Preface and Acknowledgments

This book is an organization theoretician's investigation of China's transformation as a case of institutional change, strategic leadership, and organizational decoupling. For the past 50 years, Western observers have produced voluminous work on China's colossal effort to reform its economy and renew the system. However, most work on China's reform has come from the disciplines of economics, political science, sociology, anthropology, and communications, while few have looked at the reform from an organizational and management perspective. Studies from the organizations and management discipline almost never focus on China as the topic. In microlevel organizational behavior research, the Chinese context is largely irrelevant or is factored in as a unique cultural dimension featuring traditional Chinese values, while in macrolevel strategy and organization research, the Chinese context is often categorized as a case of developing or non-Western countries and tapped into for its institutional deficiencies relative to developed or Western countries. This book is unique in that it directly tackles the China experience as economists and political scientists do; however, my purpose in studying the macrolevel structural transformation of the entire country is to generate knowledge relevant to organization and management.

So, in what way is China important for our understanding of organization and management? China's transformation certainly defies conventional wisdom. It was widely believed that adopting capitalism meant adopting both liberal markets and democratic institutions, but China's case shows that capitalism can thrive under a one-party rule. Many thought that a capitalist transformation needed to happen all at once in a sudden and drastic way to shock the system into a new mode, yet China's experience shows that gradual and piecemeal changes have many unexpected benefits. Many assumed that change is most desirable when the top leaders are unequivocal in articulating their strategic vision and faithfully implement that vision without deviation; however, China's story is full of ambiguous if not deliberatively oxymoronic messages and implementations that are incoherent and disconnected. The conventional wisdom extols completeness, purity, and tight coordination in prescribing successful models of change, but China's change is characterized by partialness, hybridity, and loose coupling. The unconventional nature of China's case and its relative success beg the question of how change unfolded in China and what the case of China tells us about managing and changing an organization in general.

My overall purpose in studying China's transformation is to use it as an analogy for organizations. After all, democracy does not exist in corporations, yet it is undeniable that the research and writing about leadership serve to justify this undemocratic structure of organizations. There are no democratic elections of executives by employees. In fact, many organizations are run as top-down corridors of power in which each level of managers can promote, demote, or fire any employee at any time. Authority and decision-making are centralized at the top, and there is little accountability except when those at the top are caught for egregious violations of law. Managerialist ideology trumps

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differences between cultures and institutions. Managers at all levels of any organization in any country can mismanage and engage in self-serving behaviors that sabotage the integrity and health of the organization. In a sense, China is run very much like a corporation, and all organizations are run very much like a miniature China.

Researchers typically do not have great access to large corporations to learn their inner workings. Even if they manage to obtain permission to interview, observe, and examine documents, they rarely acquire the entire picture of the organization, especially regarding the minds of its top leaders. In contrast, China's politics and reform have been well documented in official proclamations, memoirs, biographies, media coverage, and secondary historical accounts. We know a lot about each individual elite and their political orientations, positions, and networks, and we know a lot about significant events and their contexts, conflicts, and impacts. If we conceive of China as a large, complex organization, then the case of China provides us with unprecedented comprehensive and transparent data.

Such data are most interesting for understanding the role of rhetoric in organizing and change. China is a fascinating example because what the Chinese Communist Party (CCP) says about organizing and change is at once both most serious and most malleable. It is most serious because, for whatever it is worth, the Chinese culture places great emphasis on discursive legitimation. As a famous Confucian saying goes, "If the name is not rectified, words will not be logical. If words are not logical, things cannot be carried on to success" (名不正则言不顺, 言不顺则事不成). Rectification of the name refers to a correct correspondence between rhetoric and reality and, more specifically, means that a leader who has an adequate reputation and the appropriate status is justified to say and do things. Consistent with this belief, the CCP cultivates the brightest minds to be party theorists who do "theoretical work" for party building, and it involves all levels of party cadres in "ideological and political work" to indoctrinate members with unified values. The CCP has produced very creative advancements in theories that have adapted to the rapidly evolving economic and social conditions. There is no doubt that, to the CCP, it is paramount to get names and words right and in accordance with the changing reality.

However, what the CCP says is also extremely malleable. As a reference, the United States has never changed its founding document, the Declaration of Independence. It has made 27 amendments to its constitution for the almost 250 years since it first rectified the document. China has rectified four versions of its constitution, in 1954, 1975, 1978, and 1982, and it has made 52 amendments in the 40 years since the 1982 version. Furthermore, the CCP has amended the party's constitution every five years through the party's national congress. The fact that China frequently modifies its founding constitutional documents indicates that China has a different conception of the relationship between the constitution and reality. Rather than viewing the language of the constitution as comprising unalterable facts and truth, China views its

constitution as a work in progress and a narrative of people, events, and political ideologies that give significance to and legitimize the changing system and the party.

First and foremost, legitimizing the CCP means theorizing its role as a revolutionary party, which necessitates language that is explicitly critical and political: The Chinese constitution includes phrases such as "imperialism," "hegemonism," "colonialism," "crony capitalism," and "exploitation." The language in the constitution has alternated between more and less leftist ideologies based on the power struggles between political and ideological factions within the party. As Chinese society has become more like a Western society with more stratified social classes and differentiated interest groups, the CCP has transformed its own identity from a revolutionary party to a governing party. While retaining its revolutionary vocabulary, the CCP has incorporated theoretical ideas of post-Mao party leaders and new institutions of the economic reform such as "socialism with Chinese characteristics" (中国特色社会主义), "initial stage of socialism" (社会主义初级阶段), "socialist market economy" (社会主义市场经济), and "non-public ownership economy" (非公有制经济) into its constitution. These ideological and institutional innovations are broad and ambiguous and are designed to be understood in many ways, leaving ample space for actions both left and right.

However, despite the rhetoric of the elites, isn't China's miracle just as much the creation of its people? From the 18 peasants in Anhui province who secretly signed an agreement in 1978 to contract collectively owned land in violation of the law and thus began the rural reform, to numerous entrepreneurs who seized on opportunities to start businesses and create markets despite often operating in grey areas and risking legal transgressions, and, just as importantly, to the more than one billion people who strive for a better life regardless of the party's ideology, it is the people who have undoubtedly been the drivers of China's transformation. However, just as in any other organization, although those who work at the front line often know what to do, their efforts toward change can be lost in the hierarchical system, bogged down by red tape, or sacrificed in power struggles at the top, where the CEOs pursue their own self-interest at the expense of the interests of stakeholders and engage in empire building without benefiting the company. The problems that China has faced are in this sense no different from the problems that any organization may face, and because the CCP as the strategic leader of China Inc. is like the CEO of a company, its language clearly merits close attention and examination.

The analogy of China as a corporation and the CCP as its strategic leader has another benefit: It provides an opportunity to jointly study strategic leadership and institutional change. Studies of strategic leadership tend to take as their starting point the fact that companies can acquire competitive advantages through strategic actions. In contrast, studies of institutional change often assume that changes in institutions are unintended consequences that result from broader shifts in cultural models that are under no one's control. In China's transformation, the CCP's strategic leadership is instrumental to changes in the institutions, and the institutional context fundamentally shifts the CCP's strategic choices. The case of China's transformation makes it abun-

dantly clear that strategy is institutionally conditioned and that institutions also have agency.

The book is a collection of academic articles with a common theme. Chapter 1 introduces institutionalism and rhetoric as theoretical lenses for examining China's capitalist transformation as a case of organizational change. Chapter 2 reviews the main theoretical accounts of China's transformation and lays out the rhetorical agency of elite-led change and the rhetorical requirements for such agency to be effective. Chapters 3–6 are standalone papers that focus on different but related topics. Chapter 3, co-authored with Roy Suddaby, looks at the high-level theoretical innovations of the CCP that justify the adoption of capitalism. Chapter 4, co-authored with Sandy Green and Paul Hirsch and previously published in the *Journal of Management Inquiry*, examines the rhetoric about the stock market in the CCP's main newspaper. Chapter 5, co-authored with Paul Hirsch, analyzes the controversies of elite intellectuals regarding key market reforms. Chapter 6 turns to the explosive growth of the private equity industry during the more recent decade and explores how the industry has been redefined and redeployed.

Together, these chapters make a case for the role of rhetoric in strategic and institutional change. No change happens without rhetoric, but most people believe that change is what matters and ignore the rhetoric that accompanies the change. To be sure, a lot of rhetoric is indeed negligible, which is why rhetoric has earned a poor reputation as being insignificant, or even worse, a distortion of reality. But we are far from understanding how rhetoric matters, that is, how it intertwines and interacts with materiality to generate what we see as real. We can only gain that understanding by separating rhetoric from materiality, as much as possible, and then putting it back into the equation to see its effects. China's transformation provides a rare and extreme opportunity to do this because the rhetoric and the materiality of change are only loosely coupled and are therefore easy to separate analytically. This book is one of the first projects that attempts to disentangle rhetoric from materiality in order to examine their relationships and co-evolution.

Many helping hands have made this book possible. I would like to thank my parents for always valuing my vocation and doing everything they could, always with grace and wisdom, to help me make my way through life and deal with many of its exigencies. This book has benefited from countless conversations with my husband, who lived through the Cultural Revolution and was part of the intellectual milieu that shaped the vibrant culture of the country in the early reform era. I also wish to thank my son, whose curiosity and Gen-Z consciousness have certainly pushed my thinking. Moreover, this book would not have been possible without my mentors Sandy Green, who inspired me to appreciate the fascinating field of rhetoric, and Paul Adler, who inspired me to become an organization theorist. Although my career as a business academic has for the most part been occupied with publishing journal articles, many years ago the great rhetorician Thomas Goodnight planted the seeds that made me want to publish this collection as a book, and for that I am grateful. I am also grateful to the

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