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# *The Indigenous Studies of Chinese Management*

*A Comparative and  
Functional Approach*

Guo Man



哈尔滨工业大学出版社  
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## 内 容 提 要

本书旨在更为清晰地阐明中国企业管理本土研究的理念定义,并概述进行这种研究的一般性的范式。本土研究要求普遍的理论 with 地方特定环境下解释方法相结合,并从背景化的特殊知识和一般性的理论知识双角度进行研究。本书研究的主要问题在于如何将普遍性理论适当结合“本土化”理论,并且这个过程中并不产生矛盾。为此,需要一种本身就具有普遍性的研究方法。通过桥接管理学理论和本土研究,本书对四个中国当代管理案例进行分析,建立一个分析框架,理解文化嵌入式的企业行为和经济制度在历史和当代经济中作用的统一。

对于管理学未来的发展,本土研究似乎是最能够将西方管理理论与中国企业的实践结合的方法,因为它专注于植根在当地文化、组织和政治背景下的企业的行为。本书希望用一个通用的框架和大致谦卑的观点寻求对中国企业本质的理解。

本书可为经济、管理领域的读者提供理论和实践上的借鉴,也可作为高等学校经管类专业学生的参考教材。

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## Preface

With the development of Chinese economy, many observers ask whether this goes hand in hand with the emergence of new management model with particular Chinese characteristics and whether this development is supported by specific Chinese business culture.

I attempt to provide a definition and typology of indigenous research on Chinese management as well as outline the general methodological approaches for this type of research. Indigenous research requires a methodology for engaging and bridging the perspectives of universal explanation and local interpretive approaches to achieve both context-specific knowledge and a more general theoretical knowledge of the topic being studied. The question remains how universalist theories can be properly combined with such “indigenized” theories without making them arbitrary. For this, one needs a method that is itself universalist. By bridging management theory and indigenous perspectives, we try to construct a conceptual and analytical framework for understanding culture-embedded corporate behavior and the role of institutions in the economies—both historical and contemporary—in a unified way.

For the future development of management science, indigenous studies seems to be the most useful to both the theory and the practice of Chinese corporations, as it focuses on basic patterns of corporations in the field rooted in these culture aspects and in current organizational and political contexts. Having used a general framework, I hope to have contributed a roughly humble view for researchers looking to understand the nature of Chinese corporations.

This book results from a long time thinking and concentration on Chinese management studies over years, and many more colleagues from around the world who have provided

helpful suggestions and criticisms. Years ago, I had a plan for a book based on a common vision of Chinese management, institution and culture as an academic discipline. Both the plan and the vision have survived finally, even though both have evolved in the course of writing the book.

So many colleagues, friends, and scholars have contributed to my completion of this book over the years. Naturally, I alone are responsible for any mistakes in the book.

Finally, I thank my family members, who have been generous with their moral support, and who have been hearing about this book for longer than they are to remember.

Guo Man  
15 June 2017

# Contents

<b>Chapter 1</b>	<b>Causal Explanation in Indigenous Studies of Chinese Management: From a Performativity Perspective</b>	1
1.1	Introduction	1
1.2	Causal model and performativity	4
1.2.1	Daniel Little's approach	4
1.2.2	The case and interpretive approach	5
1.2.3	Some implication for empirical research	6
1.3	An introduction of performativity	8
1.4	The focus on ritual	12
1.5	Conclusion	14
<b>Chapter 2</b>	<b>Corporate Social Responsibility Information Disclosure at the Perspective of Ritual: An Empirical Analysis of China's Listed Companies</b>	16
2.1	Introduction	16
2.2	Theory and hypothesis development	19
2.2.1	Theory of CSR	19
2.2.2	CSR practice in China	21
2.2.3	Hypothesis development	25
2.3	Design of the study and methodology	29
2.3.1	Sample construction	29
2.3.2	Index analysis	31
2.3.3	The categories of GRI	32
2.3.4	Research design	33
2.3.5	Regression analysis	37
2.4	Results	38
2.4.1	Descriptive statistics and correlations	38
2.4.2	Regression result analysis	40
2.5	Conclusion and discussion	42
2.5.1	Conclusion	42
2.5.2	Limitations	43
<b>Chapter 3</b>	<b>Research on Political Connections under Regional Competition Background: An Empirical Analysis of China's Listed Companies</b>	45
3.1	Introduction	45

3.2	Institutional background and hypothesis development .....	48
3.2.1	Development of Chinese private firms .....	49
3.2.2	Political connections of private firm under regional competition in China .....	53
3.3	Literature review and hypothesis development .....	54
3.3.1	Political connection .....	54
3.3.2	Regional competition .....	56
3.4	Design of the study and methodology .....	59
3.4.1	The data resources .....	59
3.4.2	Research design .....	60
3.4.3	Variable description .....	61
3.5	Results and discussion .....	64
3.5.1	Descriptive statistics and correlations .....	64
3.5.2	Regression result .....	66
3.5.3	Analysis of the result .....	68
3.6	Conclusion .....	71
3.6.1	Conclusion .....	71
3.6.2	Policy implications .....	72
<b>Chapter 4</b>	<b>Corporate Culture of Private Firms in Contemporary China .....</b>	<b>74</b>
4.1	Introduction .....	74
4.2	China and western representations of the concepts of corporate culture .....	76
4.2.1	Western academic representations .....	76
4.2.2	Chinese academic representations .....	81
4.3	The development of business culture in China .....	87
4.3.1	Chinese traditional culture .....	87
4.3.2	Institutional legacies of post 1949 developments .....	91
4.4	Business culture of China .....	94
4.5	Entrepreneurial creativity—a Chinese model of corporate culture .....	95
4.6	Conclusion .....	100
<b>Chapter 5</b>	<b>Road map for Further Research .....</b>	<b>104</b>
<b>Reference</b>	.....	<b>106</b>
<b>Index</b>	.....	<b>125</b>

# **Chapter 1 Causal Explanation in Indigenous Studies of Chinese Management: From a Performativity Perspective**

## **1.1 Introduction**

I attempt to provide a definition and typology of indigenous research on Chinese management as well as outline the general methodological approaches for this type of research. Indigenous research requires a methodology for engaging and bridging the perspectives of universal explanation and local interpretive approaches to achieve both context-specific knowledge and a more general theoretical knowledge of the topic being studied. The question remains how universalist theories can be properly combined with such “indigenized” theories without making them arbitrary. For this, one needs a method that is itself universalist.

There are many problems that researchers have when they face local reality and diversity and still wish to extract global explanations. These are contextuality, explanations, unpredictability and instability.

### **Contextuality**

Nowadays empirical studies are only treated as universal generalizations and do not refer to special patterns that focus on a more separate, local context. However, one should argue that the context under which the theoretical structures are manifest in practice. Such a context may include the perceptions, wants, beliefs, opportunities and cognitions of individuals who constitute the social phenomena in question (Little, 1989). On local studies,



the global generalizations of research methods have to be investigated in the local context of a particular range of social phenomena.

### **Explanations**

As Hutchison (1977) argues, since there are no fully adequate scientific laws, natural scientific research methods have been widely used in economics. Are there governing methods of social phenomena? Yes, there are phenomenal regularities among social phenomena, which can be discerned by empirical investigations. Some do not serve an important explanatory function, because in the economic world, phenomena are constituted by the activities of human beings. They are agents who act on the basis of beliefs, meanings, values, interpretations, assumptions and so on. However, it is difficult and impossible to test all of these conditions. But if these missed factors are in general case, they could affect the outcome of the research and cause many problems.

### **Unpredictability and Instability**

Together with Hutchison, Morgenstern's (1972, P. 707) "theory of absorption" also notices that when economic theory is known to the agents, this will have a certain effect on agents' expectation of others as well their behavior. This "feedback" between theory and the object of the theory causes many methodological problems that is worth further analysis. This "back coupling" interrelation is lacking in natural science. Further, Chalk (1970) notes that constant interactions of agents leads to economic instability. Heilbroner (1970) argues that in the short run behavioral factors are unpredictable.

As the matter of fact, the classical methodological distinction of etics and emics deal with these global and local sides analytically. Etics is concerned with the "global" because etical theories typically involve reference to general agreements among external observers, hence a sort of "objective" standard. The etic view would identify general aspects of social

phenomena. The emic approach, in contrast, investigates how local people think, “how they perceive and categorize the world, their rules for behavior, what has meaning for them, and how they imagine and explain things” (Kottak, 2006). This dualism of etics and emics is particularly useful in analyzing the role of complementarities in indigenous studies.

In general, indigenous research studies a local (emic) phenomenon and examines its local implications and its global (etic) implications. A growing number of studies concerning China expands into indigenous studies with perhaps greater potential theoretical contribution because it focuses exclusively on developing locally-derived theories due to the disillusion with the universalistic claim of theories. On a practical level, Chinese indigenous research should have the most effective solutions for local problems because of the high compatibility between theory and practice, and makes the local highly relevant (Leung, 2011). Many scholars argue that indigenous research is essential for a complete understanding of local phenomena (Kim and Berry, 1993; Tsui, 2004). Whetten (2009) argues that indigenous research covers local phenomena; Tsui (2004) argues that indigenous research concerns local contextual factors; Yang (1993) says that indigenous research should adopt a local theoretical perspective. Li (2008) mentions “. . . the study of a unique local phenomenon or a unique element of any local phenomenon from a local (emic) perspective to explore its local relevance” (Li, 2008, P. 413).

Indigenous research requires a methodology for engaging and bridging the perspectives of theory and practice to achieve both context-specific knowledge (emic) and more general theoretical knowledge (etic). In his book *Understanding Peasant China*, Little (1989) argues that scientific explanations rely on causal models, and these are local context in essence, if one deals with human societies. Little criticizes the emphasis on the explanatory

importance of regularities that the social science derives from natural science, in which the use of mathematical formulation makes the prediction of behavior of physical system available (maybe not in practice). In varieties of social explanation, Little argues for the centrality of causal analysis, instead of making sub-assumption under general approach at the core of social explanation. The general idea of causal explanation is to show that explanation of a phenomena/regularity involves identifying the causal processes and causal relations that underlie this phenomena/regularity. With this methodological approach, the central explanatory aim for social scientist is to uncover causal mechanisms instead of formulating deduction methods.

I aim to apply Little's causal mechanism to universal/local explanations in the Chinese indigenous studies. Following Aoki's performativity, I use that the universalist game theory conceptions of institutions and behavior in my context. This framework undergirds such emic and etic dimensions, and itself is a causal model. In the end, it is worth noting that Chinese indigenous research is rooted in the specific cultural and historical contexts. Ritual is found as a form of public representation of agents from both sources. The concept of ritual furthers the connection between a causal model with indigenous emic categories.

## 1.2 Causal model and performativity

### 1.2.1 Daniel Little's approach

A context-specific approach should help to create locally relevant constructs, methods and theories. In Chinese studies, this problem has been discussed by the philosopher of science Daniel Little (1989) in his influential book *Understanding Peasant China*.

Little provides a logical structure to explain the relation between local and global social

processes. The central idea of causal ascription is causal mechanism (Little, 1991): A causes B in the context of typical causal fields. This identifies a causal relation between A and B. In the micro-foundational approach to social phenomena, institutions, organizations, states, economies derive from the structured circumstances of agencies of the individuals. The causal arguments in which Little attempts to identify in the causal field provide explanation for social regularity. At the same time, these causal mechanisms work through the constraints that channel participants' choices. As he mentions:

"Discovery of mechanisms and processes that derive from agents and institutions, and that in turn produce regularities. Regularities derive from underlying causal properties, and it is the discovery of these that is the explanatory business of social science research" (Little, 1993, P. 184).

Little approaches social causation as a micro-foundational interpretation. The causal mechanisms are mediated on the structured circumstances of agents' choice. Little argues that social science (no matter rational choice theory or theories of institutions, organizations) has a foundational place. Hence, the general problems of the philosophy of social science comes from below, and examines particular cases of social science research.

### 1.2.2 The case and interpretive approach

Little introduces some cases and attempts to interpret the premises and assumptions of those frameworks, and pointed out several methodological shortcomings in each theory. For example, in Scott and Popkin's cases, both Scott and Popkin provide empirically grounded descriptions of aspects of rural social life in Asia (such as economic institutions in the village, social behavior, local society). Both scholars believe that the behavior they identified can be found in cultural and historical contexts, and explain other local phenomena.

Scott (1976) offers a generalization about peasant life in Saya San: the rebellion occurred because local elites and the state were unresponsive to peasant subsistence rights during a period of subsistence crisis. Popkin (1979) raises the case and describes the low level of successful collective action in Vietnamese village society. He argues that the best explanation is the result of individually rational decision making on the part of villagers. In both cases the hypothesis must be formulated more specifically in time and place before it can be evaluated empirically. To explain a phenomena in particular, it is necessary to have a detailed and culturally specific understanding of the complex worldview of beliefs, values, and norms within which individuals in that culture act. Little finds out that causal analysis is prominent among these examples, with different explanations singling out varying aspects of a causal relation. This dispute raises important issues for the philosophy of social science.

First: the moral economy and rational peasant frameworks have provide different aspects of interpretive approaches.

Second: some empirical data may not be supportive.

Third: there exists more than one way to explain social phenomena: Popkin's approach offers an aggregative explanation, seeing social phenomena as the outcome of rational behavior of individual participants involved in the environment of choice. Scott's approach, by contrast, has elements of functionalist explanation, mentioning that some social phenomena are caused by the working of a system of norms that are well adjusted to the community's subsistence needs.

### 1.2.3 Some implication for empirical research

This position leads Little to the central epistemological assumption of the empirical phi-

losophy of science; the idea that knowledge claims are confirmed or rejected solely on the basis of the observational consequences of the comprehensive theories that they incorporate.

Daniel Little has given different analysis of Chinese peasant behavior. His concern is whether studies of China add to the general store of knowledge on economic breakthroughs in the countryside.

- Peasant farming in China leads to a state of exploitation (Chao, 1986).
- Marketing hierarchies in traditional rural China conform to the forms predicted by central place theory (Skinner, 1963).
- Millenarian religious values are conducive to rebellious behavior (Naquin, 1976).

Little found that there are limits on empirical research which can explain the behavior of peasant. The inductive regularities cannot fully explain the varieties. Little argues that the model for scientific knowledge as a unified deductive theory from which observational consequences are derived is not generally illuminating in social science. Instead, his theoretical framework provides a basis for analyzing some parts of the social phenomena under study and suggests causal hypotheses about those phenomena. Therefore he suggests finding a local level theory in which questions can be explained more precisely. For this, theory and practice work hand in hand.

Therefore, the most important issue of methodology in indigenous studies is the opposition between Hempel's universalist hypothetico-deductive (H-D) model and explanation based on local causal mechanisms. Philosopher Carl Hempel (1966) argues that the theories should be ranked according to the strength of confirmation, which will be favor of setting up a hypothesis. The confirmations are involved include: quantity of favorable test outcomes, prevision of procedures of observation and measurement, variety of supporting evidence, and confirmation by new test implications. By adopting these criteria, the highly

confirmed theory must be the “true” theory (Hempel, 1966, P.45).

However, even as Hempel himself wondered, such confirmation may ignore practical reality. Empirical research solves the moral economy debate by gathering data is long and difficult (Little, 1989). As Little mentioned: “The tradition of logical positivism has tended to collapse the empirical reasoning onto a highly abstract description of the relation between a range of data and a given hypothesis (1989, P.250).” In economics, the problem arises from a different conditional context. Those argumentations include explicit and implicit notions such as local coherence, heuristic power, social/cultural significance (Radder, 1997). On the other side, one should argue the conditions under which the theoretical structures are manifest in practice. Such conditions may include the perceptions, wants, beliefs, opportunities and cognitions of individuals who constitute the social phenomena in question (Little, 1989).

Nowadays, theory choice is based on adequacy of quantitative research; however, the initial conditions (Hempel, 1966) should be carefully evaluated. Otherwise, the problem will arise when empirical tests are only used for rationalization without regard to local conditions (Little, 1989). In indigenous studies, many theories in different contexts do not satisfy with the requirements of initial conditions. To form a more eclectic set of hypotheses and analyses (for example, the causal mechanism developed by Little: which can also be empirically evaluated, but rather than testing a theory against its predictive consequences) for analyzing corporate organization and employees in economics, the value of empirical studies should not be overestimated. Some alternative methodologies of economics providing new insight for analyzing corporate behavior in different context are needed to investigate.

### **1.3 An introduction of performativity**

In my research, indigenous research and causal mechanism developed in the Chinese

context typically generate an automatic reaction about their potential lack of generalizability to other contexts. One promising concept that undergirds such a combination between theory and practice is “performativity”, since it is borrowed from philosophy of language. All these indigenous concepts are linguistic/symbolic notions in essence.

There exists consensus in the philosophy of sciences that heuristics, intuition and tacit knowledge underlie insights gained during experimental research, aiding the changing process of discovery. Beyond empirical method, the performative research is aligned with non-quantitative research and finds its way to express its findings in symbolic forms. In this case, findings are expressed in nonnumeric data: language/symbolic forms. Performative research is seen as a more compromising method to allow dealing with interpretive actions.

To bring performativity theory together with institution theory, and set up a micro foundation of causal description, Searle (1992, 2005) introduces status function to explain the presumption of forming the institution. Similar to a causal explanation (*A causes B in the context of typical causal fields*), language describes constitutive rules such as “*in context C and X are counted as Y*”. Thus, institutions hold, maintain and distribute the common knowledge on which agents involved in playing games depend. The creativity of institutions in performing such processes successfully depends on the degree to which they can perceive social practice as well as reflect it.

Now I connect performativity theory with universalist game theory conceptions of institutions and behavior as deployed by Aoki (2010). He approaches institutions (social phenomena) as dynamic states in which strategic actions of individuals interact and result into repeated action patterns which include the use of certain public representations; that is, words, symbols. This approach and concept of performative action introduces a new perspective for analyzing economic institutions and corporations. I argue that in the microeco-



conomic sense, almost all human behavior is guided by habits, norms and institutions due to the complexity and indeterminacy of economic systems. Corporations are one of the most value-essential “societies” that human beings have ever created. Hence, based on Little’s causal **model**, performativity is conceived as resulting from the conjunction of public representations (sign systems) and behavioral dispositions which channel strategic interactions among actors in such a manner that certain sets of institutions are reproduced recurrently.

Herrmann-Pillath relates Aoki’s theory with performativity for a new model and explains how micro foundations (circular causality developed by Little) works between the etic and the emic dimension (See Figure 1), and why public representations are essential for mediating causality. He means that behavioral dimension corresponds to etics and cognitive dimension matches with local contexts for emics. In the etic dimension, in the standard object of economics, the interactions of agents generate recursive states of play, which is summarized by public representations. In the emic dimension, this public representation further has impact on the behavior of agents in the process of distributing cognition and reduces the complexity of individual choices. In linking two levels of interactions (emics and etics), language comes to the fore. An action is performative when it is expressive in the sense of creating the social fact that is implied by this action (D’Adderio, 2011). Therefore, with the support of performativity theory, the emics and etics dimension are linked for explaining the local context. This model describes any kinds of social phenomena/institution (no matter in local or global context) in terms of a circular causality (Little, 1989) involving performativity, mediated by public representations. Local causation occurs when we observe behaviors which can be measured by means of etical analysis, but rely on public representations, which can only be specified empirically by emic analysis (Herrmann-Pillath, 2011). These social facts are also observable, hence, this is EMPIRICAL which matches with