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DIALOGUE, DEBATE, AND DISCUSSION

Institutional Logics: Motivating Action and Overcoming Resistance to Change

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Abstract

Institutional logics are interrelated sets of cultural elements (norms, values, beliefs, and symbols) that help people and organizations make sense of their everyday activities and order those activities in time and space. In this paper, we describe the rise of a robust literature on institutional logics, which mostly focuses on Western societies. We then describe changes in Chinese society and economy over the past four decades, as it shifted from state-controlled planning and redistribution to market-mediated exchange. We detail how the institutional logics that guide Chinese firms have been transformed in the wake of the economic transition. The state logic, which developed in the Maoist era, valorizes equality, national community, and political stability. Although it is still in evidence, it has been partly supplanted by a market logic that encourages efficiency, competition, and property rights. But this market logic differs from the one that prevails in Western capitalist economies. The Chinese version of the market logic valorizes the central role that the state and the Communist Party continue to play in economic life. Therefore, in the Chinese version of the market logic, efficiency, competition, and property rights are tempered by a continued concern for political stability. We review and summarize the existing literature on institutional logics and Chinese firms, and then identify fruitful lines that future research could take.

摘要

制度逻辑是一系列相互关联的文化元素， 包括规范、价值观、信仰和符号等。制度逻辑有助于个人和组织理解其日常活动， 并在一定的时间和空间里安排这些活动。本文首先回顾聚焦于西方社会的制度逻辑研究，然后描述中国在过去40多年中的经济社会变化， 重点阐释从计划经济向社会主义市场经济的转型，并分析指导中国企业运作的制度逻辑是如何随经济社会转型而发生变化的。在计划经济时代，中国社会强调的是平等、民族共同体和政治稳定的国家逻辑。如今，原有国家逻辑仍然存在， 但一部分已经被鼓励效率、竞争和产权的市场逻辑取代。然而，中国的市场逻辑与西方资本主义经济的市场逻辑不同，因为它强调党和政府在经济生活中继续发挥核心作用， 效率、竞争和产权都需要服从政治稳定性。最后，本文总结了有关制度逻辑和中国企业的现有研究， 并提出了一些有前景的研究方向。

Keywords: China; institutional complexity; institutional logics; institutional transition; market; organizational theory; state

关键词: 制度逻辑; 市场; 国家; 中国; 组织理论; 制度变迁; 制度复杂性

Introduction

China's dramatic economic transformation from state planning and redistribution to market exchange, which started in 1978, has challenged our understanding of how societal change works. Central to this transformation are organizations – government bureaus, of course, but also state-owned enterprises (SOEs), township and village enterprises (TVEs), privately owned small- and medium-sized firms, and large publicly traded corporations. Civil-society organizations such as educational institutions, professional-service associations, and religious organizations have also played important roles in this transformation.

Given their importance, it is not surprising that organizational scholars have joined economists, legal scholars, sociologists, and political scientists in asking how this transformation came about, how it was implemented, and how it managed to succeed so well (e.g., Clarke, Murrell, & Whiting, 2008; Keister & Zhang, 2009; Kennedy, 2008; Lin, 2001b; Naughton, 2018; Nee, 1992; Oi, 1999; Walder, 1989).

To understand China's transformation from an organizational perspective, and in particular to focus attention on the evolving values, norms, and practices that underpinned productive organizations during this transformation, we consider a typical enterprise, founded in 1966 as a small state-run factory. A half-century later, it had become a global leader in the power-equipment industry (Raynard, Lu, & Jing, 2020). For the first decade of this factory's operations, work processes and policies were dictated by central state authorities and enterprise managers were subordinated to a revolutionary committee of Communist Party members. Rewards for workers were based on position, not performance. Workers accepted self-sacrifice and valued camaraderie, and applauded their enterprise's contributions to the nation's economic development. In the 1980s, the central state shifted from planning and redistribution to market-mediated transactions, and enterprises like this one lost their formerly steady sources of supply and income. The development of market-based exchange spurred competition. Enterprise performance became critical, so worker rewards became tied to performance – although slowly, as it took until 2002 to fully adopt a performance-based wage system.

To legitimize the changes that occurred to this organization's goals, structures, and procedures during the economic transition, this organization's managers did considerable 'values work' (Raynard et al., 2020), meaning actions directed at articulating and rearticulating what was good or bad in how their organization operated. For example, they often relied on existing values, such as by framing changes in terms of national imperatives mandated by the state. To avoid clashes in values between the old way of operating (under the system of state planning and redistribution) and the new way of operating (under the system of market exchange), managers implemented some market-based practices only partially or not at all. For instance, rewards were eventually determined by worker performance rather than position, but this change was buffered by minimizing inequalities between workers in similar positions. Thus, this enterprise retained and redeployed values and practices from the pre-reform era, even while fundamentally transforming its operations to become a global industry leader.

This firm's history illustrates the concept of institutional logics, '*systems of cultural elements (values, beliefs, and normative expectations) by which people, groups, and organizations make sense of and evaluate their everyday activities, and organize those activities in time and space*' (Haveman & Gualtieri, 2017: 1). Let us take this definition apart to make sure it is clear. To begin, the definition states that institutional logics are *systems of cultural elements*: *cultural* because they include values, beliefs, and normative expectations, and *systems* because elements are connected in a coherent and discernable pattern. Individuals, groups, and entire organizations use institutional logics to *make sense of and evaluate* their everyday activities. *Sense-making* involves creating a coherent account of the world by categorizing what we see, do, and feel, and applying patterns to connect this account to things we've seen, done, and felt before, or anticipate seeing, doing, and feeling in the future (for more details, see Weick, 1995). *Evaluation* involves judging the worth of the people and things we have categorized: individuals, groups, organizations, actions, symbols, material objects, etc. (for a review, see Lamont, 2012). Beyond sense-making and evaluation, institutional logics are used by individuals, groups, and entire organizations to *order their activities* in time and space. This encompasses creating, maintaining, evaluating, and adjusting formal organizational *structures* (the individuals and subunits that are assigned responsibility for particular tasks, as well as the flow of tasks and lines of authority that connect individuals and subunits), *procedures* (e.g., processes for hiring, evaluating, rewarding, and firing employees; searching for, acquiring, and using resources to carry out assigned tasks; and surveying the external environment), informal *cultures* (symbols, norms, values, and expectations of behavior), and *power* distributions (which individuals, subunits, and organizations have formal authority or informal influence over which others).

In this paper, we begin by tracing the evolution of the concept of institutional logics and survey the burgeoning line of research on this concept. We then compare and contrast the institutional logics instantiated in different types of Chinese business organizations: SOEs, domestic privately owned

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firms, collectively owned enterprises (COEs), and foreign-owned firms. We conclude with speculation about fruitful paths for the study of institutional logics in China.

Institutional Logics

The concept of institutional logics first emerged in the 1990s. Sociologists Roger Friedland and Robert Alford were inspired by Max Weber's (1904–05 [1958]) writings on value systems, in which Weber contrasted four kinds of rationalities that could drive action: tradition or ingrained habit, emotions, values and ethical beliefs, and instrumentality and means-end relationships (Weber, 1978: 24–26). Weber argued that the behavior of individuals, groups, and organizations depends on both rationalities and external factors such as state policy and technology. For their part, Friedland and Alford recognized that in most organizations, instrumental and value rationality coexist in the logics that guide organizational behavior: these rationalities set the rules of the game and determine what practices can (indeed must) be used and what structures and roles are acceptable (indeed essential). Friedland and Alford wanted to follow early sociologists like Weber and bring back larger social structures into the study of organizations – structures beyond immediate organizational environments such as industries or industrial sectors. To this end, they defined institutional logics as '*sets of material practices and symbolic constructions [that] constitute [the] organizing principles*' *of institutional orders* (Friedland and Alford, 1991: 248–249). In Weber's theory, five social orders prevail in modern Western societies: the capitalist market, the bureaucratic state, democratic politics, the nuclear family, and Christian religion. Each institutional order has a different logic, so we speak of the family logic, the bureaucratic logic, the capitalist market logic, etc. Thus, according to this definition, institutional logics are societal-level phenomena.

Institutional logics determine both what *should* be done in order to achieve desired outcomes and what is *good* to do. In other words, they encompass two of Weber's forms of rationality, instrumental (means-end) rationality and value rationality. Multiple societal-level logics exist, sometimes competing, other times coexisting more or less peacefully. This view privileges structure over agency: societies create constraints and opportunities for organizational action, while organizations create constraints and opportunities for individual and group action. This leaves little room for individuals, groups, or organizations to find ways to maneuver around or challenge and change institutional logics.

It is important to note that although institutional logics are cognitive-cultural elements used in sense-making, evaluation, and planning, we observe them through their material manifestations: organizational structures, practices, policies, and the roles played by organizational members. Thus, there is a duality of institutional logics and their material manifestations: they are co-constitutive (Haveman & Rao, 1997). This means that material phenomena like organizational practices are the consequences of actions guided by institutional logics. But those material phenomena also shape institutional logics: their very existence can support, transform, or challenge institutional logics.

Multiple Levels of Analysis

While Friedland and Alford originally envisioned people and groups in organizations 'competing and negotiating' (1991: 240–241) over logics, they insisted that logics were societal-level constructs. But two decades later, scholars came to see institutional logics as existing at multiple levels of analysis: not just at the societal level, but also at the organizational, industry, and interorganizational field levels (Dunn & Jones, 2010; Thornton, Ocasio, & Lounsbury, 2012).[1] An example of an organizational-level institutional logic comes from the Italian design and manufacturing firm Alessi. It blends two logics – industrial manufacturing and cultural production – to achieve a hybrid logic that gives it a competitive advantage while also allowing this firm to maintain its cultural legitimacy (Dalpiaz, Rindova, & Ravasi, 2016). An example of a field-level institutional logic comes from American health care (e.g., hospitals and clinics). In the 1970s, this field was dominated by a professional logic, where doctors dominated decision making (Scott, Ruef, Mendel, & Caronna, 2000). Later, it became driven by a state logic where government agencies like Medicare determined how medical professionals and healthcare organizations made decisions. Currently, it is dominated by an economic (efficiency) logic involving cost–benefit analysis conducted by insurance companies.

Expanding the definition of institutional logics to operate at multiple levels of analysis makes it possible to posit cross-level effects of institutional logics. It also places greater emphasis on agency than the original definition. Indeed, scholars who expanded the definition invoked the term 'embedded agency' (Thornton et al., 2012: 2) to reflect their assumption that while institutional logics *constrain* the choice sets available to individuals, groups, and organizations, they also provide *opportunities* for those actors to socially construct and reconstruct logics in ways that reflect their interests. This means that individuals, groups, and organizations can create new institutional logics and change or undermine existing ones in order to achieve their interests; they accomplish this by selecting cultural elements of higher-level logics and applying them to lower-level logics. This expanded definition implies that while actors are embedded in institutional logics, they are at least partly autonomous from them. Actors like individuals and organizations can pursue their own interests by picking and choosing logics, or by joining with others in social-movement-like activism to create or change logics.

Relationship with Other Cultural/Cognitive Phenomena

Institutional logics differ in subtle ways from four prominent cultural/cognitive concepts that organizational theorists use in their research: organizational cultures, organizational identities, schemas, and frames. We consider each in turn. *Organizational cultures* consist of underlying assumptions (existential statements about how things work), espoused values (understandings of what is good and bad), shared norms (understandings of what is normal and abnormal, of what we do and how we do it), and symbols (tangible artifacts like clothing, jargon, and office décor, intangible elements like stories and ceremonies) (Geertz, 1973; Pettigrew, 1979; Schein, 1996; Selznick, 1957). Because organizational cultures involve shared ideologies that are revealed in language, rites, and rituals, they are some of the most commonly studied everyday manifestations of institutional logics.

Closely related to organizational cultures are *organizational identities*, beliefs organizational members hold about what makes their organizations distinctive (Gioia et al., 2013; Whetten, 2006). They function as subliminal guides for organizational responses to unanticipated operational or strategic issues, shaping how people in organizations interpret issues and influencing their motivations for acting on them (Dutton & Dukerich, 1991). The focus in research on organizational identities is variation between organizations – how much a focal organization stands out from the crowd or blends in. In contrast, the focus of research on institutional logics is broader, encompassing both variation and similarity. In addition, the focus in research on institutional identities is on external evaluators, while the focus in research on institutional logics includes both external and internal evaluators.

The other two concepts, schemas and frames, are widely used, not just in organizational research, but also in cultural sociology, cognitive psychology, behavioral economics, and linguistics. *Schemas* are sets of mental associations: patterned knowledge about people, events, objects, groups, and organizations that develop with experience and that provide default associations about the characteristics of people, events, etc., and the relationships between them (DiMaggio, 1997; Hunzaker & Valentino, 2019). Schemas are used by people to interpret themselves, others with whom they interact, and their surroundings. Schemas can be widely shared; if so, they are usually labeled *cultural* schemas to emphasize the social interactions required to share them. *Frames* are contextual stimuli that elicit schemas and so help people interpret their situations and figure out how to act (DiMaggio, 1997; Goffman, 1974). Different frames evoke different schemas. For example, consider seeing a tiger at the zoo versus in your backyard. The first framing of the tiger might elicit your calm curiosity; the second would probably frighten you. What you do next has a certain logic to it (run? hide? shoot? call animal control?), informed by not only instinct but also learned ideas and habits. Like schemas, institutional logics involve sense-making, but they are broader than schemas because they also involve evaluation and because they link sense-making to social structure (Valentino, 2021). Like frames,

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institutional logics were originally conceptualized as external stimuli, but institutional logics later came to be recognized as internal to organizations, even to groups (e.g., occupational groups) within organizations (Valentino, 2021).

A final consideration in comparing institutional logics to other cultural/cognitive concepts is that institutional logics are interdependent with material practices. As explained above, institutional logics and material practices are co-constitutive, reflecting and reinforcing each other. This is very different from identities, frames, and schemas, which are purely cultural/cognitive phenomena, independent of the material world. For their part, organizational cultures are sometimes conceived of as purely cultural/cognitive structures, but at other times as including material practices such as rituals and roles, and material objects such as physical structures and office decor.

Empirical Examples of Institutional Logics

To make this mostly abstract discussion concrete, we discuss several empirical studies of institutional logics. To begin, consider early American thrifts, financial institutions that brought people together to save money and build or buy houses. These organizations were guided by a series of institutional logics involving beliefs about how to organize saving and home ownership; different logics arose at different times, replacing earlier logics (Haveman & Rao, 1997). The first thrift logic, which appeared in the 1860s, valorized mutual cooperation and rigidly structured action. It was predicated on the idea of community as the source of interpersonal trust. Thrifts following this logic had members who perceived each other as belonging to the same community (they tended to know each other before joining) and who met at regular intervals to save money and then borrow from the growing communal fund to build or buy homes. They dissolved their associations when their joint task was completed. All thrift members played the same roles, as both savers and borrowers.

Sixty years later, the dominant thrift logic valorized bureaucracy (the division of labor by role and time) and voluntary, instrumentally rational action, predicated on the notion of bureaucracy as the source of interpersonal trust. Thrifts following this logic were permanent organizations run by professional managers. They distinguished between owners of installment shares (which could be withdrawn at any time, or augmented at any time in any amount) and guarantee shares (capital investment that was non-withdrawable and used to guarantee earnings on installment shares). They also distinguished between savers (owners of installment and guarantee shares) and borrowers: not all savers had to borrow to build or buy homes.

This narrative reveals that as thrifts' institutional logics shifted, so did thrift members' roles and thrifts' goals, authority structures, financial-intermediation technologies, and services. Table 1 summarizes the foundational values and material features of the two thrift logics. As this example illustrates, institutional logics can vary over time and across space, depending on external events, the composition of actors (individual and organizational) in the fields organized by the logics under study, and actors' preferences and knowledge about or skill with practices.

Changes in institutional logics have also been observed in the US book publishing industry, where the editorial logic, which viewed editors as professionals and emphasized their relationships with authors as the key to success, was replaced in the 1970s by the market logic, which viewed editors as corporate executives and emphasized competition between publishing firms as the main determinant of success (Thornton & Ocasio, 1999). This shift in institutional logics changed how publishing companies grew (originally by nurturing new authors, later by acquiring other firms to gain market power) and the forces that drove executive succession (originally organizational size and internal structure, later the market for corporate control). In a very different context, for over a century, fine French restaurants followed the classical cuisine logic, which valorized conservatism and connections to the past (e.g., dishes named after pre-Revolutionary nobility), conformity with eighteenth-century rules, and physical refinement of ingredients (e.g., sauces). The new logic that became dominant by the 1990s, the logic of nouvelle cuisine, was centered on the values of truth, light, simplicity, and imagination; it valorized creativity and novelty, transgression of classical prescriptions, and 'exotic' ingredients and techniques from foreign culinary traditions (Rao, Monin, & Durand, 2003). On the ground,

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Table 1. Comparing thrift logics

Institutional logic ('Plan'): Foundations	Organizational features
Terminating Plan *Valorized Mutuality* • All members played a dual saver/borrower role. • All members shared the same temporal position: all entered and left the association at the same time. • Members cooperated to run the association. • All savers took the same risks and earned the same returns. *Mandated Structured Individual Effort* • Members had to pay in on set schedules and pay in set amounts, or be fined.	• All members were both savers and borrowers. • Members made periodic dues payments to a common fund; fines were charged for late dues payments. • Members subscribed to the number of shares with a matured value equal to the value of the loan they wanted. • Precedence in borrowing was established by bidding. • When all shares reached their matured value, the association dissolved and assets were divided among members in proportion to the number of shares they owned.
Dayton Guarantee-Stock Plan *Valorized Bureaucracy* • Division of labor (roles): some members were only savers, others were both savers and borrowers, still others (those contributing guarantee stock) were capital investors. • Division of labor (roles): managerial cadre distinct from members. • Division of labor (temporal): members entered and left the association on their own schedule. *Assumed Individual Rationality; Valorized Voluntary Effort* • Savers chose how much to pay in and when. • Savers chose whether or not to borrow. • Savers were in two different risk and return categories: guarantee stockholders took higher risks than installment stockholders and earned higher returns.	• Two kinds of shares: installment stock could be withdrawn at any time, while guarantee (capital) stock was paid in at time of founding, was used to insure earnings on installment stock, and was not withdrawable. Earnings in excess of contract liabilities accrued to guarantee stockholders, not installment stockholders. • Each installment account was temporally independent of other installment accounts. • Savers (members with installment accounts) did *not* have to borrow. • Loans were made in order of application; interest rates varied with demand. • Payment on installment accounts could be made in any amount at any time.

these two logics led to the creation of different organizational structures, practices, and power distributions: who held power (restaurant owners or chefs), menu length (long and dependent on stored ingredients or short and focused on fresh ingredients), and the roles of wait staff (preparing food tableside or merely delivering it).

Although the strength of institutional logics generally varies over time, with newer logics replacing older ones, they may not die out completely. For example, in American medical schools, the strength of two logics – care and science – fluctuated in response to contestation among physicians, competition with rival healthcare practitioners, funding changes (the rise of managed care), and the increasing representation of women (Dunn & Jones, 2010). In a more extreme case, the craft brewing logic almost disappeared from Holland, but it regained strength as craft brewing resurged in other countries such as Germany, Belgium, and the US (Kroezen & Heugens, 2019). Its re-emergence in the Netherlands was facilitated by the 'institutional remnants' of the craft logic: artifacts such as writings about beer and the craft of brewing, brewery names, and brewery buildings.

Institutional logics can persist even in the face of powerful forces propelling change. For example, in the American banking industry, the Bank of North Dakota (BND) has consistently embodied a hybrid of the community and state logics, and has long resisted adopting the market logic (Schneiberg, 2013). The community logic values local activities over nonlocal ones; for banking, this means originating loans from community members and holding them locally. The state logic valorizes public ownership of enterprises, such as municipally owned associations (e.g., municipal power or sewer companies), and investing in public works; for banks, this means cooperating with state agencies and state-owned organizations, and offering them preferential interest rates on loans. In contrast, the market logic values private ownership, pursuit of profits above all else, and transactions on a national (and transnational)

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level; for banking, this means originating loans from anywhere, charging the highest interest rates that borrowers would accept, bundling loans into securities, and selling those securities on the national market to free up capital for future lending. BND was able to resist adopting the market logic because its hybrid community-state logic is successful: it has been consistently profitable for a half-century. Notably, none of the local financial-service institutions that it supports failed during the 2008–2010 financial crisis. Part of the strength of BND's hybrid logic is its deep historical roots: it was forged during the Progressive era (the early twentieth century), when local farmers and government officials banded together to fight outside corporate interests over the financing and operation of the state's grain trade.

Multiple Institutional Logics May Coexist

Many scholars have studied how multiple logics interact. For example, the actions of Spanish firms depend on the location of their branch establishments: those with operations more concentrated in regions with higher levels of government spending on economic development are less likely to downsize, emphasizing an equity logic, which values employees, over an efficiency logic, which values maximizing earnings relative to expenses (Greenwood, Díaz, Li, & Lorente, 2010). Similarly, local banks whose founders are motivated by a finance logic, which sees banks as investment vehicles and places a priority on maximizing profits, are more likely to finance growth using risky deposit instruments than banks whose founders are motivated by a community logic, which values meeting community needs over earning profits (Almandoz, 2014).

Multiple institutional logics vary in their compatibility with and centrality to organizational functioning (Besharov & Smith, 2014). Considering both dimensions yields a four-cell typology of situations where two or more logics coexist. (1) Low compatibility and high centrality of both (or all) logics yields contestation and extensive conflict. For example, bank acquisitions in the United States in the 1990s and 2000s, driven by the logic of efficient geographic diversification, led those who supported the logic of community banking to actively oppose such acquisitions by launching new local, community-focused banks (Marquis & Lounsbury, 2007). (2) High compatibility and high centrality yields alignment (or blending/hybridization) and minimal conflict. For instance, in public–private energy-industry alliances, people grapple with very different logics of success; as they confront outcomes that are successes when viewed through the logic of public service, but failures when viewed through the logic of client service, they are forced to synthesize the logics into a new one (Jay, 2012). (3) High compatibility and low centrality (meaning one logic is core to organizational functioning) yields a single dominant logic and no conflict. For example, the shareholder-value logic, which posits that corporations' primary goal is to maximize share price by cutting costs to ensure short-term profits, has dominated American corporations since the 1980s (Fligstein, 2001). This logic is so overpowering that it was not imperiled even by the 2008–2010 financial crisis (Fligstein & Goldstein, 2022). (4) Low compatibility and low centrality yields one dominant logic and moderate conflict, as people adjudicate between logics. For instance, the peacefully coexisting cultural-preservation and professional logics held by workers in one cultural organization were confronted with a market logic espoused by senior managers and funding agencies; however, the market logic was peripheral to the organization's goals, so conflict was moderate for a long period of time (Townley, 2002).

Agency and Institutional Logics

The existence of multiple logics offers opportunities for actors to choose the logics that best suit their interests. For example, Belgium's ornamental horticulture industry, which traditionally valued maximizing plant yield and minimizing risk by using fertilizers and chemical pesticides, was challenged by an environmentally focused logic, which valorized 'green' (environmentally friendly) pest-control methods, such as using insects to eat pest insects, and carefully treating waste to reduce the toxicity of chemicals released into the soil and water (Lepoutre & Valente, 2012). This new logic required owner-managers to develop 'immunity' to the traditional (yield-oriented, risk-minimizing) logic by theorizing the future of their industry as contributing to environmental sustainability. This framing persuaded others – customers, funding sources, and employees – that adhering to the environmental

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logic would also yield profits. In addition, owner-managers adapted their organizations' strategies and routines to fit the new environmental logic, such as by selling directly to consumers who appreciated organic horticulture.

Instead of choosing one logic over another, actors sometimes deploy multiple logics simultaneously. For example, in the international film industry, successful filmmakers must balance the logics of art and business to create 'optimal distinctiveness', meaning films that have an idiosyncratic style but are not so different from other films that they cannot appeal to large audiences (Alvarez, Mazza, Pedersen, & Svejenova, 2005). To maximize their autonomy over the film-production process, filmmakers take on multiple artistic roles – writers, directors, and producers – while simultaneously creating their own production companies or developing strong ties to existing production companies. Control over multiple roles makes it possible for filmmakers to craft their own idiosyncratic styles, while working within production companies keeps them focused, at least in part, on audience engagement. At a lower (intraorganizational) level of analysis, professionals can use different logics to their own advantage. For example, in a US drug court, public defenders (lawyers who represent the accused) sometimes deploy the punishment logic, which values sanctioning and controlling offenders, and which is most strongly associated with probation officers (agents of the state who supervise offenders) (McPherson & Sauder, 2013). Public defenders do this in order to argue for early release of the accused or admission to drug rehabilitation, instead of sentencing them to serve time in jail. These examples show how actors can alter core organizational practices and performance-related outcomes by choosing from among multiple logics.

The Broader Consequences of Institutional Logics

Institutional logics affect individuals, entire organizations, and society at large. For example, adherence to the shareholder-value logic described above has pushed many large Japanese and American firms to downsize their workforces (Ahmadjian & Robbins, 2005; Jung, 2016) – although in American firms, managers have been less affected than line workers and support staff (Goldstein, 2012). Most of the low-level employees who remain are paid less and offered fewer benefits than they were before the shareholder-value logic took hold, while managers, professionals, and skilled technical workers receive better pay and benefits, although they are expected to work longer hours. The result is increasing earnings inequality (Fligstein & Shin, 2004) and the rise of precarious jobs with unpredictable schedules for low-level employees, which harm their mental and physical health (Schneider & Harknett, 2019).

Institutional Logics in Chinese Firms[2]

China's idiosyncratic historical trajectory makes it a rich laboratory for studying institutional logics because large-scale changes in Chinese society and economy impelled dramatic changes in the logics guiding the organization and operation (indeed, the very existence) of business organizations. The end of the Qing Dynasty in 1912 ushered in an extended period of conflict between shifting political factions, most notably the Nationalists and the Communists, punctuated by war with Japan. Conflict ended in 1949 and the Communist Party came to power under the leadership of Mao Ze Dong. The communist regime sought to restore the economy after decades of raging battles: it repaired transportation and communication systems, unified the monetary system, and gradually took control of all productive enterprises. In political-economic terms, the result was 'China Inc.', where all extractive, manufacturing, and service enterprises were state-owned and state-controlled, and agriculture was collectivized under state supervision. Economic production was mandated by a series of five-year plans designed by central state authorities, with cascading effects from central state authorities down through the administrative ranks to provinces, prefectures, counties, and finally townships and villages. This system relied heavily on distribution and redistribution of inputs, outputs, and economic surpluses guided by the central state and flowing across administrative levels, productive enterprises, regions, and economic sectors.

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This political-economic regime institutionalized state intervention in and direction of China's economy (as well as all other aspects of Chinese society, including language, family, and education). As a result, productive enterprises ranging from agricultural collectives to healthcare facilities to factories – you can think of them all as subsidiaries of 'China, Inc.' – uniformly embodied a *state logic*. This logic valorized *equality* and *national collectivism*. With regard to equality, productive enterprises, no matter how unprofitable or inefficient, could survive because the central state supported them financially with funds reallocated from profitable enterprises. With regard to national collectivism, central state officials (rather than enterprise managers) set goals and production targets, directed flows of raw materials and equipment, and established and enforced rules governing the workforce (i.e., hiring, promotion, and wage rates). The national collectivism pillar of the state logic emphasized the notion of national self-reliance and self-sufficiency; it valorized 'manual labor [and] mass mobilization over technology, intellect and efficiency' (Fan, 2005).

Despite its concern for equality, the state logic also involved a concern for *political stability* that prioritized political goals and social and market stability over economic efficiency. As a result, political capital – i.e., ties to state officials – was an important determinant of the economic prospects of enterprises and individuals alike (Bian, 1997; Chang, 2011; Peng & Luo, 2000). The importance of political ties reflected the fact that *guanxi* – social relations involving mutual obligation and indebtedness – has long been the bedrock of Chinese society, due to the influence of Confucianism (Fei, 1948 [1992]; Lin, 2001a). Confucianism valorizes morality, justice, and social correctness; it emphasizes that such values derive from relations with family, friends, and neighbors, which define who people are and what they can do.

The situation changed dramatically, albeit slowly, starting in the late 1970s. A series of laws were passed to legally define forms of business, safeguard property rights, and regulate competition (Guthrie, 2009; Nee, 1992; Oi & Walder, 1999). State administrative reforms empowered enterprise managers to experiment, innovate, and undertake new or expanded activities; enterprises could retain whatever profits their enterprises earned above state quotas; in the economy, the central state gradually replaced state redistribution with market-mediated transactions (Keister & Zhang, 2009; Naughton, 1995, 2007, 2018). Under this system, state officials shucked off old roles as allocators and redistributors of resources, forged new roles as regulators and brokers of market transactions, and focused increasingly on promoting economic growth (Lin, 2001b). State policies also shifted to a new development strategy that emphasized 'efficiency over equity, individual creativity over collectivism, and regional comparative advantages over defense and ideological considerations' (Lin, 2001b).

Reforms were instituted in piecemeal fashion, at different times in different locations, starting with rural and township villages, then proceeding to Special Economic Zones in Shenzhen and Shanghai and along the east coast, before being rolled out across provinces and prefectures nationwide. New forms of economic actors like privately owned and foreign-owned businesses appeared, and SOEs closed or were transformed into firms with either private or hybrid state-private ownership (Nee, 1992; Oi, 1992, 1999). As a result of these reforms, ownership of productive enterprises shifted away from the central state ('China Inc.') toward a combination of local state authorities (province, county, prefecture, township, and village) and private, non-state entities, both domestic and foreign.

As these reforms unfolded over the decades, a new *market logic* developed, valorizing *efficiency*, *market competition*, and *property rights*. With regard to efficiency, the goal is to maximize output (sales and especially profits) while minimizing inputs (raw materials, human labor, equipment, and especially funding). This logic tolerates economic development that is uneven across Chinese regions as long as it yields efficient outcomes for the nation as a whole. The principle of market competition allows any enterprise to buy any good or service from any other enterprise, and sell to any other enterprise or individual. The price and quality of the goods and services offered for sale jointly determine which market exchanges happen. These principles apply to both the private and public sectors: like private firms, SOEs, and local governments also compete over resources and development gains. With regard to property rights, ownership is established through payment or through the creation of goods and services. Owners have the exclusive right to use and benefit from their property, and can exchange their property voluntarily and without restriction.

Table 2. Dominant institutional logics in China: State and market

Features	State logic	Market logic (Chinese characteristics)
Form of political economy where the logic flourishes	State socialism: Public (state) ownership of productive enterprises. State authorities plan production, distribute inputs, and redistribute outputs and financial resources up and down the administrative ranks, and across regions and sectors of the economy.	Capitalism: Private ownership of productive enterprises, with owners accruing profits. Competitive buying and selling in open markets dominates economic activity. (But in practice, many firms remain at least partly state-owned and state-controlled, and state authorities control some market access.)
Enterprise goals	Securing reliable supplies, meeting output targets, creating jobs, and providing housing and social-welfare benefits (childcare, education, retirement benefits, etc.) through a work unit system [*danwei*].	Maximizing profits through price competition or product differentiation and price premiums. For listed firms, maximizing share price. (But in practice, firms are influenced by state needs and demands.)
Coordinating mechanisms	Central planning and control of resources, regulations, and administration. State authorities distribute productive inputs and redistribute outputs and profits. Low-productivity firms can survive because the state reallocates funds from profitable firms to support them.	Market exchange: buyers and sellers bargain over quantity and prices. Both parties compete with rivals. Profits accrue to owners. Low-productivity firms fail or are acquired by more profitable firms.
Labor relations	State authorities control hiring, promotions, and compensation. Rewards are determined by the political status and political capital (e.g., political loyalty). A few privileged workers are sheltered by the life-time 'iron rice bowl' [*tie fan wan*] employment system. Wages are relatively egalitarian because they are centrally administered.	Firms control hiring, promotions, and compensation. Rewards are determined by human capital: education, skills, experience and performance. Labor-market institutions govern labor relations: labor contracts, legislation concerning workers' rights, performance-linked reward systems, and social insurance.
Who has power? Who gets ahead?	People and organizations with ties to the Communist Party and the state bureaucracy. Such political ties are critical for getting jobs and promotions, and for enterprises to secure inputs.	Owners of enterprises (e.g., entrepreneurs in startups and shareholders in listed firms) have power. People and organizations that perform well have power. (But in practice, political ties still matter.)

Note: The material in parentheses discusses how the market logic actually plays out on the ground in China, which is very different from how it plays out in many western capitalist countries.

To facilitate comparisons between the state and market logics, Table 2 details both. The state logic prevailed under the state socialist (state-redistributive) system; the market logic developed under the capitalist (market-exchange) system. The state logic depended on central-state planning and control over inputs, outputs, and earnings; the market logic depends, as its name suggests, on market-mediated exchanges between buyers and sellers. Under the state logic, the state controlled all labor relations, and all rewards were determined by political status and political capital; under the market logic, firm managers control labor, and rewards are determined by performance and human capital. Under the state logic, enterprises sought to meet output goals and stabilize their operations, and low-productivity firms could survive because the state reallocated resources from profitable firms to support them; under the market logic, firms seek to maximize sales and therefore profits and low-productivity firms fail. In sum, the state logic valorizes equality, national community, and political stability; the market logic seeks efficiency by encouraging competition and valuing property rights.

Table 2 depicts the state and market logics as distinct – as ideal types in the Weberian sense. In practice, however, these two logics are related. The market logic, as it is realized in China, has 'Chinese characteristics', meaning that it is different in important ways from the market logic that prevails in advanced capitalist economies such as the US, Japan, Britain, and Germany. In the description

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of the market logic in Table 2, these 'Chinese characteristics' are noted in parentheses. Most important is that the Chinese version of the market logic continues to recognize the central role that the state and the Communist Party play in economic life (Nee 1992). The persistence of state and party power over the economy is embedded in China's history, which has propelled the transition toward market-mediated transactions in a specific way. In short, economic reform was not accompanied by political reform, so China remains an authoritarian country (Economist Intelligence Unit, 2021). The Communist Party has retained control over politics, the state bureaucracy, and the legal system (Clarke et al., 2008; McGregor, 2012). State authorities retain the power to issue permits and licenses, and to levy fees, fines, and taxes (e.g., Lin, 2001b; Yang, 2005). They also control the remaining SOEs, as well as land and most sources of capital (e.g., Shih, 2008).

As a result, in the early years of economic reform, many Chinese firms, especially the rural (township and village) enterprises that were some of the earliest organizations to venture into market exchanges, were guided by a distinct combination of the state and market logics (Nee, 1992; Oi, 1992, 1999). In later years, when membership in the Communist Party was opened to business people, those who led privately owned firms found ways to reconcile their Communist Party membership and their other connections to the state with their activities as capitalists (Marquis & Qiao, 2020). Today, the values and schemas of many who run Chinese privately owned firms continue to be shaped by Maoist ideology. Three Maoist principles – nationalism, frugality, and devotion to serving the masses – influence firms' cost strategy, internationalization strategy, and social-responsibility practices (Marquis & Qiao, 2022).

Clearly, in the Chinese version of the market logic, efficiency, competition, and property rights have always been tempered by a continued concern for *political stability*. A prominent example of this is then-President Hu Jintao's (2005) concern for a 'harmonious society' [*hexie shehui*]. The driving ideology behind China's development strategy was that economic growth must be balanced by the equitable distribution of prosperity through what Hu called the 'scientific view on development'. This would attain social justice and ensure social stability. This development strategy was also depicted as intrinsic to 'socialism with Chinese characteristics'. More recently, President Xi Jinping expressed concern for 'common prosperity' (Xi, 2021), indicating a desire to stem rising economic inequality. Concerns about economic inequality and social instability shifted the state's focus from economic growth to a more balanced, Confucian-style value system, which involved maintaining economic growth while ameliorating rural poverty, income inequality, environmental degradation, and corruption. This twin concern also involved maintaining central state control of development, while allowing for some decentralized participation by local governments and entrepreneurs.

Recently, there has been a shift in China's approach toward business indicating a resurgence of Maoist values and increasing state control over private enterprise. Two key examples of this shift are the rise of Communist Party cells in privately owned firms and the tightening of control over firms' initial public offerings (IPOs). First, the Chinese government has ramped up requirements that all privately owned firms with more than three Party members among their workers must have Party cells (Marquis & Qiao, 2022). These cells are usually headed by people appointed by the central Party; they bring together workers who are Party members. Their main activities involve socializing new members, providing them benefits like housing and insurance, mapping out career paths for them, mentoring them, and helping them meet other members. Communist Party cells also help company leaders understand government policies. This requirement has been interpreted as a way to strengthen the Party's control over private firms, blurring the boundary between state and market.

Second, the Chinese government has taken measures to tighten control over IPOs. Several highly publicized IPOs of Chinese privately owned firms were suspended or canceled. Perhaps best-known is that Ant Group's highly anticipated IPO on the Shanghai and Hong Kong exchanges, which was set to be the world's largest IPO, was postponed in 2020 and not approved until 2 years later. State-directed cancelation and postponement of IPOs suggest a growing concern about the risks posed by unregulated, rapidly growing privately owned companies and a desire to exert more oversight over their activities.

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Forms of Ownership and Institutional Logics

Which institutional logic guides a Chinese firm – state, market, or a mixture – depends in large part (but not entirely) on the firm's governance and ownership. Chinese firms can be most easily classified into four ownership forms: SOEs; COEs, which are known as TVEs when they are located in rural areas; privately owned enterprises (POEs); and foreign-owned enterprises (FOEs). Table 3 details the ideal-typical features of the four forms of ownership, as well as the institutional logics central to each. SOEs are owned by state agencies, either central or local, controlled by state authorities, and dominated by the state logic. COEs are owned by different local communities (either urban districts or rural townships and villages), controlled by state agencies at those levels, and balance both state and market logics. They pursue efficiency through competing in the market, but also emphasize the equitable distribution of profits. COEs' success is partly due to local government-business partnerships: local state officials are directly involved in COE business activities through formal public policies and informal social ties with CEO managers (Li, 2005; Oi, 1999). POEs are owned by individual investors, families, or investment groups like mutual funds. They follow the market logic because they have strong incentives to compete and perform well, as profits return to their owners. But, as explained above, many POEs are guided by Maoist values, so the market logic in POEs has distinct 'Chinese characteristics'. Finally, FOEs can be wholly owned subsidiaries of foreign firms or joint ventures between foreign and domestic firms. They are dominated by the market logic.

Although Table 3 draws sharp lines between forms of ownership and the logics that guide them, reality on the ground is complicated by hybrid ownership forms. Shares in SOEs that have been listed on the stock markets have been allowed to be sold to private investors, creating a partial state, partial private ownership form. Such hybrid ownership necessarily blurs the boundaries between the state and market logics, since different ownership groups are likely to be guided by different institutional logics: state owners are guided by the state logic more than the market logic; private owners are guided by the market logic (with Chinese characteristics) more than the state logic.

The situation is further complicated by the fact that starting in 1984, COEs began to allow employees and managers to sell shares to private and foreign investors (Che & Qian, 1998). This shift in ownership pushed COE owners as a whole toward the market logic and away from the state logic. But that did not mean abandoning the state logic in toto. Taking a longer view of the evolution of the Chinese political economy, the COE form can be considered a transitional form incorporating both political goals and market-economic incentives (Nee, 1992; Oi, 1992, 1999; Xu, Lu, & Gu, 2014).

Empirical Studies of Institutional Logics in Chinese Firms[3]

The factory described in the introduction, which became a power-machine firm during the reform era, illustrated key features of the state logic and the Chinese market logic (Raynard, Lu, & Jing, 2020). Many others have investigated how these two logics are manifested in Chinese firms, and how these two logics influence the behavior of both firms and their workers. For example, productive organizations founded under the Maoist regime are still more likely than those founded under the Deng regime to emphasize corporate social responsibility (CSR); the different institutional landscapes in which these organizations were founded shaped their approaches both materially and symbolically (Raynard, Lounsbury, & Greenwood, 2013).

The state logic influences the strategies used by Chinese entrepreneurs as well as established firms and state officials. Entrepreneurs who were more exposed to communist ideology in their youth – notably the Party's anti-foreign and anti-capitalist biases – were less likely to adopt an internationalization strategy for their ventures. But that ideological imprint could be gradually eroded through interactions promoting the market logic (Marquis & Qiao, 2020). In the same vein, mayors with longer exposure to communist ideology were more likely to offer positions on local councils to managers from SOEs, farmers, or workers (vs. entrepreneurs) than were mayors with shorter exposure to communist ideology (Wang, Du, & Marquis, 2019).

A national survey of Chinese manufacturing firms shows that, compared to POEs founded in the reform era, both POEs founded in the state socialist era and SOEs are more likely to comply with social

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Table 3. Typology of Chinese ownership forms

SOE	*State-owned enterprises*. State authorities (central, provincial, prefecture, or county) own and control them. Those directly administered by ministries and those owned by provincial or prefecture-level governments are called 'state-owned' [*guoying*]; those at the county level are 'local state-owned' [*difang guoying*]. Local state-owned firms are usually small and play a peripheral role, so they receive less favorable treatment in terms of resource allocations.	Dominated by the state logic.
COE	*Collectively owned enterprises*. Owned by all residents of an urban district or a rural township or village, but controlled by the state agencies at those levels. Classified in the 'collective' sector [*jiti*]. Local officials are usually deeply involved in all major decisions: hiring and compensation for managers, starting up or closing establishments, mobilizing investment capital, changing production goals, and marketing. This hybrid form minimizes transaction costs and seeks to achieve political goals through economic performance.	Balances both state and market logics.
POE	*Privately owned enterprises*. Owned and controlled by private individuals, families, and investment groups such as mutual funds. These owners have strong preferences for risk-taking and innovation because profits accrue directly to them. They face great uncertainty due to continuing market instability and regulatory change, so they invest to gain rapid returns on their capital.	Dominated by the market logic.
FOE	*Foreign-owned enterprises*. These are wholly or partly owned and controlled by foreign firms. There are two main models: wholly owned foreign subsidiaries and joint ventures between Chinese-owned and foreign-owned firms.	Dominated by the market logic.

Notes: In practice, these ownership forms are usually blended. For example, many SOEs have minority private and/or foreign owners. This is especially likely for firms that are listed on the domestic stock exchanges, where A shares are held by domestic investors while B and H shares are held by foreign investors.

insurance requirements because both bear the imprint of the state socialist logic concerning labor relations (Han, Zeng, & Xu, 2014). In the same vein, SOEs can more easily obtain resources such as funding from state-controlled banks to invest in R&D than POEs because of their ownership-based ties to state authorities (Jia, Huang, & Zhang, 2019; Zhou, Gao, & Zhao, 2017). But SOEs are less capable than POEs of transforming these resources into innovations because they are less driven by competition, due to SOEs' adherence to the state logic. And employees in joint ventures between Chinese and foreign firms exhibit less *guanxi* behavior toward their supervisors than do those in SOEs, indicating that supervisor–subordinate *guanxi* behavior is deeply related to collectivism and that the state logic continues to guide SOEs (Chen, 2020).

Contradictions and tensions exist based on who deploys the state logic and for what ends. Non-state actors can participate in firms' governance processes, threatening the government's stability and its centrality in the market. For example, when environmental activists create social movements that are visible to the public through coverage by local media outlets, the state imposes severe environmental penalties on firms that pollute heavily (Marquis & Bird, 2018). But when complaints move through regular bureaucratic channels, penalties are seldom imposed and if they are imposed, they are small. The ability of social movements and news media to challenge state policies – and thus the logics that support and are reinforced by those policies – has been characterized as 'responsive authoritarianism' (Heurlin, 2016).

Institutional logics are manifested in different and sometimes contradictory ways at different levels of the Chinese government. For example, the market logic prompted local governments to commercialize Buddhist temples and raise entrance fees, but the central government resisted this commercialization in response to public grievances articulated in terms of social justice, which are congruent with the state logic (Yue, Wang, & Yang, 2019). Similarly, firms with stronger institutional linkages to the central government, which are more influenced by the state logic, wrote higher-quality CSR reports than firms located in provinces more heavily focused on GDP growth, which are more likely to be influenced by the market logic (Luo, Wang, & Zhang, 2017). But it is important to realize the considerable variation in fragmentation among state agencies, and in levels of market competition. The combination of fragmented state authority and market competition among media outlets gave local media leeway to produce critical news reports (Lei, 2016).

Tensions between state and market logics can be seen most clearly in SOEs when they are expected to compete through technological innovation. For example, consider the Chinese railroad industry's effort to develop high-speed rail networks starting in 1989. It is difficult for railroad SOEs to balance the market logic's valorization of competition, which is often manifested as the development of new products or new production or distribution processes, with the state logic's valorization of maintaining social stability, especially by devoting resources to employee housing as well as generous healthcare and retirement benefits (Genin, Tan, & Song, 2021). Railroad SOEs that were directly supervised by state owners with majority stakes were less likely to innovate than SOEs with hybrid ownership (that is, substantial fractions of private and foreign ownership stakes). The latter tended to be affiliated with, but not directly supervised by, state authorities. The result was more conflict between state and market logics in the former than in the latter organizations; in the latter, the market logic prevailed.

Tension between state and market logics also occurs when firms with hybrid ownership seek to undertake acquisitions. Proponents of the state logic (that is, state owners) prefer acquisitions to be planned and administered by state authorities in order to maintain employment levels and thus ensure social stability. Market-oriented acquisitions might reduce employment levels, as they so often do in Western liberal economies. Proponents of the market logic (private domestic owners and foreign owners), in contrast, favor acquisitions that are based on strategic planning (that is, assessment of risk and strategic fit) and that create market value (in terms of market control through achieving economies of scale and or scope, and thus increases in stock prices). The more ownership of Chinese firms shifted away from state authorities to private investors (especially investment groups, which have considerable resources to bargain with management), the more the balance of ideas guiding acquisition activity tipped from the state logic to the market logic (Greve & Zhang, 2017). This shift became more pronounced over time, as more and more market reforms were rolled out. A similar tension between market and state logics can be seen in Chinese business groups, collections of firms that are closely linked by cross-ownership ties (Keister, 2000). Business groups seek to achieve market-oriented goals, but they long continued to operate under state ownership (Yiu, Hoskisson, Bruton, & Yu, 2014) so they have had to balance market and state logics.

Hybrid logics can create tensions within individual firms, but it can also smooth the transition between institutional logics at the national or provincial level. As explained above, COEs are hybrid forms that accommodate both state and market logics, which eased the economic transition (Xu, Lu, & Gu, 2014). Firms can also leverage the ambiguity of institutional logics to navigate their contradictions. For instance, a high-technology research park embraced elements of socialism, capitalism, and meritocracy in order to encourage positive associations among those logics and avoid their liabilities (Hsu, 2006). This study suggests that institutional entrepreneurs, like the founders of this technology park, can craft new forms of organization by selecting organizational elements that are congruent with different institutional logics; doing so makes it possible to signal multiple meanings to multiple audiences – to become polysemic and thus more legitimate to all audiences.

Table 4 summarizes research on institutional logics in Chinese organizations. It lists the authors, publication dates, and publication outlet. It also notes the type of organization(s) studied, the dependent variable, and the main argument. Most importantly, it explains how the authors operationalized institutional logics: how they 'saw' institutional logics manifested in their data. Finally, it notes the time period studied, which is important if we are to make the study of institutional logics in China more historically sensitive, and the methodological approach.

Directions for Future Research

We see three fruitful directions for the future study of institutional logics in Chinese firms. First, much of the existing research on institutional logics in China focuses on whether Chinese firms incorporate

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Table 4. Summary of empirical research on institutional logics in Chinese organizations

Authors	Date	Journal	Type of organization	Dependent variable(s)	Main argument	Operationalization of ILs: How institutional logics are observed in the data	Study period	Methodology (Sources of data)
Hsu	2006	*Sociol Q'ly*	Technology park	Birth of a new organizational form	In an institutionally complex environment, creating ambiguity about an organization's underlying institutional logic can solve problems regarding resource allocation and legitimacy.	Characteristics of a socialist work unit (e.g., a hierarchical structure and centralized decision making), a capitalist corporation (e.g., a competitive salary structure), and an academic institution (e.g., research publications).	1997–2004	Administrative documents and interviews
Raynard, Lounsbury, and Greenwood	2013	*Book chap.*	Listed firms	Corporate social responsibility: corporate governance, environmental impact, social impact, and workplace practices	Different institutional landscapes, including founding period and region, shape approaches to corporate social responsibility.	Founding period (e.g., 1943–1976, 1977–1992) and region of operation (e.g., central, east)	1980–2013	Administrative documents
Han, Zhang, & Xu	2014	*J Bus Ethics*	Manufacturing firms	Compliance with social insurance policies: labor and environmental protections	Firms founded in the socialist period and as SOEs offered blue-collar workers better social insurance, suggesting the power of institutional logics imprinted at founding.	Founding period (1955–1992, 1993–2005) and ownership (SOE, domestic POE, and FOE joint venture)	2005	Survey
Xu, Lu, & Gu	2014	*ASQ*	Manufacturing firms	Organizational failure	The number of SOEs increased the exit rate of POEs because their institutional logics were so different. The presence of COEs legitimated POEs because their institutional logics overlapped.	Ownership (SOE, POE, and COE)	1998–2006	Government census
Yiu, Hoskisson, Bruton, & Yu	2014	*Strat Entrp J*	Business groups	Strategic entrepreneurship: expenditures on R&D, investment on plants and equipment, number of new products, and expenditures on new market development	Dueling institutional logics in business groups: The state logic constrains organizations' ability to enact strategic entrepreneurship, while the market logic shapes	Government-induced administrative heritage (founded through government declaration), ownership (percentage of shares	Not mentioned	Survey

					formal and informal systems of control.	held by various levels of government)		
Lei	2016	*AJS*	Newspaper	News reporting that is critical of the state: unconstitutionality, the state's infringement of civil rights, judicial independence, civil society and political participation, the rights of disadvantaged groups, and crony capitalism	In China, which is an authoritarian state, the local qualities of political and economic fields affect the capacity for critical news reporting and collective resistance to censorship.	Political fragmentation of state agencies, competitiveness of the local newspaper industry	2003–2006, 2009–2014	News reports and interviews
Greve & Zhang	2017	*AMJ*	Listed firms	Merger and acquisition (obtaining a controlling stake) and cumulative abnormal returns post-acquisition	The transition to the market logic led to a duality in corporate governance, which was manifested in coalitions of board of directors with competing logics. Decisions regarding mergers and acquisitions depended on how strong different coalitions were.	Ownership (state and private), board composition (e.g., proportion of board members who had held state positions)	2000–2012	CSMAR database and WIND database
Luo, Wang, & Zhang	2017	*AMJ*	Listed firms	Corporate social responsibility turnaround time for CSR report, quality of the report, stated resources devoted to CSR activities	Conflicting institutional requirements from different levels of the state (central state authorities were more influenced by the state logic, local state authorities were more influenced by the market logic when they were focused on GDP growth goals) led firms with linkages to the central state to produce higher-quality CSR reports than firms located in provinces where officials were focused on GDP growth.	Institutional linkage to the central state (ownership and national political appointment of top executive), priority to GDP growth given by provincial officials (proportion of growth-related vs. sustainability-related economic goals in the central state's Five-Year Plans)	2008–2011	CSMAR database and administrative documents
Zhao, Gao, & Zhao	2017	*ASQ*	Manufacturing firms (SOEs)	Innovation: the ratio of new product output to total output	State ownership improved crucial R&D resources, but the state logic espoused by state owners hampered R&D	State ownership (% owned by the government)	2002–2007	Government census

(*Continued*)

Table 4. (*Continued.*)

Authors	Date	Journal	Type of organization	Dependent variable(s)	Main argument	Operationalization of ILs: How institutional logics are observed in the data	Study period	Methodology (Sources of data)
					efforts to generate innovation.			
Marquis & Bird	2018	*Org Sci*	Listed firms	Environmental penalties that local environmental-protection bureaus enact on firms that violate environmental laws	Public attention from news media and social activists is more likely to lead to severe environmental penalties for polluters than are complaints that move through regular (and relatively invisible) bureaucratic channels because public attention threatens the legitimacy of the state logic.	Government's bureaucratic capacity (assessments of the protection of property rights, effectiveness of judicial systems, and efficiency of public administration)	2007–2011	CSMAR database and administrative documents
Jia, Huang, & Zhang	2019	*AMJ*	Listed SOEs	Innovation: number of patents and proportion of novel patents	Local government and corporate policies affect the number and quality of patents filed: policies that reflect the market logic (rather than the state logic) support firms' efforts to outcompete rivals in markets.	Government quality (province-level tax obligations, fees imposed on rural residents, importance of dealing with provincial officials for business operations, and excessive number of provincial employees)	2000–2012	WIND database
Wang, Du, & Marquis	2019	*AMJ*	City mayors	Firm political appointment: having a top executive serve as a deputy in the People's Congress or the People's Political Consultative Conference at the city level	Mayors with longer exposure to communist ideology were more likely to offer positions on local councils to managers from SOEs, farmers, or workers, and less likely to offer positions to entrepreneurs.	How long the mayor had been exposed to the communist ideology (joined the party before or after 1978)	2001–2013	Administrative documents
Yue, Wang, & Yang	2019	*ASQ*	Temples	Commercialization of Buddhist temples: admission fee	The central government's concern for social justice overrides local governments' concern	Temples' political ties to the central state (whether its abbot was a member of the National People's	2006–2016	Administrative documents

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					for economic development.	Congress or the China People's Political Consultative Conference), local state economic pressure (ranking of GDP growth rate in the county)		
Chen	2020	*MOR*	Manufacturing firms	Supervisor–subordinate *guanxi* behavior: six Likert scale items (e.g., During holidays or after office hours, I would call my supervisor or visit him/her)	Employees that identify more strongly with their SOE (and thus the state logic that prevails in SOEs) exhibit more *guanxi* behavior.	Ownership (state, public, joint venture with foreign owner)	Not mentioned	Survey
Marquis & Qiao	2020	*ASQ*	POEs	2 DVs: (1) Inward internationalization: whether a firm has foreign investment; if so, the ratio of foreign investment to total assets. (2) Outward internationalization: whether a firm has overseas assets; if so, the ratio of overseas assets to total assets	Entrepreneurs' early imprinting by communist ideology make them more likely to reject foreign capital and outward internationalization. But that ideology can be gradually eroded through interactions that promote new beliefs associated with the market logic.	Whether entrepreneurs were Communist Party members before founding their enterprise	1993–2016	Survey
Raynard, Lu, & Jing	2020	*AMJ*	State-owned manufacturing firm	Organizational change: changes to the firms' organizing template and value system over many decades	For a firm founded in the pre-reform era under the state logic to meet new market pressures, it must redeploy values and institute practices in ways that do not contradict its pre-reform values.	Corporate mandate (building the 'Socialist Motherland' to becoming an innovative 'national champion'), governance model (workers own shares), employment relationships (workers of the state vs. employees of the firm), management philosophy and values (self-reliance vs. independence), incentive structures (discouraging or encouraging financial incentives), implicit social contracts	1966–2016	Direct observation and administrative documents

(*Continued*)

Table 4. (*Continued.*)

Authors	Date	Journal	Type of organization	Dependent variable(s)	Main argument	Operationalization of ILs: How institutional logics are observed in the data	Study period	Methodology (Sources of data)
						(lifelong employment and benefits vs. monetized benefits)		
Genin, Tan, & Song	2021	*JIBS*	Manufacturing firms (state-owned)	Innovation: invention patent applications	In the high-speed train sector, innovation opportunities were structured by firms' relationships with the state: state ownership limited innovation, but state affiliation spurred greater innovation because the former brought the state logic inside firms, while the latter kept it at arm's length.	Ownership (POEs, joint private–state ventures, SOEs) and state affiliation (with the central state)	1989–2015	Corporate yearbooks and administrative documents
Han & Yao	2022	*MOR*	Various industries (both state and privately owned)	Organizational units with a social function: housing, dining halls, schools, recreation facilities	Historical imprinting and founders' social motives led to an employee-oriented climate and a community mindset, which supported social units	Managers' and top executives' statements regarding work-life balance, employee satisfaction; use of the term 'community' instead of organization and 'friendship' instead of profit		Interviews and direct observation

the state or market logic, or a combination of the two. This work is generally ahistorical, treating as it does Chinese political, legal, and economic institutions as background facts, and ignoring variation in these institutions over time and across regions, or holding these institutions constant by focusing on one set of organizations in one region at one point in time. (There are, of course, exceptions; e.g., Greve & Zhang, 2017). We could learn much more about the nuances of how institutional logics are manifested in Chinese firms the evolution of these logics if we took into consideration variation in these institutions over time and across regions, and if we investigated how temporal changes and regional differences in these institutions drove changes and cross-region differences in institutional logics.

Above, our necessarily brief description of China's historical trajectory glossed over many changes in these institutions (such as the passage of laws protecting property rights and contracts, the development of the financial-service sector to fund privately owned firms, and changes in the legal and accounting professions that support market-based exchange) that occurred during and after leadership transitions beginning with Deng Xiaoping and through Xi Jinping's rule (Naughton, 1995, 2007, 2018). Even before Deng Xiaoping became China's supreme leader in 1978 and economic reforms began in earnest, Premier Zhou Enlai's regime had experimented with reforms in the Sichuan Province; for example, by delegating authority for decision making to factory managers in 1975. Under Deng, these experiments were extended to other regions. In addition, the central state gradually delegated control over SOEs to local state authorities. SOEs began to retain a fraction of whatever they earned above the plan, and agricultural cooperatives began to be authorized to conduct administrative and financial experiments. In 1983, SOEs began to pay taxes instead of turning over profits to state authorities. In 1999, Jiang Zemin's administration continued reforms, including transforming SOEs into limited-liability companies and selling off small enterprises. The most notable recent change is that in 2012, Xi Jinping's regime mounted an anti-corruption campaign, which is still ongoing. Throughout the reform era, passage of legislation, notably the Accounting Law of 1985, the Enterprise Bankruptcy Law of 1986, the Enterprise Law of 1988, the Company Law of 1994, the Securities Law of 1999, and amendments to the Company and Securities Laws in 2005, gradually created a foundation for the rule of law. In addition, many changes in other economic institutions, most notably shifts in banks' lending policies, were instituted to cope with different macroeconomic circumstances, such as the worldwide recession of 2008–2010. But there was great regional variation in the pace and nature of political-economic reforms. Such regional and temporal variation in political, legal, and social institutions requires nuanced treatment of which institutional logics guided business activities and how those logics evolved as societal institutions changed.

Second, future research should take into consideration the fact that the Chinese state is hierarchical, with multiple administrative levels that have different powers, with influence flowing both from the top to the bottom *and* from the bottom to the top. And, as outlined above, the extent of those powers has changed over time. The delegation of control over productive enterprises from the central state to local authorities in the 1990s and the transition from state redistribution over several decades transformed the logics associated with all state authorities, and thus their behavior, in four ways. First, the Chinese state became an embedded one (Evans, 1995), as political and economic elites forged close social relations. For example, in 1989, entrepreneurs were allowed to join the Communist Party. As they did, entrepreneurs became more accepting of the Party's continued domination of political life (Dickson, 2003, 2008; Tsai, 2007). Other co-optive efforts have involved creating formal linkages between the Party and entrepreneurs in trade, professional, and industry associations (Kennedy, 2005).

Second, the Chinese state became a developmental one (Evans, 1995; Nee, Opper, & Wong, 2007), as officials focused more and more on fostering economic development to achieve growth targets (Lin, 2001b). The increasing importance of economic development was bolstered by changes in the reward system for bureaucrats: cadres' career success became increasingly tied to economic growth (Naughton, 2007; Witt & Redding, 2013). Then, starting in 1994, with the doctrine of 'grasping the large and letting go of the small' [*zhuada fangxiao*], the developmental state bifurcated, with central authorities promoting and tightly managing development in sectors deemed strategic, and local authorities (province-level and below) overseeing enterprises in other sectors.

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Third, by launching and actively managing a wide array of state-owned business ventures, many local officials created an entrepreneurial state (Duckett, 1998; ten Brink, 2011). The level of state entrepreneurship varied widely across locations and over time. Moreover, entrepreneurial officials in different locations focused on different economic sectors; for example, local officials in Yiwu supported a small-commodities market that became a behemoth, serving over 75,000 domestic firms exporting goods ranging from jewelry to luggage to holiday decorations to baby strollers to restaurant supplies, while those in Wuhan supported a robust manufacturing sector including automobiles, pharmaceuticals, and high-tech optical equipment. Fourth and finally, within the state bureaucracy, formal rules multiplied and personnel qualifications increased. To cope with new rules and meet new performance standards designed to increase effectiveness in policy implementation, officials cooperated with each other informally, but in highly institutionalized ways (Zhou, 2010).

All of these temporal shifts in the institutional logics guiding Chinese state agencies and officials, and the great regional differences (notably between coastal and inland provinces), merit consideration in studies of Chinese firms. For instance, entrepreneurial state officials might be expected to offer stronger support for technological innovation than traditional state officials. In contrast, state officials embedded in webs of social and economic relationships with business people might be more focused on private gain (that is, corruption). For their part, developmentally oriented state officials might be more likely to focus on profitability in general (rather than on innovation as the way to increase profits). The goals of and logics guiding the actions of these officials are likely to diverge in important ways, which may cause conflicts across levels of the state administrative hierarchy; for example, between entrepreneurial or embedded officials at the prefecture level and developmental officials at the provincial or central level. Such conflicts, which would have to be carefully managed by Chinese firms, merits investigation.

Finally, scholars could investigate other societal-level institutional logics that affect Chinese firms, beyond the state and market logics. The *religious* value sphere is perhaps the most interesting and potentially the most significant. China has always been shaped by religion (Goossaert & Palmer, 2011; Weber, 1951), especially Confucianism, which centers on four key values: social harmony (respect for the social order and conflict-free social relations), the importance of the family, the importance of informal social relations [*guanxi*], and respect for hierarchy (father–son, teacher–student, ruler–ruled, friend–friend). A few studies have already shed light on the influence of Confucianism on organizations in China (e.g., Du, 2016; Ralston, Pounder, Lo, Wong, Egri, & Stauffer, 2006), but more could be done. For example, the Confucian values of interpersonal trust and obligation [*guanxi*] are critical for doing business in China, which requires dynamic reciprocity and involvement in people's personal and social lives (Chen, Chen, & Huang, 2013). Further evidence of religion's influence comes from the case of classical Chinese medicine, where entrepreneurial practitioners, keenly aware of the market allure of 'tradition' and 'spirituality' from Daoism, have crafted a niche amidst competition from bio-pharmaceutical companies run on Western medical principles (Zhan, 2018).

Another value sphere that is worth investigating is *the family*. The family logic is closely associated with Confucianism, which views the family as the basic organizing unit in society. This logic is hierarchical, with children expected to be subordinate to fathers. Trust among family members is deep and strong. The family trust circle begins with an inner circle consisting of extended family members. A second, slightly weaker, circle consists of proto-family, such as long-standing friends, key employees and business partners, and former schoolmates. A third, outermost and weakest, circle consists of people with whom family members have relationships of reciprocity, their *guanxi* connections. The family logic became increasingly important as economic reforms progressed: the number of family-owned Chinese firms rose dramatically, and family-owned and family-run firms came to account for a large fraction of economic output. Indeed, over 90% of privately owned small- and medium-sized enterprises in China are owned and controlled by families (Chen, 2001; Redding & Witt, 2007).

A small stream of work has already appeared on the family logic in Chinese firms. For example, small- or medium-sized Chinese firms controlled by a single family are more effective at translating R&D investments into innovations than are firms where multiple families vie for control (Deng, Hofman, & Newman, 2013). The reason is that in firms controlled by a single family, the interests

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of owners and senior managers (both members of the same family circle) are closely aligned. In sharp contrast, in firms controlled by two or more families, owners' interests may conflict, reducing the flow of information among owners, which in turn may make it difficult for owners to monitor senior managers. Another paper described a family-focused 'community' logic in five firms operating in different industries and different locations (Han & Yao, 2022). This study revealed that historical imprinting (all firms studied were founded early in the Maoist period) and founders' motives (to serve society, including workers, not just to earn profits) guided the development of subunits that focused on social services, such as recreation centers and schools for workers' children.

Scholars could also take into consideration industry- and occupation-specific institutional logics, which reflect the histories of those industries and occupations. At the occupational level, Chinese lawyers (and the law firms for which they work) are subject to a changing institutional environment. Before reforms began, lawyers were state officials with clear allegiance to the government. 'Unhooking and privatizing' law firms and the legal profession began in 1988, and reforms throughout the 1990s formally severed ties between the profession and the state. In most parts of the world, lawyers are disinterested or non-partisan, focused on upholding 'the rule of law'. But in China, despite ostensible privatization, lawyers are still deeply intertwined with the state, with the career success of individual lawyers and the performance of law firms both generally dependent, in part, on being embedded in webs of relationships with state officials (Michelson, 2007). These political ties safeguard lawyers and law firms against state obstructionism, harassment, and threats. Thus, lawyers working in the Chinese business sector actually operate in-between the market and state logics.

Conclusion

The many complex changes that China's political economy has experienced over the past five decades (and before) make it a fascinating site for research on the many different institutional logics that, in different times and locations, have guided business firms. Institutional logics are interrelated sets of cultural elements (norms, values, beliefs, symbols) that help people and organizations make sense of their everyday activities and order those activities in time and space. In particular, the gradual rollout of economic reforms since the late 1970s has led to the decline of the old state logic, which valorizes equality, national community, and political stability, and rise of a new market logic, which encourages efficiency, competition, and property rights. But the state logic has not been fully eclipsed by the market logic; instead, the market logic, as it is manifested in China, has come to incorporate one key element of the state logic: it recognizes the central role that the state and the Communist Party continue to play in economic life. As a result, efficiency, competition, and property rights are tempered by a continued concern for political stability. In this, the Chinese market logic differs in a critical way from the one that prevails in Western capitalist economies.

In this paper, we first reviewed the literature on institutional logics as applied to organizations in Western capitalist economies. We followed this with a review and summary of the literature on institutional logics as it has been applied to organizations in China. Finally, we identified several avenues for future research on institutional logics and Chinese firms. We are confident that the study of institutional logics will continue to provide insights into how Chinese firms (and other organizations, like state bureaus and professional associations) operate.

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Notes

1. To be clear, an industry is a set of organizations within some geographic area doing things similar to the focal organization, such as restaurants or internet-service providers. A field is the set of all organizations that are connected to the focal organization and its industry, including governmental agencies; professional, scientific, and trade associations; suppliers; customers; and potential employees (DiMaggio & Powell, 1983).

2. Because two of the three co-authors of this paper do not read Mandarin, we limit our discussion of research on Chinese firms to work published in English.

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3. Some of the studies we discuss do not use the term 'institutional logics'. Instead, they may discuss the values held by organizations or key decision-makers in organizations, or the policies that organizations (state bureaus or firms) enact. But organizational values are part and parcel of institutional logics, as we explained above, and organizational policies reflect institutional logics.

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