UNDERSTANDING THE IMPLEMENTATION OF ECONOMIC VALUE ADDED (EVA™) IN CHINA CONSTRUCTION BANK (CCB): UTILIZING THE INSTITUTIONAL WORK PERSPECTIVE

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LIST OF ABBREVIATIONS

ABC	Agricultural Bank of China
ABC	Activity-Based Costing
BOC	Bank of China
BOCOM	Bank of Communications
BSC	Balanced Scorecard
CAPM	Capital Asset Pricing Model
CAR	Capital Adequacy Ratio
CBIRC	China Banking and Insurance Regulatory Commission
CCB	China Construction Bank
CCP	Chinese Communist Party
CNKI	China National Knowledge Internet
EVA™	Economic Value Added
EPS	Earnings Per Share
GAAP	Generally Accepted Accounting Principles
HSBC	Hong Kong and Shang Hai Banking Corporation
ICBC	Industrial and Commercial Bank of China
IPO	Initial Public Offering
ISO	International Organization for Standardization
IRB	Internal Rating-Based
JMAR	Journal of Management Accounting Research
LVA	Labor Value Added
MAIs	Management Accounting Innovations
MAS	Management Accounting System
MES	Modern Enterprise System
MOF	Ministry of Finance
MVA	Market Value Added
NGOs	Non-Governmental Organizations
NOPAT	Net Operating Profit After Tax
NPLR	Non-Performing Loan Rate
NPLs	Non-Performing Loans
NPV	Net Present Value

PBC	People's Bank of China
ROA	Return On Asset
ROE	Return On Equity
ROI	Return On Investment
SASAC	State-owned Assets Supervision and Administration Commission
SOCBs	State-Owned Commercial Banks
SOEs	State-Owned Enterprises
TC	Total Capital
TQM	Total Quality Management
WACC	Weighted Average Cost of Capital
WTO	World Trade Organization

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MEMAHAMI PELAKSANAAN NILAI EKONOMI DITAMBAH (EVA™) DI BANK PEMBINAAN CHINA (CCB):PENGGUNAAN PERSPEKTIF INSTITUSI KERJA

ABSTRAK

Tesis ini telah menyelidiki perlaksanaan Nilai Tambah Ekonomi (EVA™) dalam Bank Pembinaan China (CCB) cawangan 'Inner Mongolia', dengan menggunakan kerangka kerja institusi yang dibangunkan oleh Perkmann dan Spicer (2008) serta Lawrence dan Suddaby (2006). Cawangan CCB di 'Inner Mongolia' ini ialah antara cawangan yang terawal mengamalkan EVA™ dalam wilayah yang berlatar-belakangkan landskap sosio-ekonomi dan budaya yang unik. Secara khususnya, kajian ini telah mengenal pasti tiga fasa institusionalisasi yang berbeza, iaitu: 1) Penerimaan awal yang didorong oleh tekanan persaingan dan perubahan peraturan; 2) Institusionalisasi awal, dan 3) Institusionalisasi yang berlangsung secara berterusan walaupun menghadapi cabaran dan hasil yang berbeza-beza. Melalui kajian kes interpretatif kualitatif, data dikumpulkan daripada temu bual, pemerhatian, dan analisis dokumen untuk memberikan pemahaman menyeluruh tentang bagaimana EVA™ menjadi sebahagian daripada amalan di CCB terpilih ini. Penyelidikan ini mengkaji secara kritikal kerja politik, teknikal, dan budaya yang khusus yang memudahkan pelaksanaan EVA™ dalam CCB, serta menilai interaksi antara kerja-kerja ini dalam menginstitusikan amalan tersebut. Kajian ini juga meneroka penyumbang asas bagi proses institusionalisasi EVA™ dalam CCB, walaupun terdapat kekurangan dan kritikan yang dilalui. Secara teori, kajian ini memperkenalkan kerangka kerja Institusi Multidimensi (MIW), yang

mengintegrasikan kerja politik, teknikal, dan budaya sambil menekankan kepentingan penyelarasan berurutan mereka. Ia menonjolkan konsep penglibatan kumulatif, yang menunjukkan bagaimana usaha pengagihan dan penghiliran tugasan mendorong perubahan institusi. Penyelidikan ini juga menggabungkan tiga asas institusi yang diterajui oleh Scott, memahami bagaimana amalan pengurusan dari pandangan Barat yang telah diinstitusikan di negara China. Secara praktikal, penyelidikan ini menawarkan nilai dan maklumat kesarjanaan kepada SOE China, iaitu bank pembuat dasar, dan firma perunding dengan menekankan kepentingan menyesuaikan amalan pengurusan seperti EVA™ kepada persekitaran budaya dan peraturan organisasi di negara seperti China. Walau bagaimanapun, tumpuan kajian ini pada cawangan CCB di wilayah 'Inner Mongolia' dan mungkin menghadkan kebolehgunaan umum penemuan ini. Penyelidikan masa depan harus mempertimbangkan untuk memperluaskan skop untuk merangkumi pelbagai cawangan dan bank, menggunakan kaedah campuran untuk pengesahan data, dan mempelbagaikan profil peserta untuk menangkap pelbagai perspektif yang lebih luas.

UNDERSTANDING THE IMPLEMENTATION OF ECONOMIC VALUE ADDED (EVA™) IN CHINA CONSTRUCTION BANK (CCB): UTILIZING THE INSTITUTIONAL WORK PERSPECTIVE

ABSTRACT

This thesis investigates the implementation of Economic Value Added (EVA™) within China Construction Bank (CCB) Inner Mongolia provincial branch, utilizing the institutional work framework developed by Perkmann and Spicer (2008) and Lawrence and Suddaby (2006). This branch was one of the early adopters of EVA™ in a region characterized by a distinct socio-economic and cultural landscape. Specifically, the study identifies three phases of institutionalization: initial adoption driven by competitive pressures and regulatory changes, early institutionalization, and continued institutionalization despite ongoing challenges and mixed outcomes. Through a qualitative interpretive case study, data were gathered from interviews, observations, and document analysis to provide a comprehensive understanding of how EVA™ became ingrained in CCB's practices. The research critically examines the specific political, technical, and cultural work that facilitated the implementation of EVA™ within CCB, while also evaluating the interplay among these works in institutionalizing the practice. This study further explores the underlying reasons for the institutionalization of EVA™ within CCB, even amid recognized shortcomings and criticisms. Theoretically, this study introduces the Multidimensional Institutional Work (MIW) framework, integrating political, technical, and cultural work while emphasizing the importance of their synchronization. It highlights the concept of accumulative partaking, showcasing how decentralized efforts drive institutional change. The research also incorporates Scott's three institutional pillars,

understanding how a Western management practice is institutionalized within a non-Western context. In practical terms, the research offers valuable insights for scholars, Chinese SOEs, banks, policymakers, and consulting firms by stressing the importance of adapting management practices like EVA™ to the specific cultural and regulatory environments of Chinese organizations. However, the study's focus on the CCB Inner Mongolia provincial branch may limit the generalizability of its findings. Future research should consider expanding the scope to include multiple branches and banks, employing mixed methods for data validation, and diversifying participant profiles to capture a broader range of perspectives.

CHAPTER 1

INTRODUCTION

1.1 Introduction

EVA™ has evolved into a recognized element in the accounting field, which has a "longstanding pedigree in conventional management accounting thought" (Chiwamit et al., 2014). Originating as a performance metric designed to measure a company's true economic profit, EVA™ aims to align managerial actions with shareholder interests by providing a clear and comprehensive measure of financial performance. Its adoption has been widespread, particularly in Western management practices, where it has often been hailed for its potential to drive corporate performance and shareholder value (Xiao & Gan, 2024; Jordão & Costa, 2023; Jillali & Belkasseh, 2022). EVA™ has been adopted by numerous firms to enhance corporate performance by aligning managerial actions with shareholder interests. Among these adopters are several prominent Chinese commercial banks, including Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB), Agricultural Bank of China (ABC), China Merchants Bank, Pudong Development Bank, Zhejiang Commercial Bank, Shenzhen Development Bank and other joint-stock commercial banks (Wei, 2012; Zhao, 2014; Wang, 2015). The introduction of EVA™ was accompanied by overly optimistic projections regarding its impact on corporate performance. Many companies anticipated significant improvements in financial performance and alignment with shareholder interests. However, these expectations often fell short, leading to dissatisfaction and criticism from stakeholders (Wei, 2012; Zhao, 2014; Wang, 2015). The media, along with consulting firms, played a crucial role in shaping public perception of EVA™. A series of critical articles and reports highlighted the shortcomings and challenges associated with implementing EVA™.

These critiques emphasized that EVA™ did not consistently deliver the promised benefits and questioned its effectiveness as a performance metric (Yang, 2014; Stout, 2012; Sanghoee, 2014; Nocera, 2012). As EVA™'s popularity has declined over time, its supporters have altered and even reversed (Madsen et al., 2020). EVA™'s journey in Chinese commercial banks, particularly within CCB, provides a compelling case study of the complexities and challenges associated with its implementation. CCB's experience is particularly noteworthy, as it reflects both the potential and pitfalls of EVA™ in practice. EVA™ has been implemented in CCB for 20 years and should have achieved the proclaimed successful results by EVA™ supporters. However, the implementation of EVA™ in CCB has accumulated a vast amount of problems. What is worth mentioning is that CCB still regards EVA™ as a core metric, and Chinese government institutions still utilize EVA™ to measure the performance of banks.

The institutionalization framework offers the chance to explain the implementation of EVA™ in CCB over the last 20 years. When the discourse started to fade, the practice continued, demonstrating that the practice must have been institutionalized, which means it became "taken for granted by members of a social group as efficacious and necessary" (Tolbert & Zucker, 1996). This occurs when a specific practice (as opposed to just the discourse) linked with a management fashion becomes widely acknowledged as significant, acceptable, and crucial. According to Oliver (1997), institutional activities frequently have a long lifespan, are socially acceptable and adaptable, and do not rely on rewards or other forms of direct monitoring to ensure their longevity. Thus, considering the implementation of EVA™ in CCB over the last 20 years, it could be suggested that EVA™ must have become institutionalized in CCB.

This research explores the implementation of EVA ™ in CCB, using the institutional work proposed by Perkmann and Spicer (2008) and Lawrence and Suddaby (2006). Lawrence and Suddaby (2006) introduced the notion of institutional work, which encompasses the efforts of actors to create, maintain, and disrupt institutions. Perkmann and Spicer (2008) further categorized institutional work into three types: political, technical, and cultural. Perkmann and Spicer (2008) also focused on the lifecycle of management fashions, emphasizing how fashions initially gain popularity and eventually become ingrained within organizational routines. Their concept of management fashions highlights the dynamic nature of such practices, where initial enthusiasm can transition into routine acceptance. This transition is critical to understanding why EVA™ remains a core performance metric within CCB despite its challenges and criticisms. The institutional work framework is particularly relevant for analyzing EVA ™ 's implementation in CCB, as it enables a comprehensive examination of the multifaceted efforts involved in embedding EVA™ within CCB's organizational practices. By focusing on the political, technical, and cultural work, this framework allows for a nuanced analysis of how EVA ™ was adopted and adapted to align with CCB's unique organizational context and challenges. This approach captures the complex interplay of actors' efforts in promoting, legitimizing, and sustaining EVA ™ as a core performance metric, thus providing deeper insights into the mechanisms that have led to its enduring presence within CCB.

The motivation for this research stems from several key points. Firstly, EVA™ is recognized as a critical innovation in modern management accounting, designed to measure a company's true economic profit. It aims to align managerial actions with

shareholder interests by providing a clear metric for evaluating performance. Understanding its implementation in a major bank like CCB can provide valuable insights into its practical applications and challenges. Secondly, CCB is one of the largest banks in the world in terms of assets and influence. Its unique position within the global financial system makes it a significant case study for examining how Western management accounting innovations, like EVA ™ , are adapted and institutionalized in a non-Western context. This can shed light on the cross-cultural transferability of management practices. In addition, the institutionalization of management practices involves various forms of work — political, technical, and cultural. By examining how these forms of work interact within CCB, this research aims to provide a comprehensive understanding of the institutionalization process. This can help identify the conditions under which EVA™ becomes embedded in organizational practices, despite facing resistance and challenges. Despite EVA™ not meeting its initial optimistic expectations in CCB and facing significant criticism, it remains a core performance metric within the bank. This research seeks to understand the reasons behind its sustained use and the long-term impact it has had on the bank's performance measurement and decision-making processes.

This chapter will provide an introduction to the study by first discussing the background and context, followed by the institutionalization of EVA™ in CCB, the problem statements, the research objectives and questions, the research process, the significance, and finally the structure of the thesis.

1.2 Background of the Study

To understand the institutionalization of EVA™ within CCB, it is important to examine several key dimensions. First, the background of EVA™ provides foundational principles and its significance in performance measurement. Second, the evolution of the Chinese banking industry reveals the competitive and regulatory landscape influencing CCB's strategies. Third, insights into CCB's organizational structure and historical development offer a deeper understanding of its internal dynamics. Additionally, successful implementations of EVA™ in Western banks highlight best practices relevant to CCB. Lastly, exploring CCB's motivations for implementing EVA™ underscores the strategic, operational, and competitive pressures driving this initiative. These sections collectively lay the groundwork for analyzing EVA™'s institutionalization within CCB.

1.2.1 Background Information of EVA™

Economic Value Added (EVA™) is a performance measure developed by Stern Stewart & Co. that calculates the true economic profit of a company. It is computed by taking a company's net operating profit after taxes (NOPAT) and subtracting the capital charge, which is the cost of capital times the economic capital employed (Stern Stewart, 1991).

Equation 1.1 EVA™

$$EVA™ = NOPAT - WACC \times TC$$

Where

NOPAT: Net Operating Profit After Tax

WACC: Weighted Average Cost of Capital

TC: Total Capital

EVA™ mainly composes of three elements: NOPAT (Net Operating Profit After Tax), WACC (Weighted Average Cost of Capital), and TC (Total Capital).

NOPAT refers to the net profit after tax of the business, which equals to net profit after tax plus interest expenses. TC consists of debt capital and equity capital, which refers to the total investment capital of the business. WACC is calculated through the weight of the equity cost and the debt cost in the TC structure, which is an average unit cost (Jakub et al., 2015; Sabol and Sverer, 2017; Al-Mufarrid et al., 2024).

The primary advantage of EVA™ is its focus on value creation. Unlike traditional financial metrics, EVA™ includes the cost of capital in its calculation, compelling companies to generate returns that exceed their capital costs. This focus helps ensure that business activities align more closely with shareholder value enhancement (Buallay, 2019; Dang et al., 2020). Additionally, EVA™ offers a more comprehensive assessment of company performance compared to traditional metrics such as earnings per share (EPS) or return on investment (ROI). By accounting for the cost of capital, EVA™ provides a clearer picture of whether a company is truly generating wealth (Shad et al., 2019; Vena et al., 2020). Linking EVA™ to managerial compensation can align the interests of management with those of shareholders. This alignment encourages managers to make decisions that are likely to increase the company's economic value, which directly benefits shareholders (Högerle & Charifzadeh, 2020; Battisti et al., 2020). Moreover, EVA™ encourages disciplined capital allocation by penalizing investments that do not meet the required return on capital. This discipline helps prevent wasteful expenditures and encourages the pursuit of projects that are likely to be genuinely value-adding (Dang et al., 2019). Furthermore, EVA™ promotes a long-term perspective in business decision-making. Managers are incentivized to look beyond short-term financial gains and focus on sustainable, long-term value creation (Mohsin et al., 2021; Rabaya & Saleh, 2020). This long-term focus is crucial in competitive business environment, where

maintaining a sustainable competitive advantage is key to long-term success (Schoenmaker & Schramade, 2019; Zumente & Bistrova, 2021).

Despite its numerous benefits, the implementation of EVA™ presents several significant challenges. A primary concern is the inherent complexity involved in calculating EVA™. This process requires numerous adjustments to standard accounting figures, demanding a sophisticated understanding of financial nuances (Fedorova & Komletsova, 2022). Compounding this complexity is the challenge of accurately estimating the cost of capital—a critical component of the EVA™ formula. Misestimations in this area can lead to misleading results, undermining the reliability of EVA™ figures (Garcia de Oliveira et al., 2021). Furthermore, choosing the appropriate discount rate and minimizing agency costs are crucial steps that, if mishandled, can distort EVA™ calculations (Anton, 2019). Another challenge lies in EVA™'s reliance on accounting profits, which are susceptible to manipulation. Managers, driven by the linkage of EVA™ figures to their bonuses, may feel incentivized to manipulate numbers or defer necessary expenditures to artificially inflate EVA™ in the short term (Gressle, 2020). This short-term focus contradicts EVA™'s intent to foster long-term value creation and highlights the tool's vulnerability when used as a performance management and incentive mechanism (Khiari, 2021). The quality of EVA™, therefore, heavily depends on the integrity and accuracy of the underlying financial data, further complicating its effective application (Stanciu, 2021). Moreover, industries that require substantial capital investments may find EVA™ less favorable, as significant upfront costs can suppress EVA™ in the short to medium term, even if there are potential long-term benefits (Richma et al., 2021). Collectively, these challenges underscore the multifaceted nature of implementing and calculating EVA™, particularly regarding its complexity, the

potential for manipulation, and the difficulties associated with accurate financial assessments.

EVA™ is an innovation that is deeply rooted in the traditional principles of residual income found in conventional management accounting (Chiwamit et al., 2014). Developed and popularized by the US-based consulting firm Stern Stewart, EVA™ has been celebrated as a pivotal tool in reshaping modern corporate governance (Madsen et al., 2020). Its introduction marked a significant advancement in the broader shareholder value movement, which emerged in the 1980s and profoundly influenced management accounting and control practices within organizations (Kraus & Stromsten, 2012; Ahmed Mohamed Ghandour, 2021). This movement, driven by the goal of maximizing shareholder wealth, has become a fundamental principle in structuring governance and control practices. The rise of the shareholder value movement was further fueled by the globalization of modern capital markets and the proliferation of economics-based views of the firm (Zajac & Westphal, 2004). In this context, EVA™ plays a crucial role by aligning managerial interests with those of dispersed shareholders, who traditionally have limited power relative to the management of large corporations (Munzhelele & Obadire, 2023). By linking managerial incentives directly to shareholder value, EVA™ enhances traditional management accounting practices, providing a more effective measure of performance that is consistent with the goals of the shareholder value movement. This alignment not only promotes better governance but also supports more informed decision-making within organizations, ultimately contributing to the long-term success of the firm.

1.2.2 Background Information of Chinese Banking Industry

Chinese commercial banks have a substantial impact on the global financial system. As early as 2010, the total bank assets of China were greater than the size of the United States banking system and greater than all Euro-zone banking systems combined in the final quarter of 2016. It is undoubtedly the world's largest banking system (Cerutti & Zhou, 2018). According to Banker (2021), Chinese State-Owned Commercial Banks (SOCBs) are at the forefront of the global banking industry. The top four positions are taken up by Chinese SOCBs: Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB), Agricultural Bank of China (ABC), and Bank of China (BOC), with Bank of Communications (BOCOM) occupying the 11th position, so Chinese banks contribute significantly to the global banking industry's development (Koroleva et al., 2021). By the end of 2022, the total assets of China's banking sector reached nearly RMB 380 trillion, reflecting a 10% growth despite the challenges posed by the COVID-19 pandemic and a volatile global economic environment (Deloitte, 2023). The banking sector has maintained its critical role in supporting the real economy through significant credit provisions and by embracing green finance and digital transformation (Deloitte, 2022). Furthermore, McKinsey & Company (2023) underscored the influence of Chinese banks on global financial stability and market dynamics, noting that these institutions have navigated the complex macroeconomic landscape effectively, thus contributing to global financial flows and stability. This positions Chinese commercial banks as pivotal players in shaping global financial trends and ensuring stability.

Chinese SOCBs also holds a substantially dominant position in the country's financial sector and serves as an extremely vital mechanism for its economic growth. Since 2000, Chinese authorities have encouraged the restructuring and listing of

SOCBs and the expansion of their scale, to face the difficulties posed by the financial industry's complete openness following China's membership in the WTO. Five SOCBs (known as state-owned, monopolistic, and policy-driven banks): ABC, BOC, CCB, ICBC, and BOCOM, had completed the public offering of shareholding reforms successively (Marigliano, 2017). In the fourth quarter of 2018, the five SOCBs contributed approximately 35% of total assets and deposits in the country's banking system (Liu, 2020). According to the National Bureau of Statistics (2018), China's real GDP hit US $13.6 trillion in 2018, while its total banking assets grew to US $38.7 trillion, almost 300% of its GDP. Additionally, RBA (2021) discussed the increasing international use of the renminbi and China's strategic efforts to mitigate financial risks. These measures have enabled SOCBs to sustain a stable and influential position in the financial sector, impacting both domestic and global financial systems.

1.2.3 Background Information of CCB

In China, State-Owned Enterprises (SOEs), including CCB, have played a central role in economic growth and reform. The introduction of EVA™ within these enterprises, particularly under the guidance of the State-owned Assets Supervision and Administration Commission (SASAC), marked a shift in performance evaluation standards. EVA™ was formally adopted across central SOEs in 2010 as a strategic move by SASAC to improve efficiency and ensure alignment with national economic objectives. The adoption of EVA™ aimed to replace traditional indicators such as Return on Equity (ROE), focusing on maximizing shareholder value while promoting sustainable management practices (Dong, 2014). The researcher has chosen CCB among the five SOCBs due to its significant role in the banking sector and its early adoption of EVA™. CCB was the first financial institution in China to implement EVA™ in 2002, making it a pioneering example of adopting Western management

practices within the Chinese banking industry (Dong, 2014; Geiger, 2010). CCB was established in 1954 to handle transactions relating to fixed investment (especially in manufacturing) and was formed as a completely state-owned company in its early years. CCB was listed on the Hong Kong Stock Exchange in 2005 and the Shanghai Stock Exchange in 2007. According to Banker (2021), CCB ranks 2nd among the top 1000 world banks and 2nd by Tier 1 capital among global banks. There are 14,741 banking outlets in the country and 349,671 employees working for the bank. Corporate banking, personal banking, and capital operations are the three most important sectors of CCB's commercial activities (Liu & Huang, 2018). There are more than 200 foreign businesses spread across 31 countries and regions, and CCB has subsidiaries in a variety of industries, such as pension, trust, financial leasing, futures, insurance, fund management, and investment banking (CCB, 2020).

CCB has demonstrated strong financial performance and strategic growth across multiple sectors. In 2022, CCB's total assets increased by 14.37%, reaching RMB 34.60 trillion, and net profit grew by 7.1%, underscoring the bank's resilience and effective management amidst challenging economic conditions (CCB, 2023a; Fitch Ratings, 2022). The bank has notably expanded its support for housing rentals and rural revitalization, with corporate housing rental loans surging by 81.47% and agriculture-related loans exceeding RMB 3 trillion by the end of 2022 (CCB, 2023a). CCB has also been a leader in green finance, with green-related loans reaching RMB 2.75 trillion, and has increased its participation in green bond underwriting (Deloitte, 2023). Furthermore, CCB's inclusive finance initiatives saw a 25.49% growth in inclusive financial loans, significantly benefiting SMEs and rural households (CCB, 2023a). On the technological front, CCB launched the "CCB Cloud" to enhance its

digital capabilities and has actively developed digital government services in partnership with provincial governments (CCB, 2023a).

The following section explores how EVA™ has been successfully implemented in Western banks and the lessons CCB drawn from these experiences.

1.2.4 Successful Implementation of EVA™ in Western Banks

Western banks have experienced tremendous success in shareholder value and profitability since implementing EVA™, such as Centura Bank, Credit Suisse First Boston Bank, Lloyds TSB Bank, BancorpSouth, Independence Community Bank, etc (Ehrbar, 1998; Thampy & Baheti, 2012; Pompong, 2015). Centura Bank (Centura) was the first U.S. bank to implement EVA™ in 1994, which was a mid-sized regional bank headquartered in Rocky Mount, North Carolina. The implementation of EVA™ initiated a significant transformation for the bank (Hilton, 1997). Several sales representatives experienced a 100% increase in their total remuneration. Centura Bank's EVA™ increased from $100,000 in 1994 to $4,200,000 in 1996, and its stock price increased by 187%, from $24.37 per share to $70 per share (Ehrbar, 1998; Ehrbar & Stewart, 1999; Qu, 2014). Currently, Centura Bank has been acquired by RBC Centura Banks, Inc., and continues to be a part of the global banking operations under RBC, retaining the benefits of EVA™ practices in their financial strategies (Okoro, 2022; Kumar et al., 2019).

In addition, Credit Suisse First Boston believed that the EVA™ could substantially mitigate financial risks and enable investors to analyze the quantity and sustainability of earnings more precisely (Abate et al., 2004). It is the best financial valuation criterion for capturing the value added by shareholders' equity (Ehrbar, 1998; Ehrbar & Stewart, 1999; Qu, 2014). Credit Suisse First Boston headquartered in

Zurich, Switzerland, is one of the leading global financial services companies. The bank continues to operate as a major global bank, having merged its EVA™ practices into broader financial performance measures and risk management strategies (Lea et al., 2023).

Furthermore, Lloyds TSB Bank has employed the EVA™ to grow into one of the most valuable banks worldwide (Thampy & Baheti, 2012). The bank was one of the largest retail and commercial banks in the UK, headquartered in London. After analyzing the successful implementation of EVA™ in General Electric and Coca-Cola, Lloyds TSB Bank introduced EVA™ as a measure of shareholder value creation and set a goal of doubling shareholder value every three years. With these objectives in mind, Lloyds TSB Bank chose the strategy of expanding its retail banking operations and selling badly managed subsidiaries. As a result, Lloyds TSB Bank liquidated its investment bank and a number of branches; relinquished its position as a price-setter; and forewent the chance to apply for a Tokyo securities trading license. While abandoning global expansion, Lloyds TSB Bank has worked hard to establish itself as a multi-product, multi-regional, homegrown U.K. retail financial business with a diverse customer base. It has undertook multiple acquisitions and introduced various innovations. By Jan 13, 1998, its capitalization had exceeded $68.7 billion by implementing EVA™ as its core performance measurement metric, ranking it first in the world (Shao & Chi, 2010; Fu, 2018). Lloyds TSB, now part of Lloyds Banking Group, remains a major player in the UK banking sector, continuing to apply EVA™ principles in its performance evaluation and strategic decision-making (Lloyds Banking Group, 2024).

Additionally, BancorpSouth is one of the few regional banks to calculate EVA™ at the level of individual customer accounts, which was a regional bank

headquartered in Tupelo, Mississippi (Mayor, 2002). By concentrating on customer relationships, the bank is able to make better pricing decisions. For a financial institution of BancorpSouth's scale (assets of $10 billion as of September 2002), this degree of granular data is the greatest option for aiding managers' decision-making while serving a range of areas. BancorpSouth enhances the usefulness of its EVA™ program by instructing its management in the application of complex approaches to everyday decision-making. The information is disseminated to frontline customer relationship managers. BancorpSouth's success is reflected in the performance of its shares. Its stock price has climbed by more than 50% since implementing EVA™ (Li & Chen, 2005; Fu, 2018). BancorpSouth has since merged with Cadence Bank, and the use of EVA™ continues to influence its financial management practices (Cadence Bank, 2021).

Also, Independence Community Bank has witnessed EVA™'s capacity to create growth strategies with clarity and discipline, which based in Brooklyn, New York, focused on local banking services. EVA™ was utilized by Independence to analyze capital management and investment decisions. It confronted the issue of deploying its extra capital in a profitable manner. In EVA™ practice, a bank should only expand if it can improve shareholder returns by investing at or above its cost of capital. Independence carried out an action that is unusual for a community bank. Instead of adopting a "grow at all costs" strategy, it returned excess capital to shareholders by repurchasing stock. This decision allowed Independence to remain strong, healthy, and independent, placing it in a position to grow when that expansion will yield real value for the bank (Li & Chen, 2005; Fu, 2018). The bank was acquired by Sovereign Bancorp in 2006, and the strategic use of EVA™ principles helped maintain its stability prior to the acquisition (NYU, 2007).

Additionally, a statistical research conducted by Stern Stewart and Henry C. Dickson, head of bank analysis at Salomon Brothers Smith Barney, indicates that EVA™ correlates more strongly with changes in banks' MVAs than any other performance metrics (Ehrbar & Stewart, 1999). "We believe that EVA™ is a more effective predictive tool than other traditional bank stock valuation methods, and that it better highlights the more significant sources of value creation for the industry", Dickson wrote in a 1997 Smith Barney report titled "EVA & Bank Stock Valuation". EVA™ also offers a superior framework for addressing some of the most challenging issues in banking, including capital allocation relationship profitability, funds transfer pricing, and risk management. The application of EVA™ to financial institutions is complicated by a variety of unique difficulties, yet the ultimate outcome is equally as effective as in other industries (Ehrbar, 1998; Ehrbar & Stewart, 1999; Li & Chen, 2005; Fu, 2018).

The successful outcomes in Western banks serve to justify the rationale behind CCB's decision to implement EVA™. By showing how EVA™ has driven profitability, enhanced performance metrics, and aligned managerial actions with shareholder interests in Western contexts, this section supports the strategic decision-making process of CCB.

1.2.5 Motivations for CCB to Implement EVA™

In 2002, CCB took the lead in introducing EVA™ to evaluate the operating performance of each branch. The introduction of EVA™ in CCB could be attributed to the following reasons: political and regulatory pressures, fierce competition in the Chinese banking market; the profitability of CCB depends on the loan-to-deposit

interest income; and the establishment of a Modern Enterprise System (MES) within CCB.

To begin with, the introduction of EVA™ in CCB was significantly influenced by political and regulatory pressures. The Chinese government, particularly through the SASAC, promoted the adoption of EVA™ as part of its broader economic reforms aimed at modernizing the governance of SOEs. In 2010, SASAC officially mandated the use of EVA™ across central SOEs to improve corporate efficiency and align performance metrics with international standards (Dong, 2014). The government's involvement in endorsing EVA™ not only facilitated its adoption but also provided a legal and political framework that positioned EVA™ as an essential mechanism for fostering financial discipline and accountability within CCB, thus ensuring that it complied with the evolving standards of corporate governance in China's rapidly integrating global economy. While SASAC, the government body responsible for overseeing SOEs, mandated the use of EVA™ across all central SOEs in 2010, CCB had already integrated this performance metric eight years earlier. CCB's early implementation provided valuable insights and experience that likely influenced SASAC's later decision to expand the adoption of EVA™ across other SOEs. This timeline highlights CCB's leadership in financial reform within China's banking industry and its role as a pioneer in modernizing performance evaluation methods (Hu, 2006; Jiang, 2009).

Second, fierce competition in the Chinese banking sector at the beginning of the 21st century prompted CCB to adopt EVA™. The Chinese banking sector has improved as a result of the country's open-door policy in 1978 (Majeed et al., 2020). Before introducing a modern banking system in 1978, China did not even have a formal banking system (Heffernan & Fu, 2010), and the People's Bank of China (PBC)

served as both the central and commercial bank (Pham, 2024; Liu & Liu, 2020). The opening up of the economy, financial reforms, and economic development have all made it much easier to break into the banking industry. As a result, a large number of new organizations have sprung up, which involve joint-stock commercial banks, local commercial banks, and urban and rural credit cooperatives, increasing competition in the Chinese banking industry. Meanwhile, since China became a member of the World Trade Organization (WTO) in 2001, domestic commercial banks were exposed for the first time to competition from international banks, and SOCBs no longer hold a dominant position (Tan et al., 2017; Yeung, 2021). However, CCB had long held a monopoly in the Chinese banking business, lacked incentives to increase competition, and was rather loose with regard to capital controls and performance evaluations. Before 2000, CCB was a government bureaucracy rather than a financial organization. For example, the compensation of CCB personnel was mainly based on "seniority" and "long working years" rather than individual performance, and future development potential, resulting in the loss of a significant number of exceptional employees (Du, 2011). Nevertheless, foreign banks were more exceptional than Chinese banks in terms of expertise, capital, management system, financial skill, etc., due to their long-term competitive operations (Feng, 2007). So, it was insufficient for CCB to compete with international banks in 2001. In 1990s, EVA™ was widely utilized by Western commercial banks, such as Centura Bank, Credit Suisse First Boston Bank, Lloyds TSB Bank, BancorpSouth, Independence Community Bank, Royal Bank of Canada, Citibank, Standard Chartered Bank, Hong Kong and Shang Hai Banking Corporation (HSBC), etc. These banks adopted the maximization of shareholder value as their business objective, incorporated EVA™ into their management systems, and used EVA™ as their primary performance metric (Cai et al., 2003).

Furthermore, CCB's profitability is heavily influenced by its loan-to-deposit interest income, which necessitated the implementation of EVA™ as a financial performance measure. In 2007, interest income constituted a significant 93% of CCB's total income (CCB, 2008). Although this percentage decreased to 73% by 2021 (CCB, 2022), it remained a dominant contributor to the bank's revenue. However, the four largest US banks' (JPMorgan Chase, Bank of America, Wells Fargo, Citigroup) non-interest income has averaged between 35% and 55% (Linnertová & Šperka, 2017). Also, major Japanese banks actively pursue non-interest income expansion. The amount of non-interest income earned by the three biggest Japanese banks (Mitsubishi UFJ, Sumitomo Mitsui Banking Corporation, and Mizuho Bank) has reached an average of 56.4% in 2017 (Nomura Holdings, 2021). Thus, CCB has a large gap with international banks in terms of non-interest income, such as derivatives innovation, trading business, investment banking services, etc. The EVA™ indicator is known as fostering corporate innovation, optimizing capital structure, and lowering the cost of capital for businesses. Therefore, it was imperative to implement the EVA™ performance evaluation system within CCB.

Finally, the implementation of EVA™ is essential for establishing a robust Modern Enterprise System (MES) within CCB. The MES reform, driven by Chinese economists educated in the West and reinforced by policy recommendations from the World Bank (Hassard et al., 2007; Steinfeld, 1999), sought to modernize China's State-Owned Enterprises (SOEs) by listing them on stock markets as part of a broader economic transformation. However, traditional assessment methods in these enterprises were plagued by issues like moral hazard and adverse selection, proving inadequate to meet the sophisticated demands of the evolving MES. Recognizing these shortcomings, the World Bank advocated for the implementation of EVA™ as

early as 2002 to enhance the MES's effectiveness (World Bank, 2002). The Chinese government, while strategically maintaining controlling ownership stakes in listed SOEs to ensure ongoing influence (World Bank, 2012; Lin et al., 2020), saw the need for more rigorous governance mechanisms. In September 2004, CCB completed its shareholding reform, with Huijin, representing the government's ownership stake, as the controlling shareholder (Bian et al., 2022). This move not only reinforced government control but also aligned with China's broader economic and geopolitical ambitions to influence international markets. EVA™, as a governance mechanism, was of significant interest to the State-owned Assets Supervision and Administration Commission (SASAC), especially after observing its effective use in Singaporean SOEs (Chiwamit et al., 2014). By adopting EVA™ in 2002, CCB became the pioneer among Chinese financial institutions, setting a benchmark in financial reform and contributing to the establishment of a more robust and accountable MES. This strategic adoption marked a significant milestone in China's financial reforms, ensuring that CCB could better align its performance with the objectives of both the government and global investors.

The motivations for CCB to implement EVA™ were driven by a combination of political and regulatory pressures, fierce market competition, a need for improved profitability through enhanced financial performance metrics, and the strategic alignment with modern enterprise systems. These motivations laid the groundwork for the subsequent institutionalization of EVA™ within CCB. Understanding how these initial drivers translated into long-term organizational practices is crucial for analyzing the complex process through which EVA™ became an integral part of CCB's performance management framework. The following section will explore the institutionalization of EVA™ in CCB.

1.3 The Institutionalization of EVA™ in CCB

According to Stern Stewart (1991), it typically takes 4 to 7 months to establish EVA™ mechanisms for small and medium-sized banks, 9 months to 2 years for larger banks (e.g., National Bank in Australia and Bancorpsouth Bank in the United States both took over 18 months), and longer for companies with weaker management information foundations and lower data quality. EVA™ has been implemented in CCB for 20 years and should have achieved the proclaimed successful results in Western banks. However, this research has found that the implementation of EVA™ in CCB has accumulated a vast amount of problems during the field investigations. For example, no EVA™ integration in several municipal branches, EVA™'s limited impacts on municipal branches, inefficiencies of EVA™ in credit services, limitations of absolute EVA™ evaluation, etc. Meanwhile, in the Chinese banking industry, the majority of academic references on EVA™ are critical of its deficiencies (Rui, 2021; Zhang, 2019; Jiang, 2009; Li, 2019; Huang, 2014; Hu, 2006; Wu, 2011; Liu, 2017). As EVA™ has fallen out of favor over time, EVA™'s primary promoter, Stern Stewart, has isolated itself from the notion, as indicated by the fact that the concept is no longer displayed prominently on the company's website (www.sternstewart.com). Consultants require the use of new topics to survive, so EVA™ has been superseded by concepts and ideas that are more in line with the current zeitgeist and market demand for management concepts and ideas (Madsen et al., 2020). Thus, it is quite clear that EVA™'s popularity has changed over time. The adoption of EVA™ in CCB was based on rigorous planning and evaluation of its advantageous impacts, with efficient-choice reasons being given as incentives for implementation. However, flaws in the system are not always obvious until after it has been adopted and put into use. There were unforeseeable effects that the system's ex-ante design could not have

addressed. EVA™'s implementation in CCB may contribute to the common perception that it is a management fashion.

Management fashions involve practices and their associated discourses, which are defined as bodies of talk and text that characterize these practices as popular, important, and widely applicable (Benders & van Veen, 2001; Piazza & Abrahamson, 2020). These fashions follow a predictable lifecycle that resembles a bell-shaped curve. Initially, new managerial ideas arise to address perceived deficiencies in existing methods. These ideas are then promoted by an industry comprising gurus, consultants, and publishers, helping them gain widespread acceptance (Reunamäki, 2023). However, as the practical limitations of these fashions become apparent, their popularity declines. This lifecycle is marked by an early phase of emotional and enthusiastic discourse, which later transitions to more rational and critical discourse as the fashion fades (Abrahamson & Fairchild, 1999; Reunamäki, 2023). This pattern indicates a shift from superstitious to rational learning, based on the real-world efficacy of the management practices (Argyris & Schön, 1997).

Nevertheless, in the face of the difficulties caused by the implementation of EVA™ and criticism from various parties, CCB still regards it as a core metric. Advocates of management fashion theory argue that the discussions surrounding a management fashion typically wane, leading to both the discourse and the associated practices fading into obscurity (Piazza & Abrahamson, 2020). However, existing studies reveal that the practices rooted in certain management fashions often persist even after the initial buzz has quieted. For example, although the fervor around Total Quality Management (TQM) has subsided, its principles continue to influence how organizations manage and prioritize quality issues (Rajini, 2024). In this regard,

EVA™ has experienced the same destiny as TQM. The practice continued even as the discourse diminished, suggesting that it had become institutionalized (Perkmann & Spicer, 2008). This means that these practices were accepted by members of a social group as effective and essential, becoming part of the norm (Tolbert & Zucker, 1996). The institutionalization framework might offer the chance to explain the implementation of EVA™ within CCB over the last 20 years. Institutionalization is the process by which a practice is accepted by the majority of the organization's members in a certain field, subsequently directing the behavior of the organizational members (Dillard et al., 2004). Just as "... by institutionalized, we mean that management accounting can, over time, come to underpin the 'taken-for-granted' ways of thinking and doing in a particular organization" (Burns & Scapens, 2000).

1.4 Problem Statements

The implementation of EVA™ in CCB presents a unique case of management accounting fashion in the Chinese banking sector. Despite EVA™'s success in Western financial institutions, its application in CCB has revealed significant challenges and opportunities for institutionalization. This research identifies several theoretical and practical gaps that need to be addressed.

To begin with, while the institutional work framework of Lawrence and Suddaby (2006) and Perkmann and Spicer (2008) has been explored in various contexts (Teresia & Nugraheni, 2022; Jemine et al., 2018; Alnesafi, 2018; Hampel et al., 2017; Opara et al., 2022), its application in the Chinese banking sector, particularly in the context of EVA™, remains under-researched. This study aims to bridge this gap by examining the institutional work (political, technical, and cultural work) involved in the implementation of EVA™ at CCB. Second, the interaction

between political, technical, and cultural work in shaping the institutionalization process of management accounting fashions needs further exploration. Understanding how these work interact each other could provide deeper insights into the institutionalization process within CCB.

The practical difficulties faced by CCB in implementing EVA™, such as resistance from internal stakeholders, alignment with existing performance metrics, and adaptation to local banking practices, highlight the need for a nuanced understanding of EVA™'s applicability in different organizational contexts. Additionally, evaluating the sustainability and long-term impact of EVA™ in CCB requires a thorough analysis of how EVA™ has been institutionalized over time and how it continues to influence management fashions despite its declining popularity.

The institutional work framework of Lawrence and Suddaby (2006) and Perkmann and Spicer (2008) is highly suitable for this research. The qualitative case study method used in this research is well-suited to the institutional work framework, offering an appropriate approach to investigating the institutionalization of EVA™ within CCB. Case studies allow for an in-depth exploration of the complex social phenomena inherent in institutionalization (Zida et al., 2018; Youtie et al., 2006; Williams, 2018; Reay & Jones, 2016; Baškarada, 2014), which is central to this study. The institutional work framework serves as a robust theoretical lens for examining how political, technical, and cultural work interact to shape institutionalization processes. This perspective underscores that institutionalization is not a singular event but rather a cumulative process involving various forms of work, each contributing over time (Bargues & Valiorgue, 2019). Furthermore, the use of semi-structured and unstructured interviews, participant observations, and document analysis ensures that

the research captures the distributed nature of institutional work (Zida et al., 2018; Youtie et al., 2006; Williams, 2018; Reay & Jones, 2016; Baškarada, 2014). These methods allow for a detailed examination of how actors within CCB engage in political, technical, and cultural work, facilitating a comprehensive understanding of the institutionalization of EVA™. The institutional work framework also complements the focus on temporal dynamics, as seen in the sequential progression of political, technical, and cultural work. For instance, political work through regulatory mandates established the foundation for EVA™, followed by technical adjustments to integrate the practice into CCB's systems, and cultural work to ensure long-term acceptance of EVA™ within the organization (Bargues & Valiorgue, 2019). The sequential interaction ensures that the efforts across these dimensions reinforce one another, leading to a more robust institutionalization of the practice (Tushman & Anderson, 2018). This multi-faceted process requires a qualitative approach capable of capturing the nuances of institutionalization across different stages and actors (McLaren et al., 2016). Thus, the justification for using qualitative methods, particularly case studies, is reinforced by the institutional work framework (Lawrence & Suddaby, 2006). The framework's focus on the interaction of political, technical, and cultural work aligns with the research design (Bargues & Valiorgue, 2019). This integration of theory and methodology provides a logical and comprehensive approach to understanding the complex institutionalization of EVA™ within CCB, ensuring the study addresses both how institutionalization occurred and why it has been sustained over time.

The institutionalization of EVA™ at CCB involves political work to influence regulatory environments, technical work to develop and maintain infrastructure, and cultural work to embed EVA™ within organizational culture. To begin with, political