

How Organizations Respond to the Coexistence of Legitimation and Stigmatization
in an Environment: The Case of Shadow Education Industry in China

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ABSTRACT

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The trajectory of how organizations deal with stigma and legitimacy has been perceived as a monodirectional progression: stigma-overcoming followed by legitimacy-gaining. However, the iterative process where stigma and legitimacy could exist concurrently or take turns to influence the field, and the responses of organizations bearing such a dilemma have been insufficiently studied. To answer the question, I conducted a case study of the shadow education industry in China. Drawing on the institutional theory and following the grounded theory method, I examined two firms in this industry— New Oriental Education Group and Tomorrow Advancing Life Education Group. My findings propose a response model for organizations to handle the complexity in the environment, which includes two types of synchronous processes— legitimacy reinforcement process and stigma reduction process, and three orientations of institutional works—public-oriented alliance work, self-oriented evolution work, and future-oriented boundary work. By following this response model, organizations confronting institutional complexity can change the attitudes of different audiences, mitigate stigmatization present in the environment, make a progress, and prosper.

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The current period is not easy since the whole world is suffering from the pandemic of Covid-19. However, as long as we believe in God and also in human beings, we will go through the hardship and embrace a new world.

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Table of Contents

LIST OF TABLES

Table 1: Data Overview	21
Table 2: Data Structure and Coding Scheme	23
Table 3: Bi-directional Efforts of Responding Actions	24

LIST OF FIGURES

Figure 1: Response Model to Environmental Complexity	50
--	----

INTRODUCTION	1
--------------------	---

LITERATURE REVIEW	6
-------------------------	---

Institutional Logics and Institutional Work	6
---	---

Organizational Legitimacy and Legitimation	8
--	---

Organizational Stigma and Stigmatization.....	10
---	----

Organizational Responses to the Environment	12
---	----

The Puzzle of How Organizations Survive and Thrive in Complex Environment.....	14
--	----

METHODS	15
---------------	----

Research Setting: Shadow Education Industry in China.....	15
---	----

Two-case Study of New Oriental and TAL	19
--	----

Data Collection.....	21
----------------------	----

Data Analysis	22
---------------------	----

FINDINGS	26
----------------	----

Legitimation of the Shadow Education Industry in China	26
--	----

Stigmatization of the Shadow Education Industry in China	27
--	----

Switch of the Positions.....	30
------------------------------	----

Actions Taken by the Two Focal Companies	31
--	----

Response Model for Organizations to Environmental Complexity	48
--	----

DISCUSSION.....	51
-----------------	----

Conclusions	51
-------------------	----

Contributions.....	52
--------------------	----

Limitations and Future Research.....	53
--------------------------------------	----

REFERENCE.....	56
----------------	----

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INTRODUCTION

Legitimacy, a subject well studied across various disciplines, is vital to the survival and prosperity of organizations. On the contrary, stigma is detrimental or even fatal to organizations, since it “can lead to isolation and starve [the organization] of the requisite resources” (Hampel & Tracey, 2017: 2175). When confronting stigma, organizations either deploy various strategies to reduce negative effects of stigma (Hudson & Okhuysen, 2009; Vergen, 2012) or make use of stigma for their advantages (Helms & Patterson, 2014; Tracey & Phillips, 2016). Organizations then eventually eliminate stigma and achieve legitimacy (Hampel & Tracey, 2017). In other words, the trajectory of how organizations deal with stigma and legitimacy has been perceived as a monodirectional progression: stigma-overcoming followed by legitimacy-gaining. However, the iterative process where stigma and legitimacy could exist concurrently or take turns to influence the field has been insufficiently studied.

Moreover, researchers studying stigma and legitimacy to date have focused on the industries or fields that have “core stigma,” “a vilifying label that contaminates a group of similar peers” (Vergne, 2012: 1028). Since core stigma is tied to the core attribute of the industry and hard to remove, it has received much attention. For instance, Helms and Patterson (2014) examined the violence involved in mixed martial arts. Vergne (2012) studied the weapons sold by the arms industry. Hudson and Okhuysen (2009) explored the homosexual men served by gay bathhouses, and Lashley and Pollock (2019) focused on the stigma-reduction process for the contentious medical cannabis industry in the U.S. However, in a field where various actors and

audiences coexist, and different institutional logics compete with one another, an organization can be perceived concurrently as legitimate and as stigmatic depending on who the perceiving actors are. Put differently, legitimation and stigmatization of an organization or an industry could possibly coexist; neither the concept of “core stigma” nor “event stigma” (Hudson, 2008) can fit such a situation. Moreover, organizations under such a situation tend to confront a dilemma: who should they care more, the stigmatizing actors or the legitimatizing actors? Responses of organizations carrying such a dilemma are lack of examination.

In the extant literature of organizational stigma, three approaches to manage stigma — shielding, straddling, and co-opting—have been proposed as recommendations on how organizations can survive despite the continuing stigmatization (Hampel & Tracey, 2017). Also, a process model of category-level core stigma reduction— moral agenda initiating, moral prototyping, morality infusion accompanied by side-stage prototype negotiations, and backstage survival violations—has been developed to explain how to reduce the stigma involving an industry category (Lashley & Pollock, 2019). Nevertheless, all the strategies and stigma reduction processes were drawn either from the monodirectional progression model or from the fields with core stigma. Little attention has been paid to the complex process involved in the interplay between stigmatization and legitimation. Such a complex process is often observed in an emerging field where the stigma attribute is still in dispute.

In a word, the understanding of how organizations respond to the complex institutional environment where legitimation and stigmatization coexist is still lacking. There is a research gap in examining the organizational response and non-unidirectional growing process for an industry carrying stigmatization that is neither core stigma nor event stigma. Also, there is a lack

of a theoretical explanation for how an organization in an emerging field can survive and thrive despite the coexistence of stigma and legitimacy in the environment.

In this thesis research, I investigate how organizations respond to the coexistence of legitimation and stigmatization in their institutional environments by taking an inductive case study of the shadow education industry in China. Shadow education, a term coined by Stevenson and Baker (1992), is “a set of educational activities that occur outside formal schooling and are designed to enhance the student’s formal school career (Stevenson & Baker, 1992: 1639).” The metaphor of “shadow” means that this type of education cannot survive by itself but relies on the public education system. It involves mostly private education but follows the contents and methods of public education, which includes primary, secondary, and post-secondary education systems. Based on its characteristics, shadow education is also known as “off-campus training.” In this research, I will use “shadow education” and “off-campus training” interchangeably depending on the specific contexts.

Though emerged in 1993, the shadow education industry in China has been considered as supplemental or even threat to public education. For the past two decades, this industry has strived to obtain its legitimacy and identity. But in recent years, this industry has received increasing investments from the capital market and has numerous companies listed in the stock market, thus attracting extensive attention from the public. Currently, the shadow education industry in China has been legitimized by some audiences such as investors and customers, but at the same time, it has also been stigmatized by some audiences such as the government and media. More intricately, some audience such as the public school plays a dual role in the environment, in which the public school legitimatizes the focal industry as well as stigmatizes it. The seemingly controversial judgments from different audiences make the institutional

environments complex for the focal actors—the companies within the shadow education industry in China. My research examines how firms in this industry respond to the coexistence of legitimation and stigmatization. In particular, I focus on how these firms convert stigmatizing forces into neutral or even supportive ones, thereby building and maintaining the legitimacy of their business.

By drawing on the institutional theory and related research on organizational responses and following the grounded theory method, I examined two firms in this industry— New Oriental Education Group and Tomorrow Advancing Life Education Group. I collected and analyzed 110 media articles, 3 personal biographies, 14 public speeches, 2 published books, and 11 industry reports that are ranging from 1993 to 2019. My findings suggest that an organization can develop two types of synchronous processes—legitimacy reinforcement process and stigma reduction process, and three orientations of institutional works—public-oriented alliance work, self-oriented evolution work, and future-oriented boundary work. By following these processes and conducting institutional works, organizations confronting institutional complexity in their external environment can change the attitudes of different audiences, mitigate stigmatization present in the environment, make a progress, and prosper.

This thesis makes a number of contributions to research in institutional theory especially in light of organizational responses to institutional pressures. Firstly, by delineating various judgments and discourses from different audiences in the environment, and the contradicting roles and evaluations of different audiences, this study explains a bi-directional process observed in an emerging field and how it is constructed. Secondly, this study also shows a proactive role of key actors in dealing with institutional conditions. In fact, this study demonstrates that in order to build legitimacy and gain support from the audiences, organizations may need to comply with

as well as change the prevailing social judgments and structures simultaneously. Finally, this study elucidates multiple institutional works with which actors are engaging in a field that simultaneously bears stigma as well as legitimacy.

LITERATURE REVIEW

Institutional Logics and Institutional Work

From the perspective of neo-institutionalism, society is operated under many institutions. Institutions are defined as “rules, norms, and beliefs that describe reality for the organization, and explain what is and is not; what can be acted upon and what cannot” (Hoffman, 1999: 351). They are taken-for-granted assumptions embedded in social norms and cultures and provide stability and meanings to social life in both formal and informal ways. According to Friedland and Alford (1991), institutions combine symbolic constructions and material practices to provide meaning to people’s social life. Though fewer in number, institutions operate at the societal level and are very enduring, thus facilitate certain logic. In fact, institutions often operate under their own logic which gives meaning to the organizations and individuals who engage in, forming the “laws of motion” of a specific order (Mutch, 2018).

Institutional logics are defined as “taken-for-granted, resilient social prescriptions, sometimes encoded in laws, specifying the boundaries of a field, its rules of membership, and the role identities and appropriate organizational forms of its constituent communities” (Greenwood and Suddaby, 2006: 28). One key element among institutional logics is the concept of legitimacy, an essential rule of survival to organizations. Legitimacy can be defined 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” (Suchman, 1995: 574). However, the boundaries and identities are not static but changeable according to the evolvement of institutions; correspondingly, legitimacy is not static but a process of legitimatization.

The legitimation process occurs within different organizational fields, which are considered as a “set of interdependent populations of organizations participating in the same cultural and social sub-system” (Scott, 2008). In other words, players that impose coercive, normative, or cognitive influences on a given focal organization or population of organizations may constitute the organizational fields (Scott, 1991; Hoffman, 1999: 352). The participants or social actors may include the government, critical exchange partners, sources of funding, professional and trade associations, special interest groups, and the general public. Different perspectives and interests derived from different players interplay and influence the development of the organizational fields.

Since the institutional logics are changing and the participants within the institution carry different perceptions, Giddens (1979) proposed the theory of structuration, which emphasized that the process of construction is continuous—that social structures are reproduced and modified by the on-going actions of social actors. In the structuration processes, patterns of social interaction are shaped and reproduced, while new institutional logics invade from “foreign” realms and colonize existing stable fields (Scott, 2008). Lawrence and Phillips (2004) argued that no institutional field is born in a vacuum, since “institutions are transported by various carriers—culture, structures, and routines—and they operate at multiple levels of jurisdiction” (Scott, 1995: 33). The processes of structuration for the fields and the institutionalization of practices, understandings, and rules are inevitably intertwined when actors draw on institutionalized local concepts and patterns of interaction.

In the previous research, the active roles of different actors have been studied by some scholars. Lawrence and Suddaby (2006) put forward the broad concept of “institutional work” – the purposive action of individuals and organizations aimed at creating, maintaining, and

disrupting institutions— to emphasize the awareness, skill and reflexivity of individuals and collective actors. Though they provided a theoretical framework for the institutional works, topics such as what are the interactive mechanisms among different actors, various individual and collective actions in different organizational fields, especially for emerging fields, have not been studied enough. By focusing on the British Columbia coastal forest industry, Zietsma and Lawrence (2010) found that boundary work and practice work interplay in recursive ways with the cycles of institutional innovation, conflict, stability, and re-stabilization. However, research in the active works for how organizations respond to the complex environment, whether individually or collectively, is still insufficient.

Organizational Legitimacy and Legitimation

Obtaining legitimacy is of vital importance for organizations. For the organization, legitimacy could bring resources and more access to different stakeholders, thus promote the organization's development in the long-term. However, when speaking of legitimacy, as Hudson (2008) pointed out, one question should be asked: the legitimacy is endorsed by whom? He advised that legitimacy can be considered as a result of the processes of contestation between evaluative audiences in the environment (Hudson, 2008). Based on this point, some scholars put forward the concept of legitimation.

Legitimation could be taken as of the structuration of legitimacy in organizational fields, especially in emerging organizational fields, where different participants and various institutional logics are acting and reacting; therefore, legitimation is an on-going process. Suddaby, Bitektine, and Haack (2017) proposed that legitimacy can be viewed as an interactive process, a social-constructionist view that sees “reality as the everyday creation and maintenance of meaning

accomplished through constant interaction and language use” (Suddaby et al., 2017: 459). Scholars taking this approach adopt legitimation instead of legitimacy as a focal construct. Legitimation is considered as the “process by which cultural accounts from a larger social framework in which a social entity is nested are construed to explain and support the existence of that social entity, whether that entity be a group, a structure of inequity, a position of authority, or a social practice” (Berger, Ridgeway, Fisek, & Norman, 1998: 380). Given that the focus of this research is the process involving the interplay between legitimacy and stigma, I focus on the dynamic concept of legitimation in this thesis.

Regarding the aspect of legitimacy, Suchman (1995) put forward three forms of legitimacy: cognitive legitimacy, which is based on fit with existing categories; pragmatic legitimacy, which is based on fit with audience interests; and moral legitimacy, which is based on fit with normative expectations. Furthermore, legitimacy is “the product of an ongoing process of social negotiation involving multiple participants” (Suddaby et al., 2017: 459). Accordingly, when considering the process of legitimation, cognitive construction, pragmatic need, and moral acceptance should be taken into account as a whole. For the cognitive construction, Harmon, Green Jr, and Goodnight (2015) developed a model of rhetorical legitimation that specifies the communicative and cognitive structure underlying the maintenance and change of institutions. Cattani, Ferriani and Lanza (2017) examined how the novelty of an outsider (i.e. the marine chronometer) challenged the status quo in an established institutional field (i.e. the dominant astronomical approach), which is more related to the moral acceptance aspect. However, there is a lack of studies that combine these three dimensions—cognitive construction, pragmatic need and moral acceptance— to examine legitimation under specific social contexts, especially in emerging organizational fields where different institutional logics

are competing with one another. This thesis intends to integrate these three dimensions in examining the legitimation process, considering them to be interrelated.

Organizational Stigma and Stigmatization

Stigma, a term derived from sociology, is a “socially constructed mark that taints and discredits the bearer—particular individuals or groups—within certain sections of society” (Hampel & Tracey, 2017: 2176). That is to say, stigma is a “spoiled image” in the view of outsiders of the organization. Hudson (2008) distinguished two types of organizational stigma: event-stigma and core-stigma. In his opinion, event-stigma usually arises due to the singular anomalous event, whereas core-stigma is due to the nature of an organization’s core attributes—who is it, what it does, and whom it serves. For instance, when an organization enters Chapter 11, a bankruptcy code that allows businesses to reorganize their debts, the event-stigma will occur to this organization (Hampel & Tracey, 2017). But for certain organizations, such as abortion service providers, pornographers, strip clubs, and men’s bathhouses listed by Hudson (2008), they are perceived as core-stigmatized organizations that cannot overcome illegitimacy but persist. The reason for their existence is partly because that “core-stigma is the result of contests between social audiences over the appropriateness or acceptability of core organizational attributes...some social audiences do not stigmatize the organization but support it through patronage, work, and investment” (Hudson, 2008: 255). The divergence of attitudes among audiences—support or opposition—emerge to the same focal organizations. For those who oppose, stigmatization is an important weapon. However, in some fields, neither core-stigma nor event-stigma could fit their status, especially for some emerging unsettled fields.

Stigmatization occurs when “salient audiences mark [an organization] out, publicly shame its conduct as highly inappropriate, and express strong moral disapproval” (Hampel & Tracey, 2017: 2175). Stigmatization and legitimation could coexist, just as Hudson (2008) pointed out, “organizations may simultaneously achieve both cognitive legitimacy and pragmatic legitimacy and still be morally or culturally ‘illegitimate’ by some audiences” (Hudson, 2008: 255). Some social psychologists have used the insights of the social cognitive approach to understand how people construct categories and link these categories to stereotyped beliefs (Link & Phelan, 2001). Stigmatization, a negative labeling and sanctioning process, plays an important role in social audiences’ abilities to structure and simplify the environment for the sake of understanding, consensus, and control (Helms & Patterson, 2014).

No doubt to say, stigmatization is related to different mechanisms—social, economic, and political mechanisms. Stigmatizers could be any actor in the institutional environment, such as the government, the professional associations, the investors, the general public and so on. As a result, organizations had to handle different forces of stigmatization in the environment. Researchers have suggested some strategies for managing stigmatization. For example, Hudson (2008) argued the combined or isolated usage of three strategies (i.e., specialist strategies, hiding strategies, and challenge strategies) could lessen the negative consequences of stigmatization. Helms and Patterson (2014) proposed three stigma management approaches—shielding, straddling, and co-opting—to explain how organizations such as MMA (Mixed Martial Arts) organizations can survive despite their continuing stigmatization. Drawn from their research, I view that stigma could be managed, and stigmatization might be reduced. For instance, examining the case of Cook’s travel agency in Victorian Britain, Hampel and Tracey (2017) found that an organization can move from stigma to legitimacy by removing the fear it engenders

and showing its positive service to society. They proposed a two-step process model which includes stigma reduction work for minimizing overt hostility, and stigma elimination work for gaining support from stigmatizers. They considered this to be the process of destigmatization, “a process that is enacted jointly by a stigmatized organization and its stigmatizing audience” (Hampel & Tracey, 2017: 2181). In the destigmatization process, the active roles of audiences and organization actors become prominent, which are further addressed in the following section.

Organizational Responses to the Environment

Actor and Audience

The society is formed by various institutional environments, which are characterized by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy (Scott, 1995). However, the individual organizations are not passive but active actors; they react to the environments proactively. In institutional theory, there is a structure-agency debate, which is also referred to as the paradox of embedded agency (Seo & Creed, 2002). On one hand, embedded actors rely on the institution’s regulative, normative, and cognitive processes to structure their cognitions, define their interests and produce their identities (Garud, Hardy & Maguire, 2007). On the other hand, actors, especially entrepreneurial ones, leverage resources to transform existing institutions, or even create new institutions (Maguire, Hardy & Lawrence, 2004). The scope of the institutional change depends on the degree of relative embeddedness of an actor, which is indicated by awareness of alternatives, openness to alternatives, and the motivation to change (Greenwood & Suddaby, 2006). Some researchers have focused on the exogenous shock and institutional entrepreneurship to institutional change (Meyer, 1982; Clemens & Cook, 1999; Greenwood & Suddaby, 2006),

but for others, change “may be inadvertently triggered by the mundane activities of practitioners struggling to accomplish their work (Micelotta, Lounsbury & Greenwood, 2017: 1893). In other words, the purposive role of actor or agency has been increasingly emphasized in recent literature on institutional change (Micelotta, Lounsbury & Greenwood, 2017).

Audiences are described as “diverse but key individuals and organizations with whom organizational actors must interact or risk the withdrawal of their necessary support” (Sutton & Callahan, 1987: 406). Audiences, composed by various participants, can impose powers on the focal actors, thus make up the main forces for either legitimation or stigmatization. Prior research about audiences has focused on the evaluations of a single audience, such as the media, stock exchanges, and regulators, but audiences are diverse and hold various belief systems in reality. Given the heterogeneity of audiences, the focal actors, whether they are stigmatized or legitimized, should be labeled, evaluated, and accepted differently by them (Helms & Patterson, 2014). As a result, the focal organizations should respond differently. This thesis takes the approach of active agency, emphasizing the proactive role of focal actors and extending the research of institutional work perspective.

Organizational Response

Greenwood and his colleagues pointed out that “organizations face institutional complexity whenever they confront incompatible prescriptions from multiple institutional logics” (Greenwood, Raynard, Kodeih, Micelotta & Lounsbury, 2011: 317). In the extant literature, some researchers have noticed the influence of institutional environments on organizational responses. Based on resource dependence and institutional perspectives, Oliver (1991) offered a typology of strategic responses for organizations, which includes acquiesce, compromise, avoid, defy, and manipulate. However, this research only reflected responses to

different degrees of organizational conformity, where the institutional environment is perceived to be static instead of dynamic. Meyer, Brooks and Goes (1990) examined organizational responses to a discontinuous change in the hospital industry. Greenwood, Díaz, Li and Lorente (2010) proposed that multiple logics—regional, family and market logics—lead to different organizational responses. Pache and Santos (2010) considered intra-organizational political processes in the research of organizational responses. Nevertheless, none of the studies in the extant literature on organizational responses have addressed the coexistence of legitimation and stigmatization in an environment; thus, there is a lack of understanding with regard to organizational response to such environmental conditions.

The Puzzle of How Organizations Survive and Thrive in Complex Environment

In sum, the extant literature suggests that how organizations in emerging fields deal with a complex environment formed by various audiences has been relatively underexplored. In particular, the organizational responses to the coexistence of legitimation and stigmatization from different audiences have been rarely studied. Moreover, the interplay and influence between actors and audiences in the environment have been largely unexplored. Drawing on the combined understanding of institutional theories, I examine the following research question: how organizations act individually and collectively to address the challenges in the complex environment where legitimation and stigmatization coexist, especially in an emerging institutional field? I examine this question by focusing on the shadow education industry in China.

METHODS

Research Setting: Shadow Education Industry in China

As the most populous country, China (i.e. Mainland China in this thesis) has the world's largest education system educating 260 million students and employing over 15 million teachers (OECD, 2016). According to Deloitte China (2018), China's education market has reached CNY 2.68 trillion by 2018, and the total scale of private education is expected to reach CNY 3.36 trillion by 2020 and will be close to CNY 5 trillion by 2025 with a CAGR (Compound Annual Growth Rate) of 10.8%. Within this tremendous education industry, the most prominent one is the shadow education industry, which is also known as off-campus training. To be exact, shadow education usually charges fees and aims to enhance the academic performance of students. Its activities include private tutoring, after-school cram sessions and professional tutorial centers, but it might not cover non-academic lessons like music, arts or athletics that could not account for higher scores (Southgate, 2009).

The emergence of the shadow education industry in China has a social and cultural background. From 1949 to 1977, China experienced a so-called "socialist construction" period and "cultural revolution" (Yang & Ni, 2018); at that time, education system was totally public. From 1977 to 1991, China tried to build socialist commodity market and implement the new policy of reform and opening (Yang & Ni, 2018) and thus the education system was reconstructed. Since 1992, China has experienced the stage of building the socialist market economy and has gained great progress in economic growth. Meanwhile, the education system has changed correspondingly with the societal and economic changes. Especially in late 1990s, "the examination-oriented education brought much more pressure on schools, teachers, and

students” (Yang & Ni, 2018: x), which provided the soil for the shadow education industry to grow.

Furthermore, the traditional culture and current social status jointly promoted the emergence and development of the shadow education industry. The current Chinese parents, especially those who have children at the stage of K-12, follow the tradition and pay much attention to the exams and scores of children, providing space for off-campus training to survive and thrive. In addition to the cultural tradition, the development of shadow education industry in China is attributed to several social factors. The first one is the growth of China’s middle class and the increase in consumption. As to Barton, Chen, and Jin (2013), China’s emerging middle class, especially upper-middle-class who holds household incomes ranging from CNY 106,000 to 229,000 (approximately USD 14,961 to 32,322), has brought economic change and social transformation and will be the principal engine for consumption in the next decade. The second one is the contradiction between the inequity of high-quality education resources among different regions and the eagerness for better social-economic status among parents. According to China’s *Compulsory Education Law*, the formal exam for entering the secondary school from elementary school is canceled in most regions, but in reality, the informal exams still exist and the competitions have become hidden and covert. The relatively oversimplified social evaluation system and limited opportunities generate a contradiction, which provides proper soil for the shadow education industry to grow.

The third one is the paradox of institutional voids and regulatory volatility. Institutional voids refer to the “absence of specialized intermediaries, regulatory systems, and contract-enforcing mechanisms in emerging markets” (Khanna, Palepu, & Sinha, 2005: 4). For the shadow education industry in China, there are no specialized laws or regulations but only some

related articles scattered in some laws. Thus, the attributes of the off-campus training organizations, for instance, questions such as whether they are for-profit or non-profit organizations, whether they should be administered by the commercial or the education bureau, are not clarified. Therefore, the shadow education industry in China lives in a grey area, confronting regulatory ambiguity and volatility.

The most recent and influential example is the draft for review of *Regulations on the Implementation of the Private Education Promotion Law* (hereby called “Draft for Review”) issued by China Ministry of Justice on August 10, 2018. Two points indicated the impact of this Draft for Review. First, the article 12 of the “Draft for Review” has added the regulations that group-based schools cannot control non-profit private schools through mergers and acquisitions, franchise chains, and agreement control, causing concerns in the industry. Second, after the release of the “Draft Review”, the stock price of the education sector plummeted collectively, evaporating a market value of CNY 10 billion. In other words, the shadow education industry in China is facing a volatile and ambiguous regulatory environment. Moreover, as an emerging institutional field, the industry itself is experiencing the problems of market disorder and fierce competition. For example, on March 2, 2017, an off-campus training organization called “Pony Crossing the River” was reported to go bankrupt, leaving the employees and students unsettled; on September 2, 2017, Star Music Store, a chain of over 60 stores all around China, shut down and suspended operation nationwide due to the problem of capital chain; on December 14, 2017, employees of Beijing Giants Education Consulting Ltd. and the New Thinking Training School disappeared at the same time, leaving hundreds of students unable to graduate and obtain corresponding certificates. The problems within the industry are partly derived from blind

expansions due to huge market demand and ineffective management due to the inconsistency of regulations.

In a word, the social and cultural factors, including the exam-orientation culture, the growing economy and consumption ability, the unequal distribution of high-quality education resources, the anxiety for better social-economic status among parents, the paradox of institutional voids and regulatory volatility, and the chaos within the industry itself, compose the complexity in the environment that shadow education in China needs to confront and handle. Furthermore, these social and cultural factors are backed up by different audiences, those who hold different perceptions and expectations and influence the focal industry to various extents. These multiple audiences possess powers in the environment, forming the forces of legitimation and stigmatization.

In February 1993, the Ministry of Education of China issued a document called *National Medium- and Long-Term Programme for Education Reform and Development*, which proposed main principles for developing non-government funded education—encouragement, support, guidance, and administration. In November 1993, New Oriental School was founded by Minhong Yu, a former English teacher at Peking University, aiming to provide English tests and language training programs. Launched by these two events, the shadow education industry in China has developed for around 27 years so far. According to a global survey report named the Value of Education (HSBC, 2017), 93% of Chinese parents are paying or have paid private tutoring fees for their children, which is 63% higher than the global average. To be specific, the Annual Report on New Types of Education Suppliers (Wang, 2018) found that the overall participation rate of off-campus training for students in primary and secondary schools is 48.3%,

and the average expenditure for students participating in off-campus training is about CNY 5,616, and the average expenditure per student is CNY 2,697.

Despite the high market demand, firms in the shadow education industry in China have been experiencing legitimation as well as stigmatization. On one hand, as economic actors, tens of thousands of companies are thriving within the industry, and increasingly more companies have gone to IPOs (Initial Public Offerings) in the capital market. Only for the first half of the year 2017, the amount of CNY 1.49 billion investments (equivalent to approximately 211 million USD) had been poured into this industry (iResearch, 2017). Therefore, from an economic perspective, firms in the shadow education industry in China have gained pragmatic legitimacy (Suchman, 1995), which has been built on the audience's self-interest calculation. On the other hand, as educational actors, the firms are slightly legitimized, for instance, being described as "ideal teacher" and "better education" (Zeng, 2017), while being heavily stigmatized, for example, being described as "the sore of education" (Liu, 2016) and "insane, creating anxiety" (Wei, Wei, Zhang, Hu, & Lin, 2016: B01-08). In other words, the shadow education industry in China is under stigmatization in terms of moral legitimacy, which means a positive normative evaluation and approval (Suchman, 1995). The conflicting situation derived from various audiences adds institutional complexity to the shadow education industry in China.

Two-case Study of New Oriental and TAL

In response, firms in the focal industry act proactively to institutional complexity. In this research, I investigate the responses of two firms—their individual and collective actions—to the environmental complexity in order to address the research question. The first one is New Oriental Education & Technology Group (hereafter called "New Oriental"), which was

established by Minhong Yu (also known as Michael Yu) in 1993 and listed in NYSE (New York Stock Exchange) in 2006. As mentioned earlier, the New Oriental is one of the earliest and most influential companies in China's private education sector. According to the website, the company has employed by a few people in 1993 to over 44,000 employees in 2019. The market cap has reached over USD 14 billion (as of April 22, 2019), and the branch schools spread over almost 80 cities in China and train millions of students every year. Dating back to 2001, Minhong Yu was already highly recognized by many Chinese students. As to Pan (2001:5), Yu "is a hero, a teacher with humble roots who built China's largest test-preparation school and helped tens of thousands of Chinese students get into U.S. universities." Now, Minhong Yu is still widely reported in China as an icon for the young people and his company (i.e. New Oriental) and a symbol for the shadow education industry.

The other company is Tomorrow Advancing Life Education Group (hereafter called "TAL"), which was co-founded by Bangxin Zhang (also known as Tom Zhang) in 2003 and listed in NYSE in 2010 (*Note: Xueersi, the predecessor of TAL, was listed in 2010 and renamed to TAL in 2013*). Based on the public information, the company has employed from one home tutor in 2003 to over 28,000 employees in 2019. Its market cap has reached over USD 19 billion as of April 22, 2019. The firm has built more than 500 off-line study centers around China and train more than millions of students each year. Meanwhile, Bangxin Zhang, the co-founder and CEO of TAL, owns a net worth of USD 6.3 billion according to *Forbes* (as of April 22, 2019) and therefore is considered to be one of the wealthiest Millennial in China and a new icon in the educational field.

In China, New Oriental and TAL are the top two companies in the shadow education industry. They have received acceptance and accomplishment, but also suffered from vilification

and hostility. In the past decades, their tough routes to success have been the journey of responding to complex environments.

Data Collection

Given that the development of the shadow education industry in China is still ongoing, the information about this industry is still incomplete, scattered and fragmented. In order to better collect and analyze the data, I followed the grounded theory method, a type of qualitative research developed by Glaser and Strauss in 1967 (Glaser & Strauss, 1967; Corbin & Strauss, 2014). For the grounded theory approach, the study and the data collection are synchronous, where the research is constructed based on the data collected during the research process, and data collection and data analysis are interactive. In other words, “after initial data are collected, the researcher analyzes that data and the concepts derived from the analysis form the basis for the subsequent data collection. Data collection and analysis continue in an ongoing cycle throughout the research process” (Corbin & Strauss, 2014: 5).

Guided by this methodological approach, I collected the data from various sources (see Table 1).

Table 1: Data Overview

Data Category	Data Type	Quantity
Historical Records	Media Articles	110
	Personal Biographies	3
	Public Speeches	14
Scholarly Sources	Published Books	2
	Industry Reports	11

First, I collected various media coverage related to the shadow education industry from newspapers, magazine and the Internet, ranging from 1993 (the year when the first company in this industry started) to 2019. In total, over 110 articles were viewed and collated. Since most of the articles are in Chinese, I chose discourses from these articles and translated them into English. Second, I found several personal biographies of some important persons in this industry. Some of them were published, such as three biographies and collected works of Minhong Yu, the founder and president of New Oriental; some of them are buried in media coverage, such as the stories of Bangxin Zhang, the co-founder and CEO of TAL. Third, I gathered the public speeches of the key actors in the industry, such as Minhong Yu, Bangxin Zhang, Yunfeng Bai, cofounder and president of TAL, and so on. Fourth, since New Oriental and TAL have attracted some attention from education and social studies researchers, there are scholastic books and some academic articles focusing specifically on them. Additionally, industry reports focusing on the education industry were examined as references. Together, these sources provided basis for tracking the responses of New Oriental and TAL from their early stages to the year 2019.

Data Analysis

During the analysis process, I followed the grounded theory approach, which allowed me to go back and forth between the data and emerging theoretical patterns. My analysis consisted of three main stages.

Chronological ordering of the case history. The aim of my study is to explore the responses of focal firms in the shadow education industry to environmental complexity. I started by sequencing the observed events to understand the evolution of the two focal firms within the given industry context. At this stage, I built three databases based on the events, quotes and

contexts respectively. By identifying the timeline or sequence of events, I was able to identify the trajectory of some important incidents. Also, by observing the quotes from different occasions, I noticed the eager voice of seeking legitimacy and self-identity. Additionally, by separating out the contexts situated in society, I discovered the environmental factor and individual judgments toward the firms. During this first stage, the data collection and data analysis were done as iterative process, and the findings keep on expanding and deepening.

Analytical coding and aggregate of theoretical dimensions. Based on the raw databases from the first stage, I focused on identifying *specific actions* taken by the focal two companies to handle the challenges from the environment. In the first-order coding, which is more specific, I named incidents in the data that describe primary actions for the companies. In the second-order coding, which is more collective, I categorized the themes derived from first-order codes. Data collection and coding had continued until no new codes emerged. Finally, I developed aggregates of theoretical dimensions to conclude the response works. In sum, I identified 18 first-order codes that are related to the events, quotes and contexts, 7 second-order themes that are related to the organization's actions, and 3 aggregated dimensions to summarize the responses (see Table 2). The details will be addressed in the FINDINGS section.

Table 2: Data Structure and Coding Scheme

First-order Codes	Second-order Themes	Aggregate Theoretical Dimensions
A. State Self-identity	1. Definition of Identity	I. Identification and Alliance with Audiences
B. Usage of Rhetoric		
C. Corporate Social Responsibility	2. Reposition in Social Context	
D. Adjustment in New Age		
E. Get Parents Involved	3. Cooperation with Allies	
F. Cooperate with Public Education		
G. Cooperate with Competitor		

H. Cooperate with Government		
I. Cooperate with Investor		
J. Cooperate Internationally		
K. Go from Private to Public	4. Modification of Attributes	II. Modification and Evolution of Actors
L. Corporate Reconstruction		
M. Continuous R&D	5. Self Evolution	
N. Development of Online Education		
O. Provide Service to the Industry	6. Industry Integration	III. Integration and Extension Within Industry
P. Provide Service to Stakeholders		
Q. Mergers and Acquisitions		
R. Industry Chain Creating	7. Industry Extension	

Development of process types and orientation works. Based on the raw data and three levels of categorization, I cycled iteratively among data, categorized themes and the literature, identifying two directions of the actions and developed two types of processes—stigma reduction process (-) and legitimacy reinforcement process (+) (see Table 3).

Table 3: Bi-directional Efforts of Responding Actions

Bi-directional Processes	Responding Actions	Corresponding Legitimacy
+	A. State Self-identity	CL
+	B. Usage of Rhetoric	CL
-	C. Corporate Social Responsibility	ML
+	D. Adjustment in New Age	PL
+	E. Get Parents Involved	PL
-	F. Cooperate with Public Education	ML
+	G. Cooperate with Competitor	PL
-	H. Cooperate with Government	ML
+	I. Cooperate with Investor	PL
+	J. Cooperate Internationally	CL
+	K. Go from Private to Public	PL
+	L. Corporate Reconstruction	CL & PL
+	M. Continuous R&D	CL & PL
-	N. Development of Online Education	ML
+	O. Provide Service to the Industry	PL

-	P. Provide Service to Stakeholders	ML
+	Q. Mergers and Acquisitions	PL
+	R. Industry Chain Creating	PL

Note: +: reinforcement of legitimacy; -: reduction of stigma; CL: cognitive legitimacy; PL: pragmatic legitimacy; ML: moral legitimacy.

I matched the bi-directional process with three types of legitimacy—cognitive, pragmatic and moral—to indicate the relationships between the actions and legitimacy, thus integrating three aspects of legitimacy as a whole. Reinforcement of legitimacy is related to cognitive legitimacy and pragmatic legitimacy, and these two aspects have already been endowed by many actors, such as the parents, students and investors. This direction is labelled as “+” because when there are more actions taken within this orientation, the legitimacy will be strengthened and boosted. For instance, when the self-identity is clearer, when the rhetoric strategies are used more efficiently, and when the allies are extended, the legitimacy for the industry will be more solid. On the contrary, reduction of stigma is about moral legitimacy, which has not been approved by many actors, such as the government and public schools. The direction is considered as “-” because actions taken within this orientation help to reduce the stigma, weaken bad images of the industry and minimize harmful factors in the environment. For instance, when the firms show their corporate social responsibility, when they cooperate with public education, or when they provide service to stakeholders, the stigma derived from these actors will be reduced and their moral legitimacy will be enhanced.

Next, by integrating the data and categorized themes, I identified three orientations of works— public-oriented alliance work, self-oriented evolution work, and future-oriented boundary work—as the main responses for organizations to respond to the coexistence of legitimation and stigmatization in a complex environment. This completed my analysis from data to the theoretical constructs for explaining the research question.

FINDINGS

Legitimation of the Shadow Education Industry in China

As mentioned in the Literature Review, the construction of legitimation is accomplished through constant interaction and everyday maintenance (Suddaby et al., 2017). Even when confronting a structure of inequity, such as the unbalance and scarcity of high-quality education resources in this case, legitimation is used for explaining and supporting the existence of that kind of social entity (Berger et al., 1998), aiming to achieve acceptance and consent. For the shadow education industry in China, the main force of legitimation derives from the customers, which are composed of parents and students. Parents and students who are in the stage of K-12 constitute the main audiences for legitimating the industry and endow cognitive legitimacy and pragmatic legitimacy (Suchman, 1995) to the off-campus training. In terms of the cognitive legitimacy based on the fit with existing categories, students, pushed by parents, are believed to learn more knowledge and get higher scores from the shadow education industry. For the pragmatic legitimacy that based on fit with audience interests, students can gain more opportunities to better schools, and parents can promote higher social class for their children and themselves eventually.

“If students pass the two exams in the off-campus training organizations, they will be recommended to good schools by such organizations and have a better chance to take secret exams for entering these schools”. – a parent (Wei, 2016)

Based on the cognitive and pragmatic benefits, the market demand is large and keeps on growing in China. Especially at the beginning of 2016, China’s one-child policy, which had lasted for 40 years, was ended and replaced by two-child policy. The increasing population is expected to trigger the continuous market growth for the shadow education industry. When the market is active and expanding, the capitals keep on pouring in this industry for better profits.

According to the statistics of Jiemodui (www.jiemodui.com), an education-focused online media, in 2016, China's education industry received an amount of CNY 10.6 billion as venture capital, distributing in 167 cases. In the year before, the amount was CNY 12.6 billion for 197 cases.

“The pure education enterprise has two characteristics that are deeply loved by investors. First, the cash flow is good, which means that the tuition fees are usually stable; the second is that the gross profit margin is quite high”. - Li, 2018

Investors endow pragmatic legitimacy to the shadow education industry since it could bring high profits to them. Therefore, from the perspective of cognitive legitimacy and pragmatic legitimacy, the shadow education industry in China has gained legitimation endorsed by two main audiences—customers (i.e. parents and students) and investors.

Stigmatization of the Shadow Education Industry in China

On the contrary, regarding the moral legitimacy, which is based on the fit with normative expectations as proposed by Suchman (1995), has not been well vested to the shadow education industry. In particular, the main audience for stigmatization is the regulator, who makes policies and regulations for administering the industry. China has a centralized political system, where the local governments must follow the rules of the central government. Though the *National Medium- and Long-Term Programme for Education Reform and Development* issued in 1993 has facilitated the burgeoning of the shadow education industry in China, laws and regulations pertaining to this industry have never been clarified and established so far. The regulator's attitude to shadow education industry is always vague and varied, generating uncertainty and instability for this industry. Just as the metaphor of its name, shadow education industry exists in a grey zone.

Besides the “Draft for Review” mentioned earlier, the regulations in recent years have cast more shadows on the industry. From early 2018, Shanghai, one of the most populous cities in China, has completely banned all kinds of competitions in primary schools, and forbidden off-campus tutoring to carry out after 8:30 pm, comparing to previous allowed 11 pm. On February 26, 2018, the Ministry of Education and other four departments jointly issued the “Notice on Effectively Reducing the Off-campus Burden of Students at Primary and Secondary School”, requiring the correction of inappropriate teaching methods and exam-oriented direction. Ironically, on one hand, the burden reducing notice was issued, but on the other hand, the hidden and latent competitions among parents and students have never lessened. On March 28th, 2018, the Ministry of Education issued the “Notice on Accelerating the Special Governance of Off-Campus Training Institutions,” guiding education administrative departments at all levels in four aspects— responsibility clarification, program introduction, organization management, and policy understanding. In a word, from the national and administrative level, the regulator is acting as a major audience for stigmatizing the shadow education industry.

Another mechanism of stigmatization is the public education system. On May 12, 2017, according to someone’s whistleblowing, Chengdu Education Commission instructed TAL to rectify and stop enrolling students or teaching in its branches located in the city’s nine districts. Three days later, as of May 15, 2017, TAL’s market cap at NYSE dropped from USD 12.36 billion (on May 8) to USD 9.769 billion, a fall of over 20%. On March 18, 2018, Xi’an Municipal Education Bureau announced the “First-Round Inspection Results of Xi’an City’s Cultural Education Institutions”, in which TAL’s Xi’an Training Center was asked to adjust for 60 days, and New Oriental’s one campus in Xi’an was required to rectify within 15 days. From the local level, the public education system acts as the main stigmatizer for the industry, being

afraid that the irregular and unusual prosperity of off-campus training will hurt the regular and conventional on-campus learning.

“The off-campus training course is a shortcut for learning, just telling the students the results but not the way of thinking. It is effective for the exams in the short-term but is definitely harmful to children's mathematical learning and ability development in the long-term”. - Yunfang Pan, the principal of Hangzhou Xixi Middle School and special-grade mathematics teacher in Zhejiang (Wei et al., 2016)

When the notices and events mentioned above happen, the media is the primary information source for the public. The word choice and the tendency of media coverage reflects its attitude and position. From November 7, 2016, *People's Daily*, the party newspaper for the central government, released a serial of related reports including *Why Parents are so Anxious* to depict the students' off-campus burden and parents' anxiety caused by the off-campus training organizations (Zhao & Wang, 2016).

“I don't want to compare for the children, however, in spare time, mothers always talk about what extracurricular classes are taken by their children. When you hear that their children have already taken Olympic mathematics, English, art, dance, calligraphy, and piano, but none of the skills are obtained by your child, how can you stay away from being anxious?”- from a parent (Zhao & Wang, 2016: C12).

Two days later, November 9 of 2016, a report called *Crazy Xueersi* (Note: Xueersi is the predecessor and now a subsidiary brand of TAL) was published by *Hangzhou Urban Express* in eight pages (Wei, Wei, Zhang, Hu, & Lin, 2016), revealing TAL's problems such as “hunger marketing” and opinion control among parents.

“Last semester, I followed other parents' advice and set a ringtone reminder on the App of Xueersi. As long as there is a quota for the class, the ringtone will notify me. Approaching the days of registration, I opened the App all day long, being afraid of the network speed not fast enough. One day, I was driving, suddenly the bell rang, and a new quota came out. As an experienced driver for over 10 years, I was thrilled by the ringtone and forgot to find a place to park. I just parked hastily along the roadside. I was lucky! I got the quota! My nervous heart finally got assured, such as a stone fell to the ground”. - from a parent (Wei et al., 2016: B02)

Since the report hit a hotspot in current China, it was widely reprinted among the media and spread across the Internet, making TAL the target of public criticism. During the reporting process, the media plays an accelerating role in the stigmatization of shadow education industry. In sum, the regulator who has the authority to make policy, the public education system that has been affected by the off-campus training, and the media who emphasizes social equality are the main audiences of stigmatization. However, what makes the situation more complex is that the audiences are not unilateral but multi-faceted. The interests, positions and attitudes of the audiences derive from various perceptions and are subject to change along with the changes in the institutional environment.

Switch of the Positions

As Suddaby et al. (2017) pointed out, legitimation is an ongoing process of social negotiation that involves multiple participants, including the audiences and actors. In this ongoing process, many opinions can be reversed, and the audiences can be switched in terms of position and attitude. In the processes of legitimation and stigmatization, a supporter could change to an opponent, vice versa, an opponent or a neutral could change to a supporter. For instance, the public education schools, one of the actors for stigmatization, could stop stigmatizing off-campus training organizations and consider such organizations to be good supplements for ordinary on-campus study. In the same token, the media coverage could transfer from the dark sides for the shadow education industry to the bright sides of this industry, such as the positive role in reducing knowledge gaps between urban and rural areas and sustaining activities in CSR (Corporate Social Responsibility). For example, *People's Daily*, the newspaper

of central government, criticized the anxiety partly caused by TAL in November 2016, turned to praise the benefits brought by TAL in October 2018.

“How to promote the health and diverse growth of children has always been the concern of the public, which also relies on the mutual efforts of the whole society. [TAL’s Great Masters’ Class] is a platform for masters and children to communicate without distance, establishing models for children, and guiding scientific education methods for parents”.
– Guan, 2018: C12.

From the perspective of legitimation, audiences’ attitudes and perspectives are not static but constantly in-flux, and the key impetus for such a dynamic process is the purposive actions of the actors. Actors have agency and social skills, while audiences perceive and react to the actors (Suddaby et al., 2017). Though it is not easy to change the stance of the main stigmatizer in a short period, such as the regulator in this case, the focal companies are likely to change other audiences from neutral, straddling or even stigmatizing forces to supporting forces, hence gradually reduce the position of stigmatization in the environment. In this transformational process, the purposive actions taken by focal companies in the industry are the essential boosters. The following part will focus on the active responses of two firms—New Oriental and TAL—to demonstrate how they react to the environmental complexity, aiming to switch the positions of the audiences.

Actions Taken by the Two Focal Companies

Despite the contradiction between stigmatization and legitimation in the environment, New Oriental has grown for 27 years since 1993 and has been listed in the stock market for 14 years since 2006. This company is also considered as the symbol of private education sector in China. Meanwhile, TAL has thrived for 17 years since 2003, has been listed in NYSE for 10 years since 2010, and achieved the highest market cap among Chinese education companies so

far. In my analysis, three aggregated dimensions were identified as the two companies' responses. Each dimension consists of first-order codes and second-order themes drawn from the data. In the following parts, 3 aggregated dimensions, 7 second-order themes, and 18 first-order codes that were shown in Table 2 will be explained in detail and backed up by specific quotes or examples.

I. Identification and Alliance with Audiences

In the process of development, the shadow education industry in China has strived to establish its identity in society, which is especially the case for the two companies— New Oriental and TAL. It was aligned with the observation that embedded actors rely on institution's regulative, normative and cognitive processes to structure their cognitions, define their interests and produce their identities (Garud, Hardy & Maguire, 2007). In other words, an organization's identity is rooted in institutional fields (Glynn & Abzug, 2002). Based on social identity theory, actor is reflexive and can be self-categorized. In the process of self-categorization, an actor can categorize, classify, or name itself in particular ways in relation to other social categories or classification; thus, an identity is formed (Stets & Burke, 2000). Furthermore, an actor can contact, cooperate or involve itself with as many audiences as possible to define its social identity.

1. Definition of Identity

A. State Self-identity. From the establishment to date, New Oriental has stated and defined its identity on many occasions in many times. In one of his biographies, Minhong Yu, founder and president of New Oriental, mentioned the focus of the company:

“From the date of birth, I knew that New Oriental will never do anything other than education. Whether it is language training, distance education, book publishing, basic education, or pre-school education and vocational education that is now being

developed, New Oriental has never left the world of education, and has never left the education industry”. - (Yu, 2010: 114)

Also, he stated the mission of New Oriental by linking it to a broad and grand social meaning:

“We must build New Oriental into an educational entity that is truly ground-breaking and epoch-making for China's education, an educational entity that can open the wisdom of several generations of the Chinese”. - (Yu, 2010: 168)

“New Oriental is not only a foreign language training organization but gives more meaning to itself—it is committed to cultivating the spirit of Chinese young people, integrating Chinese and Western cultures in a subtle way and promoting the progress of Chinese society”. - (Yu, 2010: 217)

Similarly, but in a more inclusive way, Bangxin Zhang, co-founder and CEO of TAL, concluded the characteristics of the shadow education industry:

“The off-campus training organization has experienced four generations: 1. focus on operation; 2. focus on content development; 3. focus on data; 4. focus on intelligence. The fourth one is the direction for many companies. However, regardless of the generations, I think training organizations should focus on caring and loving to accomplish long-lasting companies”. - Bangxin Zhang, November 2018 at Global Education Technology in Beijing

Through published books and public speeches, New Oriental and TAL state and spread the identities and brand-images of their companies as focused, helpful, caring and meaningful.

B. Usage of Rhetoric. In the statement of self-identity, some methods of communication strategies are used, and one of which is most typical for New Oriental—rhetorical strategy. “Rhetorical strategies are the deliberate use of persuasive language to legitimate or resist an innovation by constructing congruence or incongruence among attributes of the innovation, dominant institutional logics, and broader templates of institutional change”. (Suddaby & Greenwood, 2005: 41) In an institutional field, the usage of rhetoric helps to shift dominant logic and achieve cognitive legitimacy for the organization. New Oriental, especially Minhong Yu, is

good at rhetoric by demonstrating “New Oriental Spirit”. In his books and speeches, there are tons of vocabularies and sentences for rhetoric.

“New Oriental has never made money itself a goal. Our goal has always been to make people’s lives more beautiful and brighter, and to make people happier...We want the losers to succeed, and the winners to be more successful.” - (Yu, 2010: 205)

“After listening to the teacher’s lectures in New Oriental, many students found that life can live far beyond their imagination...Let the losers succeed and make the winners being more successful have become the essence of the New Oriental Spirit...When facing difficulties, setbacks and failures, never give up is the only magic weapon to success”. - (Yu, 2010: 109)

2. Reposition in Social Context

C. Corporate Social Responsibility. Despite the usage of rhetoric to define themselves and the endorsement from customers, New Oriental and TAL still need to strive for legitimacy from different audiences in the society, such as the media and public education system. To gain acceptance and recognition from the majority in society, the two companies have intensified corporate social responsibilities for many years. Here are some of the events:

- Since 2016, New Oriental has input teaching contents and teachers’ training for 100 middle schools located in 100 poor counties of China;
- On January 10, 2017, TAL released the “2016 Corporate Social Responsibility Report” to share the practices of corporate social responsibility and announced the launch of “Hope Online” (xiwang.com), an educational public welfare platform. The platform will select TAL’s online courses and products, cooperating with other non-profit partners to help reduce educational unbalance;
- From September 2018, “Great Masters’ Class” initiated by TAL Public Welfare Foundation has been released. Based on the concept of “diversified development,

scientific growth,” the program invites masters from all fields to share their stories and values, aiming for children ages 6-18 and their parents.

As mentioned earlier, “Great Masters’ Class” was praised by the *People’s Daily* (Guan, 2018), which reflects the attitude change of one main audience—the media. It is one of the outcomes for continuous efforts in corporate social responsibility.

“The mission of TAL is to use science and technology to promote educational advancement. We hope that through science and technology, we can provide large-scale, low-price, high-quality teaching services so that we can promote education equity, and benefit more students from wider family and poor areas”. - Bangxin Zhang, from the keynote speech on July 18, 2018 at 2018 TAL Artificial Intelligence Conference in Beijing.

To match the tasks of corporate social responsibilities, and to establish the brand image for the public good, the focal companies adjust themselves in terms of core value and corporate orientation in the new period. The adjustment is particularly obvious for TAL, which used to be the main target of stigmatization from the public. In retrospect to the history of the company, Bangxin Zhang stated the new goal and mission of TAL in the 2018 Opening Conference:

“Being responsible to have a good future, just as our company’s name connotated...In the future, TAL will focus on using science and technology to promote burden-reduction in education, aiming to be considered as ‘capacity training’, ‘high-quality teaching’, and a responsible company in the education industry. - Bangxin Zhang on March 6, 2018

On a rare Media Open Day on August 30, 2018, Yunfeng Bai, co-founder and president of TAL, redefined the future business layout of TAL, indicating that TAL will be focused on smart education and open platform, and carry out quality-oriented education and tutoring. Also, the company aims to serve public education, support private education, and explore future educational models from a global perspective.

“Three stages [for the development of TAL]: the first five years (2003-2008), based on the Beijing branch, a training organization that is liked by students and satisfied by parents. Open classrooms, free trials, and refund guarantee were achieved. In the second five years (2008-2013), new products were explored, such as personalized

education, online education, and future-oriented STEAM exploration. And the school model was expanded from Beijing to all of China. In the third five years (2013-2018), new products and new models have bloomed, especially for online education, technology, and STEAM training and quality-oriented education... TAL is not only an offline training organization but also a data-driven technology education company. - Bangxin Zhang on August 7, 2018

“The data-driven technology education company” aiming to serve public education and support private education is the new position for TAL in the new age. But the adjustment cannot be achieved without supports from various audiences in the environment, thus New Oriental and TAL allied with as many stakeholders as possible.

3. Cooperation with Allies

E. Get Parents Involved. Parents, along with their children, are the main legitimatizing audiences who have purchasing powers in the shadow education industry. Therefore, the focal companies in this industry try all means to ally with the parents, either in commercial or non-commercial ways. In October 2008, the New Oriental Family-education Research and Guidance Center was established, positioned to be a public welfare department that operates for the society. Since establishment, the center has held “New Oriental Family-education Summit Forum” for 11 years and provided other public services such as public welfare lectures called “Family-education China Tour”, parent education club, family-education training, and family-education resource library. For the same purpose, on November 7, 2018, TAL sponsored a charity event called “Decoding Future Capability and Family-education China Tour”, which aims to figure out the future ability for Chinese parents, deepen the understanding of family-education, and improve the family relationship. By getting parents involved, these two companies aim at students and the potential market.

“Because half of the education problems of Chinese children can be attributed to the education of parents. In the next three to five years, New Oriental may become China’s largest parent education institution. In the beginning, we will adopt a social welfare

approach to parents' education, but in the long run, combining parent education with student education will inevitably turn these students into New Oriental customers". - (Yu, 2010: 222)

F. Cooperate with Public Education. Based on the nature of the industry, the off-campus training should follow and match the on-campus learning, which belongs to the public education system. However, in China, the unusual development in off-campus training organizations, such as pre-teaching of advanced contents and overload tests, have sometimes cast pressures onto the public education system and made the “student burden-reduction policy” invalid. Therefore, public education system acts as an actor of stigmatization for the shadow education industry. To obtain the endorsement from public education system, the focal companies have not only repositioned themselves as data-driven education technology companies but also as good supplemental to public education by supporting and cooperating with the system on different levels. From the perspective of corporate social responsibilities, New Oriental and TAL have provided courses to public schools in poor areas. From the perspective of business, they have developed products to better serve public education. For instance, in November 2018, Xueersi Chinese Language, a subsidiary brand of TAL, achieved strategic cooperation with Peking University, who will provide academic supports to promote TAL’s teacher training, textbook compilation, in-class and practical activities. Also, new business models are created to fulfill the needs of public schools.

“This year [2018], we have established two business groups—Smart Education Business Group and Education Cloud Business Group. The Smart Education Business Group is used to serve the government and public schools, while the Education Cloud Business Group is used to empower educational institutions for primary and secondary schools.” These two business groups aim to connect public education, as well as make them aware that private education is support and supplement to public education. - Yunfeng Bai, August 30, 2018, at Media Open Day for TAL

G. Cooperate with Competitor. In the process of legitimatization, the actors sometimes take collective actions to handle the stigmatization in the environment, despite the life cycle of an industry as argued by Barnett (2006). To build a better social image for shadow education industry, New Oriental and TAL, the two main competitors in the industry, sometimes cooperate to take mutual actions for achieving more attention and support from the public. In November 2017, New Oriental teamed up with TAL to establish the “Love to Distant Mountains Foundation”, a joint venture of CNY 100 million which is intended to promote educational equality through science and technology. New Oriental and TAL synthesized to deliver high-quality education resources to students in remote rural areas of China, giving them more hope. One year later, December 2018, the number of companies for this foundation has expanded from 2 to 19, all of whom are firms from the education industry.

H. Cooperate with Government. As the major audience for stigmatization in the environment, the government, who has the authority for making policy and regulations, is the essential power that focal companies attempt to ally with. The alliances are taken both in indirect and direct ways. For the indirect ones, education companies have created a new business model (e.g., the Smart Education Business Group of TAL) and new products to serve the government; for the direct ones, the focal companies have signed contracts or cooperate with the government of different levels:

- On August 7, 2018, TAL and Shanghai Municipal Education Commission signed strategic cooperation about the construction of education informationization 2.0. They will cooperate in promoting education informatization and exploring the future teacher-tech collaborative model, which will, in turn, drive the modernization of Shanghai education system.

- On October 25, 2018, TAL signed a contract with the Liangshan government of Sichuan province for the program of “Artificial Intelligence Online Education”, promoting the Mandarin study and online education in this ethnic minority area.
- On April 22, 2019, New Oriental signed a contract with Jinzhong city of Shanxi province about the establishment of a new branch school for New Oriental, promoting the quality of local education.

In fact, when New Oriental and TAL need to establish a new branch school or a new teaching center in certain cities around China, they had to cooperate with the local government in different aspects, ranging from educational, commercial, financial and security departments. Though the main stigmatizer—the central government—is hard to change, the focal companies are doing bottom-up works to reduce the power of stigmatization and increase their impacts in education sector.

I. Cooperate with Investors. As one of the powers for legitimation to shadow education industry, the investor from capital market is changeable, a characteristic that is decided by the nature of capital for pursuing profit. For example, from June 13 to July 25, 2018, Muddy Waters Research, an organization well known for short selling Chinese concept stocks, released four reports entitled “A Real Business with Fake Financial” for short-selling TAL. The stock price per share for TAL has fallen from USD 45.65 (June 13) to USD 34.42(July 27), a drop of 24.6%. Given the volatility and cruelty of capital market, the focal companies have taken proactive actions to attract and bind investors for future growth. On August 10, 2018, New Oriental Education and Culture Industry Fund was established. The fund has received CNY 1.5 billion at the first phase from investors including trust, bank, government, education companies and so on. Regarding the investment direction, Zheng Zhao, General Manager of the fund, said that the fund

will focus on investing projects in the education industry and the extended pan-educational culture field. By creating a mutual community with the investors, the focal companies in the shadow education industry have reinforced the powers of legitimation.

J. Cooperate Internationally. With the progression of internationalization and the demand for global education, focal companies of the shadow education industry in China has extended abroad and built international relationships. For New Oriental, on November 1, 2017 New Oriental and ETS (US Educational Testing Service), one of the most influential examination institutions, signed a new strategic cooperation agreement to create tailored TOEFL for Chinese students. The agreement marks a new stage in the cooperation between New Oriental and ETS, however, dating back to 2000, these two sides were fighting against each other in court for the copyright issue. From rival to cooperation, New Oriental has complied with the International copyright law and the principle of business.

For TAL, since its inception, the company has endeavored in international content cooperation, including the localization of US reading system “Reading A-Z” and the US National Geographic Learning. So far, TAL has achieved strategic cooperation with ETS, Oxford University Press, Cambridge University Press and others. In terms of oversea investment, TAL has invested some companies overseas, such as Minerva Project (a disruptive US Higher Education provider) in October 2014, Knewton (an adaptive learning company in the US) in January 2016, and CodeMonkey (a coding learning company for kids in the US) in December 2018 to expand the international landscape. Moreover, on December 5, 2018, during the GES2018 Future Education Conference, TAL announced the establishment of Academic Advisory Board and appointed Arne Duncan, former US Secretary of Education, Rick Levin, former President of Yale University, and Dan Schwartz, Dean of Stanford Education College, as

the committee members. The cooperation with international forces has strengthened the advantages for focal companies in shadow education industry, thus reinforced the power of legitimation.

II. Modification and Evolution of Actors

4. Modification of Attributes

K. Go from Private to Public. The swift growth for focal companies in the shadow education industry has attracted the interests of the capital market. Meanwhile, the need for education companies to achieve more resources and students accelerated the process of going from private to public. On September 7, 2006, Minhong Yu and his colleagues hit the bell for New Oriental at NYSE:

“New Oriental was the first education concept stock in China, and its stock price rose strongly. The stock closed at \$52.95 as of August 31, 3.5 times increase over the \$15 initial public offering”. - (Yu, 2010: 209)

As to Minhong Yu, “from the perspective of competitive advantage, internationalization speed, external capital cooperation, internal contradictions, and the rise of New Oriental management and the establishment of norms” (Yu, 2010: 212), going public is inevitable for New Oriental. One thing that needs to be noted is that New Oriental and TAL both choose to list in US stock market.

“I chose to go public in the US because it is strictly regulated. . . One of the strictest rules for listing is that for the company’s leader, there is no opportunity to falsify, and no behind-the-scenes behavior at any time. In addition, Section 404 of the Sarbanes-Oxley Act is a clause for internal control. If these terms can be done by New Oriental, then the company can automatically manage itself, from human resources, finance to administration, market, etc.”.- (Yu, 2010: 215)

Though there are issues that keep on coming out for the companies who have gone public, for instance, in July 2012, New Oriental was investigated by SEC (U.S. Securities and

Exchange Commission) about its VIE (Variable Interest Entities) structure, a structure not formally authorized in China but has been commonly used by many Chinese companies to go public abroad. Sina, Alibaba, New Oriental, and TAL all used VIE to go public in the US stock market. The share price of New Oriental dropped by 34.32%. At the same time, Muddy Waters Research posted a 96-page questioning report about New Oriental, recommending investors to sell New Oriental stocks. As a result, New Oriental's stock price fell by 69% in two days. Six years later, a similar thing happened to TAL. However, New Oriental and TAL both survived the crisis and have become even stronger in the market. Going from private to public not only provides more capitals and resources to these two companies but also enables them to be more vigilant and conscientious to the market, to be more optimized and efficient in operating the company, therefore to attract more positive evaluations and supports from society and increase the forces of legitimation.

L. Corporate Reconstruction. To meet the challenges from private to public, the focal firms must reconstruct some internal structures or functions to fit the external changes. In 2014, New Oriental launched the “Gene Transformation Program” to focus on online education and future development. In order to match this program, New Oriental has adjusted its organizational structure and management system: applications such as OA (Office Automation) system and CMR (Customer Managed Relationship) system are launched to break the barriers of online and offline business systems; deletion of income and profit index from the evaluation systems for principals in branch schools helps them to focus on teaching quality, the competitive advantage of the company.

At the 2018 Annual Meeting of New Oriental in January 2019, six employees performed a song named “Release Oneself” to criticize problems such as inefficiency and bureaucracy

within the company. One day later, Minhong Yu rewarded these employees CNY 120,000 to encourage the critical spirit and reflective culture in the company. Meanwhile, five e-mails sent by Minhong Yu to the top management teams were also exposed, pointing to various problems within the company and indicating that 5-10% of the worst-performed employees will be weed out by the end of 2019 to improve performance. The critical spirit and refreshing ability keep the focal companies to adapt to the changing environment.

5. Self Evolution

M. Continuous R&D. Consistent with the persistent reconstruction ability, the focal firms keep on emphasizing R&D through the growing process. Here are some of the events:

- In May 2017, TAL invested in FaceThink, an emotional recognition engine, and used the emotion recognition technology in the class develop a product— “Magic Mirror System”;
- In August 2017, TAL established the AI Lab (Artificial Intelligence Laboratory), collecting demands for AI products and providing AI technical consulting services;
- In January 2018, TAL established “Brain Science Laboratory”, aiming to promote “science and technology + education” research and implementation of products through brain science. Meanwhile, TAL announced a strategic partnership with Stanford University to jointly develop a more efficient education model by promoting AI research;
- On April 13, 2018, New Oriental announced a strategic cooperation with the Big Learning Research Center in the United States, hiring Stanford University professors as consultants for the New Oriental Brain Science and Image Recognition Technology Center;
- On April 20, 2018, Carl Wieman, a Nobel Prize Winner and a physicist at Stanford University, was appointed as a senior researcher at the Institute of Science of TAL;

- On October 2018, TAL signed an agreement with Tsinghua University to jointly establish “Intelligent Education Information Technology Joint Research Center”;
- On November 29th, the Stanford University-TAL Joint Project was signed.

According to a speech on December 3, 2018, at Global Education Summit, Yan Huang, CTO of TAL, revealed that TAL’s annual R&D investment has been in billions of Chinese Yuan, and the R&D team consists of nearly 5000 employees. The huge amount of investment into R&D is due to the awareness of power in technology and its potential to change education.

“Cutting-edge technologies such as artificial intelligence and brain science are restructuring education models to help teachers get rid of repetitive tasks and put more energy into more creative and valuable things. The goal of TAL is to study the science of learning and let students learn scientifically”. -Bangxin Zhang, the keynote speech on July 18, 2018, at 2018 TAL Artificial Intelligence Conference.

Continuous R&D for the focal companies has armed them in cutting-edge technologies, increasing their competitive advantages and promoting future development, thus helps to reinforce the legitimation eventually.

N. Development of Online Education. With the development of the Internet, and the increasing high demand in the market, focal companies in shadow education industry put a lot of effort into developing online education. A new teaching method called “Dual-teacher Mode” was developed to combine offline and online education.

“Through the Dual-teacher Mode, we are refactoring the learning model and addressing the problem of uneven distribution of quality-teacher resources. In Dual-teacher Mode, one lecture teacher can give speeches to over one hundred classes through the Internet. Every dozen student can have a tutor online or offline. The lecture teacher is responsible for learning, while the tutor is responsible for practicing and other things before and after class”. - Bangxin Zhang, from the keynote speech on July 18, 2018 at 2018 TAL Artificial Intelligence Conference

The new method is concluded as MPOC (Massive Private Online Course), which combines the advantages of MOOC (Massive Open Online Course) and SPOC (Small Private

Online Course). A good teacher can give live broadcast online to 1000 or even 10000 people at the same time, meanwhile, every 12-20 people are gathered in a small classroom and guided by a tutor on the spot. As to September 2018, New Oriental has implemented “Dual-teacher Mode” in over 600 classes among over 30 cities. The innovative online education helps to distribute high-quality education resources, minimize the knowledge gap between urban and rural areas, hence promote education equity for the whole society, and reduce the voices of stigmatization.

III. Integration and Extension within Industry

6. Industry Integration

O. Provide Service to the Industry. In celebrating the 25th anniversary of New Oriental in 2018, Minhong Yu pointed that what New Oriental has to do is no longer to “own” the best teachers but to build a platform for continuous training of the best teachers for the education industry. In June 2018, New Oriental announced the upgrade of a CELTA Centre (Certificate in Teaching English to Speakers of Other Languages), an authorized teacher development center of Cambridge University in China, providing internationally certified qualification training for teachers from home and abroad. To train entrepreneurs and provide service to education industry, TAL and New Oriental have established specific free training organizations. In 2014, TAL’s “Ed Stars” training camp was jointly launched by TAL and Tencent, covering many themes in education, and inviting hundreds of experts from various fields (e.g., internet technology and capital) to give lectures. In June 2018, New Oriental’s “Oriental Coordinate Institute” was established, positioning to find and nurture a thousand business leaders who can change the pattern of education industry. To better serve the industry, TAL has developed many new products for followers or even competitors. As of December 2018, TAL has provided five solutions to the industry, including dual teachers, future capabilities, AI+ education, live

streaming online, and offline operations helped more than 200 training institutions. The focal companies offer resources to promote the innovation of the whole industry, making them be a mutual community and accelerating the maturity of the industry.

P. Provide Service to Stakeholders. Furthermore, the focal companies have gone beyond the industry and located themselves as servers for broader social stakeholders. On January 22, 2017, TAL and Alibaba Group announced a strategic cooperation in cloud computing and big data. In a speech on December 3, 2018, at Global Education Summit, Yan Huang, CTO of TAL, introduced the company's Education Open Platform to be an open ecosystem that includes Education Industry Alliance, Smart Education Accelerator, SaaS Service Platform, Parent Ecology, Educator Training Camp, and Developer Community, intending to serve multiple roles in the educational technology chain.

“In summary, the logic behind TAL’s Education Open Platform is ‘division and cooperation’, which is in line with the current trend in the education industry—from vertical integration to the coexistence of vertical and horizontal integrations. Vertical integration means that the education institutions complete the entire process from branding, selling, teaching to research, technology, services and other aspects. Each institution is an endogenous system. Horizontal integration means that when the industry develops to a certain stage, there will be a company providing specialized services for multiple educational institutions. The establishment of Education Open Platform is to expand TAL’s capability in horizontal integration”. -Yan Huang, speech on December 3, 2018 at Global Education Summit.

7. Industry Extension

Q. Mergers and Acquisitions. Though the demand for shadow education in China is huge and growing fast, the market is very fragmented due to many factors such as regional variety and market niche. In November 2017, at Global Education Summit, Minhong Yu mentioned this point: “if you want to become influential in the field of education, the only way is through investment, mergers, and acquisitions. One company may not achieve a market value of hundreds of billions, but dozens of related companies can and become influential to the

development of China's education". Accordingly, New Oriental established the Investment Cooperation Department in 2010, which was reorganized into the Investment Business Unit in 2015. Until August 2018, the New Oriental Investment Business Unit has completed the investments of nearly 50 education-related enterprises. Of course, the mergers and acquisitions are not arbitrary, all of which are carefully considered and selected.

"We do not focus on most of the categories in the education industry (e.g. vocational education), but we hope to establish a connection with the excellent enterprises in different fields, which is also mutual cooperation and learning process. This is the first principle of our investment." - Bangxin Zhang, November 2017 at Global Education Summit.

The aim of all kinds of investments is to form an industry chain and eco-system, which is explained in the following part.

R. Industry Chain Creating. From 2008, New Oriental began to try mergers and acquisitions and then formed "Four-circle Strategy" in 2014, which includes ground education and related resources as the first lap, combination of online and offline education as the second lap, establishment of guardian system as the third lap, and participation in complementary companies as the fourth lap. Since 2016, the pace of investment has been accelerated, and New Oriental's entire industrial chain layout has been formed in 2018. On August 10, 2018, New Oriental Education and Culture Industry Fund came out, heading for more investments.

For TAL, the investment started in 2011. According to an industrial and commercial information database provided by Tianyancha, TAL has participated in 133 cases of investment as of December 20, 2018. When talking about the future for education, Bangxin Zhang concluded "Four Generations and Three Trends" for education industry.

"Four generations, namely operation-content-data-intelligence, are the context for promoting education. Three trends are: 1. cultivate students' comprehensive ability and quality; 2. online and offline, one-on-one class, human-computer integration and development; 3. vertical and horizontal integrations of the industry... In the future, TAL

will open up its product line, create an educational ecology, build a big platform, and help more organizations to develop faster in the ecosystem such as upgrading products and expanding product lines”. -Bangxin Zhang, from the speech for the 6th 820 Worldwide Educators Conference on August 22, 2018, in Shanghai

The creating of the industry chain is not only oriented for the current, but also for the future. As long as the focal companies can accumulate more advantages in the education industry, the companies are more likely to handle the stigmatization in the environment and have a prosperous future ahead.

Response Model for Organizations to Environmental Complexity

Bi-directional Processes

As explained in the environmental complexity part, for the shadow education industry in China, the legitimation is derived from cognitive and pragmatic legitimacy, while the stigmatization results from moral legitimacy. In responding to different forces and perceptions in the environment, the actions for the focal companies demonstrate bi-directional processes—reinforcement of legitimacy and reduction of legitimacy. Moreover, these two directions of efforts interplay and parallel with each other, which means that they could occur at the same time for the same organization, mutually leading to overcome the challenges in the environment and obtain survival and prosperity for the focal organizations. The interplay of bi-directional forces is embedded in the first-order codes. As shown in Table 2 and Table 3, the 18 first-order codes correspond to different actions or aspects that the focal companies take for environmental challenges. Each of them is aimed either to reinforce legitimacy or to reduce stigma.

Three Orientation of Works

From the aforementioned responses of focal companies, the actions taken by the actors in this institutional field can be considered as “institutional work”, since they are “purposive action

of individuals and organizations aimed at creating, maintaining and disrupting institutions” (Lawrence & Suddaby, 2006: 215). The institutional work emphasizes “the awareness, skill, and reflexivity of individual and collective actors” (Lawrence & Suddaby, 2006: 219). In this research, based on the three aggregated theoretical dimensions, I draw three orientations of works from each dimension to demonstrate the aware and reflex actions taken by the focal companies.

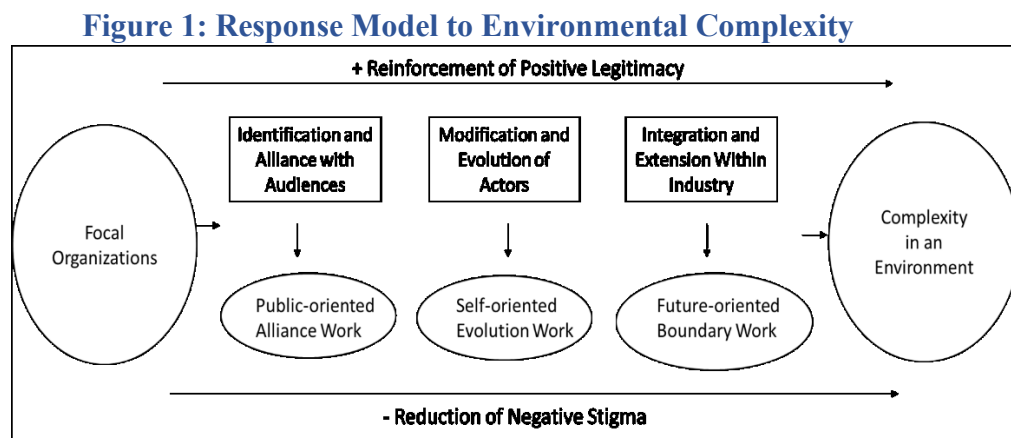
1. *Public-oriented alliance work.* The main audiences for legitimation and stigmatization are among the public, including customers, investors, the public education system, the media, etc. To maximize legitimation and minimize stigmatization, the focal companies need to ally with as many stakeholders as possible to strengthen their powers for handling the challenges from the environment. Using rhetoric to state self-identity, repositioning in a changeable social context, taking corporate social responsibility, and getting all stakeholders on board (e.g., parents, public schools, competitors, investors, government, et al.) are all oriented to the public, aiming to form a mutual-interest community and achieve legitimacy for the focal industry.

2. *Self-oriented evolution work.* The efforts are not only pointed to the external, but also to the internal. The focal actors modify themselves for evolvment and evolution, including list in the market to attract investors, and then correspondingly reconstruct the corporate structure. To cater to the development and market need for advanced technology, the focal companies spend substantial capital and human resources into upgrading technology and transforming to the educational field, such as promote dual-teacher mode through online education and apply artificial intelligence technology in the class. The self-oriented works are consciously selected and progressively implemented, aiming to increase competitive advantages for the focal

organizations in the end. Therefore, a more powerful organization is more capable of handling challenges from the environment.

3. Future-oriented boundary work. The boundaries between different institutional fields are not stable but subject to change depending on many factors, such as exogenous jolts, institutional entrepreneurship, and social movement. The organizations in an institutional field, especially an emerging field where the legitimacy is not settled down yet, is creating, forming, and changing the boundary for the field through daily practice. Boundary work refers to actors' efforts to establish, expand, reinforce, or undermine boundaries (Zietsma, & Lawrence, 2010) of a certain institutional field. For the focal companies in the shadow education industry, they are breaking and expanding the boundaries for this industry and also for private education field by various actions, including integrating and opening platforms, mergers and acquisitions, and industry chain creating. They are intending to break the conservative business model, expand the scope of traditional educational field and build an eco-system for long-term growth. In other words, they are reforming the industry and the shadow education field to a new pattern.

Combining the bi-directional efforts and three dimensions of works, I propose a response model for organizations to handle the complexity in the environment, and the details are illustrated in Figure 1.



DISCUSSION

Conclusions

In this thesis, I began with the question, yet unexplored in organization theory, of how organizations respond to the coexistence of legitimation and stigmatization especially in an emerging institutional field. To answer this question, I conducted a case study of the shadow education industry in China and observed the proactive actions taken by two major companies in this industry. Based on the findings, I proposed a model of how organizations respond to institutional complexity particularly involving legitimation and stigmatization. This model includes two types of synchronous processes—reinforcement of legitimacy and reduction of stigma, and three orientations of works—public-oriented alliance work, self-oriented evolution work, and future-oriented boundary work.

For proposing this model, I first analyzed the cultural and social factors that influence the environmental complexity, the coexistence of legitimation and stigmatization, and the contradictions inside the environment. Given the environmental factors, I described the mechanisms of both legitimation and stigmatization derived from different audiences from society and indicated the possibility of a position switch. Furthermore, I emphasized the interplay between focal actors and audiences, and the role of actors' purposive actions in changing audiences' attitudes and pursuing legitimacy. By thoroughly analyzing and elaborating the specific actions taken by the focal companies, this research outlines a model of how organizations respond to and cope with the complexity in the environment, particularly where legitimation and stigmatization coexist. This study suggests that by following two types of processes and three orientations of works, organizations confronting environmental complexity can change the attitudes of different audiences in the society, mitigate stigmatization in the environment, thus progress and prosper.

Contributions

This research makes both theoretical and empirical contributions from several aspects. Firstly, regarding the organizational legitimacy literature, instead of considering legitimacy as a static status, this study applies the concept of legitimation for describing the achievement and maintenance of legitimacy as a dynamic process. The study integrates three dimensions of legitimacy—cognitive legitimacy, pragmatic legitimacy, and moral legitimacy—to depict the process of legitimation. In the organizational field, particularly in an emerging institutional field where the logics are not established, the proactive role of the focal actors is emphasized, and the influence for the interplay between actors and audiences is also addressed. The research contributes to the institutional theory in that it untangles actors' proactive roles in a complex institutional environment and emphasizes the agency view.

Secondly, in terms of organizational stigma literature, this study shows the iterative progression of an industry confronting the coexistence of stigmatization and legitimation, enriching the previous stigma literature which was only focused on the linear progression between stigma elimination and legitimacy building. Meanwhile, the complexity derived from different perceptions of audiences is displayed, and the contradictions for focal organizations in an institutional voids' environment are revealed, providing a good sample for examining the institutional conditions in emerging economies.

Thirdly, for the organizational response literature, this study provides a response model for organizations to cope with the complexity in the environment, which includes bi-directional processes and three orientations of works. The model could act as a reference for organizations that need to survive in an inferior environment where the laws and regulations are not well established, and the hostile climates exist both in the society and in the industry.

In sum, by examining a controversial industry surviving and thriving in a complex environment that is embedded in an emerging economy, this case study provides a unique yet valuable sample for contributing to the institutional theory and organizational stigma literature.

Limitations and Future Research

No doubt to say, this study has limitations in several ways. First of all, there is only secondary data but no primary data for this research, which decreases the richness of the data. The interviews to the top management teams for the two focal firms were designed and prepared in the beginning, but after four months' endeavor (i.e., from February to May of 2019) by trying all means (e.g., email, telephone, social media, personal network, etc.), I did not get any effective response from the two companies. As I observed, the main reason for the refusal of the interview may due to the companies' fear of Muddy Waters Research, the short-selling organization. In July 2012 and July 2018, New Oriental and TAL were both short sold and attacked by Muddy Waters Research in the stock market and got disastrous losses. As I know, the main method for Muddy Waters Research for accessing these two companies is through interview by pretending to be students. It is probably because of the fear of encountering another "Muddy Waters Research" that preventing the two companies to accept my interview invitation.

Another limitation is the case study per se. The shadow education industry in China is a unique industry that rooted in Chinese culture and current Chinese society. In order to examine the environmental factors and the focal companies' responses, I had to fully consider the specific social, cultural, political, economic, and even psychological issues related to this topic. That is to say, the case study is a unique sample that grows and develops in a certain condition, and the conclusions and response model drawn from the case is only applicable to specific situations. If

the external conditions are changed, the focal organizations may respond totally differently, otherwise it is hard for them to survive.

For future research, here are two points drawn from this research that worth further studying. One point is about collective actions of organizations within an industry. Barnett (2006) argued that collective actions within an industry occur at the maturity cycle of an industry, intending to overcome the challenges of legitimacy. In my research, as proposed in the three aggregated theoretical dimensions, focal companies in the emerging cycle of the industry could also cooperate and take collective actions. In other words, when and under what conditions that organizations in a certain field take collective actions need more studies. Furthermore, these collective actions are not only aimed at gaining legitimacy but also oriented to form a mutual community and build an industry eco-system. Therefore, for investigating more about the development of an industry, more topics such as when the organizations in an industry will take collective but not individual actions, for what purposes these actions are taken, and to what audiences these actions are taken need further research.

The second point is about the institutional environment issue. As explained in this thesis, the environmental complexity for shadow industry in China is mainly due to the institutional voids. But here comes a contradiction. On one hand, the institutional environment in China partly conforms to the concept of institutional voids, which refers to “absence of specialized intermediaries, regulatory systems, and contract-enforcing mechanisms in emerging markets” (Khanna, Palepu, & Sinha, 2005: 4), since many of the institutions are undeveloped. However, on the other hand, inconsistent with this concept, the intermediaries pertaining to marketing and financing are not rare, and the regulatory systems from different levels of governments (e.g., central, provincial, municipal, et al.) are not few. Based on this research, as well as drawing on

my own experience in China, I would rather say China is an institution saturated but conflicting country than an institution void nation. This perception is contradictory to the theoretical concept of institutional voids, which makes me often confusing. Regarding the institutional environment, especially for emerging economies, I suggest topics such as the conflicts between saturation and voids in an environment, how organizations survive regardless of the adverse institutional environment, and how to develop and advance institutions in emerging economies, to be further studied in the future.

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