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Abstract
Haveman, Joseph-Goteiner, and Li’s (2023) perspective article contributes important insights into China’s transition away from central planning and redistribution toward greater market coordination of economic exchange. In our commentary on their insightful article, we build on and extend their arguments in three main ways. First, we discuss how future studies might extend the authors’ work by leveraging the ‘messiness’ of institutional change to explore the cross-level dynamics involved in transforming institutional logics. Second, we build on the authors’ call for more historically grounded, contextualized research on institutional logics to argue that the conditions surrounding logic emergence have important implications for inter-logic dynamics and organizational responses. Third, we build on the authors’ suggestions for future research to underscore the broader consequences of institutional logics and their potential to perpetuate or exacerbate social inequalities and other societal challenges.

Keywords: institutional change; institutional logics and complexity; societal grand challenges

The perspective article by Haveman, Joseph-Goteiner, and Li (2023) contributes important insights into one of the most significant social transformations in recent history: China’s shift away from central planning and redistribution toward greater market coordination of economic exchange (Keister & Zhang, 2009; Nee, 1992; Peng, 2003). The article begins by surveying and synthesizing the literature on institutional logics, as studied in organizations in Western capitalist economies. It then contrasts and extends insights from this work to the Chinese context, detailing how China’s dramatic transition triggered a concomitant shift in the institutional logics that guide organizational decision-making, activities, structures, and goals. Taking stock of empirical research on institutional logics in Chinese firms, the authors then outline how the partial supplanting of the old Maoist-era state logic by a new market logic has differentially manifested in Chinese firms with different governance and ownership forms. The authors conclude by discussing how the market logic in China differs from the one that prevails in Western capitalist economies and call for further research that better appreciates the distinctiveness of the Chinese context.
of the Chinese context and how the complexity of its changing socio-economic landscape has spawned variations in the institutional logics guiding business firms.

In this commentary, we aim to further interrogate and expand on the arguments developed in Haveman et al.'s (2023) perspective article in three main ways. First, we seek to integrate insights from research on institutional change to the authors’ illuminating discussion of shifts and changes in institutional logics. Specifically, we pick up from the authors’ recognition that their brief description of China’s historical trajectory necessarily ‘glossed over many changes’; and highlight how future studies might leverage the ‘messiness’ of institutional change to explore the cross-level dynamics involved in transforming institutional logics. Second, we echo Haveman et al.’s (2023) call for more historically grounded, contextualized research on institutional logics, and argue that the conditions surrounding logic emergence may have important implications for inter-logic dynamics and how organizations might experience and prioritize logics. Third, we build on the authors’ suggestions for future research to spotlight the importance of broader consequences of institutional logics – particularly, their potential to perpetuate or exacerbate social inequalities and other societal challenges.

Institutional Change and the Transformation of Societal-Level Institutional Logics

Institutional theory scholars have long recognized the complexity and messiness of institutional change – be it change that unfolds within and across levels of analysis, the different coalitions of change agents that form, evolve, and dissolve over time, or change efforts that succeed or fail depending on a range of factors, places, and historical conditions (Dacin, Goodstein, & Scott, 2002; Mahoney & Thelen, 2010; North, 1993; Seo & Creed, 2002). Research examining institutional change in the Chinese context has significantly expanded our understanding and perspective of how societal institutions and logics evolve over time (Child, 2009; Keister & Zhang, 2009; Marquis & Qiao, 2020; Peng, 2003). This is, in large part, due to the unique and unrivaled power and authority of the Chinese Communist Party (CCP) (He & Warren, 2011; Stern & Hassid, 2012). The presence of this powerful central actor could reasonably be assumed to simplify or smooth the process of effecting institutional change. Such an assumption seems plausible when comparing China’s well-controlled and incremental process of economic transition – which prioritized political and social stability – with the revolutionary ‘shock therapy’ approach undertaken by countries in Eastern Europe and the former Soviet Union (Nee, 1992; Tan, 2005). While, comparatively, China’s economic transition was smooth; in practice, it involved complex entwined social and political processes as well as disparate groups of actors that operated at different levels, with different interests and agendas (Lieberthal, 2004; Padgett & Powell, 2012). As Haveman et al. (2023) and others point out, the transition – and the concomitant transformation of institutional logics – involved a long series of regulatory changes and controlled experiments that started in the late 1970s and continues to the present day (Clarke, Murrell, & Whiting, 2008; Keister & Zhang, 2009; Xu, 2011).

What is especially noteworthy is that the complexity (and orchestrated messiness) of China’s economic transformation departs from the common ‘pathways’ of institutional change documented in prior organizational research (Micelotta, Lounsbury, & Greenwood, 2017). Looking across the literature on institutional change, one can see that shifts in dominant institutional logics have been shown to follow from exogenous changes (Berman, 2012; Sine & David, 2003), institutional entrepreneurship (Hardy & Maguire, 2017; Misangyi, Weaver, & Elms, 2008), and gradual accumulation of new practices (Smets, Aristidou, & Whittington, 2017). Changing societal and political conditions, for example, can create opportunities for ‘challengers’ to mobilize and potentially upend longstanding institutional arrangements that privilege ‘incumbents’ (Fligstein & McAdam, 2012; Levy & Scully, 2007; Maguire & Hardy, 2009). Similarly, institutional entrepreneurs have been shown to strategically negotiate the constraints and affordances of the institutional context to effect change at various levels (Battilana, Leca, & Boxenbaum, 2009; Garud, Hardy, & Maguire, 2007). In other studies, endogenous sources of change are foregrounded: with small changes and improvisations emerging and gradually accumulating into macro-social change (Seo & Creed, 2002; Smets et al., 2017). While China’s transition bears some traces of the above triggers, it also differs significantly because of the role played by the Chinese state and CCP. Exogenous change and influences from capitalist economic systems, for
example, were made possible in large part by the government’s ‘opening’ of China’s door to the rest of East Asia and the West (Boisot & Child, 1996; Nee, 1992; Peng & Heath, 1996; Vogel, 2011). Likewise, institutional entrepreneurship and the accumulation of practices in the Chinese context took the form of top-down orchestration and controlled experimentation, as opposed to bubbling up from the bottom (e.g., Garud et al., 2007; Maguire, Hardy, & Lawrence, 2004).

The profound role played by the Chinese state and Communist Party underscores the importance of appreciating how institutional infrastructures differentially shape the way that institutional logics emerge, evolve, and change (Hinings, Logue, & Zietsma, 2017; Raynard, Kodeih, & Greenwood, 2021; Zietsma, Groenewegen, Logue, & Hinings, 2017). Unlike the overt contentious dynamics commonly documented between incumbents and challengers, the partial supplanting of the old state logic in China involved ‘compromises among top CCP leaders’ and calculated experimentation (Xu, 2011): beginning in specific sectors of the economy (e.g., peripheral sectors like peasant farming, handicrafts, repair work, and food stalls) and selected geographic areas (e.g., rural and township villages and Special Economic Zones) before being rolled out across other sectors and regions nationwide (Fan, 1995). This calculated and coordinated approach may help explain why China’s transition and the profound transformation of societal-level institutional logics was less disruptive than that which occurred in Eastern Europe and the former Soviet Union (Tan, 2007; Xu, 2011).

In contexts where a powerful government actor has the legitimacy and authority to define and channel institutional change processes, the institutional logics guiding decision-making and behavior are likely to be especially ‘sticky’ (North, 1993), persisting ‘even in the face of powerful forces propelling change’ (Haveman et al., 2023). This situation extends beyond authoritarian regimes to include fields and industries where a central actor or organization can dictate or define how logics should be prioritized and how they manifest in structures, practices, and governance mechanisms (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Raynard, 2016). Such actors include ‘institutional guardians’ (DeJordy, 2010) like the Catholic Church or professional associations that have the vested authority to influence how logics emerge, take form, and manifest. The presence of uniquely powerful actors has important theoretical and methodological implications. One such implication is that the complexity and messiness of institutional change may be less overt than portrayed in much of the literature (e.g., Fligstein & McAdam, 2012; Maguire & Hardy, 2009). An example from China’s transition can be seen in the decade-long negotiation and drafting of the Property Law, which in 2007 granted equal protection to public and private properties (Chen, 2007; Zhang, 2008). The law was significant because private ownership had long been held up as the ‘essence of capitalism’ and state ownership ‘the mainstay of socialism’ (Dodds, 1996: 739). Despite the controversial nature of the law, conflict and tensions largely played out, away from the public eye – suggesting that data collection and access might present challenges for ‘outsiders’.

Another important implication is that the ‘tone of reform’ may be ‘constructively framed in alignment with the interests of maintaining the system’ (Raynard et al., 2021: 27). This suggests a different dynamic among would-be change agents than the competitive one typically emphasized in prior research. The Chinese government, as Haveman et al. (2023) note, is not monolithic; but, instead, ‘hierarchical, with multiple administrative levels that have different powers, with influence flowing from the top to the bottom and from the bottom to the top’. Despite these actors operating at different levels, and having potentially different interests and agendas, there is a ‘thematic pull’ in the direction of incremental reform as opposed to revolutionary change (Raynard et al., 2021; Smets et al., 2017). Studying the dynamics and process underpinning the transformation of China’s institutional logics, therefore, requires an appreciation of the subtle interplay of mechanisms across levels of analysis – and, importantly, situating these mechanisms in ways that account for temporal and regional variations (Fan, 1995; Haveman et al., 2023; Raynard, Lounsbury, & Greenwood, 2013; Xu, 2011; You, Zhou, Zhou, Jia, & Wang, 2021).

Logic Emergence and Change and the Implications for Organizations

Haveman et al.’s (2023) call for more ‘historically sensitive’ research on institutional logics is an important one. In this section, we echo and extend this call by discussing how heeding it could provide a
more nuanced understanding of the dynamics between co-existing logics, and their organizational implications. Our starting point is Haveman et al.’s (2023) argument that: ‘the market logic, as it is manifested in China, has come to incorporate one key element of the state logic: it celebrates the central role that the state and the Communist Party continue to play in economic life’. Implicit in this argument is that there is an inherent degree of compatibility between the market and state logics in China – to the extent that they may be inextricably entwined and relatively complementary in how they guide and shape organizations. The possibility of this ‘built in’ complementarity may not have been surfaced without appreciating the historical and contextual specificities of China’s transition and its changing socio-economic and political landscape (Child, 1996; Greve & Zhang, 2017; Tracey & Phillips, 2011).

What the above suggests is that how, when, and under what circumstances an institutional logic emerges may have important implications for inter-logic dynamics and co-existence (Ocasio, Mauskapf, & Steele, 2016; Raynard et al., 2013). As highlighted by Haveman et al. (2023), organizational scholars have shown that the way multiple logics interact fundamentally shapes an organization’s experience of ‘institutional complexity’ and how it subsequently copes with competing institutional demands (Greenwood et al., 2011; see also Battilana & Lee, 2014). To illustrate, in contexts where the market and state logics are not compatible – yet are central to organizational functioning – organizational members are likely to experience deep-seated and perpetual tensions (Besharov & Smith, 2014; Pache & Santos, 2010). In response, the organization might adopt decoupling strategies or structural compartmentalization in order to attend to incompatible prescriptions (Binder, 2007; Raynard, 2016). In contrast, in contexts like China where there is some inherent degree of compatibility between the market and state logics, the experience of institutional complexity may be less ‘intense’ or problematic. In this case, organizations may adopt blended hybrid structures to accommodate different demands or even harness the potential synergies in the enactment of logic prescriptions (Chen, 2020; Greve & Zhang, 2017; Liu, Zhang, & Jing, 2016; Nee, 1992). The underlying implication is that how institutional logics emerge, cohere, and endure may fundamentally influence their dynamics and the ways in which organizations might manage institutional complexity (Ocasio et al., 2016; Zhang & Luo, 2013).

From a methodological standpoint, the entwining and co-evolution of institutional logics implicates potential challenges of teasing apart ‘intra’ logic change and ‘inter’ logic change. In the Chinese context, this challenge includes distinguishing how and to what extent the state logic has changed, and/or whether change lies in the rise of a new logic and the concomitant shift in the relationship between other logics. It is by taking ‘history seriously’ that organizational scholars can gain a fuller understanding of institutional logics and the interinstitutional system that guide organizational life (Clemente, Durand, & Roulet, 2017; Kipping & Üsdiken, 2014; Suddaby, Foster, & Mills, 2014).

Institutional Logics and Societal Challenges

Haveman et al. (2023) highlight some important areas for future research including the need to examine other societal-level institutional logics such as religion and family. This is an important suggestion that could help deepen theorizations of interinstitutional systems and their implications (Hinings & Raynard, 2014; Ocasio et al., 2016). Raising the importance of other logics, prompts our final comment, which aims to provoke discussion on the potential for logics to perpetuate and exacerbate societal problems. Put simply, institutional logics can have extreme implications. The material manifestations associated with the market logic in some Western capitalist countries, for example, have led to major social inequalities – especially in the US (Amis, Brickson, Haack, & Hernandez, 2021; Amis, Mair, & Munir, 2020; Burgin, 2012).

In effect, allowing a particular logic to dominate, rather than being complemented and balanced by other logics (such as a community care logic) can allow that logic to become an extreme version – e.g., allowing shareholder value to be prioritized over the interests of all other stakeholders can lead to a widening of social disparities. Arrangements and practices that focus narrowly on shareholder wealth can create incentives for corporate ‘irresponsible’ behavior and ‘wrongdoing’ (Burgis, 2020; Lewis,
In a similar way, the religious logic taken to the extreme can lead to radicalization and create justifications for divisive behavior and violent extremism (Iannaccone & Berman, 2006). If a particular logic is taken to extreme lengths, a divisive populist unrest could surge and lead to an erosive disrespect for the rule of law, the institutions of justice – and, perhaps, the associated institutions of governance and social order. We need to give greater attention to how logics are (or could be) balanced and thus avoid such extreme implications – for example, countries such as Sweden have evolved a fairly balanced relationship between the market and social welfare logics. China is an interesting case as it has moved to introduce the market logic while preserving the importance of the state logic in guiding business firms. Understanding ‘grand challenges’ has become one of the central concerns of the organization and management community: our point is that understanding the balance between key societal logics is, we propose, one such grand challenge.

References


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