

The Process of Praxis: Linking Praxis to Institutional Change

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Abstract

A fundamental paradox of institutional change is that actors embedded in and conditioned by institutions are the very actors required to change these institutions. Both endogenous and exogenous explanations of institutional change have been offered to solve this paradox, but neither approach in isolation is satisfactorily complete. This research blends endogenous and exogenous explanations of institutional change and posits two concrete mechanisms necessary in this process: diminished utility of administrative controls and negotiated boundaries of institutional space. These mechanisms specify the link between praxis and institutional change, thus enlarging our understanding of the interdependency of endogenous and exogenous drivers of institutional change and address the paradox of embedded institutional actors as change agents.

One role of institutions, the normative, regulative, and cognitive guidelines governing organizational activities (Scott 2003), is to provide stability (Trice and Beyer 1993). It is clear, however, that institutions are not static, but instead change over time (Greenwood and Hinings, 1996). This fact has created an implicit paradox for institutional theory: the social actors who are conditioned by institutions to maintain stability are also the ones responsible for changing institutions. As Holm (1995: 398) succinctly wrote: “How can actors change institutions if their actions, intentions, and rationality are all conditioned by the very institution they wish to change?” One possible explanation is that the incompatibility of institutions drives change toward a new institutional equilibrium (Seo and Creed, 2002). Seo and Creed’s explanation suggests that institutional incompatibility drives praxis, and praxis drives institutional change.¹ This is helpful, but it does not identify the specific mechanisms by which praxis drives change. This study fills this gap by delineating two of these specific mechanisms. Thus, the question addressed in this research is: What are specific mechanisms linking praxis to institutional change?

¹ Marx began to develop the current meaning of praxis as awareness based on experiential participation in his Theses on Feuerbach. Later, Marxist theorist Antonia Labriola surmised Marxist critical theory as the philosophy of praxis, suggesting that praxis could challenge absolute truth through collective experience.

These mechanisms will be developed by integrating Seo and Creed's model (2002) with qualitative data from intensive field work among rural Chinese organizations and secondary data regarding China's transition toward a market economy. China's transition provides a theoretically interesting backdrop from which to consider institutional change; since 1978, China has moved from a command economy toward a market economy, from the rule of Mao Zedong toward the rule of law, and from primarily state-owned enterprise (SOE) ownership to primarily private ownership. This was accomplished through incremental changes in institutions as the tension of the past conflicted with visions of the future, driving praxis to create an uncomfortable but manageable institutional metamorphosis.

The following section provides the background necessary to establish context of the research question. Next, the research methods explain how data drawn from varied sources related to China's institutional transition over the past three decades were collected and analyzed. Then, an expansion of Seo and Creed's (2002) original model posits two specific mechanisms that emerged from the data linking praxis to institutional change—diminished utility of administrative controls and negotiated boundaries of institutional space—with theoretically-grounded, contextual descriptions of each of these two processes. Finally, the study discusses theoretical implications, limitations, and conclusions.

Context and Theoretical Background

China's emergence from a centrally-planned economy from 1949 to 1978 toward a market economy since 1978 provides a rich tapestry for considering institutional change. This transitional economic climate has tended to take on features of rational markets as well as non-rational features of a dual-track economy that was part-socialist and part-market economy in the early stages of reform (Naughton 1994; 1999). These non-rational features, as they became routinized as established *modi operandi*, developed institutional features in which regularized organizational practices possessed meaning beyond technical efficiency requirements (Selznick 1949). Such features included proto-market organizational forms such as joint but ambiguous ownership between local-level governments and rural residents (Oi 1992; 1999) and "red hat" ownership in which private enterprises registered as state-private collective ownership organizations, plausibly to gain legitimacy, as preliminary reform efforts. In the months following the 1989 Tiananmen student pro-democracy confrontation, for example, there was a sixteen-fold increase in the number of privately-owned businesses in Sichuan Province registering as township and village enterprises, a collective form of ownership, (Guo, Lu, & Song 1993).

The changing economic institutional base was a slow transition. By 1986, eight years into the economic reform era, Tsou (1986: 241) noted that China had not yet developed "a set of arrangements in which the formal institutions are firmly established and in which informal relationships are supplements to the formal institutions." By 1999, Naughton noted that China's transformation represented a case of deinstitutionalization (Oliver, 1992) in which institutions of the past have deconstructed and new "institutions often appear insufficiently strong to cope with the social forces unleashed" (1999: 43). The combination of these factors and others has resulted in varying degrees of organizational inefficiency, nonadaptability, interinstitutional incompatibilities, and misaligned interests (Seo and Creed 2002). The current status of institutional and neoinstitutional theory posits detailed explanations of how institutions constrain organizational actions (i.e. Meyer and Rowan 1977), how organizations converge toward similar

structural characteristics (Dimaggio and Powell 1983), and mechanisms of organizational resistance to institutional arrangements (Argyris 1993), but less so regarding specific mechanisms linking praxis to institutional change.

Building on Benson's (1977) dialectical view of organizational change, Seo and Creed's (2002) dialectical view of institutional change partially fills this gap. Consistent with Geertz's interpretation that institutions are "webs of significance" (1973: 5) developed by the very institutional inhabitants that created them, Seo and Creed's basic framework, shown in Figure 1, suggests that institutions are socially constructed (Berger and Luckman 1967) as patterned social action creates institutional structures. These institutional structures are interconnected but loosely coupled. Loose coupling allows the development of multilevel institutions that, over time, become mutually incompatible, giving rise to contradictory institutional arrangements (Weick, 1976). These contradictions create conflicts and tensions that result in changing social consciousness among social actors embedded in the contradictory institutional environment. In response, praxis, "the free and creative reconstruction of social patterns on the basis of a reasoned analysis of both the limits and the potentials of present social forms" (Seo and Creed, 2002: 225), becomes the driving force that fundamentally reshapes existing institutions.

Insert Figure 1 about here

This framework suggests a partial solution to the paradox suggested by Holm (1995)—how actors within institutions change the institutions that shape the actors—by illustrating that incompatible institutional structures can be antecedent to institutional transition. But at the same time, conditioning patterned behavior among institutional inhabitants (such as organizations within a given institutional environment) provides the impetus for institutional change initiated by those same institutional inhabitants. The main point here is that, at its most basic level, institutional change is driven, at least in part, by the *incompatibility* of multiple institutions. From institutional incompatibilities arise praxis and from praxis arises institutional change. This helps clarify a portion of institutional theory's paradox, but leaves another question in its wake: what are the specific mechanisms linking praxis to institutional change?

As Seo and Creed note, their work "implies an important link between praxis and institutional change but does not specify the concrete processes and mechanisms" (2002: 243) intrinsic to this relationship. The mechanisms outlined in this section suggest two of the mechanisms that may be responsible for the link between praxis and institutional change. Thus, an expanded model of institutional change is developed which incorporates both endogenous and exogenous mechanisms (Kraatz and Zajac, 1996). A strictly exogenous perspective implies that institutions leave little room for the effects exerted by embedded institutional inhabitants (e.g., Clemens and Cook, 1999). Further, exogenous perspectives tend to view institutions as the outermost framework, but as Giddens's (1984) notes, factors exogenous to institutions themselves also exert institutional change. On the other hand, a strictly endogenous perspective such as agency theory (e.g., Ross, 1973) minimizes the power of established institutions over social behavior and implies that individual agency has the capacity to overcome fundamental institutional boundaries, but a fully developed model would show that both endogenous (within institutional boundaries) and exogenous factors (beyond the boundaries of existing institutions) shape the way institutions develop.

Incorporation of exogenous as well as endogenous mechanisms clarifies that institutions condition but do not control the disparate actions inherent in institutional change. By minimizing neither the role of institutions nor the role of individual agency, this present research follows Giddens's (1984) reasoning that both perspectives provide a more realistic approach than either perspective alone. Seo and Creed suggest that their work helps solve this agency-embeddedness dilemma, or the problem of "the partially autonomous actor situated in a contradictory social world" (2002: 230) and they recognize "revolutionary disruption from outside" (2002: 234), but their description of these consist of (1) built-in inefficiencies within existing institutional frameworks that result in crises and subsequent change and (2) institutional incompatibilities. However, neither of these actually constitutes an exogenous event. Both are inherent in existing institutional structures and neither provides an explanation of events external to the institutions in question. Thus, while their work helps clarify that both agents and institutions are elements in institutional change, their work ignores extra-institutional factors. Despite these limitations, however, Seo and Creed's (2002) work provides a starting point for the enlarged model presented subsequently.

The next section details the methodology from which emerged two specific links between praxis and institutional change—diminished utility of administrative controls and negotiated boundaries of institutional space.

Methods

This research used the grounded theory methodology described by Strauss and Corbin (1990). This method first categorizes similar events using conceptual labels. Next, related conceptual labels are grouped by categories, which are more abstract but remain grounded in the original data. Constant comparison seeks relationships between categories; these emergent categories are then identified and compared to established literature. These steps are iterative; a second step does not signify the end of a former step. Strauss and Corbin (1990) suggest that grounded theory research should "...not begin with a theory, then prove it. Rather, one begins with an area of study and what is relevant to that area is allowed to emerge" (1990: 23). Yet, in contrast to the original description of grounded theory by Glaser and Strauss (1967), grounded theory is not blind to extant theory. To the contrary, the current research follows Raffanti (2005) in using established theoretical perspectives to inform ongoing data collection while also maintaining close correspondence between emerging data, conceptual labels, abstraction to categories, and relationships among categories.

A variety of secondary data providing insight into China's institutional transition from publicly available sources were recorded, analyzed, and abstracted following the grounded theory methodology previously described. These data were from multiple sources including traditional academic research as well as official Chinese government agencies such as the *National Bureau of Statistics of the People's Republic of China* and the *Ministry of Labour and Social Security*, popular media reports such as *The People's Daily* (the official voice of the Chinese Communist Party), public policy agencies such as the *Brookings Institute* and the *World Bank Group*, and English-translated legal documents such as those available from the *International Legal Resource Center*, together with the addition of historical events. This range of sources contributed to further triangulation of primary data.

Coding was accomplished by first separating separated data into broad categories then condensed to more parsimonious categories as overlaps appeared. As theoretical saturation was reached—the point at which additional data collection yielded only marginal gain (Barnard, 2002)—categories were abstracted to higher levels of conceptualization while still remaining tightly linked to the data. The end result is two categorizations giving evidence for the mechanisms at play in Seo and Creed’s (2002) original model. These specific mechanisms are described in the following section.

Mechanisms Linking Praxis to Institutional Change

Seo and Creed’s (2002) basic model was presented in Figure 1. Their model of institutional contradictions and the emergence of potential change agents are illustrated in Figure 2. As shown in Figure 2, their model predicts that institutional contradictions initiate praxis, and praxis mediates between institutional contradictions and institutional change with subsequent institutionalization of these changes. Because the goal of the present research is to specify and describe mechanisms linking praxis to institutional change, the next section focuses attention on the praxis-institutional change relationship while giving less attention to the development of the institutional contradictions that are antecedent to praxis as Seo and Creed (2002) have previously established these antecedents.

Insert Figure 2 about here

From Praxis to Institutional Change

Seo and Creed (2002) propose that four factors—potential change agents, a reflective shift in consciousness, actor mobilization, and collective action—compose the mediating construct of praxis. Inefficiency, nonadaptability, interinstitutional incompatibilities, and misaligned interests inherent in existing institutions create institutional contradictions that set the stage for institutional change, but only when the mediating effect of praxis has developed sufficient strength to modify existing institutional logics. Embedded institutional inhabitants become potential change agents when institutional contradictions create tensions in the social make-up of the institutional environment. Perceiving these tensions, inhabitants are collectively transformed from passive recipients of institutional direction to active social actors with motivation to mitigate tensions through resolution of institutional contradictions.

This requires a reflective shift in consciousness. That is, institutional crises bring multiple, multi-level incompatibilities to the forefront mobilizing previously acquiescent institutional inhabitants into change agents. The collective action of change agents leads to a shift in institutional structures as agents resolve institutional crises resulting from these institutional incompatibilities. This amalgam of potential change agents, a reflective shift in consciousness, actor mobilization, and collective action all gel together to recreate patterned social actions.

It is important to note here a point where the current research differs from Benson’s (1977) and Seo and Creed’s (2002) conceptualization of praxis. Praxis to these researchers implies bounded rationality on the part of institutional change agents. However, change agents tend to be rational only to the extent that protecting one’s power, livelihood and survival is rational. Certainly these contain rational elements, but it is the implicit assumption of *conscious*

reflection to which I object. Collective action occurs, not as the result of rational, conscious examination of possible alternatives, but instead when similar challenges to power, livelihood and survival are imposed on social groups compelling them to action. Social action under these conditions is typically not the result of conscious deliberation, but the “gut” responses of resistance to challenge. Despite this caveat, the data presented in subsequent sections corroborate a relationship between praxis and institutional change while recognizing that both deliberate and non-deliberate actions are in play.

The linking mechanisms that follow provide confirmation of a portion of Seo and Creed’s theoretical propositions pertaining to the relationship between praxis and institutional change, but by considering truly exogenous factors, it provides a more comprehensive description of this change process. The next section describes two mechanisms—diminished utility of administrative controls and negotiated boundaries of institutional space—that link praxis to institutional change as illustrated in Figure 3. Table 1 gives a brief definition and includes the value and possible risks for each of these mechanisms.

Insert Figure 3 about here

Insert Table 1 about here

The following two sections—diminished utility of administrative controls and negotiated boundaries of institutional space—are drawn from the data and presented in narrative form. A general description of the each mechanism is provided followed by exemplars from the data to properly position the data in its social and historical context.

Diminished Utility of Administrative Controls

Diminished utility of administrative controls is a condition in which institutions lack sufficient strength to guide collective action. This can be beneficial by allowing the reality of actor mobilization, through collective action, to dictate the need for institutional guidance, ultimately resulting in more effective institutions. In other words, actor mobilization and collective action apart from institutional guidance results in renewed but ultimately more effective institutions, thus ultimately changing the existing institutional framework. A risk is that disorder can lead to revival of former institutions as previous power centers attempt to regain control.

As China moved farther away from the strong institutional structure of the pre-reform economy with its ideological proclivity for communal ownership, a centrally planned economy, and centralized political power, government leaders used a variety of administrative controls to compensate for the deconstruction of these former institutions. A danger in institutional deconstruction is that the lack of a guiding framework can result in, among other things, social disorder. If this occurs, one reaction is to beckon to the past, reviving old institutions to gain control. For example, Deng Xiaoping’s response to the June 4, 1989 student pro-democracy incident at Tiananmen Square in Beijing hearkened back to institutions that dealt with dissention swiftly and decisively. Chinese Communist Party (CCP) leaders viewed this incident as a direct challenge to its authority. The actor mobilization and collective action of students and others who joined in the demonstration pitted these actors as direct challengers to the status quo.

Yet, when the CCP ordered the People's Liberation Army to quell the disturbance, it was as if the ghosts of the past were resurrected, reminiscent of former CCP leader Mao Zedong's notion that political power comes from the barrel of a gun, invoking memories of earlier institutions that were stable and powerful but much less tolerant of dissent. The CCP's administrative controls over the populace had weakened during the first decade of the reform era, but in this instance, actor mobilization and collective action served more to resurrect past institutions than to change toward new institutions. This, however, was only in the short term. Within three years, Deng Xiaoping made his famous Southern Tour in which he emphasized that the CCP encouraged business investment and market competition (Xiao 2002). Deng's tour, of course, helped bring about a major change in economic institutions, ultimately prompting bankruptcies among some inefficient SOEs, an influx of foreign direct investment, a functioning domestic stock market, and renewed interest in domestic investment, all leading to increased economic marketization.

The discipline created by developing market institutions provided some sense of direction, but not to the extent that would be seen in a fully developed market. Consider the increased supply of low cost "peasant" labor (holding to traditional verbiage) as rural residents migrated to the cities, often illegally due to the difficulty of obtaining an urban residence permit or *hukou* (National People's Congress, 1985). In discussing this migration, Solinger notes:

A widespread and increasing decline and, in some cases, total absence of the function of control once mightily provided by the socialist regime, along with new and increasingly powerful competitive pressures from the market, led, with time, to the reduction in the provisioning for and security of workers, even in firms once dominated by statist regimens...all the more potent when merged with a very abrupt shift from a state-dominated economy to a proto-market one. These were competition, deregulation, and—given China's yet feeble legal structure—lawlessness (1999: 196-197).

Indeed, the transition in economic institutions coincided with an increasing number of worker strikes even after the right to strike was removed from China's Constitution in 1982. And even though the 1994 Labor Law—the most sweeping labor reform during the CCP's administration from 1949 to the present—was designed to protect workers, management abuses toward peasant labor are still commonplace. It is important to note, however, that although these regulations moved China ideologically away from state allocated labor and toward a labor market, adherence to the regulations was often a different matter. For example, concerning the most comprehensive regulation embodied in the 1994 Labor Law, the reality was that "the 1994 Labor Law and its promises of protection and inclusion are almost always honored only in the breach" (Solinger, 1999: 185). Whyte (1999: 180), writing about the particular disregard for the 1994 Labor Law among many township and village enterprises (TVEs) states: "Available evidence, however, indicates that in TVEs the provisions of the law are widely ignored." A recent Western media source reports on conditions for migrants at one Shenzhen factory:

Workers at Shenzhen's Zhufeng Electronics Factory—some of them in their early teens—endure 90-hour weeks, more than twice the legal limit, making telephones for export to South Korea. They live in a company dorm: a 10-square-meter room sleeps nine people in eight beds. The sole decoration is a tiny wall calendar suspended by telephone wiring. When a group launched a strike last month, says a worker from Hubei, "The boss

said, 'If you're not going to work, then get out of here.' We said we'd leave as soon as we got our back pay, and he replied: 'And if I don't pay you, what are you going to do about it?'" Forging ahead with the strike, they were denied meals, were rebuffed by the local labor bureau, and eventually evicted from the dormitory. The worker from Hubei holds a sweat-stained copy of China's [1994] Labor Law between her hands as she speaks. "We haven't got our money. Now we have nothing to eat, nowhere to live." (Geogh, 2002: np)

Despite such dire examples, the crux of viewing diminished utility of administrative control in a positive light lies in the nature of institutions themselves. Institutional theorists suggest that the role of institutions is to "provide stability and meaning to social behavior" (Scott, 2003: 33). Yet when institutions are emerging, collective action often comes before the creation of institutions needed to guide such action. For instance, TVEs, a communal form of organizational ownership, emerged from the People's Agricultural Communes prior to administrative dissolution of communes. Actor mobilization and collective action initiated these events, apart and even in violation of existing regulatory institutions. As mentioned, many members of the peasant migrant population moved to the cities prior to their legally sanctioned ability to do so, contributing to the development of a supply and demand labor market, which was clearly contrary to the dominant socialist ideology. The emergence of the semi-underground economy for labor allowed construction bosses and state-owned enterprise (SOE) managers to hire migrants lacking the proper *hukou*, reducing labor costs but also providing employment to this group. The upside is that this contributed to establishing a supply and demand labor market (Nee and Cao, 2005) even while new institutional spaces were negotiated as old institutions transitioned to more workable solutions (Meyer and Lu, 2005). The point is that collective action *outside* the bounds of established economic institutions—state allocated production, full employment, control of population movement—is what helped usher in economic institutional change. As China moved cautiously in its reform efforts, collective action dictated the institutions necessary to guide further collective action.

Consider, for instance, that joint shareholding cooperatives (JSCs), an organizational form characterized by public and private ownership, are now formalized organizational forms, but they did not emerge until TVEs unofficially set the stage for collective ownership outside the bounds of then-existing regulatory institutions. Here, we again see that actor mobilization and collective action sidestepped existing administrative controls, leading to economic institutional change. Administrative controls, instead of guiding behavior, took a backseat to actor mobilization and collective action. The advantage is that these actions ultimately created more effective institutions by allowing the reality of collective action to dictate the need for institutional guidance. The state, in 1978, probably did not set out to deliberately develop a market economy, at least not the widespread capitalism under which China now operates. Rather, small steps were taken by those in authority—feeling for stones while crossing the river as Deng often remarked—while those outside the bounds of authority took bigger steps. It was collective action as much as administrative fiat that ushered in market reforms. Administrative controls were typically developed only after patterns of collective action dictated the controls necessary to guide such action. In this sense, the state, as a primary progenitor of formal institutions, only retrospectively gave clearance to successful patterns of collective action, establishing *post hoc* regulatory institutions to deal with pre-emptive actor mobilization and collective action. The diminished utility of preexisting administrative controls provided the impetus for actor

mobilization and collective action to dictate how institutions needed to change to cope with the emerging reality of a marketized economy.

Negotiated Boundaries of Institutional Space

Negotiated boundaries of institutional space, consistent with a dialectic interpretation, blurs the borders between “what is” and “what should be,” providing the context for negotiation among competing interests. Successful negotiation reduces the ambiguity of indefinite boundaries and creates new institutions acceptable to a wider stakeholder audience. On the other hand, ambiguity concerning outcomes creates the risk that institutional boundaries may remain in flux for prolonged periods. Broom and Selznick’s (1955:238) definition is instructive; institutions are “the emergence of orderly, stable, socially integrating patterns out of unstable, loosely organized, or narrowly technical activities.” This is hauntingly similar to a document produced by the Beijing West District Government in 1996 regarding Beijing’s rural-to-urban migrant population:

The fundamental goal of making regulatory rules is not to clean up, drive away, or disperse migrant workers as before, but to *guide, control, and regulate them* under the new condition of a socialist market economy—that is, *to transform a disorderly kind of floating population into an orderly kind of floating* (emphasis added).

A key point here is that the state, through its regulatory function, strove to create new rules of the game to bring about social order from a “disorderly kind...into an orderly kind.” Here, a previously marginalized group, rural migrants (or the “floating population”), became potential change agents inspired by a reflective shift in consciousness as they viewed cities as potential destinations for improved standards of living. The result was negotiated boundaries of institutional space as the state eventually largely acquiesced to the flood of migrants who poured into the cities.

A cryptic collection of characteristics—the sense that things are not as they should be, that current structures do not provide adequate guidance or support, and that a disorderly kind of “floating” is the rule rather than the exception—illustrates the indeterminate nature of negotiated institutional boundaries. There also seems to be a desire to find a more stable structure; while ambiguity can be useful, it is also uncomfortable. Negotiation between competing groups can ultimately result in changed institutions—in the Beijing West District, the result was assimilation of potential change agents through changing regulatory institutions. Situations such as these can bring disorientation, but this disorientation can be the impetus propelling individuals, organizations, and society as potential change agents acting on a reflective shift in consciousness, to seek “orderly, stable, socially integrating patterns out of unstable, loosely organized” ones (Broom and Selznick, 1955: 238).

Ambiguity may be fused with a collective desire for the order and stability associated with stronger institutions. Yet, reminiscence and yearning for the stability of the past, even when the past was less than desirable, can arise from prolonged ambiguity and disorientation, but such ambiguity and disorientation can serve a vital function. It is when boundaries of institutional space are ambiguous and disorienting that new institutional space can be constituted. This ill-defined space with its vague, indistinct borders allows room for negotiation regarding what is and what should be. These blurred borders question, as has been questioned for centuries, where

institutions of the state end and where collective society begins. Dewey (1927: 4) succinctly expressed the tension inherent in this question:

According to one tradition, which claims to derive from Aristotle, the state is associated and harmonized to its highest potency; the state is at once the keystone of the social arch and is the arch in its wholeness. According to another view, it [the state] is just one of many institutions, having a narrow but important function, that of arbiter in the conflict of other social units.

China's institutional transition in the context of negotiated institutional space includes room for two points of view similar to Dewey's (1927) observation: on one hand corporatism, and on the other, civil society. The answer to whether China is a corporate state, a comprehensive vertical integration of bureaucratically centralized, noncompetitive channels of state power (e.g., Schmitter, 1974), or a civil society, Hegel's (1956 trans.) description of a society with autonomy apart from the state, defenses against abuses of state power, and the joining together of a collective deviation from state proscribed action (e.g., Cohen and Arato, 1994; Keane, 1998; Neuhouser, 2003), probably lies somewhere in the middle, a both-and rather than an either-or condition.

Certain corporatist elements, for example, are seen in the rural development of Chinese industry, especially in the TVE sector. This is consistent with Oi's (1999) local state corporatism, where corporate state power was acted out on local levels as local level government officials assume managerial positions in rural industry during the 1980s and still on a limited basis today. Bernstein (1999: 202-203) suggests that some towns and villages, particularly in the eastern coastal provinces, became wealthy through TVEs that employed a form of authoritarian corporatism. Authoritarian corporatism, similar to local state corporatism, utilized communally owned enterprises that provided (ideally) shared profits through wages, social benefits via redistribution of the residual and capital funding for infrastructure. Authoritarian corporatism in some wealthy villages relegated villagers to second-tier status in which all is well as long as the villagers "knew their place." As TVE employees in authoritarian corporatism, villagers were nearly paralyzed from asserting their rights, interests, and concerns as a result of the power differential between town and village officials and villagers. This argument is sound until one considers the haziness of the boundaries regarding available enterprise ownership forms and increased population mobility. Bernstein suggests that in a subset of wealthy villages, authoritarian corporatism provides "as little room for input from the masses as there was under Mao" (1999: 202). This makes sense from an agency, or a rational incentive, perspective in which the most profitable course of action for villagers is likely to be to remain an employee of the TVE. On the other hand, economic institutional changes have opened up new institutional spaces in which, although not always economically rational, nevertheless provide a way of survival outside the bounds of established institutions, for instance, by migration to cities. As the bias against private enterprise gradually disappeared, while the walls separating rural from urban residents are slowly fell, and as employment shifted from state allocation toward supply and demand, new institutional space has been created and currently is being created. Within this new space, it is not so important that the choices made by change agents are economically rational; what is important is that these agents now have a choice.

Within this institutional space of choice, institutional boundaries are negotiable. Compliance with authoritarian corporatism or other institutions is subject to recreated boundaries as emerging economic institutions provide the option of disregarding former rules. Consider how non-government organizations (NGOs) such as relief agencies, research foundations, and human rights advocacy groups often associated with the rise of civil society (e.g., Tismaneanu, 2001) have grown in China since the days of Mao Zedong Thought. Rather than the autonomy characteristic of most NGOs, the operations of NGOs in China are to varying degrees under state control (Ma, 2000a), suggesting a need to redefine NGOs to coincide with the unique features these organizations possess in China compared to other parts of the world (Ma, 2002b). Here, the institutional boundaries of civil society collide with those of authoritarian corporatism to create negotiated boundaries of institutional space, a new paradigm wherein the diminished utility of administrative control opens channels of actor-driven change outside traditional institutional boundaries.

Thus, the overall picture in China has elements of both state corporatism and civil society. These blurred boundaries are negotiable. Successful negotiation will find new institutions that reduce the haziness of the current indefinite boundaries and ones that are more beneficial to all negotiators: rural residents, the floating population, managers, owners, NGOs, the party-state, and society as a whole. The risk inherent in negotiable institutional boundaries is that the uncertainty arising from prolonged ambiguity might, as with diminished utility of administrative controls, call on former, less effective institutional rules as a default option. Even in light of this risk, it seems likely that the interplay among potential change agents, reflective shifts in consciousness, actor mobilization, and collective action will bring about negotiated institutional boundaries, creating new rules of the game and filling the void of institutional space as old institutions dissolve and new institutions emerge.

Theoretical Implications

From institutional change can arise disorientation, ambiguity, and lack of order compared to more developed institutions, but there are also certain advantages. Institutions that eventually develop as a result of diminished utility of administrative controls and negotiated boundaries of institutional space allow institutional development that may be more in line with the realities of collective action. This bottom-up approach of institutional change is in sharp contrast to the top-down approach of the Mao Zedong era. Yet diminished utility of administrative controls and negotiated boundaries of institutional space may provide more congruence between the norms that are needed and the norms that exist. Liu's conclusion from his ethnography of villagers in Zhoujiche in Shaanxi Province expresses this well:

A sense of communality, an 'order of things,' or a hierarchy of meanings—that is, a moral economy or a common ground for reason and action—did not exist. In other words, there was no consistent 'moral' order to guide and determine social action or cultural meaning; instead, the '*order of things*' rather than 'things' already in order became the subject of debate. Thus arguments about the rules of the game have become the game itself, as the players constantly challenged and contested *how* this game should be played. (Liu, 2000: 182)

The illustrations of institutional change used in this research are specific to China, but the implications are not. Institutional change applies to varying degrees in different nations and under different social, political, and economic conditions as well as within varying organizational environments. For instance, the conceptualizations of diminished utility of administrative controls and negotiated boundaries of institutional space might help us reinterpret institutional change from the state, industry, and organizational levels of analysis, particularly when praxis is the order of the day. The next few paragraphs explain how these concepts might be applied at various levels of analysis.

From a very macro level of analysis of institutional change outside of China, for example, we can visit Cambodia's large scale institutional dissolution and reformation twice since 1979. The Cambodian People's Party, with its less extreme but still politically repressive stance, replaced the radical communist Khmer Rouge in 1979, a regime that had displaced many social norms from the previous Buddhist monarchy. Then in 1993, the United Nations Transnational Authority organized democratic elections with twenty different political parties contesting for the citizenry's vote, resulting in shared power between the communist Cambodian People's Party and a newly elected royalist party and formation of the Royal Government of Cambodia. During this time, Cambodia had undergone incremental institutional reform with multi-party elections replacing single party elections, a stagnant third-world economy moving toward efforts at economic development, and most importantly, from a society accustomed to war to one embracing peace. The result is emerging institutions governing NGOs, freedom of speech including liberalized control over media reporting, trade unions, limited but increasing democracy, and advances in human rights (Downie and Kingsbury, 2001). Along with these largely political institutional changes came social alteration—weaker village and community attachment, increasing self-assertion contrasted with the previous norm of deference to authority, and increased domestic violence resulting from the weakened role of community and its leaders (Curtis, 1998).

Think of how we might interpret these changes from the perspective of negotiated boundaries of institutional space. Institutions were disrupted when the Khmer Rouge came to power, displacing the traditional Buddhist monarchy and authority of the god-king Cambodian leader, Norodom Sihanouk. While remnants of the past remained, the ideology of benevolent authority splintered with the suppressive, totalitarian rule under the Khmer Rouge, then again in 1993 with the beginning of the rule of law and democracy. Negotiated boundaries of institutional space developed as increasing self-assertion redefined the borders between individual autonomy and deference to authority, weakening community ties and the role of local leadership. As social change agents mobilized by reflective changes in consciousness, actors from the bottom up were able to renegotiate traditional bounds of authority.

An example from Bulgaria illustrates how the diminished utility of administrative controls may help explain the phenomenon of increasing entrepreneurialism. A centrally planned economy in Bulgaria from 1944 to 1989 prohibited most private enterprise, but with the fall of the Berlin Wall in 1989, sweeping reforms have taken shape in Bulgaria as in other Eastern European countries (e.g., Dobrinski, 2000). The Bulgarian Communist Party collapsed in 1991; there have been seven changes in government since then. This has occurred in an environment of rapid economic development along with unprecedented challenges for newly developing private businesses. Manolova and Yan, in a case study of Bulgarian entrepreneurs, quote one of their informants as saying: "The biggest success of the company is that it is still alive" (2002: 169). Statements like this are certainly common among many new business owners even in developed

nations; what makes this statement especially meaningful is that it was spoken by an entrepreneur who has operated throughout multiple changes in government, consistently underdeveloped markets, thirty-three changes in the Law on Business Profits, and three years of hyperinflation from 1994 – 1997. Despite this turbulent environment, the private sector doubled its contribution to Bulgarian GDP from 1990 to 2000, rising from 7.2 percent to 14.6 percent during the decade (World Bank, 2002).

Manolova and Yan (2002) interpret Bulgarian entrepreneurial growth and responses in light of regulatory institutional constraints such as the thirty-three tax law changes, rapidly changing and ambiguous business license policies, and the former general hostility of government toward private enterprise. But if we reinterpret these events from the perspective of diminished utility of administrative controls, a different picture is portrayed. Perhaps the numerous changes in regulatory institutions are an effort to catch up with the rapidly growing private sector; governmental hostility may be partly a result of frustration in its ability to monitor and control these new businesses. In this sense, it is the diminished utility of administrative controls that constrains regulatory institutional development rather than regulatory institutions constraining private enterprise. There may certainly be a mixture of both, and probably some reciprocal change among regulatory institutions and entrepreneurial activity, but perceiving these changes from this vantage point may provide another dimension to the interpretation of phenomena such as the recent Bulgarian experience.

From the industry level of analysis, one may consider Farjoun's (2002) institutional analysis of the on-line database industry. He suggests a dialectic perspective as institutions go through life cycles where convergent and divergent institutional forces contest one another. Convergent forces dominate during institutional development and persist until divergent forces overpower existing forces, leading to either development of new industry institutions or destruction of existing ones. Farjoun suggests that this process can be understood as cycles of contest, contradiction, opposition, and path-dependent development. Particularly in relation to negotiated boundaries of institutional space, one might view contestation of existing industry institutions as a struggle over normative action, the outcome of which determines new, dominant industry forces. From another perspective, the contradiction phase suggests that accepted industry controls and associated compliance incentives are devalued by individual organizations within the industry, possibly leading to diminished utility of administrative controls.

At the organizational level, Van de Ven and Poole (1995) discuss dialectic processes of organizational change where stability and change are explained in relation to the balance of power among competing forces. In this context, negotiated boundaries of institutional space may be helpful in understanding the aftermath of power struggles as organizations develop new modes of functioning or undergo changes in organizational structure. Remnants of former practices may combine with new ways of doing things, from which can emerge new institutions. Another organization level corollary to the present study might be seen in how disruptions resulting from mergers, joint ventures or changes in leadership converge toward negotiated boundaries of institutional space.

It will be interesting to see how future research is applied at various levels of analysis, in different settings, under different conditions, and with possibly different results. Future research will show whether the mechanisms derived in this study hold in different contexts. For now, these mechanisms should be viewed as the descriptive starting point for further case study as well as empirical testing and refinement.

Limitations and Conclusions

In discussing the problem of method in developing theory, Dewey (1927: 194-195) noted:

...theories have shared in the absolutistic character of philosophy generally. By this is meant something much more than philosophies of the Absolute. Even professedly empirical philosophies have assumed a certain finality and foreverness in their theories which may be expressed by saying that they have been non-historical in character. They have isolated their subject-matter from its connections, and any isolated subject matter becomes unqualified in the degree of its disconnection.

The institutional mechanisms linking praxis to institutional change processes previously described are set in the context of China's three-decades of institutional change. This presents a limitation to this research; as contexts change, so might the applicability of these mechanisms. The similarities and differences between the context used in this research and the specific context to which these mechanisms might be applied must be well understood if one is to avoid erroneous conclusions. No claim is made to "finality and foreverness" of the characteristics developed, and generalization without consideration of a specific context will ultimately fail. It is certainly possible that if one were to consider a different context from those used in this research, a different set of mechanisms might emerge. Indeed, it would be quite surprising if future research did not refine or redefine these mechanisms. With this in mind, this study is best viewed as a humble initial attempt to develop mechanisms linking praxis with institutional change within one specific macrohistorical context rather than as the final word on the topic. Nevertheless, this study sheds light on two specific mechanisms Seo and Creed sought when they stated that their dialectical model "implies an important link between praxis and institutional change but does not specify the concrete processes and mechanisms" (2002: 243).

The Enlightenment writer, Rousseau, was asked by the government of Poland in the 1700's for some practical steps to accomplish institutional change. Rousseau suggested that Poland move slowly and deliberately, keeping parts of the old ways while developing the new (Plamenatz, 1963: 377-378). Administrative controls tend to diminish slowly; negotiations for institutional space can be prolonged battles among those with and those without formal authority. Maybe this is an advantage. China's reform is a phenomenal event, but not an overnight transformation; institutions have incrementally developed over a three decade period in a country that is home to one-fifth of the world's population without civil war, without an overthrow of government, and without totalitarian direction and authority. By suggesting mechanisms linking praxis to institutional change—diminished utility of administrative controls and negotiated boundaries of institutional space—perhaps we may better understand how institutional anarchy is prevented and institutional change is facilitated.

Figure 1. Adaptation of Seo and Creed's (2002: 225) Basic Model of Institutional Change from a Dialectical Perspective

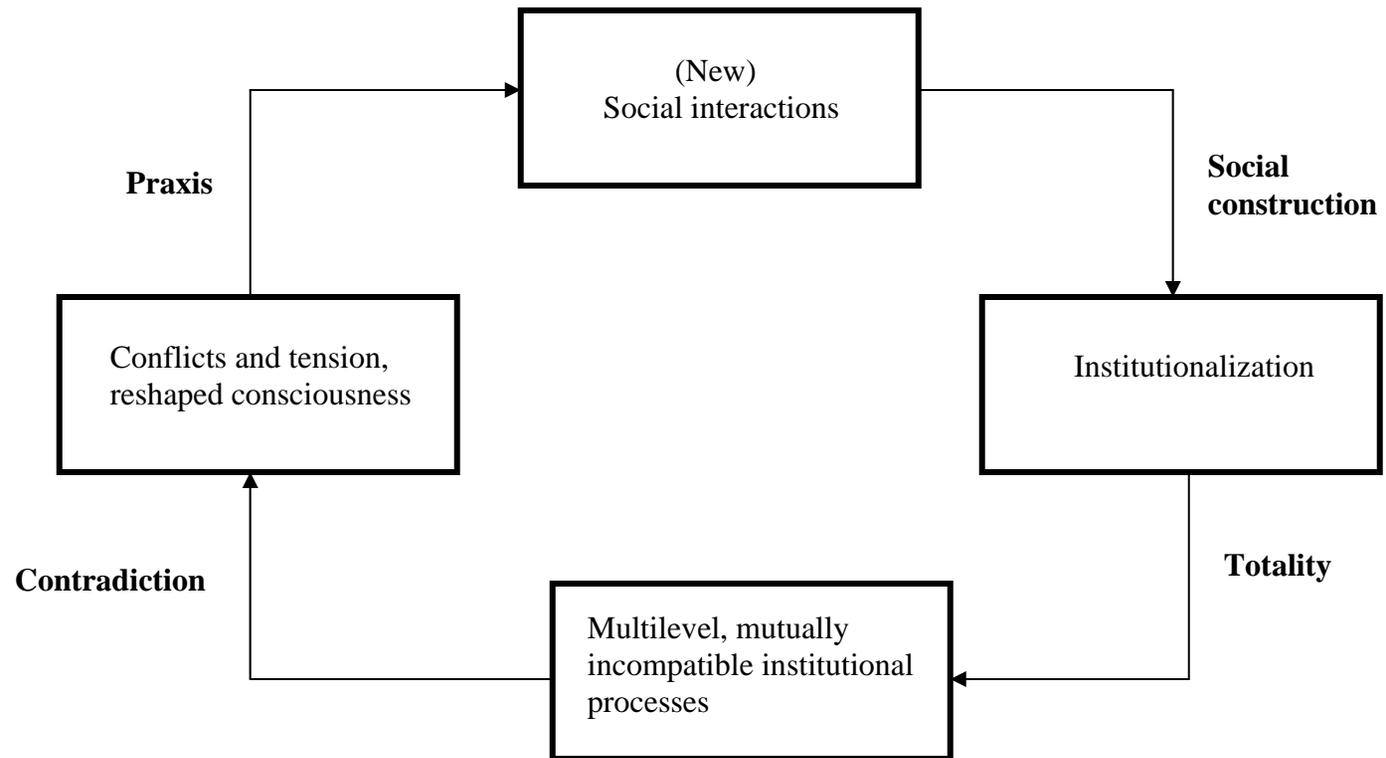


Figure 2. Adaptation of Seo and Creed's (2002: 232) Model of Institutional Contradictions and the Emergence of Potential Change Agents

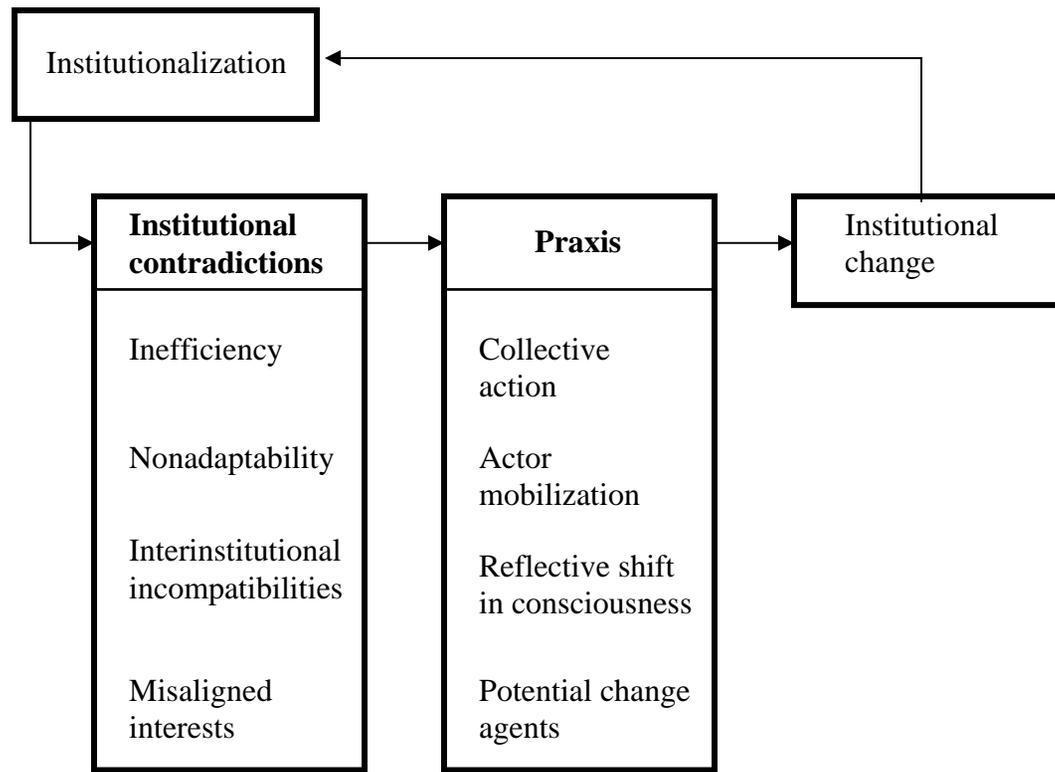


Figure 3. A Model of Praxis and Institutional Change

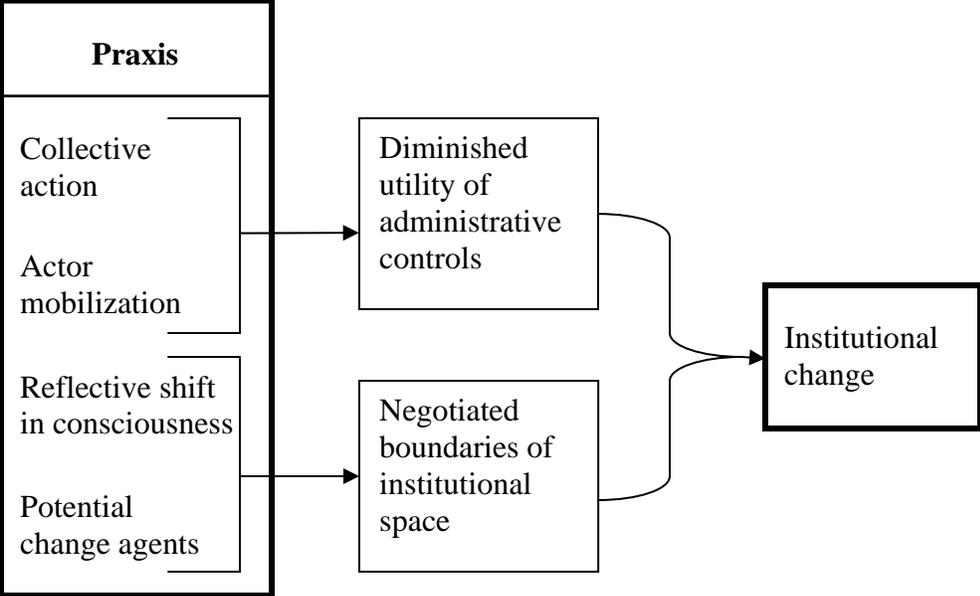


Table 1. Mechanisms Linking Praxis to Institutional Change

Characteristic	Description	Value	Risk
Diminished utility of administrative controls	Incremental institutions lack sufficient strength to guide social action	By allowing the reality of social action to dictate the need for institutional guidance, more effective institutions are developed	Social disorder can lead to revival of former institutions to gain control
Negotiated boundaries	Blurred borders between “what is” and “what should be” provide the context for negotiation	Successful negotiation can create new institutions acceptable to all parties, reducing the ambiguity of blurred boundaries	Institutional boundaries may remain in flux for prolonged periods

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