals, is governed by institutional logics. Battilana and Dorado (2010) argue that directing employees' attention toward operational excellence, while simultaneously creating a shared organizational identity, enables members of hybrid organizations to navigate conflicting institutional logics. Such a collective identity helps prevent the emergence of subgroups, which tend to emphasize tensions between the constituent logics by reinforcing differentiated identities.

In contrast to Battilana and Dorado's (2010) study, where the hybrid organization remained a unified entity, the Cancer Hospital examined in this research operates as a partnership structure, particularly within the hospital council, where distinct subgroups are present. This research thus extends the analysis to the council level, revealing how temporary collective goals can serve to suppress subgroup-based tensions among the leadership. The collective goals of "turning losses into profits" and "re-accreditation for Tertiary Grade A hospital" are both representations and promotions of the hospital's operational excellence. These temporary goals contribute to the creation of a provisional collective identity. Moreover, by orienting the leadership's attention toward excellence in operations (e.g., attaining financial turnaround), logic-based conflicts among council members are temporarily muted. However, this truce remained fragile, as evidenced by SB Capital's covert resource diversion. This finding extends Battilana and Dorado's (2010) insight into the development of collective identity among organizational members.

As a result of temporary collective identity construction, conflicts between SB Capital and DS Hospital representatives are temporarily suppressed. However, support for one institutional logics or another tends to be cyclical, as truces between organizational actors are rarely permanent (Dunn & Jones, 2010). SB Capital's two covert maneuvers, transferring human and financial resources to its own for-profit hospital, have severely disrupted the high-quality operations of the Cancer Hospital. This strategy necessitates protective mechanisms to suppress the impulse of the dominant logic to achieve its own objectives and to support weaker members within the organization in realizing common goals.

#### **4.2.2.2 Using institutional logics as tool**

China operates under the comprehensive leadership of the Communist Party. However, the "comprehensive leadership of the Party" is not institutionalized in SSO. The governance structure of public hospitals in China is characterized by the "president accountability system under the leadership of the Party committee," but as SSO, they do not have a clearly defined field logic, thus providing space for practical cooperation among partners.

A representative of DS Hospital remarked: "From north to south, the Party oversees everything—Party activities, talent, cadres, and publicity—all are fundamental requirements of the Party..." (Fieldnotes, August 2023). Although the hospital formally established a Party Committee, its organizational authority remained weak. In practice, SB Capital retained de facto control over executive appointments and personnel evaluation, as the hospital's constitution stipulated that SB Capital nominates the CEO, and the middle- and senior-level

staff were assessed and managed directly by its representatives. If Party oversight had been institutionally empowered, it would have constrained such concentrated authority. This situation illustrates the attempt by DS representatives, as minority shareholders, to change and reinterpret symbols and practices, attempting to modify the social relationships between institutional structures and the organizations involved. They leverage broader social principles or higher-level logic as tools to elevate their own logic within the organizational hierarchy.

However, a leading official from the Health Commission stated: "...It is correct for (hospitals) to uphold the Party's overall leadership. But (in the Cancer Hospital), it does not implement the president accountability system under the leadership of the Party committee, but rather a president accountability system under the leadership of a council of directors. It must be clarified that leadership by the Party committee and the Party's leadership are not identical in meaning..." (Fieldnotes, May 2024).

The council is a non-hierarchical institution, where all council members hold equal rights and status in the decision-making process. The council chair plays a "first among equals" (*Primus inter pares*) role, mainly coordinating and guiding, rather than exercising hierarchical authority.

However, SB Capital has tried to turn the council into a hierarchical structure, imposing regulations that state, "The council chair is the chief leader of the Cancer Hospital" (Archival document, August 2021). Additionally, during council meetings, SB Capital council member remarked, "Please let the chairman decide... you will make the final call." (Work Diary, July 2021). Thus, the council's operating mechanism has been modified. The decisions are no longer made by a voting system, but by empowering the chairman to make the final decision.

### **Summary**

The contradictions between diverse institutional logics enable individuals, groups, and organizations to shift identities, organizational structures, and social practices (Friedland & Alford, 1991). Consequently, individuals and organizations can leverage these contradictions and mobilize different logics to support those that align with their interests (Greenwood et al., 2011). Actors (including individuals, groups, and organizations) can select cultural elements from higher-level institutional logics and apply them to lower-level logics to change the logic (Haveman et al., 2023; Thornton et al., 2012).

Both parties involved in the hospital collaboration employed institutional logics as strategic tools. Although SB Capital sought to reinforce its dominance by actively promoting and reinterpreting its preferred logic, its actual use of such logic—both in frequency and in commitment—was relatively limited. This is because SB Capital had already secured a position

of power through the council structure, enabling it to translate its own objectives into organizational goals without needing to exert extensive justificatory efforts.

In contrast, DS Hospital, positioned as the subordinate partners within the Cancer Hospital, leveraged dominant institutional logics in the broader field to enhance its organizational influence. Of course, if the logic being invoked or interpreted lacks dominance in the field, its effectiveness will be significantly reduced. Therefore, the success of this strategy depends on the dominance of instrumentalized logic within the institutional field.

Given the inconsistency between organizational logic and field logic and recognizing the dominance of national logic in the larger society, DS Hospital invokes social order to propose amending the Hospital Constitution by incorporating the Party's comprehensive leadership and establishing supporting systems to solidify the dominance of community and national logics within the hospital. Symbolic measures such as the ranking of hospital leadership and the rotation of council chairs are simultaneously advanced to externally demonstrate the dominance of this logic and accelerate institutional change.

McPherson and Sauder (2013) suggest that actors pragmatically and creatively invoke the "competitive" logic of other members of the drug court team, demonstrating that local context logics are akin to tools that can be "picked up" and used by actors to achieve personal or organizational goals. DS Hospital, however, invokes social logic, not the "competitive" logic of other organizational members. This extends the research of McPherson & Sauder.

Social actors attempt to treat social order as a "toolbox" that serves their interests (Swidler, 1986). This invocation represents organizational actors looking upward to draw from higher social orders beyond the field logic (Alexius & Furusten, 2019).

In our coding process, the first-order empirical themes "advocacy" and "reinterpretation" were inductively categorized into the second-order conceptual category "Accelerating the Diffusion of Institutional Logic." Concurrently, the first-order themes "revise the constitution" and "fixing with systems" were grouped under the second-order category "Accelerating Institutional Change." These two second-order categories were then theoretically aggregated to form the overarching dimension "Using institutional logic as a tool."

#### **4.2.2.3 Using legitimacy as a tool**

Max Weber was one of the earliest scholars to emphasize the importance of legitimacy. In everyday organizational management practices, institutions provide behavioral standards and value norms that guide the organization. An organization's survival is contingent upon adhering to the rules, norms, and operating models that are commonly present within its environment

(DiMaggio & Powell, 1983). In hybrid organizations, council governance is a key mechanism for balancing institutional logics and fostering both external and internal legitimacy (Maria & Caroline, 2015).

There are multiple dimensions of legitimacy, and hybridity offers organizations the opportunity and flexibility to select elements from different institutional logics that enhance their legitimacy for survival and development (Battilana & Dorado, 2010).

Representatives from DS Hospital have expressed their concerns about the insufficient legitimacy of SB Capital's management from four dimensions: ownership, reputation, accountability, and council composition.

The first is ownership. "What major shareholders? They've donated all their shares... but the reality is that SB Capital is in charge. They make all the decisions and believe this hospital is theirs..." (Interview, October 2024). The leadership of DS Hospital publicly stated at a staff meeting, "Our hospital is an SSO. Both parties involved have donated their shares to our (Cancer Hospital) hospital" (Work Diary, July 2022).

The second is reputation. "...SB doesn't care about our staff... their actions have no boundaries, they're very ruthless..." (Interview, September 2024).

"...SB Capital went bankrupt, and the debt committee has been stationed at their company every day..." (Work Diary, March 2023).

"Other local hospitals view us as a joke... they ask us about our hospital whenever we meet, and other hospitals won't associate with us. We always feel inferior when we go out" (Fieldnotes, September 2023).

The third is accountability. "No one takes primary responsibility for the *"danwei"* (Cancer Hospital) ... the government needs to clarify rights and responsibilities. Right now, SB Capital has rights but no responsibilities... If there's a deviation, it's because the other party breached the contract, but no one is held accountable..." (Interview, September 2024).

"They do not say anything, just do whatever they want. This is their (SB Capital's) power. In government or public hospitals, this situation would not be allowed" (Interview, September 2024).

The fourth is Council Structure. In DS Hospital's report to the Health Commission, "The original council structure was based on SB Capital holding 80% of the shares. Now that the hospital's nature has significantly changed, the council should be reorganized. According to Chinese laws and regulations, donations must be voluntary, without commercial intent, and without conditions. We suggest designing the governance structure based on the 'endowment-funded legal persons' with each donor appointing one council member, and the total number of



council members should not exceed one-third of the total" (DS Hospital Report, August 2023).

"After the *Civil Code* was enacted, our hospital attains the status of endowment-funded legal person. You (SB) no longer hold shares and should withdraw ... you can no longer occupy this position..." (Interview, December 2024).

Through iterative analysis of triangulated data (interviews, participant observations, and archival documents), we identified three first-order empirical themes reflecting contested legitimacy claims: "Donated. Not a major shareholder", "Not a joint-stock hospital", and "Property belongs to the hospital". These were inductively categorized into the second-order conceptual category "Insufficient legitimacy", capturing perceived deficiencies in organizational legitimacy.

However, SB Capital continues to insist on being the major shareholder, making decisions in the council meetings according to shareholder rights, and publicly claims, "SB Capital's Cancer Hospital." They also arranged for all hospital staff to study the Hospital Constitution, substantively and symbolically creating internal systems and procedures that maintain the position of the major shareholder. In accordance with the theory of organizational imprinting, SB Capital has continued to receive external support. Some external stakeholders maintain that, although SB Capital is no longer the majority shareholder, it remains the primary founder of the organization (Work Diary, December 2022).

Parallel analysis revealed three countervailing first-order themes: "We [SB] are the major shareholder", "Comply with the Constitution", and "At least the main organizer". These categorized into the second-order category "Taken-for-Granted " legitimacy, denoting institutionalized acceptance of authority.

Through theoretical aggregation, these opposing categories were aggregated into the core dimension "Using legitimacy logics as tool"—a strategic process whereby actors instrumentalize legitimacy judgments to advance institutional positions.

### **Summary**

Legitimacy is a widely held belief or assumption that an entity's actions are desirable, proper, or appropriate within a system of socially constructed norms, values, beliefs, and definitions. Suchman (1995) asserts that legitimacy is not only a resource for organizational survival but also a weapon for the weak to resist. Although the dominant actors (SB Capital) use ownership to emphasize their compliance with institutional logics and to garner external support, the other dimensions of legitimacy, particularly the external perception of SB Capital, cannot be easily explained or acquired.

Legitimacy exists both objectively and subjectively; it is a widely perceived phenomenon

that represents the general perception of an organization by various stakeholders both within and outside the organization (Suchman, 1995). Several dimensions of legitimacy demonstrated in the case hospital show that relationships and reputation are crucial to an organization's legitimacy (Conway et al., 2015). An organization's legitimacy depends on the consistency between its governance and the expectations of its environment, with the composition of the council playing both a substantive and symbolic role in the organization's quest for legitimacy (Perrault & McHugh, 2015). Scholars have drawn a connection between legitimacy and accountability, suggesting that non-profit organizations enhance their legitimacy by demonstrating accountability. Transparency is crucial for all organizations, but it holds particular significance for non-profit organizations. The transparency of information disclosed to stakeholders constitutes a key element of accountability in the non-profit sector. Placing attention on how organizations respond to stakeholder expectations and demands is essential for managing the organization in a way that fulfills its mission and upholds its institutional legitimacy (Ortega-Rodríguez et al., 2020).

Due to power asymmetry, dominant partners may possess sufficient power to make their views prevail without expending resources to negate or attack the challengers' actions (Pache & Santos, 2010). Seo and Creed (2002) found that subordinate partners seek legitimacy by constructing legitimizing narratives based on organizational values and norms to challenge the dominant partners. Lawrence and Suddaby (2006) discussed the concept of institutional work and analyzed how subordinate partners use legitimizing strategies (such as introducing new institutional logics) to maintain or challenge existing institutions. Legitimacy, therefore, is more likely to be a weapon for the subordinate or weaker organizational actors.

Hybridity provides organizations with the opportunity and flexibility to select elements from different institutional logics that enhance or diminish legitimacy (Battilana & Dorado, 2010). By utilizing internal micro-processes, this research demonstrates how the subordinate partner (DS Hospital) is more inclined to challenge the institutional legitimacy of the dominant partner (SB Capital), attempting to collapse the legitimacy of its dominant logic. This may create temporary space for the subordinate partner and even facilitate the reordering of internal organizational logic (Vakkuri et al., 2021).

A foundational argument in organizational institutionalism posits that for organizations to survive, they must conform to the expectations of their surrounding environment and broader society. The institutional sources that impose pressures and expectations include formal organizations, the state as an institution, professional bodies, public opinion, and various stakeholder groups (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Additionally, informal

social norms and rules—such as the concept of *guanxi* (relationships) in China—also shape institutional expectations (Peng, 2004). In this context, legitimacy, rather than mere efficiency, becomes a key explanatory factor for organizational survival.

As a business entity, SB Capital is inherently structured around its core functions—such as production, sales, and finance, which have already been institutionalized. From the perspective of SB Capital representatives, adhering to institutionalized processes and prioritizing capital returns is taken for granted as both natural and appropriate.

Institutional theorists argue that institutional logics are not consciously designed by actors but are instead internalized as taken-for-granted myths, meanings, and values. They are not merely outcomes of rational calculation, efficiency, or market exchange, nor are they imposed through coercive power or political maneuvering. Rather, organizational actors respond to external institutional pressures and expectations by aligning their behavior with institutional norms.

For long-term employees at SB Capital, the influence of market logic has shaped their values, making the pursuit of capital returns an unquestioned priority. Consequently, they may lack an awareness of how legitimacy affects organizational survival. In this regard, subordinate partners within the organization rely on interpretations of legitimacy to secure organizational stability, which is essential for long-term sustainability. Furthermore, legitimacy scrutiny itself can be strategically employed as a *tactic* in organizational maneuvering.

#### **4.2.2.4 Establishing accountability**

As accountability is a crucial mechanism for ensuring the responsiveness of public services, many scholars emphasize its importance in hybrid organizations. Given the integration of different goals, institutional logics, funding models, ownership structures, and forms of control, hybridity can create barriers to establishing effective accountability in such organizations (Rajala & Kokko, 2021).

The first issue is the lack of clarity between rights and responsibilities. "No one takes primary responsibility for the institution (hospital)... the government needs to clarify rights and responsibilities. Right now, SB Capital has rights but no responsibilities... If there's a deviation, it's due to a breach of contract by the other party, but no one holds them accountable" (Interview September 2024).

Secondly, there is a lack of constraint on the council members' violations or irresponsible behaviors. As the chairman stated during a council meeting, "Let the supervisor speak, go ahead... Frankly, speak at liberty, express whatever views you deem appropriate... but we (the

council) will make the decision" (Fieldnotes, 35th Council Meeting, June 2024).

A health commission official also remarked, "You perform your duties and offer your suggestions, but the council can disregard them" (Work Diary, December 2023).

The chairman said at the council meeting, "Are we (SB Capital) stupid? We donated (all the hospital shares), and this hospital has nothing to do with us anymore. We do not have money, and it's impossible for us to invest in the hospital. (Investment) cannot be recovered either. If not, we can withdraw (from the hospital) at any time." (Council meeting Recording, Work Diary).

Furthermore, there is a lack of clarity about the allocation of rights and responsibilities. SB Capital, through its institutional arrangements, has excluded the leadership of DS Hospital from the Cancer Hospital operation (Hospital council archive document, July 2021).

However, the director of the Health Commission pointed out, "If the hospital fails its re-accreditation for Tertiary Grade A Hospital, you (SB Capital, DS Hospital) are one entity and should be held accountable" (Health Commission Director, October 2024). DS Hospital leaders still have to bear the responsibility related to hospital operations.

SB Capital controls the hospital's human, financial, and operational rights, while DS Hospital's leadership has been sidelined. However, the deputy mayor still insists on holding them responsible in work meetings, stating, "If state-owned assets are lost, you'll be the first ones to go to jail" (Mayoral meetings audio recordings, January 18, 2023).

First, the first-order empirical themes "Rights without responsibilities" and "If the worst comes to the worst, we'll leave" were inductively categorized into the second-order conceptual category "powers not being matched by responsibilities", revealing a fundamental disconnect between authority and obligation. Concurrently, the participant-derived themes "You say what you say, I'll do what I do" and "The Council can ignore you" were abstracted into the contrasting category "Lack of checks on power", demonstrating institutionalized oversight deficiencies. Through constant comparative analysis, these conceptually opposed categories were theoretically integrated to form the higher-order dimension "Accountability", which encapsulates the systemic tension between power autonomy and answerability mechanisms within the observed governance structure.

### **Summary**

Accountability is increasingly recognized as a vital governance tool. The establishment of accountability in councils is an important strategy (Byrkjeflot et al., 2011). In traditional public-private partnerships (PPPs) in healthcare, Asymmetric power is a challenge that makes it difficult to establish accountability systems (Ombashi et al., 2023). In these contexts,

accountability becomes critically important.

In China, the Civil Non-Enterprise Units are now collectively referred to as SSO, a type of non-profit social organization. And the role of their councils differs significantly from that of boards in profit-driven companies. These councils have responsibilities across various areas: decision-making, senior human resource management, maintaining relationships with the operational environment, financial management, and fundraising. Due to the absence of a clear owner, the separation of capital contribution and rights to profits, and other unique characteristics, governance in non-profit organizations in China is markedly different from that of government or corporate governance. Consequently, accountability within the Chinese non-profit council system is more complex and crucial than in profit-driven organizations. However, non-profit council members rarely face external or internal sanctions for their actions. In contrast to the West, research on non-profit governance in China is still in its infancy (Liu, 2006).

From a legal perspective, while the supervisory board in Chinese SSO is statutorily designated as a monitoring entity overseeing the board of directors and senior management, it lacks delegated accountability authority. Consequently, the supervisory board's practical efficacy within China's corporate governance framework remains largely underdeveloped, marked by frequent marginalization, skepticism, and even calls for its abolition. Scholarly consensus in China rates the supervisory board's operational reality as critically deficient. Key critiques highlight its 'token presence—characterized by subordinate institutional status and resource scarcity, with many listed companies relegating it to a box-ticking compliance mechanism' and label it 'the most awkward institution.' The Chinese supervisory board is often structurally subordinated as a ceremonial appendage to the board of directors, while governance scholarship predominantly prioritizes unitary board scrutiny, rendering it functionally incapacitated in executing accountability mandates (Guo et al., 2023).

In typical Western countries, accountability is fundamentally structured as a specific "contractual" relationship. However, in contrast to these nations, China, as an exceptionally large-scale country, is inherently organized into a vast hierarchical system that spans from central to local governments, with each level maintaining close interactions through a top-down authority structure. This characteristic means that accountability in China primarily serves the efficiency and authority of this large-scale system. Therefore, in China, accountability is not typically a "contractual" relationship, but rather a "hierarchical" one, with accountability logic being embedded within a top-down organizational structure. It does not represent a contractual relationship between two independent entities. As a result, establishing accountability within

the councils of hybrid hospitals in China is challenging, and even if such systems are put in place, their implementation often comes from an external supervisory body overseeing the respective parties involved."

At the same time, accountability in hybrid organizations remains under-researched, especially in cross-sector public-private partnerships, which are often an area of significant scholarly neglect (Rajala & Kokko, 2021).

Although accountability is beyond the scope of this present study, we cannot answer how accountability works in practice. However, we call for accountability as a strategy for hybrid organizational governance to be first and foremost an imperative.

#### **4.2.2.5 Tracing the original mission**

Competition among institutional logics often leads to conflicts in goals and priorities, with hybrid organizations frequently encountering mission drift.

In May 2014, during the initial phase of reform, the local government aimed to "introduce private capital" to address the financial constraints of hospitals. As a result, SB Capital established a for-profit hospital by transforming the previously non-profit hospital into a for-profit entity, to generate profit from hospital investments. SB Capital stated, "At the beginning (in 2014, when the collaboration first started), we spent hundreds of millions of yuan, you do not know... at that time, the hospital couldn't even pay its staff, and there was no money to buy medicines (pay for medication) ... we are not philanthropists" (Interview, November 2024).

Although the partners maintained divergent objectives, this phase witnessed no direct institutional conflict. This observation resonates with Cappellaro, Tracey, and Greenwood's (2020) study of private logic infusion in Italian healthcare institutions, where incoming private actors strategically employed assurance tactics. By deliberately safeguarding incumbents' jurisdictional control over core operational domains, the new entrants successfully positioned the alien logic as support rather than competitive. This calculated approach effectively mitigated incumbents' defensive skepticism, demonstrating how incoming actors can gain legitimacy without challenging incumbents.

After May 2020, a new phase of reform began, marking a significant shift in objectives from the first stage. The new reform goals stated: "... (The hospital must) steadily increase employee income, fully motivate employees... ensure the welfare of joint venture employees..." (Government policy document No. 72 and Supplementary Cooperation Agreement).

"... achieve sustainable development for the hospital, steady increases in employee income,

and asset appreciation..." (Health Commission Report, December 2022).

Further, "DS Hospital and SB Capital will... jointly donate their respective shares to \*\* Cancer Hospital and proceed with the transfer procedures for the Cancer Hospital assets..." (Supplementary Cooperation Agreement, January 2021).

However, SB Capital's establishment of another for-profit hospital led to tunneling behavior, and from that point, conflicts began to emerge within the council. The government considered this to be "the root of all disorders" because the two hospitals were intertwined. Therefore, they must be completely separated" (Work Diary, January 2023).

In the control phase, which began in April 2023, the Health Commission aimed to quickly separate the Cancer Hospital from the Geriatric Hospital by transferring medical staff from the Cancer Hospital to the Geriatric Hospital. This caused further strain on the already limited medical resources of the Cancer Hospital: "The redistribution of medical staff... (resulted in) a decline in business operations, and staff income decreased by more than 30%" (Hospital Financial Analysis Report, October 2023).

The goal of the reform was to revitalize the Cancer Hospital, but the local government's objective was to "reassign doctors and nurses from the Cancer Hospital to the Geriatric Hospital, otherwise, it would be impossible for the hospital to function... (the government) certainly hopes for another tertiary hospital (the Geriatric Hospital), as this would improve the total medical capacity of our city, enhancing regional advantages, and make it easier for me to report to the mayor" (Work Diary, January 2023).

In addition to the conflict between the hospital's goals and the government's objectives, there was also disagreement among the hospital's leadership regarding its sustainable development objectives. When asked in an interview about the primary issue concerning the hospital's sustainable development, the responses from both partners were different. The CFO of SB Capital answered, "...for the hospital, the primary issue is medical quality..." while the Vice President of DS Hospital believed, "Each stage and each hospital... has different priorities... for our hospital, the priority is payroll finance..." (Interview, September 2024).

Since the completion of the hospital's restructuring in 2020, the organizational goals have continuously changed, creating confusion within the hospital: "Orders change constantly, one moment it's this, the next moment it's that. We do not even know whom to listen to" (Interview, November 2024).

The council secretary recalled, "In the early days, there were disputes, and the (hospital president at the beginning of the reform) made the final decisions (giving the final decision) – it was faster and more efficient... now, we mostly discuss things... (the goals) aren't absolute"

(Interview, September 2024).

To clarify the hospital's objectives, the leadership of DS Hospital hoped that "... every year at the beginning and end, if we can sit down and hold a conference to discuss the major issues... how exactly should this hospital be run..." (Fieldnotes, December 2023).

Through systematic triangulation of interviews, participant observations, and archival documents, we identified two first-order themes: "Disagreement on the primary issue" and "The meaning that reform should include", which were coded into the second-order conceptual category "Aligned with objectives", capturing explicit organizational priority conflicts.

Concurrently, our cross-data analysis revealed three counter-themes: "Common development", "Meaning lost", and "Move the goalposts". These were abstracted into the second-order category "Mission drift", signifying gradual deviation from the hospital's founding purpose.

Through theoretical aggregation, these antithetical categories were aggregated into the core dimension "Original mission", elucidating the fundamental tension between institutional founding mandates and their praxis-based reinterpretations in organizational practice.

### **Summary:**

The most important governance decision that a board and its executives can make is to clearly define the organization's mission and strategy (Fisman et al., 2009). Nonprofit organizations, due to their inherent values, must prioritize their organizational mission (Eikenberry & Kluver, 2004). Thornton et al. (2012) identify one manifestation of institutional logic conflict as goal conflict.

The hybridization of state-led welfare goals and market-based practices means that public hospitals are not entirely funded by the government for the purpose of promoting public welfare, nor are they private, profit-maximizing entities. Instead, they exist in a complex space where state oversight coexists with market-driven objectives, leading to a tension between the need for financial sustainability and the need to meet public health goals. The establishment of hybrid hospitals transformed from a public hospital is not driven by an inherent pursuit of market or profit but by the expectations and institutional logic choices made during the early stages of the organization. In the first phase of reform, the government advocated for the entry of private capital into hospitals, prompting SB Capital to establish a for-profit hospital with the initial goal of generating profit. Due to key events and changes in China's legal environment, SB Capital was compelled to donate shares of the hospital. The second phase of reform formalized through a contract, established a new original mission for the Cancer Hospital. However, SB Capital's establishment of another for-profit hospital conflicted with the new original mission. During



the mediation phase, the Health Commission, as a mediator, hoped SB Capital would return to the new development direction. However, the representatives from SB Capital refused mediation and engaged in intense conflict with DS Hospital, which was committed to the new goals.

Meanwhile, government objectives have also evolved. During the initial phase of reform, the primary goal was to attract non-state capital to compensate for insufficient government investment. However, with the development of China's economic landscape and the launch of the new healthcare reform, the government's focus has shifted toward a broader objective—promoting regional healthcare development and expanding overall medical service capacity—rather than aligning with hospitals' own financial sustainability goals. Consequently, hospital leaders, who are also government officials, seek to garner government support by reaffirming the initial vision set during the partnership's inception, while ensuring that actions conflicting with the original objectives are held accountable. Thus, revisiting the initial mission plays a critical role in establishing and enforcing accountability mechanisms.

In recent years, the practice of nonprofit organizations establishing for-profit subsidiaries has become increasingly common. This structure aims to maintain the nonprofit mission while leveraging commercialization to increase revenue sources (Battiliana et al., 2012). However, when for-profit partners emphasize profit at the expense of the nonprofit organization's mission, the organization's core mission becomes threatened (Eikenberry & Kluver, 2004). Therefore, it is crucial to select partners carefully. Like PPP projects, risks arise from high-level regulatory oversight and the strict selection of private partners. If the standards are not met, the project may become a significant burden on the government and a mechanism that "devours" national resources (Ombashi et al., 2023). Hence, the Ministry of Health in China recommends "prioritizing private healthcare institutions with operational experience and social reputation when reforming public hospitals" (Health Commission Report, State Council [2010] No. 58). However, SB Capital is a computer retailer. To ensure long-term cooperation, it is necessary to explicitly stipulate in the cooperation agreement that the for-profit partner must not sacrifice the nonprofit mission, such as by establishing competing hospitals, sharing medical resources, or engaging in related transactions, and that there should be time limits or termination conditions for the partnership.

Previous research has suggested several strategies to cope with such conflicts, commonly using hybridization (blending logics) or separation (dividing logic domains) (Greenwood et al., 2011). In practice, due to the firm commitment of both parties to their respective logics, hybrid logic is particularly difficult to implement. The Cancer Hospital delegated its operation and

management to SB Capital, and it was evident that such a division was challenging; even when attempts were made to separate, conflicts not only persisted but were exacerbated. Smets et al. (2014) introduced the concept of "practice-driven harmonization," where participants negotiate and reconcile conflicting logics through daily interactions, considering it a good strategy (Smets et al., 2014). However, no specific practices are outlined for how such negotiation can be effectively carried out. This research argues that the original mission of the collaboration represents a shared objective for both partners, and by retracing this original mission, the essence is to reestablish a common goal that transcends conflicting logic. Negotiations or discussions should center around this original goal, under which competing priorities can be balanced.

#### **4.2.3 Deepening state logic intervention in governance**

Regulation is the primary mechanism through which national logic influences organizational outcomes (Convery & Kaufman, 2021). Regulatory bodies constrain organizational behavior by establishing and enforcing rules that reflect specific institutional logics, such as state logic or market logic (Thornton et al., 2012). These regulators exert pressure on organizations, compelling their behaviors to align with certain institutional logics and societal expectations, thereby directly impacting the governance of hybrid organizations (DiMaggio & Powell, 1983; Scott, 2013).

The Cancer Hospital is a self-managed institution, where council members embody the institutional logics of their respective domains, making it difficult to reach consensus on strategic goals and priorities, resulting in conflicts. One council member noted, "There are definitely conflicts, but there are no channels for resolving them... this is our current challenge. If conflicts arise within the council, how can they be resolved? In public hospitals, the Party Committee and administration can easily find a way to resolve conflicts... they have superior authorities to refer to. But us, who do we talk to? ... It's a negotiating relationship, so right now there's no place to resolve it; it's effectively a deadlock. What should we do? For example, if two people are arguing, it can't be solved just by the two of them." (Interview, September 2024).

In the unique context of China, due to its historical and cultural practices, there is a tendency to turn to the government for conflict resolution. Moreover, hospital reforms, including those at DS Hospital, have historically been government-led, meaning that any emerging issues are also typically addressed by the government. Given the asymmetry of power, the government holds significant resources, which forces SB Capital to accept its intervention.

Before the regulatory phase, the Health Commission would typically respond to conflicts

related to hospital reforms by saying, "Alright, we understand, please report this to the municipal government" (Work Diary, June 2021), avoiding direct guidance or intervention in the operations of the council. However, as institutional logics evolved, so did the role of the government. During the regulatory phase, the Health Commission increasingly took a more active role, often summoning both DS Hospital and SB Capital to meetings, which led to confusion among DS Hospital's leadership. One leader remarked, "What's going on here? We (DS Hospital and the Health Commission) are supposed to be allies, but now it feels like the Health Commission is acting as a mediator" (Fieldnotes, September 2023). In this phase, the government's role shifted to that of a mediator or intermediary.

When asked in an interview about the impact of the regulatory authority on the hospital's major decisions (whether it helped or hindered), the vice-secretary of the council affirmed, "There is definitely an impact, it helps by ensuring we stay within limits... it helps us step on the brakes... for major matters, they still provide support... the deputy mayor has visited twice to ensure we stay on track" (Interview, November 2024).

During the regulatory phase, the government's role shifted from being a facilitator to a direct participant. The Health Commission intervened substantively in the council's decision-making regarding hospital strategy, leadership appointments, and priority setting, using tools such as "Party Committee meeting minutes" and "task assignment forms" to influence key decisions.

The increasing influence of state logic led to frustration and resentment among SB Capital's council members. The Chairman (representative of SB Capital) expressed: "How can they use 'task assignment forms' like this? We are a private entity, and even the \*\* mayor (former mayor) would consult and discuss with us. This feels like a violation... the new Health Commission leader is too strong, there's nothing we can do" (Fieldnotes, August 2024).

As the strong entry of state logic took hold, DS Hospital's council members, who had previously been actively involved in hospital governance, became passive participants, essentially executing the decisions made by the Health Commission. The newly appointed director remarked, "You (DS Hospital leadership) should not interfere with operations. If there are issues, just report them, and the Health Commission will handle them. Otherwise, if you (representatives of DS Hospital and SB Capital) keep arguing, it's not good. We (the Health Commission) will handle it." (Fieldnotes, August 2024).

The Health Commission's forceful move to separate the Cancer Hospital and the Geriatric Hospital theoretically could have resolved organizational logic conflicts. However, in the process of formulating the separation plan, DS Hospital's leadership was not consulted,

resulting in the loss of key departments and quality medical professionals at the Cancer Hospital. Some departments were left with only resident doctors and a few attending physicians, hindering normal clinical operations. The DS Hospital's leader expressed concerns to the Director of Medical Quality Management: "You're saying (the entire team) is back, but these few doctors can only lead the medical team without senior titles... This is neurology, with mostly elderly patients. Do you think they can trust such young doctors?... There will be an incident sooner or later... and you still say everything is fine?" (Fieldnotes, August 2024).

A DS Hospital council member added, "At least (the Geriatric Hospital) still owes us a favor... before they would try to cover up the situation, quietly reallocating doctors, but now it feels legitimized; it's a step backward for us... on the surface, they've separated, but what's actually happening? (Doctors are still practicing at both hospitals.)" (Interview, November 2024). Gradually, DS Hospital's representatives were marginalized, and the influence of their community logic diminished. As a result, the hospital's ability to protect its own interests weakened. By the end of 2024, the hospital's debt ratio continued to rise, and its net assets had decreased by 35% compared to 2023 (Hospital Financial Report, January 2025).

### **Summary:**

Integrating differing institutional logics into formal healthcare organizations does indeed present significant challenges. The negative consequences of hybridization appear unresolved, leading to conflict and even decision-making gridlock. In China, seeking the help of the government has become a viable strategy. The government possesses enormous regulatory power and plays a crucial role in economic life. Our findings suggest that while nonprofit councils are formal governance structures, government departments limit the autonomy of these councils, thereby disconnecting governance practices from council decision-making (Wang et al., 2023).

The health commission advocates for creating an order that overcomes confusion, integrates competing interests, resolves conflicts, and aligns perspectives to form a unified vision that guides council decision-making. Achieving this vision requires the use of power, strategically excluding certain participants from the decision-making process, or even denying their participation. This approach reflects the use of rational tools to standardize institutional decision-making (Rochefort, 2002). As a subordinate entity to the health commission, DS Hospital was excluded from the decision-making process, leading to the marginalization of community logic and the encroachment of national logic (a dominant logic) on the autonomy of community logic.

Similarly, regulatory actions are key tools used by the government to weaken the influence

of market logic (Gooneratne & Hoque, 2016). The government, along with the National Health Commission, as a powerful actor, possesses the resources to impose institutional pressure on market logic, triggering institutional change. Initially, the local health commission separated the Cancer Hospital from the Geriatric Hospital to curb "tunneling" behaviors and implemented stringent financial supervision to prevent the diversion of hospital assets or profits.

However, the local health commission did not heed the views of the community logic representatives, leading to the exclusion of community logic in hospital strategy, personnel management, departmental development, and debt management. In a socialist state, the government intervenes more extensively in healthcare, but the results of such intervention have not been as satisfactory as expected (Han & Yao, 2022).

Over time, as the local health commission continued to intervene in strategic priorities and appointments, the council's role shifted from that of a decision-making body to an executive body. As a result, both market and community logic were suppressed to varying degrees.

## **Chapter 5: Discussion**

Despite the frequent use of hybrid organizations in addressing large-scale, persistent, and "wicked" problems on a global scale, it cannot be universally stated that hybrid forms necessarily bring greater legitimacy or efficiency compared to ideal-type organizations. Governance remains a key factor in this regard.

Through a longitudinal case study of hybrid hospitals in China, this research develops an analytical framework to identify the institutional logics governing the hospital council. It reveals the dynamic evolution mechanisms of multiple institutional logics, conflict resolution strategies, government intervention patterns, and council-level governance tactics. These findings offer novel theoretical insights for hybrid organization research in transitional economies. Below, we discuss key discoveries in relation to our research questions and theoretical framework.

### **5.1 Dynamic evolution of institutional logics and governance practices**

#### **5.1.1 Dynamic evolution of multiple institutional logics**

This research examines the dynamic evolution of institutional logics within the council governance of hybrid hospitals in China. These hospitals must adapt to state-centric political-economic institutions and legal constraints (reflecting state logic). Simultaneously, the financial pressures arising from the lack of government and private capital support necessitate profitability through medical services to ensure sustainability (reflecting community logic). Additionally, private capital representatives on the council must generate profits for their companies (reflecting market logic).

In the early stages of the hospital's restructuring, the relationship between community logic and market logic did not seem particularly antagonistic. However, as the controlling parties of the hospital transferred resources to their own or related parties through unfair and non-transparent means, some actions broke through the formal boundaries of the organization (such as the formal decision-making process of the council) and entered informal realms. In this context, the conflict between different institutional logics intensified, further blurring the organizational boundaries.

Tunneling behavior may result from conflicts between institutional logics and power imbalances. This institutional conflict drives the reconfiguration of internal and external governance structures, leading to path dependence (Thornton et al., 2012). Even though tunneling behavior may offer short-term benefits, it may cause instability and imbalance in institutional logics in the long term.

Overall, tunneling behavior reflects that in the case of governance imbalance, it indirectly impacts the organizational structure and decision-making processes by exacerbating conflicts between different institutional logics and blurring the boundaries.

This phenomenon underscores the concept that rather than seeing institutional logics as inherently competitive, organizations may use them in tandem to build a more holistic and robust operational framework. This synergy is particularly evident in sectors where organizations operate at the intersection of business and social values, demonstrating that organizations can effectively navigate diverse and seemingly contradictory logic.

Furthermore, the ability of certain firms to successfully operate under dual institutional logics may also be understood through the lens of institutional complexity (Greenwood et al., 2011). The notion of institutional complexity suggests that organizations do not simply choose between conflicting logics but instead navigate them in ways that allow for the accommodation of both. In these cases, organizational leaders often engage in strategic *decoupling*, selectively adopting elements of one logic while maintaining a commitment to another, thus creating a flexible yet coherent organizational strategy that responds to both the demands of the market and the expectations of the community (Thornton & Ocasio, 2008). For instance, in the case of Airbnb, the organization has been able to maintain a community-oriented approach to hosting and guest interactions, while simultaneously expanding its reach through the logic of corporate scalability and profit maximization.

Almandoz et al. (2017) argue that these organizations do not merely balance two competing logics but rather actively combine elements of both, where the community logic enhances the market logic, making it more socially acceptable and sustainable in the long term. The mutual reinforcement of these logics can thus create a dynamic where the whole becomes greater than the sum of its parts. By aligning themselves with both the economic and social expectations of their users, these companies tap into broader societal trends, increasing their resilience and market competitiveness.

This integrative approach also offers a promising avenue for understanding the sustainability of modern business models in complex institutional environments. As organizations continue to navigate the tension between profit-driven motives and social

responsibility, the ability to align multiple institutional logics, rather than choosing between them, may be critical for long-term success. The case of Uber, Airbnb, and eBay exemplifies the potential for institutional logics to mutually reinforce one another, thus enabling organizations to operate effectively in a hybrid institutional environment, characterized by the coexistence and interdependence of diverse values and norms (Almandoz et al., 2017).

Nevertheless, the effective implementation of this integrative strategy likely necessitates institutional safeguards against tunneling.

In addition to triggering opposition with community logic, tunneling behavior may also provoke institutional intervention from the government or regulatory bodies. The government or regulators may strengthen oversight measures or adjust organizational structures to reduce the occurrence of tunneling behavior. This is especially true in China, where the long-standing entrenchment of state logic in Chinese hospitals reflects the government's deep involvement in the healthcare system. This involvement extends beyond regulation and actively shapes the operational and structural aspects of hospital governance.

In material terms, the implementation of state logic is reflected in the development of institutional structures, including legal frameworks, administrative systems, and financial mechanisms. The Chinese government has made substantial investments in modernizing hospital management, enhancing administrative transparency, and ensuring the delivery of healthcare services through state-sanctioned regulations and financial support. National healthcare quality certification programs, for instance, are part of the broader strategy to ensure that hospitals adhere to state-defined standards and contribute to the overall functioning of the healthcare system.

On a symbolic level, state logic operates through national campaigns such as "Healthy China," which repositions hospitals as central actors in promoting national health policies and human rights discourse. These campaigns reflect the state's broader objectives of social transformation and political legitimacy, with healthcare playing a critical role in the nation's developmental narrative. Hospitals, in this context, are not simply providers of healthcare; they are strategic sites for implementing the political ideals and objectives of the government (Haveman et al., 2023).

In this process, state logic, community logic, and market logic inevitably intertwine, driving the reshaping of organizational boundaries and governance models.

The evolution of institutional logics within the hybrid hospital follows a tri-phased trajectory: beginning with the tactical cohabitation of market and community logics under asymmetric compromise, proceeding to the incremental marginalization of community logic



through capital control and tunneling practices, and culminating in the symbolic consolidation of state logic via legitimacy absorption and structural substitution. This trajectory illustrates not a linear replacement of logics, but a process of their absorption, entwinement, and redefinition under shifting power configurations.

### **5.1.2 Impact of exogenous events and legal environment on logics and interactions**

This research further explores how exogenous events and legal environments influence the state and interactions of institutional logics. With the evolution of legal and economic conditions, the legal nature of hybrid hospitals has transitioned from a profit-driven equity-holding model to a non-profit equity-holding model, and ultimately to a social service organization. This transformation is closely tied to changes in governmental leadership and significantly influenced by national policies.

As institutional theorists have noted, shifts in institutional logics tend to materialize in specific local contexts as a result of exogenous shocks or triggering events. In the Cancer Hospital, the hybridization of state, community, and market logics became especially pronounced following a critical organizational incident—the doctors’ protest in 2020. This research further explores how exogenous events and the legal environment influence the state and interaction of institutional logics. As legal and economic conditions evolved, the legal nature of hybrid hospitals transitioned from a profit-driven equity-holding model to a non-profit equity-holding model and eventually into a social service organization. This transformation was closely linked to changes in government leadership and was significantly shaped by national policies.

Given the highly institutionalized nature of the healthcare industry, China’s unique institutional context demonstrates how exogenous events and legal changes constrain the agency of hospital actors. These constraints affect their ability to adopt or comply with specific strategies, procedures, or practices, as well as their capacity to serve particular interest groups. This observation aligns with early institutional theory perspectives that organizations are deeply embedded in highly institutionalized environments, where their behaviors are shaped by institutional constraints (DiMaggio & Powell, 1983; Meyer & Rowan, 1977).

Policy and legal changes do not merely shape institutional logics; they restructure organizational power dynamics and resource allocation, redefining interactions among market, community, and state logics. For example, as hospital governance shifted from market dominance to state dominance, the evolution of policies and regulations reinforced state logic while further marginalizing market and community logics. This process underscores the central

role of the state in hybrid hospital governance and illustrates how adjustments in the institutional environment influence organizational governance models.

### **5.1.3 Organizational Behavior and Practices of Logic Representatives**

The practices generated by specific institutional logics can be shaped, adjusted, and interpreted in particular contexts, leading to meanings that may differ from those derived from analyses based on their original, foundational significance. In this regard, the dynamic interplay between institutional logics within hybrid organizations plays a central role in understanding how these organizations navigate conflicting logics and their impact on their practices. Although many scholars rely on the framework of competing institutional logics to explain the dynamics within hybrid organizations, some argue that the mere incompatibility of institutional logics are insufficient to fully define and explain organizational hybridity (Battilana et al., 2017; Skelcher & Smith, 2014).

Firstly, certain studies have not empirically or theoretically substantiated the inherent incompatibility of the logics behind hybrid organizations. For instance, Gabriagues and Garreau (2023) criticized the works of Battilana and Dorado (2010), Pache and Santos (2013a), and York et al. (2016), arguing that these studies fail to meet the criteria of exclusivity among the logics they examined. Specifically, York et al. (2016) found that the social enterprises they studied did not adopt the decoupling or compromise strategies typically recommended in the literature. Instead, they selectively coupled elements from different logics. Gabriagues and Garreau (2023) challenge the assumption that social welfare and business logic are inherently incompatible or directly competitive in this case, questioning the hybrid framework proposed by York et al. (2016).

Secondly, organizational actors play a pivotal role in interpreting institutional logics and their transformations. The way an organization understands and implements these logics is shaped by its participants, their practices, and their attributes as entrepreneurs (Gisch et al., 2023). As Safari and Parker (2024) assert, corporate governance systems are framed by legal, institutional, and cultural factors that determine the extent to which different stakeholder groups influence corporate decision-making. In Chinese hybrid hospitals, council members come from diverse backgrounds and represent different organizations and their associated institutional logics. As such, they act as representatives of different logics within the council, competing to impose their normative beliefs and interests on the decision-making process. By interpreting priorities and ideal outcomes, these competing logics influence organizational decisions, making the council susceptible to fragmentation and incoherence, which may lead to internal

challenges. These dynamics shape the organization's response to multiple institutional logics (Greenwood et al., 2011; Pache & Santos, 2010; Safari & Parker, 2024).

Case studies reveal that the behavior of state logic representatives follows a phased pattern. Initially, state logic representatives serve as symbolic figures, lacking substantial institutional influence. However, once authorized by higher authorities, they quickly transform into active proponents of state logic. This suggests that the behavior of state logic representatives is not based on individual agency, but rather determined by bureaucratic pressures and hierarchical constraints. In the absence of clear authorization, state logic representatives may become ineffective or fail to exert genuine state influence. For example, due to unclear authorization and a lack of specific guidelines (such as triggering conditions or administrative procedures), the government's "golden share" power has never been fully realized, leading to a situation where the actions of state logic representatives heavily rely on administrative authorization and institutional rules.

In contrast, representatives of market logic and community logic exhibit stronger adherence to institutional logics, with little agency of their own. The internalization of market logic is notably higher than that of community logic, which may be attributed to the fact that there are more market logic representatives on the council than community logic. This aligns with Almandoz's (2014) view that group size moderates the space for agency, suggesting that larger groups strengthen the persistence of their respective logics. This finding deepens our understanding of the collective agency of institutional logics, which is considerably lower than individual agency.

In the governance of hybrid hospitals, the actions of logic representatives result from dynamic interactions between institutional structures (e.g., clarity of authorization, group size), organizational constraints (e.g., bureaucratic discipline), and individuals' role perceptions. The complexities of hybrid governance in Chinese hospitals demonstrate how institutional logics not only coexist within organizational boundaries but also reconfigure governance orders through competition, interaction, and evolution. The interplay between different logics often leads to conflicting priorities and power struggles, significantly impacting organizational stability and decision-making processes.

This research reveals how institutional logic representatives in Chinese hybrid hospitals access, activate, invoke, and adhere to institutional logics across organizational, team, and individual dimensions. The dynamics of these logics are driven by the interaction of institutional structures, organizational constraints, and individual agency, with the institutional context continuously shaping representatives' behaviors. This contributes to a deeper

understanding of how hybrid organizations navigate the complexities of multiple conflicting institutional logics.

## **5.2 Conflict response strategies and tactics: Adaptive choices under power asymmetry**

Current research on response strategies exhibits a notable polarization. On one end of the spectrum, there are highly generalized and prescriptive strategies, such as Oliver's (1991) five strategic responses. While broadly applicable, these frameworks often lack context-specific analysis and detailed implementation guidelines. On the other end, deeply contextualized and highly specific strategies have emerged, such as the "temporal misalignment" strategy proposed by Ramus et al (2021). However, these approaches tend to be fragmented, lacking the necessary classification and theoretical abstraction for broader applicability.

Organizational strategies generally refer to deliberate approaches adopted by organizations to manage multiple institutional logics, often reflected in their structures and practices. However, in the case of the hybrid hospital council studied in this research, neither formal organizational strategies nor structural responses were effectively employed. For instance, although a structural differentiation strategy was attempted—where the council delegated responsibilities to distinct sub-units, with SB Capital in charge of hospital operations and DS Hospital overseeing cultural development and Party-building—this arrangement failed to resolve the deeper conflicts rooted in institutional logics.

A key assumption behind decoupling is that all members within the organization are committed to protecting the "old" logic (Pache & Santos, 2013a). Another assumption is that organizations can evade external scrutiny, allowing them to maintain the appearance of legitimacy without being held accountable for discrepancies between strategy and practice. However, these assumptions are often challenged in contexts where institutional logics are in long-term competition. In such environments, organizational alliances may emerge, representing competing logics, which may then lead to ongoing debates and instability (Dunn & Jones, 2010; Reay & Hinings, 2009). This suggests that decoupling may not be sustainable in environments characterized by enduring institutional complexity.

Compromise strategies may offer short-term internal stability, but when institutional logics are in deep conflict, compromise is not always viable (Pache & Santos, 2013a). This is especially evident in the case of a power-asymmetric hybrid hospital board, where despite DS Hospital representatives attempting to reconcile conflicting goals by accepting minimally

acceptable standards—evident in statements such as “as long as the hospital does not operate at a loss... breaking even is fine... as long as assets are not reduced, we do not mind if you (SB Capital) make a profit”—SB Capital consistently rejected such overtures. Guided by a market/managerial logic, SB Capital prioritized capital value maximization, rendering compromise ineffective.

In such contexts, sustained institutional demands challenge the long-term viability of compromise strategies, while defiance may not only lead to internal conflict but also prove ineffective under conditions of power asymmetry. Given the high degree of incompatibility between the logics represented by SB Capital and DS Hospital, and their firm commitment to their respective logics, selective coupling was also not observed in practice.

Therefore, not all response strategies are sustainable. In the face of persistent institutional demands, compromise may fail to ensure stability, while defiance can generate organizational conflict (Pache & Santos, 2013a). Moreover, the application of these strategies depends heavily on internal and inter-organizational power dynamics. When one group within an organization possesses significantly greater power, it may impose its preferred logic and reject strategies such as resistance, compromise, or selective coupling altogether (Oliver, 1991).

Michel de Certeau, in his seminal work *The Practice of Everyday Life* (1984), offers a critical lens through which to understand such dynamics by distinguishing between the military-derived concepts of “strategies” and “tactics.” By focusing on everyday acts of resistance, de Certeau seeks to reveal how subordinate individuals, situated within dominant power structures, engage in micro-practices of resistance and creativity.

"The dichotomy between tactics and strategies demarcates distinct modes of engagement within power hierarchies. Strategies are institutionalized practices deployed by actors or organizations endowed with structural power and resources. They operate through long-term planning, codified rules, and hierarchical control to consolidate their dominance. In contrast, tactics are the practices through which ordinary individuals, lacking fixed resources and power, engage in temporary resistance or creative subversion through improvisational, flexible, and creative approaches."

Tactics and strategies are both confrontational and interdependent. While strategies seek to solidify social order through rules, tactics create 'exceptions' within those rules. Tactics depend on the existence of strategies yet achieve autonomy by subverting their intent. De Certeau emphasizes that tactics do not aim to overthrow strategies entirely but instead achieve localized liberation through 'weapons of the weak' (such as linguistic parody and behavioral appropriation). He references the 'craft of deception' from *The Art of War*, conceptualizing

tactics as the survival art through which the disempowered leverage ingenuity to contest asymmetrical power relations (Certeau, 1984).

Although Oliver (1991) employed both the terms “strategy” and “tactic” in his framework—for instance, identifying defiance as a strategy consisting of three tactics: dismissal, challenge, and attack—he immediately blurred this distinction in the subsequent sentence by referring to dismissal, challenge, and attack as three forms of the defiance strategy. This suggests that he did not maintain a clear conceptual separation between the two terms.

Building on Michel de Certeau’s conceptual distinction, this research conceptualizes the response mechanisms adopted by subordinate or weaker organizational actors as tactics, capturing the nuanced ways in which weaker entities navigate institutional constraints.

At the group level, we identified that the subordinate partners are more likely to employ two tactics—borrowing elements from higher-level logic and claiming a lack of legitimacy—to challenge the dominant partner’s position.

At the organizational level, the adopted tactics involve the continuous construction of collective identity, allowing both partners to enter a “ceasefire period.” Moreover, by tracing the original mission, a collective goal that transcends conflicting logics can be established, providing a foundation for negotiation and discussion. The “return to original mission” tactics aims to persuade the more powerful actors to uphold their initial commitment to collaboration, ensuring that they do not exploit their organizational power for personal gain at the expense of the collective cooperative objective.

As the number and incompatibility of institutional logics increase—particularly when private companies and public organizations remain firmly committed to their respective logics—differences in hierarchical position and power within the organization give rise to distinct conflict response strategies between dominant (stronger) and subordinate (weaker) logics. The four strategies identified in this research are more likely to represent the specific measures taken by structurally weaker organizational actors within an organization to address power imbalances. These findings extend the theoretical discourse on strategic responses to institutional logics.

### **5.3 Evolution of state logic intervention: from symbolic presence to institutionalized control**

Regulatory intervention is the primary mechanism through which state logic influences organizational outcomes (Convery & Kaufman, 2021). In China, the National Health

Commission (NHC) has established a stringent system for hospital management, finance, and healthcare quality, overseeing, inspecting, and rating hospitals through administrative measures, enforcement actions, and industry associations. Regulatory agencies constrain organizational behavior by formulating and enforcing rules that embody specific institutional logics, such as state or market logic (Thornton et al., 2012). By exerting external pressure, these agencies enforce compliance through coercive and normative isomorphic mechanisms (DiMaggio & Powell, 1983), thereby shaping the governance of hybrid organizations (Scott, 2013).

Within China's unique institutional environment, Zhou's (2014) theory of administrative subcontract provides critical insights into the governance challenges of hybrid organizations. This theory suggests that Chinese enterprises and institutions often undertake multiple social functions and political responsibilities, while local governments, acting as "contracting principals," exhibit a strong institutional preference for stability. When governance inefficiencies arise in hybrid hospitals due to institutional logic conflicts, local government officials—under pressure from performance evaluations—tend to demonstrate limited institutional patience and adopt the following intervention strategies: (1) Frequent leadership turnover: Personnel adjustments are used as a governance breakthrough strategy, reflecting the “political tournament” characteristics of administrative contracting. (2) Boundary-breaking actions: When conventional methods fail, the government further breaches traditional governance boundaries by directly appointing government officials to key hospital council positions, thereby overriding the legal governance framework. Additionally, it bypasses formal governance procedures by issuing administrative directives and directly intervening in hospital decision-making processes. (3) Embedded logic mechanisms: Political and social stability indicators are incorporated into healthcare quality evaluation systems (KPIs), allowing for the covert penetration of state logic. Political logic is also embedded into professional decision-making processes, such as personnel appointments.

This intervention pattern provides a theoretical perspective on the deeper institutional roots of "symbolic hybridity" in Chinese hybrid organizations. It reflects a unique mode of institutional logic interaction within China's blurred state-market boundaries (Haveman et al., 2023).

From a legal standpoint, a hybrid hospital council is expected to function as an autonomous governance body. However, local governments often influence decision-making through council member appointments. Due to specific contextual factors, the Western theoretical emphasis on institutional change paths—deinstitutionalization followed by re-institutionalization—may not necessarily apply to China (Greenwood & Suddaby, 2006). This

research demonstrates that the transition from intervention to control, characterized by a form of “substitutive governance,” can temporarily suppress conflicts and stabilize organizations. However, this approach has several unintended consequences: (1) De-hybridization: The marginalization of community logic weakens the pluralistic values of hybrid organizations. The actions of local health commissions resemble an internal “de-hybridization” process within hospitals. Once de-hybridization occurs, the hybrid organization essentially transforms into a traditional organizational form, losing its original hybrid characteristics. Thus, while de-hybridization may be seen as a strategy, it is not a viable governance strategy for hybrid organizations. (2) Decline in innovation capacity: Excessive government intervention reduces organizational flexibility and leads to resource attrition (e.g., talent outflow due to departmental restructuring). (3) Latent institutional conflicts: Apparent stability may mask underlying conflicts of interest. Suppressed logic claims may resurface later in a more concealed form, leading to prolonged governance dilemmas.

This research reveals the staged evolution of government intervention patterns in Chinese hybrid hospitals and their impact on organizational governance. Findings indicate a shift from tacit support (e.g., policy guidance, market incentives) to explicit control (e.g., administrative directives, personnel appointments), reflecting the increasing dominance of state logic within hybrid organizations. While this intervention model provides short-term stability, it imposes three institutional costs: the erosion of hybridity, diminished innovation resilience, and the accumulation of latent conflicts, which may ultimately weaken the long-term sustainability of hybrid organizations.

Beyond administrative instruments, the state logic in this context also operates symbolically, shaping the normative landscape through language, ideology, and identity scripts. Campaigns like “Healthy China” and the narrative of public service legitimacy serve not only as policy rhetoric but also as vehicles of institutional meaning, reinforcing the discursive dominance of the state logic in hybrid governance.

## **5.4 Logic entwinement and four-directional tactical response framework**

A significant portion of the extant literature on board governance has overemphasized individual attributes, such as the ownership stakes of directors, the proportion of external directors, education and experience levels, and the gender composition of boards, while largely overlooking the dynamics within the board as a collective entity (Pugliese et al., 2015; Pye & Pettigrew, 2005). Similarly, regulatory agendas have typically focused on structural aspects of



boards, such as mitigating CEO-chairman duality, increasing the proportion of external directors, and establishing specialized committees to oversee board activities. However, such structural interventions often fall short of addressing the actual behaviors and practices of boards (Engbers & Khapova, 2024).

The factors influencing the performance of a board's tasks are not merely based on individual traits or structural configurations but rather on the interaction and collaboration between board members and the dynamics that unfold during board meetings. Understanding how boards make decisions and execute corporate governance requires an exploration of what transpires during board meetings and how members engage with one another in these settings (Pernelet & Brennan, 2023).

There are two dominant epistemological paradigms in Western thought. The first is Aristotelian formal logic, characterized by an *either/or* structure. This binary mode of reasoning divides oppositions into mutually exclusive and independent categories, precluding the possibility of integration or continuum. While widely adopted, formal logic often falls short in capturing the complexity and interconnectedness of real-world phenomena.

The second paradigm is dialectical logic, most notably articulated by Hegel, which embraces *both/or* logic. This approach seeks to fully integrate the compatible aspects of opposing elements (in spatial terms) while eventually negating the antagonistic ones. Although it allows for the temporary coexistence of contradictions, the ultimate goal is to resolve and transcend the paradox.

In contrast, the Chinese *yin-yang* epistemology offers a distinct framework centered on three foundational principles. First, holistic content, which emphasizes spatial balance to reflect the complex interdependence and mutual permeation between opposites. This means that conceptual opposites are only partially separated in space, rather than being completely divided. Second, is the dynamic process, which utilizes temporal balance to capture the interactions and mutual transformations between opposing forces over time. Here again, separation is partial and transitional, not absolute. Third, dual balancing, which achieves unity of opposites through a simultaneous process of mutual negation and mutual affirmation—where contradiction itself is a generative force (P. Li, 2021).

Drawing on the philosophical notions of *yin-yang* balance and mutual embeddedness, organizations may cultivate partnerships characterized by interdependence, dynamic equilibrium, mutual permeability, and reciprocal transformation. In the case examined here, the relationship between SB Capital and DS Hospital has evolved from initial confrontation toward an increasingly entwined and interwoven state (Rubens, 2022). The market logic and

community logic now exhibit mutual inclusion—each containing elements of the other.

A study has revealed that when two opposing institutional logics coexist in an asymmetrical proportion (with the dominant logic constituting 60%-70% and the subordinate logic 30%-40%), organizational systems may attain functional equilibrium (P. Li, 2021). This phenomenon is termed the "golden balance principle" in institutional dynamics, suggesting that moderately skewed power structures enable the coexistence of tension and collaboration. Nevertheless, the present case analysis uncovers an alternative equilibrium mechanism: when adversarial logics demonstrate symmetrical power relations (i.e., parity in influence), systems achieve enhanced institutional embeddedness and synergistic interdependence. These findings critically interrogate the foundational axiom of classical institutional theory—which asserts the ontological necessity of "hegemonic institutionalization" through unilateral dominance—by evidencing that institutional pluralism extends beyond asymmetrical configurations. Crucially, balanced power architecture proves equally capable of sustaining robust institutional ecosystems.

Figure 5.1 illustrates the *Yin-Yang* symbol, where the black and white forms represent both opposition and symbiosis. The black gradually transitions into white until it is completely transformed, and vice versa. At its core, the *Yin-Yang* perspective challenges the notion of absolute contradiction, arguing that opposing forces are never truly in conflict from a logical standpoint. This aligns with dialectical thinking, which embraces contradictions as an inherent cognitive orientation. Contradictions, in this dialectical process, emerge from inconsistencies within organizations, giving rise to conflicting structures, competing interest groups, and periodic crises. This hybrid organizational form necessitates three foundational premises:

First, the sustainability of hybridity relies on the coexistence of dual institutional logics. The absence of either partner reduces the organization to a conventional hierarchical structure, thereby negating its hybrid nature. Second, given the fluidity of institutional environments, partners must adopt adaptive strategies rather than rigidly adhering to unilateral prescriptions. Third, the dominance of a single institutional logic undermines the legitimacy of subordinate logic, rendering such organizations indistinguishable from traditional monocentric systems. On the one hand, the government needs to establish a power equilibrium between the two parties; on the other hand, it is preferable that it refrains from direct intervention, as doing so may erode the hybridity of the organization—or even lead to de-hybridization.

To establish a sustainable partnership within hybrid organizations, this research proposes collective identity construction as a strategic action framework. Collective identity serves as a transitional mechanism during periods of truce, wherein conflicting logics temporarily

converge toward a shared objective. Given the power asymmetry, dominant actors may violate organizational rules. To maintain tactical effectiveness and ensure protection, this process requires a dual mechanism: First, an accountability system, where rule violations during the truce must trigger predefined sanctions, thereby transforming accountability into both a protective shield and a strategic governance tool.; Second, external regulatory oversight, where government supervision through compliance monitoring and behavioral constraints (Lawrence & Suddaby, 2006) provides additional institutional safeguards.

At the group level, our analysis centers on the specific tactics adopted by subordinate actors within the organization, in contrast with the strategies typically employed by dominant actors who possess greater structural authority within the organization. These subordinate actors tend to employ two main tactics: appropriating elements from higher-level institutional logics and invoking a lack of legitimacy as a means to contest the authority of the dominant partner. Such tactic responses typically arise in contexts where field-level logics diverge from organizational logic, creating opportunities for institutional logics to be mobilized as tools of resistance and negotiation.

The strategies of tracing the original mission and establishing accountability are essentially tactics employed by subordinate actors. The "tracing the original mission" tactic is aimed at persuading dominant actors to maintain their original cooperative intentions, ensuring that they do not exploit their organizational power for personal gain at the expense of the collective goals of cooperation. Dominant actors, who often break organizational rules, are constrained through accountability mechanisms that impose regulations and responsibilities upon them.

To provide a more vivid and concrete illustration of these tactics' mechanisms, we introduce a directional framework: (1) Looking Down (Legitimacy Foundation): Challenges the legitimacy of dominant institutional logics, positioning legitimacy as a weapon of defiance. (2) Looking Up (Leveraging Higher-level Logics): Aligns governance actions with higher-level institutional logics. (3) Looking Back (Tracing the original mission): Reconnects the organization with the purpose of the partnership. (4) Looking Forward (Accountability as a Constraint Boundary): Shifts the focus of accountability from retroactive blame to proactive risk prevention, using the "sword of accountability" to regulate future behavior.

Crucially, these directional tactics are integrated through collective identity construction, reflecting the Chinese philosophical principle of *yin-yang* balance (Li, 2014), wherein opposing forces transition from conflict to interdependence, enabling hybrid systems to thrive through dynamic equilibrium. The dashed square outside the black-and-white fish (the *Yin-Yang* symbol) represents the organizational boundary, highlighting that the organization is an open system

with porous boundaries. Solid arrows denote tactics adopted by the organization or its subgroups, whereas dashed arrows indicate tactics that are available but deliberately avoided. Government and regulatory agencies typically refrain from intervening within the organization, except to provide periodic collective goal recommendations for the conflicting institutional logics. To facilitate hybrid hospital governance, tracing the original mission and establishing accountability requires proactive involvement from government and regulatory bodies.

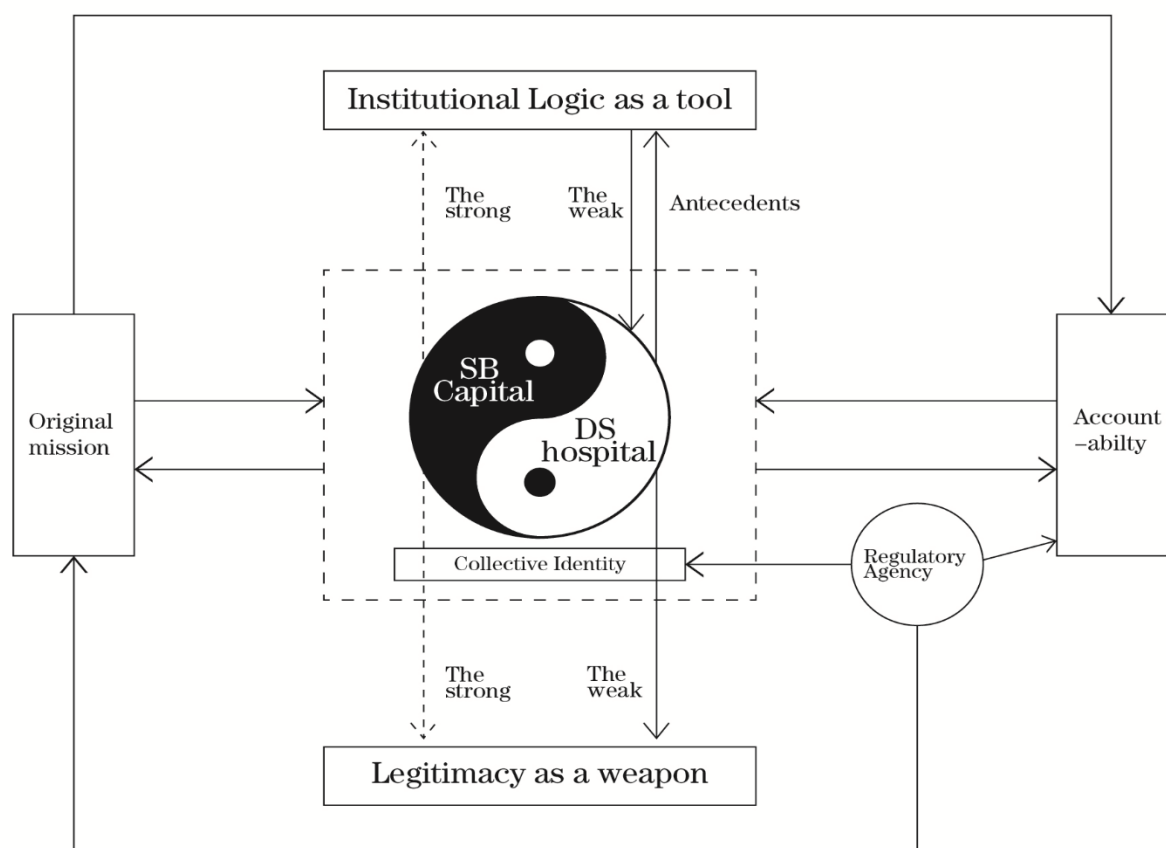


Figure 5.1 Logic entwinement and four-directional tactical response framework

The response tactics identified in this research represent concrete practices of resistance and adaptation, offering a more context-sensitive approach to navigating hybrid hospital governance. These tactics provide nuanced insights into how the representatives of subordinate logic maneuver through complex governance dynamics, ensuring their agency and influence in organizational decision-making despite the dominance of structurally advantaged subgroups in decision-making arenas. By dynamically combining multiple tactics, subordinate actors achieve staged counterbalance within power asymmetry. This tactical synergy introduces a new paradigm for conflict management in hybrid organizations.

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## Chapter 6: Conclusion

This research investigates the governance of hybrid hospital councils in China from a multiple institutional logics perspective. Drawing on an in-depth single-case study of DS Hospital, which has undergone a unique trajectory of ownership and governance transformations, the research unpacks how state, market, and community logics emerge, interact, and reconfigure within a hybrid organizational setting. The research addresses three core research questions: (1) How do multiple institutional logics evolve and interact over time in hybrid hospital governance? (2) How do hospital councils respond to institutional complexity and power asymmetry? (3) How does the state reassert logic dominance in hybrid governance through non-structural means?

The analysis reveals that hybrid hospital governance is not a static hybrid of logics, but a dynamic and contested process where logic interacts through conflict, co-optation, and regulatory redesign. The following sections present the main conclusions with respect to each research question, highlighting their theoretical implications.

### 6.1 Dynamic evolution and interaction of institutional logics

This research demonstrates that hybrid hospital governance is characterized by a multi-phased evolution of institutional logics, reflecting a gradual and contested reconfiguration of dominance among market, community, and state logics. Across five distinct phases, we observed a temporal sequence whereby logic dominance did not shift linearly but through contention, recombination, and intervention. Initially, market logic prevailed following the hospital's transition to a for-profit joint venture. A brief phase of logic balance emerged after collective action triggered by employee protest, leading to a temporary compromise between market and community logics. However, due to institutional imprinting and power asymmetry, market logic soon reasserted dominance, even after the formal donation of shares and the hospital's transformation into a non-profit entity. Community logic gained traction when external events—particularly a “tunneling” incident—activated legitimacy claims and participatory demands. Eventually, through intensified government intervention, state logic regained salience and achieved dominant status. The dual dynamic of field-level pressure and intra-organizational tension exemplifies how hybrid logic configurations are not static blends but contested, path-dependent, and historically contingent arrangements.

## 6.2 Strategic responses under power asymmetry

Our analysis identifies five strategic responses deployed in hybrid governance to mitigate institutional logic conflicts: (1) temporary collective identity construction, (2) using institutional logics as tools, (3) using legitimacy as a tool, (4) establishing accountability, and (5) tracing the original mission. Inspired by de Certeau's distinction between "strategies" and "tactics," we interpret the latter four responses as bottom-up tactical actions more frequently utilized by weaker actors—those lacking structural power but aligning with minority logics. These tactics were not applied in isolation but dynamically interwoven through the construction of temporary collective identities. This integrative mechanism—visually represented in Figure 5.1—enabled actors to transcend conflict and temporarily align opposing logics around shared goals, thereby maintaining organizational coherence amid turbulence.

While some tactics (e.g., instrumental use of logics and legitimacy) were also used by dominant actors, the analysis foregrounds how weaker actors, rather than being passive recipients of institutional pressure, leveraged available tools to contest, reinterpret, and reshape decision-making boundaries. Figure 5.1 further illustrates how these responses emerge within an open system characterized by permeable organizational boundaries. Here, state actors exercise intermittent yet decisive influence—particularly in legitimating accountability structures and mission-driven realignments, thereby obscuring the traditional demarcation between internal and external governance mechanisms.

## 6.3 State logic and non-structural intervention mechanisms

This research reveals a dual-pathway process through which state logic reasserts its dominance in the governance of hybrid hospitals. The first, a temporal trajectory, delineates three stages of evolving state logic salience: symbolic presence, where state representatives attend governance bodies without exercising real influence; mediation, where the state serves as a balancing actor amid escalating logic conflicts; and control, where the state takes explicit actions to re-establish dominance, such as senior leadership appointments and direct agenda-setting. This trajectory reflects the gradual institutionalization of state logic within an initially capital-dominated governance system.

Complementing this logic trajectory is a second pathway that emphasizes the concrete intervention mechanisms deployed by the state. This dimension traces the transformation from tacit support—where authorities implicitly endorsed market-led logic—to process embedding,

whereby non-structural tools (e.g., policy memos, task assignment forms, meeting minutes) enabled the government to shape organizational decisions. The final stage, explicit control, marked by direct administrative interventions and executive reshuffles, consolidated the re-emergence of state dominance.

Together, these two perspectives—one logic-based and temporal, the other strategy-based and procedural—provide a nuanced understanding of how state logic operates in hybrid organizational contexts. Rather than relying exclusively on formal ownership structures, organizational restructuring, or coercive regulatory measures, the state strategically employs discursive authority and symbolic deterrence—informal and unstructured governance mechanisms—to reassert institutional control. This contribution advances the institutional logics literature by elucidating the multilevel, gradual, and frequently informal processes through which public authority becomes reinstated within complex organizational fields.

## **6.4 Theoretical contributions**

This research makes several key theoretical contributions to the literature on hybrid organizations and institutional logics.

First, it challenges the dominant assumption in extant literature that hybrid organizations are governed by a relatively stable tension between two logics—most commonly, state and market. Instead, this research demonstrates the presence and agency of a third logic—community logic—and theorizes how multiple logics dynamically interact, entwined, and reconfigure over time. In doing so, the research advances a more fluid and processual understanding of institutional pluralism in the Chinese healthcare context, where the co-presence of conflicting norms, expectations, and governance modes cannot be reduced to binary opposition.

Second, the research proposes the concept of “logic entwinement”, capturing a distinct hybrid configuration in which institutional logics neither remain compartmentalized nor collapse into a unified synthesis. Rather than coexisting in a stable configuration, the institutional logics evolved through cycles of conflict and compromise, becoming progressively entwined through path-dependent interactions and episodic interventions. This extends current theorization on hybrid logic arrangements by showing that logic dominance is not only contested structurally but also negotiated discursively and tactically at both the organizational and field levels.

Third, this research contributes to understanding power asymmetry and response strategies under institutional complexity. By introducing a tactical response framework for weaker actors,



it extends institutional theory beyond dominant players and formal authority holders. Specifically, it highlights how resource-constrained actors mobilize higher-level logics, legitimacy, accountability mechanisms, and mission narratives as tactical tools. This enriches our understanding of agency under asymmetric conditions and sheds light on the often-overlooked internal politics within hybrid organizations.

Fourth, this research deepens our understanding of how state logic reclaims dominance in hybrid governance through a dual-path framework. By distinguishing between the temporal evolution of state dominance (from symbolic presence, to mediation, to control) and the gradual shift in intervention mechanisms (from tacit support to process embedding, to explicit control), the research reveals how the state strategically reasserts its influence without fully restructuring organizational governance. These non-structural, state-driven governance mechanisms—such as directive documents, discursive deterrents, and the “golden share” arrangement—demonstrate how state logic can be reactivated and embedded through soft yet effective instruments. This offers a context-specific contribution to the global literature on institutional logics by showcasing how state logic adapts and operates in China’s hybrid organizations.

Finally, Figure 5.1 synthesizes the theoretical architecture of this research, mapping the integration of logic evolution (RQ1), tactical response (RQ2), and state intervention (RQ3). It positions hybrid hospital governance not as a chaotic amalgam but as a dynamic system where logics are mobilized, entwined, and tactically navigated across organizational boundaries and power asymmetries.

## **6.5 Methodological contributions**

The research also offers important methodological contributions, particularly in conducting processual, multi-logic analysis in complex, hybrid organizational settings.

First, it demonstrates the value of longitudinal single-case design with theoretical sampling, enabling the tracing of institutional change across time through critical incidents and field-level shifts. This helps capture dynamic and path-dependent transformations often missed in cross-sectional designs.

Second, it showcases the combination of Gioia methodology, NVivo coding, and Pattern Inducting techniques to ensure analytic rigor and transparency. This triangulated coding strategy responds to common criticisms of subjectivity in qualitative research by clearly documenting the movement from first-order data to second-order themes and theoretical dimensions.

Third, this research advances a process-oriented methodological lens by treating governance structures not as fixed arrangements but as dynamic arenas in which institutional logics interact, compete, and evolve. By capturing both formal governance mechanisms (e.g., board composition, equity control) and informal practices (e.g., symbolic participation, agenda manipulation), the research demonstrates how logics are operationalized, contested, and rebalanced over time. This approach enables a more granular understanding of how hybrid governance unfolds in transitional institutional environments and offers a transferable analytical strategy for future studies on logic contestation and strategic responses in complex organizational fields.

## **6.6 Practical implications**

This research offers six practical implications for policy-makers, hospital administrators, and governance stakeholders involved in hybrid healthcare organizations:

### **6.6.1 Normalize conflict and facilitate institutional coordination**

Rather than suppressing institutional conflict, hybrid organizations should recognize it as a persistent and even productive condition. Governance structures should be designed to accommodate multiple logics, providing structured arenas for deliberation, negotiation, and compromise among actors representing divergent priorities. Conflict management training and multi-stakeholder dialogue mechanisms can enhance coordination and reduce escalation.

### **6.6.2 Preserve logic pluralism while preventing de-hybridization and logic capture**

Sustaining hybridity requires deliberate efforts to maintain a balance of logics. Organizations should avoid the over-dominance of a single logic—be it marketization, bureaucratic formalism, or community voluntarism. Mechanisms such as logic monitoring, participatory audits, and regular reviews of mission alignment can mitigate logic drift and prevent bureaucratic logic from crowding out pluralistic values.

### **6.6.3 Empower subordinate logics through institutionalized channels**

Subordinate actors, especially those representing community or professional logics, should be granted meaningful participation rights. This can be achieved through formal voting powers, advisory committees, and protected agenda-setting rights. Institutionalizing their involvement

helps counterbalance the dominance of resource-rich actors and enhances legitimacy.

#### **6.6.4 Define governance boundaries and establish contingency mechanisms**

Clarifying the scope and limits of governance bodies—such as the council and its relationship to ownership, executive management, and regulators—is essential. Pre-designed contingency protocols, including escalation procedures, mediation pathways, and regulatory oversight triggers, can prepare the organization to respond proactively to breakdowns in logic coordination.

#### **6.6.5 Innovate power-balancing mechanisms in board leadership**

The structure and functioning of the hospital council require redesign to reflect hybrid reality. Rotational leadership, diversified board composition, and non-aligned chairmanship can reduce power asymmetry. Formal equality in voting may not suffice without procedural equity and discursive balance.

#### **6.6.6 Transform the four-directional tactical response model into a governance toolkit**

The study's tactical response model — consisting of leveraging institutional logics and legitimacy, constructing accountability demands, and invoking founding mission narratives— offers a practical framework for navigating power asymmetries in hybrid governance. These tactics, especially when dynamically integrated through temporary collective identity construction, can be transformed into a diagnostic tool for hospital councils and regulators to identify conflict patterns and design tailored coordination strategies.

### **6.7 Limitations and future research directions**

This research is subject to several limitations, which also open avenues for future research.

First, as a single-case study, the findings are contextually grounded and may not be immediately generalizable. However, the depth and processual insights generated here can serve as analytical templates for theory building in similar hybrid contexts.

Second, while this research focuses on the micro-political dynamics within one hospital council, future research could conduct comparative studies across different regions or sectors to examine whether similar patterns of logic entwinement and tactical agency exist elsewhere.

Third, this research focuses on intra-organizational governance; future work may examine

inter-organizational networks or policy-level governance, especially how central–local dynamics shape the institutional logic landscape.

## 6.8 Closing remarks

This dissertation has sought to illuminate the complexities of governance in hybrid hospital organizations through a multi-institutional logics lens. By tracing the temporal unfolding of logic interaction, exposing power-laden governance dynamics, and revealing the subtle yet profound role of the state, it provides an empirically grounded account of how hybrid governance is enacted, contested, and transformed in practice.

While the findings are contextually situated in China's evolving healthcare system, the theoretical implications resonate more broadly. In an era marked by increasing hybridity across public and private sectors, the capacity to navigate institutional plurality is not merely a technical challenge but a strategic and political one. This research contributes to a deeper understanding of how organizations negotiate this complexity—not through stable synthesis, but through continuous recalibration, actor contestation, and field-level realignment.

The research further demonstrates that governance structures should not be treated as static containers, but as evolving analytical sites where institutional logics are materialized, negotiated, and repurposed through both formal and informal practices. By identifying five tactical responses under power asymmetry and unpacking two interwoven state intervention trajectories, it offers new tools for analyzing logic-laden contestation in organizational life.

Unlike conventional perspectives that emphasize compromise or decoupling as resolution strategies, this research highlights a distinct process of logic transmutation, wherein opposing logics are not merely reconciled but gradually reconstituted through iterative tactical mediation and temporary identity realignment. This entwinement does not eliminate conflict but repurposes it into a dynamic force for organizational adaptation.

Ultimately, the governance of hybrid organizations requires going beyond structural innovation; it calls for a nuanced appreciation of the institutional forces at play, the actors who mobilize them, and the evolving contexts in which they operate. This research hopes that such understanding may inform more resilient and socially responsive governance in healthcare and beyond.

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## **Annex A: Interview Protocol**

This interview is an academic study grounded in organizational sociology theory, aiming to explore the governance models and practices of hybrid organizations in China. All responses provided by interviewees will be kept strictly confidential and anonymized. The interview content will be used for English-language analysis, but the results will be solely for academic purposes and will not be published or disclose any trade secrets. To ensure research quality, the interview will be recorded with your consent, but your identity will remain completely anonymous.

1. Could you provide a detailed description of the organizational nature and governance structure of your hospital? What are the key differences in governance structure compared to public or private hospitals?

2. What is the primary challenge your hospital faces in achieving sustainable development? (For example, challenges related to social, economic, or healthcare quality aspects?)

3. What specific strategies or measures has your hospital implemented to address the aforementioned primary challenge?

4. What is your specific role and responsibility in the process of making these critical decisions?

5. Have you encountered any obstacles or challenges during the decision-making process? Did these lead to conflicts or contradictions?

6. How does your hospital address these obstacles or conflicts arising from differing opinions?

7. What is the relationship between the council of directors, the supervisory board, and the executive management team at your hospital? How do the interactions among members of these bodies impact the overall development of the hospital?

8. What is the relationship between your hospital and local government or health authorities? Have these external entities influenced major decision-making at your hospital? If so, has their influence been supportive or obstructive?

9. What are the primary sources of these external influences, and how are they manifested?



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## Annex B: Synthesis of Literature and Contributions Table

Author	Theme/Literature	Contribution to the state of the art and business management
Gümüşay, A. A., Smets, M., & Morris, T. (2020)	How frontline employees manage central and incompatible logics and reduce conflict	Conflicts within senior management, such as the board of governors, are not examined
Smith, W. K., & Besharov, M. L. (2019)	How organizational leaders may dynamically balance competing demands	The board of directors does not have conflicts, frontline employees do not have conflicts, and conflicts arise between organizational missions; The founder has authority in the organization, and their cognitive framework plays a key role.
Pache, A., Battilana, J., & Spencer, C. (2023).	How can institutionally diverse boards of hybrid organizations effectively help these organizations sustain the pursuit of their multiple goals?	The logic within the organization does not change dynamically, hence there is no research on how to manage conflicts arising from changes in the dominant logic within the organization.
Kumar, P., & Zattoni, A. (2019)	To provide perspectives on the characteristics of traditional corporate governance research and how current and future studies can advance the development of this field.	Future research should aim to 'open the black box' of governance—especially board decision-making processes—using qualitative methods to analyze underlying dynamics. The most promising yet challenging approach involves examining corporate governance across representative (non-Anglo-American) economies by focusing on firm-level rather than national-level variables.
Lounsbury, M., & Wang, M. S. (2023).	The institutional logic perspective has become central to organizational studies, requiring in-situ behavioral analysis beyond traditional discourse methods to fully comprehend logics.	It is necessary to examine the unique interplay of state, market, professional, and community logics in China's corporate governance and healthcare systems—which demonstrate fundamentally different configurations from Western contexts—while systematically analyzing the political coalitions operating both intra- and inter-organizationally, especially the power asymmetry in interorganizational relationships.

<p>Martin, G., Bushfield, S., Siebert, S., &amp; Howieson, B. (2021)</p>	<p>The research examines how professionals experience the three prevalent societal-level institutional logics (professional, market, and corporate), even as market, corporate, and state logics have become central to the operation of healthcare systems and organizations.</p>	<p>This literature has failed to account for the community logic within healthcare organizations.</p>
<p>Haveman, H.A., Joseph-Goteiner, D., &amp; Li, D. (2023)</p>	<p>This research examines the five institutional logics defined by Friedland and Alford (1991) as manifested in Chinese business organizations.</p>	<p>The literature has neither examined the dynamics of institutional logics in Chinese hospital settings - an under-researched area warranting attention nor accounted for the community logic in healthcare organizations.</p>
<p>Xing, Y., Liu, Y., &amp; Lattemann, C. (2020)</p>	<p>The research investigates how non-Chinese hospitals respond to three different institutional logics — governmental, commercial, and social — when they enter China and suggests that understanding the role played by the government and its relationships with other actors is important in emerging economies</p>	<p>This research has yet to examine how different types of joint hospitals in China leverage collaborative partnerships to navigate institutional logics and has not addressed conflicts arising from multiple institutional logics and their corresponding coping strategies.</p>
<p>Leite, E., &amp; Ingstrup, M.B. (2022).</p>	<p>How do individuals, employed in organizations, use different strategies as interaction modes to handle institutional logic diversity (including community, market, and state logic)</p>	<p>No studies have examined group-level strategies, such as those employed by councils and boards of directors, or the role of external actors like national government agencies. The council members are neither employed by hybrid organizations nor engaged in full-time roles, and their strategies remain unexplored in the literature (similar to cross-sector partnerships).</p>
<p>Ahrens, T., &amp; Mollona, M. (2007),(Parker, 2007, 2008)</p>	<p>They adopted a longitudinal, complete member-researcher (CMR)-participant-observer approach to investigate the internal governance processes of nonprofit boards and their impact on corporate governance, thereby truly penetrating the 'black box' of boardrooms that have received limited research attention.</p>	<p>None of them have studied the decision-making processes, logical conflicts, and interactions within the boards of hybrid organizations</p>

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