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EDITORIAL ESSAY

Exploring Institutional Complexity in Chinese Management Research

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I fondly recall the very first gathering of founding editors, spearheaded by Anne Tsui, roughly two decades ago in San Francisco. We engaged in thorough discussions about the journal's direction, policies, and even plans for the inaugural issue, which concluded with a delightful dinner at a local Chinese restaurant. *Management and Organization Review* (MOR) has a plethora of achievements to celebrate and commend, thanks to the diligent, dedicated, and meticulous work carried out over the past 20 years by our collective community, including editors, authors, reviewers, and partners. This is particularly true for our distinguished editors-in-chief and editors, who span multiple generations. I am proud of my involvement and contribution to the journal's early development and to have witnessed its remarkable growth.

As time has progressed, MOR has essentially moved beyond its adolescent phase and is on the cusp of maturity. This period appears to be filled with a variety of new challenges, agendas, and questions that require our united effort to steer in a direction that is theoretically driven, societally impactful, topically important, and methodologically sound. I am often asked about potentially significant topics or issues in the field of Chinese management (and business) that fulfill these criteria and demonstrate academic, societal, and practical importance. To this, I point to the topic of institutional complexity. This concept and topic stands out as it can be both contextualized within specific environments and generalized across broader scenarios, offering solutions, processes, and insights that are valuable not just to the Chinese management sphere but also to the global management community.

Institutional theory, notably prevalent among the mainstream management community, is particularly emphasized in analyzing management within emerging markets, including China. This theory, in conjunction with new institutional economics as highlighted by North in 1990, offers a theoretical underpinning and an analytical framework that aids in directing strategic decision-making and organizational conduct (e.g., DiMaggio & Powell, 1983, among many). Nonetheless, a significant shortcoming of this theory lies in its inability to adequately capture the multi-directional, conflicting, fragile, ambiguous, and often disordered nature of the institutional environment in many emerging economies (e.g., Barkema, George, Luo, Tsui, & Chen, 2015). Organizations face institutional complexity when they must navigate through such contradictions, fractions, and fragility in addition to incompatibility, heterogeneity, and uncertainty associated with the institutional environment (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011).

Institutional complexity in China is attributed to the simultaneous presence of varied institutional demands and their continual evolution in diverse directions. This complexity is manifested not only through the unaligned and sometimes fragmented and fractured demands from different institutional agencies on organizations but also through the discrepancies in the direction and efficiency of institutional changes. The dual presence of change and resistance within the institutional framework complicates the process for organizations to devise suitable and effective responses. In scenarios characterized by fractured institutional logic, organizations are often faced with divergent or even opposing mandates, leading to institutional conflicts (Greenwood, Hinings, & Whetten, 2014). Companies often encounter contradictory regulatory demands from different government agencies or find that the institutional requirements from one level of government (e.g., the central government) clash with those from another level (e.g., municipal government).

To this end, I will delineate four key dimensions (4Fs) – Fissuredness, Fragmentation, Fluidity, and Fuzziness – that collectively capture the essence of institutional complexity. It is my hope that this conceptual clarification will pave the way for future research in the field of Chinese management.

1. Fissuredness: Institutional forces and entities enforce varying standards and directives that often conflict or directly oppose each other, leading to a landscape where one authority approves what another rejects, or one region allows what another forbids. While the State Council pushes for streamlined administration, simplification, and delegation, local governments may engage in superficial compliance, procrastination, and added bureaucratic hurdles, or vice versa. This prevailing contradiction poses significant challenges, undermining the competitiveness of businesses and stalling macroeconomic and regional development (Greenwood, Díaz, Li, & Lorente, 2010). The inconsistency and unpredictability of regulatory environments compel businesses to navigate a labyrinth of often conflicting regulations, increasing operational costs, and complicating strategic planning. To fully grasp this institutional complexity, it is essential to recognize not only the varied composition and characteristics of its elements but also the different paths of institutional change (D'Aunno, Sutton, & Price, 1991; Oliver, 1991). Such an understanding encompasses recognizing that within any given locale, institutional forces can simultaneously support and hinder business development. This dichotomy adds layers to the institutional framework, where certain dynamics may propel businesses forward, while others create barriers, thus exacerbating the already intricate nature of the regulatory and institutional environment.
2. Fragmentation: This fragmentation can be further categorized into two distinct types: vertical and horizontal. Vertical fragmentation describes the discrepancies or even direct contradictions between the mandates of central and local authorities, stemming from divergent interests and motivations. For instance, it is not uncommon for local government bodies to enact regulations that diverge from central directives, particularly in areas such as taxation and environmental protection. This divergence often arises from the local belief that central policies do not accurately reflect local realities, leading to adaptations that better suit regional conditions. On the other hand, horizontal fragmentation refers to the inconsistencies in policy enforcement by different institutional entities operating at the same hierarchical level, say, within a provincial jurisdiction. These entities may interpret and apply the same institutional requirements, such as those governing market behavior, in disparate ways. It is important to highlight that, whereas the concept of multi-directionality focuses on the divergent or even opposing directives issued by different institutions, fragmentation emphasizes the heterogeneity in institutional requirements. This diversity does not necessarily imply opposition but indicates that institutional agencies, levels of governance, and geographic regions may each have their unique interpretations and implementations of certain policies. This heterogeneity aggravates institutional complexity as entities must align with not only laws and regulations but also with their varied enactments across different bureaucratic and geographic contexts.
3. Fluidity: The concept of fluidity within the institutional framework highlights the inherent changeability, instability, and unpredictability faced by businesses due to the fluid nature of both formal and informal institutional requirements. Formal requirements, including policies, rules, and regulations, along with informal ones, such as societal norms and the broader social impacts, are subject to frequent changes. These alterations can be challenging for businesses to anticipate, creating an environment marked by volatility and uncertainty. The erratic nature of government policies, characterized by abrupt shifts, significantly undermines the continuity and stability of the institutional landscape, casting a shadow of unreliability and fragility over market operations. Such policy reversals not only erode the government's and formal institutions' credibility but also pose significant risks for businesses. Companies often find themselves ensnared by investments in assets that are specifically aligned with prior policies, only to discover that

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these assets become less valuable or even obsolete as policies change (Kodeih & Greenwood, 2014; Williamson, 1985). This phenomenon, where businesses are either locked into or guided by outdated policies, exacerbates the sense of an unstable and unreliable institutional environment. The repercussions of these dynamics extend beyond immediate financial losses, affecting long-term strategic planning and undermining confidence in the predictability and solidity of the market framework. This fluidity, therefore, demands a high degree of adaptability and foresight from businesses, urging them to remain vigilant and flexible in the face of an ever-changing institutional landscape.

4. Fuzziness: The lack of transparency, arbitrary interpretations by authorities, and unclear enforcement practices in the institutional environment are key contributors to its overall ambiguity. Even when policy information is made publicly available, the absence of detailed explanations for regulatory decisions, such as the grounds for approvals or rejections, leaves businesses in the dark regarding how they can improve or adapt, further contributing to institutional ambiguity. Moreover, the frequent use of vague terminology within regulatory texts, such as 'relevant', 'in principle', and 'as appropriate', introduces a high degree of flexibility into the system. While this might be intended to allow for discretion and adaptability, it often results in a lack of clarity for those trying to comply with the regulations. Additionally, the enforcement of policies introduces its own layer of complexity. Although central government policies carry the highest authority, the actual implementation on the ground is often influenced more by the interpretations and preferences of local or lower-level authorities. These practitioners may prioritize the perceived intentions of their immediate superiors over the explicit directives from the highest levels of government, further complicating the institutional environment. This scenario creates a challenging landscape for businesses and market entities, who must navigate a regulatory environment characterized by incomplete information, interpretative flexibility, and inconsistent enforcement (Lawrence, Leca, & Zilber, 2013). The resultant ambiguity not only makes compliance more difficult but also hinders the ability of businesses to plan strategically and operate efficiently. Addressing these issues would require a concerted effort toward greater transparency, consistency in policy interpretation and implementation, and clearer communication from regulatory bodies, thereby reducing the ambiguity and making the institutional environment more navigable for all stakeholders.

In many emerging economies undergoing substantial societal and structural changes, the challenge is not the absence of institutions but rather the presence of an overwhelming number of complex institutions or an excessively high degree of institutional complexity. This complexity stems from the divergent institutional logics that guide different authoritative entities, leading to varied, and often contradictory, policy frameworks. As a result, businesses find themselves navigating a labyrinthine institutional environment characterized by the intricate interplay of disparate mandates. This intricacy gives rise to what can be termed fragmented authority, where the multiplicity of competing institutional directives impedes the government's ability to effectively achieve its objectives. Simultaneously, this fragmented authority complicates the ability of firms to formulate and execute rational and unified strategic responses. The lack of a coherent regulatory framework forces businesses to constantly adjust to a shifting institutional landscape, which can stifle decision-making processes and impede strategic planning. This condition of institutional complexity and fragmented authority not only hinders efficient governance and economic progress but also places a significant burden on businesses. They must expend additional resources to understand and comply with a broad spectrum of regulations, navigate through bureaucratic obstacles, and mitigate the risks associated with institutional inconsistencies.

Addressing the challenges posed by institutional complexity requires solution-focused strategies, predominantly reliant on formal and governmental institutions. This task represents a vast and intricate undertaking, necessitating not only streamlining and simplifying regulatory processes but also enhanced coordination, efficiency, and execution. A critical step in this process is to review, eliminate, and rectify conflicting, obsolete, and regressive hurdles at all levels. In addition to streamlining regulatory frameworks, processes, and procedures and delegating authorities, it is vital to recognize the interplay among various rules, regulations, and policies. Solidifying coordination between institutional agencies at different levels is indispensable for ensuring cohesive policy implementation and effectiveness.

The notion of institutional complexity broadens the scope of research on institution-management interfaces and deepens our comprehension of institutional nuances and realities. This is particularly evident in emerging economies, notably in China, where the institutional landscape is defined by its complexity rather than by traditional metrics of completeness or lack thereof. Furthermore, the concept underscores the dynamic interaction and co-evolution between organizations and institutional surroundings. The notion of institutional complexity also introduces a multi-level conceptual framework, offering fresh insights into institutional impacts at the organizational, industry, and national levels. Future research needs to shed more light on not only institutional dynamics but also pathways for navigating institutional complexity at the national level, industry level, and firm levels.

In conclusion, the notion of institutional complexity extends its relevance far beyond the academic realm, presenting crucial implications for policy-making and practical applications. It urges businesses to embrace a holistic view of the institutional landscape they navigate. Their approach to dealing with institutional pressures should be integrative, striving for a harmonious relationship with the external environment. The strategies deployed by businesses are influenced by their dependency on the institutional context, their access to resources, and the possibility of engaging in cooperative endeavors. For governmental agencies, the task of cultivating a supportive institutional environment, encompassing both formal and informal aspects, involves fostering alignment and a clear sense of direction. This requires a commitment to promoting consistency in place of discord, ensuring transparency over opacity, and maintaining stability amidst potential fluctuations. Within this larger framework, institutional reform and innovation stand out as essential foundations. Academics, policymakers, and business leaders alike bear a shared responsibility to champion these efforts, highlighting the collective role in shaping an environment conducive to growth, innovation, and sustainable development.

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