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Separating Culture from Institutions : The Use of Semantic Spaces as a Conceptual Domain, and the Case of China

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Separating culture from institutions : the use of semantic spaces as a conceptual domain, and the case of China[1]

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[1] The core idea of 'semantic spaces' in this paper originated with the work of Arndt Sorge, whose own term is 'action systems',inspired by Niklas Luhmann's idea of social spaces containing specific meanings. Max Boisot usefully pointed out the significance of semantics in this metaphor, and the notion of such spaces as fields. Of importance also have been the idea of 'social axioms' initiated by Kwok Leung and Michael Bond, and the much appreciated specific suggestions provided by Michael Bond. Valuable conversations with John Child , Peter Berger, Wang Zhong Ming, and Barbara Krug are also gratefully acknowledged, as is also the encouragement of Anne Tsui, and the IACMR. The support of INSEAD's Euro-Asia and Comparative Research Centre, and the Lee Foundation of Singapore, are also noted with much gratitude, as is also the technical contribution of Nathalie Gonord.

Abstract

The analysis of societies, and of systems of business within them, has tended to be heavily influenced by institutionalist perspectives. Many scholars using this approach include culture as a subset of institutions, but often without specifying the logics of doing so. Others remove it from the account, or acknowledge it without placing it clearly in their models. Culturalists, on the other hand tend not to venture into the details of economic coordination and action. To resolve the theoretical challenges posed by this set of contrasting views, it is necessary to specify how culture works and how it is different from institutions. Here culture is seen, following Sorge, as meaning relevant within a series of semantic spaces, each related to a field of action, the total integrated coherently by social axioms (after Bond and Leung) binding the spaces and the meanings within them into a total societal fabric of meaning. Institutions are seen as specific enacted rule-sets applied within the spaces. The meanings within the spaces exist independently from members. The institutional scaffolding, by contrast, has members upon whom it depends. The private sector of the Chinese economy is analysed to illustrate the use of these categories, drawing from recent extensive empirical reports as to its functioning.

Unless culture can be separated out from institutions, it will continue to be subsumed within them and largely lost as a distinct contributor to formal explanation of societal differences in economic (and other) behaviour. I do not contend that it is necessarily *per se* a dominant determinant of events, but that it is significant and deserves a place in its own right, especially for its role as the provider of *meaning* in the shaping of institutions. I propose a way of providing for this role of culture, taking account of interpretive thinking. I see culture as qualitatively different from institutions, and although reciprocally connected with them, still, in some simple sense, prior.

The issue for the social sciences has been brought to the fore by recent treatments of the question by major institutional theorists. North (2005) has further developed his longstanding and influential interest in the role of institutions in economic development, by specifically acknowledging the role of culture and the significant consequent of culture that he terms 'intentionality' – the conscious attempts of people to shape their futures. He identifies the significance of our genetic architecture, and of religious underpinnings, but states that

> 'Culture not only determines societal performance at a moment in time but, through the way in which its scaffolding constrains the players, contributes to the process of change through time' (North 2005 : viii).

He also makes clear his belief that humans construct elaborate beliefs about the reality surrounding them , and that these beliefs are both descriptive of how the system works, and normative with respect to how it should work. The dominant beliefs, and especially those of political and economic entrepreneurs, '*over time result in*' the accretion of an elaborate system of institutions (North 2005: 2, my italics).

North unequivocally sees culture (along with genetics and religion) as 'central to the performance of economies and polities over time' (2005 : ix). With equal force, he accuses economics – a discipline based on a theory of choice – of neglecting to explore the context within which choice occurs (2005 : 11). Kogut's (2003) parallel challenge to international business theory, viz. to deal with context, has been taken up elsewhere by Redding (2005).

A parallel theory, by Greif (2006), accepts North's challenge, and argues that institutions comprise four elements working together in a system. He proposes that

> 'Institutions are not monolithic entities but are composed of interrelated but distinct components, particularly rules, beliefs, and norms, which sometimes manifest themselves as organizations. These institutional elements are exogenous to each individual whose behaviour they influence' (Greif 2006:14).

Greif's work is founded in the use of game theory to establish the equilibria achieved with the mixing of the institutional elements and their surroundings - in different contexts - to foster economic stability and perhaps progress. Although his findings are based in the mediaeval worlds of the Islamic Mediterranean and Western Europe, the case he makes has powerful resonance for the modern world. Note, however, that he includes beliefs and norms within the category of institutions.

Few scholars inhabit this no-mans land in social science - between culture and institutions - comfortably. The tracks across it are few and far between; by which I mean that the linkages of determinacy between the two realms are not clearly known. There is in this terrain what Sorge (2005: 48) terms 'a mountain of theoretical muddle' and the need for a clearer way of generating research questions and explanations. How does culture influence the shaping of institutions? How do institutions in reverse shape culture? Are the two realms in fact different, and if so where does one end and the other begin? Or are they essentially the same thing? This paper explores these issues and proposes a framework with which to clarify some possible answers. It does so by using the emerging socio-economic context of China as a field for illustration. China's rapid evolution is taken as an advantage for the demonstration of the dynamic connections under consideration.

The central issue addressed here is elsewhere termed 'the societal effect', and it has received increasing attention from scholars analyzing variations in societal 'progress' (e.g. Landes 1998, Himmelfarb 2004, Fligstein 2001, Pomeranz 2000). Its connection with patterns of economic action has been at the core of theorizing, since the early – but still hardly surpassed – work of Weber (1927, 1930). Recent attention to comparative systems

of business has brought it again to the fore, but rarely in a way that permits the tracing of clear patterns of connection between culture as the realm of meaning and interpretation (e.g. Geertz 1973), and institutions as rules of the game in the field of social action (e.g. North 1991). There is a realm of shared meanings, and there is a realm of 'scaffolding' providing order. How one connects with the other is not yet analysed in a way that a wide range of scholars can agree upon.

There is also the important consideration that all such categorizing of perceived reality is a convenience, and that separating culture from institutions may well be more than averagely 'convenient' in that sense, but I take heart from the fact that so many puzzles remain as to how the societal effect is transmitted. So many accounts are bounded within one discipline; so many depend on positivist data analysed with inadequate accounting for context; so many accept without question the use of variables assumed to have universal standard meaning. With those concerns in mind, an exercise in disaggregation is justified.

At the highest level of attempted explanation of variations in societal economic progress, that of societies compared globally and historically, Landes (1998: 516) concluded that 'If we learn anything from the history of economic development, it is that culture makes all the difference'. At a similar level, Fukuyama (1995) identified trust as the crucial centre-piece of the social virtues that allowed societies to develop materially. Inglehart (2000) has shown the correlations of per capita wealth - with both trust and religion. Harrison (1985) proposed in his book title that underdevelopment is a state of mind. The massive empirical studies of comparative culture (Hofstede 1980, 2001, Schwartz 1994, Inglehart 1997, House *et al* 2004, Leung and Bond 2004) provide consistent and ample confirmation of cultural contrasts. A number of scholars have made major contributions to the challenge of explaining the linkages from meaning to social action, noteworthy examples being Berger and Luckmann (1966) on the social construction of reality, Stinchcombe (1974) on Latin America, Foster (1967) on the mental world of peasant existence, and Giddens (1984) on structuration, but we are still missing a widely adopted framework capable of uniting research programs.

This is not to say that the issue has not been addressed, as it undoubtedly has, and the effort has produced many schools of thought (see e.g. Wuthnow *et al* 1984). It is instead to say that most people working with the problem in practice – whether as practitioners or analysts, but in each case relying on the field of research for conceptual help - if asked to say, for example, how German, Korean, Japanese, Chinese *culture* shapes economic action in those societies, would struggle to find categories in which to frame an explanation. After the first step of delineating the contrasts in values and norms, the next steps are not obvious, and are almost never taken. There are inputs in the form of values and there are outcomes in the form of behaviour patterns and economic structures, but the middle connections remain locked in a black box. Many scholars point from a distance towards the connection, but most shy away from close engagement with the issue. As Landes (1998) – struggling to make further sense of his own conclusion about the central influence of culture - has observed with regret, this may be because culture is so easily conflated with race. But because of that danger, the serious exploration of its effects becomes in fact more needed, as a counter to simplistic myths, or dangerously grand conclusions.

At the same time, at the 'results' end of the explanatory chain, the variations between societies in economic structures, behaviours, and performances are the subject of a large literature, little of which is capable of dealing adequately with the key questions of (a) explaining the origins of such differences, and (b) tailoring responses to them. Understanding still suffers from a lack of adequate ideas about how such outcomes are determined. The inability of MNEs to penetrate markets wherever they wish, coming up against invisible obstacles in certain geographies, is evident from the work of Rugman and Verbaeke (2004) on the selective nature of global penetration in the Fortune 500. Rangan and Drummond (2002) have pointed to a similar phenomenon in a parallel large study of international companies from many cultures. The more recent advice to such companies, seen from an organizational standpoint, stresses the virtues of allowing local responses to become part of a pluralist corporate fabric (e.g. Doz, Santos, and

Williamson 2001), but does not dwell on the local logics of that sensible advice, or the categories of accommodation most apt for indigenization.

Those who assume that convergence will solve the problem of the contrasts eventually run up against two connected difficulties. The first is that much of the difference plays out its effects at the subconscious or pre-conscious level. Clark Kerr , who was instrumental in originating the idea of convergence (Kerr, Dunlop, Harbison and Myers 1960), decades later revised his view and warned that although convergence took place to some degree, alternative societal systems eventually began to run along parallel, non-converging lines. In this revised view, he made a crucial distinction between the realm of everyday life, and the realm of the mind, observing that things might appear to converge in the former, but showed little sign of doing so in the latter (Kerr 1983). The factories and offices of different societies might look the same at first glance, but as to how they functioned were, in significant ways, still different. The *meanings* of behaviour remained divergent (see e.g. Bond 1996, and especially Yang 1986 for the Chinese case, and Witt 2006 for the Japanese case).

The second related challenge comes from Boisot and Child (2005), who argue for a re-formulation of the convergence hypothesis, taking account of the need for countries – under conditions of global competition – to exploit their distinctiveness, seeing the possibility of convergence towards new hybrids, and allowing for actors in specific societies to react to strong external forces such as technology, or market access, by consciously choosing to treat such forces as enablers of strategic choice in organization, as much as drivers of isomorphism, a point similarly made in two major comparative studies by Guillen (1994, 2001). Further empirical support for this is provided by Mathews (2006) from a study of how the 'dragon multinationals' of Asia are adopting ways of globalizing that are based on a quite different interpretation of how international business needs to be conducted, compared to that pursued by the Fortune 500 in recent decades. The new approach pointed to by Mathews combines the reality of the internet world with cultural instincts for networking. It is in line with Sorge's (2005:2) view that 'internationalization feeds into the build-up of societal specificity' - in a process that is

paradoxical, and dialectical. Foreign influences and local structures interact reciprocally on each other, and business systems evolve by the resolution of contradictions and paradoxes, recombining characteristics into new forms in a permanent series of experiments. The process itself, though, remains opaque.

Taking the society's business system, or 'system of capitalism' as its explanandum, a literature is growing rapidly, to provide explanatory frameworks for the continuing variety (e.g. Whitley 1992, 1999, 2002, Sorge 2005, Hall and Soskice 2001, Dore 2000, Guillen 1994, 2001, Hollingsworth and Boyer 1997, Fligstein 2001, Redding 2005). The tendency in this literature is either to deal sociologically with institutions as the explanatory core, or to deal at the level of political economy with macro structures in the society. So far, little of this work has dealt specifically with systems of meaning as being - in some crude sense - 'prior' to the more visible institutions such as labour market or capital market structures. Arguably the most sophisticated of these formulations, that of Whitley, acknowledges clearly the roles of trust and authority relations, but does not deal with them as *cultural* features, except by subsuming culture under institutions. There are also certain specific attempts to introduce issues of 'meaning' into the account, as for instance with Fligstein's notion of the 'conception of control' influencing organizational responses, Guillen's discussion of mental universes shared by key actors across a societal economy, and Biggart and Delbridge's (2004) presentation of contrasting rationales in systems of exchange. So too has Sorge (2005 : 47) identified *action systems* (where actors in a social space, such as an employment relationship, share a common set of meanings) as a crucial input to the explanation of distinct societal business systems. At an earlier date, Schumpeter (1942: 130) perceptively noted the significance of 'the choosing mentalities' of economic actors, echoing the foundation work of Weber in his analysis of varying forms of rationality. The latter's core assumption - of the peculiar nature of Western rationality - in other words its distinct interpretation of ends and means - continues to remind us that the conduct of international business crosses more boundaries than just the geographical, and more disciplines than just the economic.

Semantic spaces

I noted, above, the contribution by Sorge of the idea he terms *action systems*. He explains that, following the original formulation of the idea by Luhmann, they were commonly referred to in French as 'espaces', or spaces. Inside one of these a particular form of action occurs, such as eating, or working in a factory, or going to a temple. These are envelopes in which aspects of the culture may be placed. I propose to retain that original physical metaphor in the term used here, and to add to it the factor of shared meaning, thus *semantic spaces.* The special value of this idea lies in its ability to help deal with the complexity within a society, but more particularly to deal with the distinction between culture and institutions.

Societal complexity becomes possible when specific groups see most of their world differently, but enough of their world similarly, for them to co-exist and co-operate. Some meanings are widely shared in the society; thus, most citizens share an understanding of what is normal to eat, and how to do so. Other meanings are restricted to certain groups; thus, only universities are concerned with postgraduate degree work, with all its special vocabulary and priorities. The world of unions is very largely the world of sub-groups of employees.

The sharing of meaning thus clusters around a field of coordinated action ; for example, a whole group of people, concerned with the allocation of capital in the society, share the vocabulary (and so the meaning) of investment. They work in banks, investment firms, accounting houses, research institutes, professional bodies, and ministries. They talk their own technical language, discussing such things as ROI, PBIT, syndication, hedge funds, floats, overnight rates etc. in ways that unite them, not just in the sharing of definitions, but in the assigning of significance and the coordinating of action. So, if news arrived that the *yuan* had been floated, the significance (i.e. the meaning of the fact in its context) would be immediately understood – in terms of the implications for their individual actions - by all members of the *'allocation of capital' semantic space.* In such a semantic space, those inside it share actions of the same type –

thus in the above case they all get involved in the sourcing and allocating of capital. They also share the understanding of what is going on. The meanings of things and events within the space are common. In related terminology it is a semantic field, in other words it contains a centre of gravity and layers of belonging or membership, such that a bond trader, or a corporate finance officer would be deeply embedded in it, and a family lawyer only partially. Members have acquired the language of the space, and the frameworks of understanding that go with that language.

In an important departure from the original version of the idea by Luhmann, Sorge (2005:47) proposes that in societal analysis, these spaces be seen not as drifting apart with modernization into zones of autonomous meaning, but instead, as remaining elements in a coherent whole, that whole being the over-arching societal culture. In this, their specialized meaning structures can be transmitted across the whole, via linkages. So, an investment advisor might act as a link between the space of highly technical investment performance analysts, and the space of the housewife sitting across the table in a bank seeking advice on where to put the family savings. The bankers need to understand the meaning of savings in a household, and the housewife needs to understand about yield, risk, equities, bonds etc. Meanings become integrated across the society, as people learn to interpret the special vocabularies, and as their needs for action take them in and out of the various spaces.

The same applies across types of job. A management trainee learning to understand a general management perspective may be exposed through periods of assignment to the 'spaces' of marketing, finance, personnel, corporate affairs etc., in the expectation that he or she will create a linked and integrated view of the whole, that itself being a new space inhabited by a group of people socialized into understanding general management. Clearly in this view the spaces overlap and interpenetrate, a point to which I will return.

There is a clear connection here with the discussion of socialization in the Berger and Luckmann (1966) theory of socially constructed reality. In this, a process of *primary* socialization provides the individual with what I shall later, following Bond and Leung *et*

al (2004), refer to as social axioms – the basic understandings of how society works – but then the individual goes through *secondary* socialization. In this the person specializes in making sense of particular fields, each with its own vocabulary, accumulating a possibly large number of these, but probably 'inhabiting' one in earning a living, and in finding meaning in life. The number of such 'spaces' in a society can be very large, but they remain integrated by having the core axioms running though them.

Culture and Institutions

If a person constructs reality by accumulating and integrating clusters of meaning, in semantic spaces, and if the total of these clusters becomes his or her culture, the sum of such individual mindsets being the societal culture, the question now is where do we fit *institutions*, and how do they differ from that culture?

Let me begin with Sorge's (2005: 48) definition of the difference (noting again that his term is *action systems*, not *spaces)*

> The main difference between action systems and institutional entities is that action systems have precisely the same meaning in mind although they do not have people who actually belong to them, whilst institutional entities are coordinated, governed, and endowed with people who are clearly members. Thus we each belong only to a small number of institutional entities, but to a large number of action systems, although we are not consciously aware of these.

The distinction being made here is crucial. Semantic spaces act as places where meanings are stored and become relevant. Because such spaces are the repositories of collectively agreed meaning, they can transcend the limitations of their members' temporary presence, even their members' deaths. They can also transcend the changes taking place in the institutional interpretation of meaning. To take an example, the Chinese ideal of paternalism, a core meaning cluster within the institution of family, was not destroyed in the Cultural Revolution that did effectively destroy the family institution itself. Paternalism subsequently returned, along with a re-designed family institution, and continues to play its part in the changing social context of China (Huang *et al* 2005, Feng and McDonough 2006). It is as if the culture is at a deep layer, and institutions are nearer the surface.

What happens in each space

In each of the semantic spaces, people spend time doing things on the basis of shared understandings about what is and should be happening, cued to the appropriateness of those understandings by the locale or even the name of the institution. So eating at Kentucky Fried Chicken yields different meanings and responses from those during 'fine dining' in the grill room of a five star hotel. Peoples' behaviour is heavily conditioned by such understandings. When that behaviour stabilizes into fixed patterns, so becoming 'rules of the game' or norms, and when people make social structures to operate those rules, then you have institutions. Again quoting Sorge (2005:49)

> Action systems are inherently 'blank' outside the meaning that serves as a reference point. In other words they are a bit like an empty room, flat, or house. They become furnished and comfortable by receiving furniture, which in this analogy are institutions. Thus the meaningful subdivision of action space occurs when institutions are put in a place…..Likewise the meaning of a 'room' or action system…..does control the selection and 'fashion' of the furniture or institutions with which it will be filled….Action systems and their interrelations make institutional sets come alive, and institutions fill up what are otherwise blank action spaces.

At the entrance to the Beijing campus of the National Institute of Accounting is a huge stone with one face polished, and on this is carved a statement by Mr Zhu Rongji. It says, in effect, that the accounting profession carries a national responsibility for the accuracy of accounting information. It does so by exhorting all those entering the Institute never to 'cook the books'. The semantic space concerned with the efficient use of capital is here having 'meaning' injected into it, and that meaning would then be institutionalized in the subsequent behaviour patterns of those socialized as accountants. What the premier was saying, in effect, was 'this is the kind of furniture I want to see you using in this room'. Moreover he was implying that China needs the accuracy, honesty, and rationality, of a good profession, if it is to have an efficient modern industrial structure. This embedding of meaning in a wider social context adds strength to the message, and to the likelihood of a transition from idea to regulated order. It also connects the accounting space with other spaces concerned with aspects of stable order, such as efficient capital markets, and the banking system.

But the congruence of the world of ideas with the world of order is not perfect, and this, above other considerations, justifies their separation in analysis. It could be argued that all institutions start as ideas, and that the most effective institutions are grounded in ideas seen as worth adhering to. As Streeck has pointedly observed (1997: 209) 'A bad society is incapable of sustaining a good economy'. But it is not just in the workings of ideas about good and bad that institutions come to cohere. It is also due to the need for predictability of action by others; that is why the ideas exist! In discussing the formation of equilibria in economic coordination, and the role of formal institutions in achieving these equilibria, Hall and Soskice (2001: 13) note the inadequacy of the formal institutional order *per se* as sole determinant. They argue that shared understandings about what other actors are likely to do are rooted in a sense of what is appropriate to do in specific circumstances. There is clearly a large research agenda definable to identify which norms, beliefs, or values come into play and when, but that is beyond the scope of this paper.

The same idea informs the analysis by Greif (2006 : 22) of how 'the integration of cultural elements into a society's institutions is a mechanism that leads to their persistence'. He demonstrates from mediaeval history the divergent tracks taken in Western Europe, and the Islamic Mediterranean, and suggests that institutions are more properly seen as systems, the components of which are beliefs, norms and rules (which sometimes manifest themselves as organizations), with all elements interacting and stabilizing into equilibria (subject to historical context). My concern in this paper is to further consider the interaction between the beliefs and norms on the one hand, and the rules and organizations on the other, seeing the two sets as fundamentally different in nature.

A final consideration here is the closeness of match between the institutional fabric that a contemporary state might impose on a society and the core cultural axioms in the traditional culture. It might be a close match or a serious mismatch. One will give way to the other as they interact. The rise of the private sector in China, from being illegal in

1980, to contributing 67 percent of manufacturing value-added in 2004 (OECD 2005), is surely a manifestation of the upwelling of deep instincts and ideals about the running of both business and society, ahead of the amendments to formal institutions. In China still, the interpretation of what the 'good society' means leaves much experimentation necessary in the linking of culture and institutions.

It is the intention of this paper to illustrate the institutional furnishing of China's semantic spaces, and so make clearer the link between the domains of culture and action. It is tempting to pursue the metaphor and suggest that, since 1980 in China, a pile of old furniture has been slowly – but not completely - removed from a large building, itself undergoing major renovation and adjustment to its internal spaces, and that new furniture has been pouring into the building to furnish the spaces. Some of it has been thrown out again later, but many items have become stable fixtures in an increasingly hospitable and elegant ambience – at least for many people if not yet all.

But before entering into description, it is necessary to take note of further points about the separation of meaning/culture and institutions, and then to consider a parallel account from comparative social psychology, on the idea of social axioms.

The reciprocal evolution of culture and institutions

The emergence of a stable societal structure is best understood as a long historical process. Ideas and institutions emerge, re-form, and re-combine, in ways that reflect their reciprocal nature (Giddens 1984). This history is imprinted upon societies and constrains their options for change. The process of interaction itself is not necessarily harmonious and will be characterized by tensions, discrepancies, paradoxes and compromises, but for a society to hold together over long years of history, it would be normal that an over-arching meta-tradition exists that acts to govern the range of experimentation. In the case of China the meta-traditions of – among others - the Middle Kingdom, the great civilization, the mandate of heaven, the emperor as patrimonial father of the state, serve - in a fundamental and probably unconscious way - to shape the 'choosing mentalities' of policy makers and economic actors. Greif's (2006) tracing of the effects of collectivism

in the Islamic world, and individualism in Western Europe, over a thousand years, is a compelling illustration of this force. So too is Foster's (1967) depiction of the mindsets of people in rural populations struggling with life at the subsistence level.

In an object as complex as a society, internal diversity is both inevitable and valuable. Part of the process of fostering this variety, and of maintaining the stimulus it brings to the system, is to allow external influences to penetrate. The arrival of WTO into China is a clear example. But because of their nature as foreign processes, they will normally be subjected to re-interpretation. The opening of the window might let in fresh air, but it also lets in flies, as Deng Xiaoping reminded the Chinese people. Almost nothing escapes from filtering and re-working. Euro-Disney is not the full American version; it has a European overlay. So too does Hong Kong's Disney have a Chinese overlay. Japanese car plants abroad are hybrids. The GM plant in Shanghai does not replicate its Detroit equivalent.

Social axioms

Stable societies will have a culture which is a set of meanings for making sense of a particular societal universe. This collection of meanings is likely to be integrated within a meta-tradition of core features, traceable to the society's most fundamental ideals and myths. The main dimensions (although not the scores on them) of such meta-traditions may well be universal across the range of human societies, since all face similar dilemmas in struggling to bring order to social life. The recent contributions by Bond and Leung (2004) and Leung and Bond (2004) allow us a first glimpse of this set, derived empirically. Their term for the construct is *social axioms*, and their research aim has been to identify a pan-cultural structure of broad context-free beliefs likely to underlie behaviour. These beliefs allow a person to learn how to function in the world, by representing how key aspects of society connect together : examples might be 'excessive power corrupts', 'aggression will lead to retaliation', 'your life is controlled by the spirits'.

These beliefs would help to anticipate, guide and rationalize behaviour, and would serve to explain outcomes. In spelling out relationships *between* things, they go beyond the influence of norms and values, and provide a framework for guiding action, not just on the grounds of *what should be* but on the grounds of *what is.* This combination brings to mind Berger's earlier discussion of the legitimation process (Berger 1967:29) with its mixture of description and prescription. In moving beyond values *per se* this is a new empirical definition of culture. Tested across forty countries, and with 9928 subjects, five primary variables were strongly endorsed as universals. With each as a continuum, they are :-

1. ***Social cynicism***. A negative view of human nature as easily corrupted by power, and justifying mistrust ; a fundamental requirement in contexts where deception by others is frequent, and gullibility might lead to exploitation and oppression.
2. ***Social complexity***. The acceptance of inconsistency, multiple options, paradox, and the absence of rigid rules.
3. ***Reward for application***. Effort, knowledge, planning, will lead to positive results or at least guard against negative ones.
4. ***Spirituality/religiosity***. Acceptance of supernatural forces and the benefits of religious belief for societal order and harmony.
5. ***Fate control***. Life's events are pre-determined and there are some ways in which people can influence them (i.e., with the contradiction included).

Rotating to a two factor solution, two social axioms dimensions emerged, and were labelled *Dynamic Externality* and *Societal Cynicism.* The first of these combines Reward for Application, Religiosity, Fate Control, and Social Complexity. The second represents the Social Cynicism as orthogonal. The two factors, accounting for 41.9% of the matrix variance, are represented graphically with country scores in Fig.1.[2]

[2] Further technical details of this study are outside the scope of this paper but are given in Bond and Leung (2004)

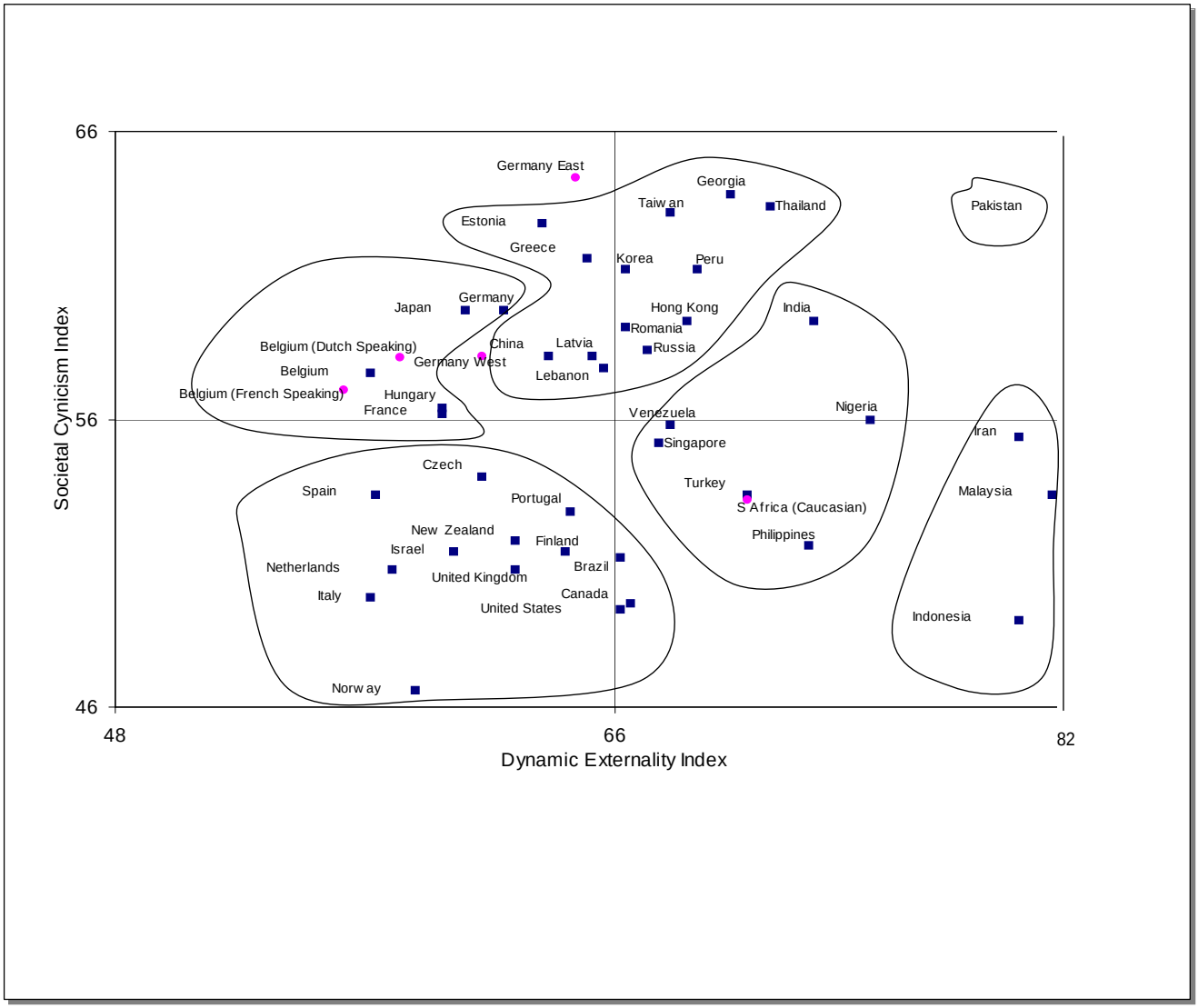


Fig 1 – Scores on social axioms: two primary dimensions

Source: Bond and Leung 2004

It is unnecessary here to dwell upon the details of the findings. Instead, they are presented to make three points: firstly, the axioms vary significantly between societies; secondly they correlate extensively with other major studies of cultural difference; and thirdly they reveal the significance of trust and mistrust as represented in the Societal Cynicism dimension. I shall return later to these social axioms in developing further the nature of the cultural component of societal evolution, and the shaping of institutions and order.

Semantic spaces and institutions

A summary of the argument so far is that

(a) culture is a set of meanings, derived from peoples' attempts to make sense of their surroundings,

(b) those meanings gather in clusters within semantic spaces, each of which derives from the fact that people come together to do things, and they do things across a vast and complex array of activities, sharing and affirming the relevant meanings as they do so,

(c) inside each semantic space a shifting population of actors comes and goes, as if it were a room in which something specific happens, but while they are in there they share the meanings accumulated within it. They symbolize this by conforming to the rules and norms within the space. For instance they come together to eat, and they know what to do to whom, when and what to expect, even though they do not spend their whole time dealing with food.

(d) if those rules within each space shape behaviour so strongly that conformity and predictability are high, then the social conduct becomes institutionalized and the meanings are acted out in daily life. So, in the semantic space for eating, there are standard recipes commonly found, and standard table shapes, cutlery, table manners, etc.

(e) those institutions have members who perpetuate and adjust them. As institutions they are tangible and visible instruments for the achieving of order, standards, and compliance. In the catering industry for instance, restaurant owners and guilds of chefs maintain consistency, visible in codified form as menus and recipes and ratings. Food markets provide what is wanted, in an organized response to balancing supply and demand. People cooking at home for their families work within the limits of what is expected and available to the family institution,

(f) the meanings within the space (i.e. the culture) are not tangible in the same sense as are the institutions. These meanings are beliefs about how the world works, and in particular about that bit of the world the space is devoted to. Food traditions about what is good to eat, beliefs about health, sociability, sharing, hospitality, status, are all manifest in the action space of eating, and they underpin the more specific norms. *Such deeper beliefs belong to everyone and no-one.* Prior to being channelled via the institutions, and acted out, those interpretations of reality have a highly significant function in their own right, the function of providing a useable and shared definition of the surrounding world.

(g) *if the beliefs and norms belong to everyone and no-one, the institutions belong to someone.* Institutions cannot exist without some person taking responsibility for their maintenance. Once a rule comes into existence it becomes necessary to enforce it. Once a structure for regularizing action is created, it needs members to enact the purposes served by that institution. The furniture in the rooms is designed, brought in, used, put in a different position, re-designed, taken out and replaced, by people who come in and out of that space, to use it.

I now turn to consider that last distinction, and so to outline the argument for the separate treatment of culture and institutions, using China's private business sector as the subject. As earlier noted, this part of the account remains indebted to the ideas of Sorge on the societal effect, and to the interpretive school of scholars such as Luhmann, Berger and Luckmann, Giddens, Geertz, as well as the Chicago social action school represented by Sewell (2005).

The interplay of culture and institutions

The most significant issue surrounding the evolutionary trajectory of China, as it works out its own form of modernization, is the way in which it might either (a) dismantle its traditional centralized control structure without societal breakdown, or (b) achieve an economically efficient equilibrium of loose-tight properties including the strong party/state, and localized business initiatives and discretion. So far, much has taken place in terms of the decentralization of economic decision-making, by the allocating of responsibility for development to local administrations, and by giving them

both duties and discretion over tax gathering. In a wider sense than the purely economic, China is changing substantially. As Guthrie (2006) has described it: the workings of the National People's Congress display a progressive separating of powers in the political hierarchy; the legal system is now encouraging citizens to claim their rights; grassroots participation in elections is now extensive; labour contracts now permit an escape by workers from dependence on employers and this has led –significantly for this paper's agenda - to a change in the meaning of work; a bourgeoisie is growing as the Chinese Communist Party permits the membership of business owners; party dogma is giving way to performance in societal improvement as a basis for legitimate power; the market drives much policy making. These features all require the shaping of new institutions, each innovation having to fit into a previously established matrix of meaning.

In the development of Western Europe and the US, over centuries, as the societies and their economies became more complex, institutions were formed to take the strain of providing order and facilitating exchange. They were based on core cultural beliefs in possessive individualism (McPherson 1962), corporatism, and self-governance (Greif 2006: 398) and they contributed to prosperity in at least four ways : they fostered the division of labour; they sponsored property rights; they created bodies, i.e. corporations, to enable risk-taking, initiative, and technological innovation; and they fostered adaptability in the coordination of economic action.

China will follow its own track, and the example of Western economic history is of limited value, except for its ability to remind us of the universal qualities to be achieved by any system. *What* is to be achieved is definable. *How* it is to be achieved, given the starting conditions, is open to trial and error, borrowing, hybridizing, inventing and perhaps – as in cases such as tax farming in China – reinventing, or as Bond and King (1986) see it 'the creative transformation of tradition'.

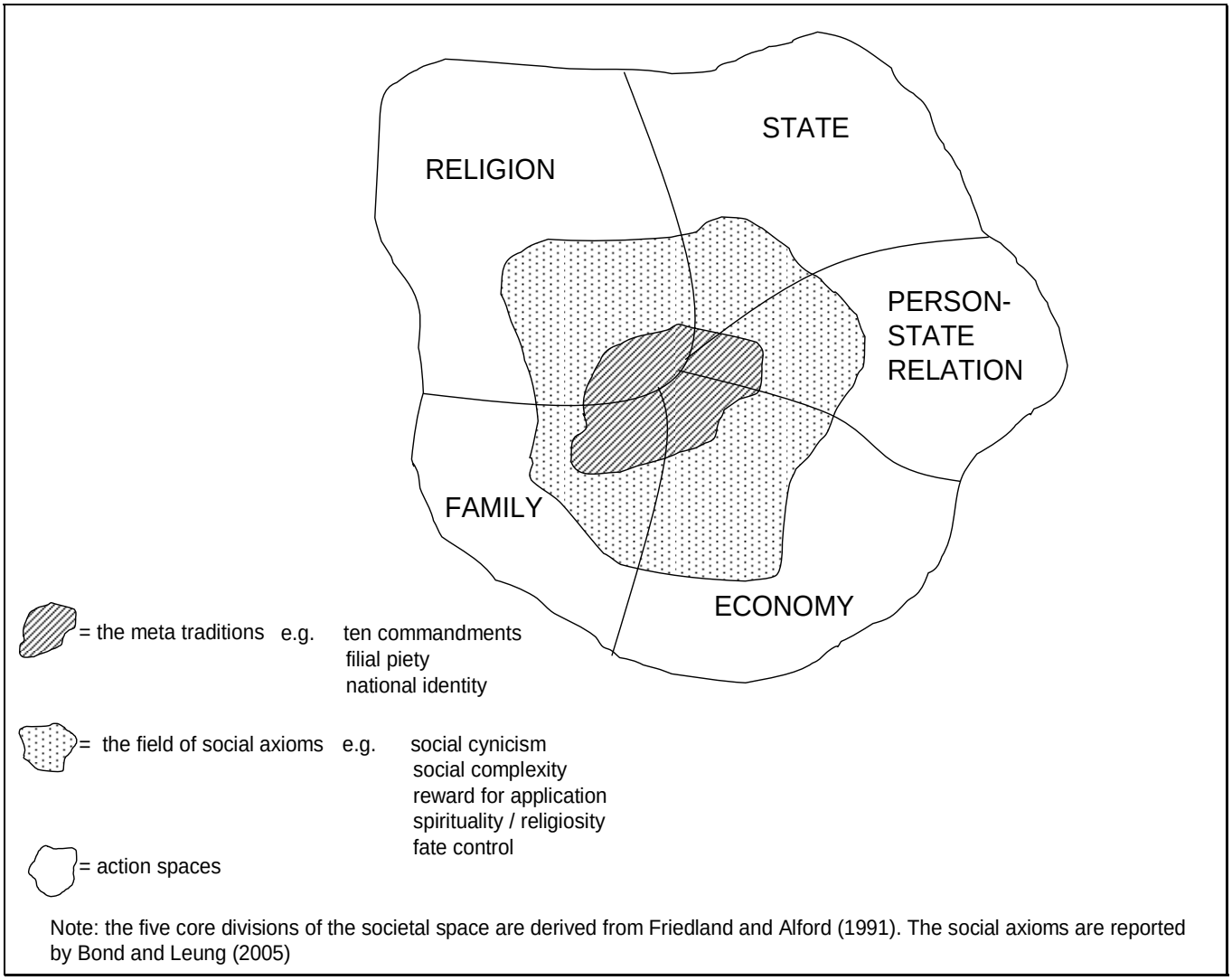
At the level of large-scale organizations, a parallel challenge occurs, this time in the form of structures designed for downwards communication in firms now being challenged to perform in innovation and adaptation, but lacking the managerial response

patterns to do so at world standards of competitiveness (Lieberthal and Lieberthal 2003, Nolan 2004, Gilboy 2004).

In an open society the invention of new structures proceeds via experimentation, and that in turn is fostered in conditions where variety is permitted, encouraged, or required by the external forces of competition. The contrary imposition of mechanical solidarity by a commanding centre manifestly fails to provide for adaptation or operating efficiency, and the evidence from the Soviet and Maoist experiments, and from totalitarian states more generally, supports that conclusion overwhelmingly. A common denominator in societies that evolve successfully (in terms of widely accepted quality of life criteria) is pluralism (Rawls 1999: 564). In these circumstances institutional entities become increasingly specialized, proliferate alongside each other, but become more loosely coupled in line with their increasing autonomy. They do however still co-exist, and behave interdependently. Peaceful cooperation between them occurs across the niches where they come together, as they share the agenda of providing order and social stability.

As this process of constant partitioning of reality continues, and as the loose coupling of the differentiated and specialized meanings manifest in the institutions moves the society towards diffraction, it can only be held together if a countervailing framework exists to provide a tightly coupled, integrating overlay. This is one of the key roles of culture, and *this is why it is distinct from institutions*. The latter permit and encourage plurality; the culture, by providing the shared meanings within and across the semantic spaces, holds the whole thing together. The distinction made earlier between institutions with members and tangible features, and culture as meaning partitioned into semantic spaces, is relevant here. The absence of fixed membership and rules in the semantic spaces allows them to foster constant re-affirmation and re-interpretation by the members of society moving in and out of them, and –significantly – carrying meaning between them. The social axioms are the ground base for the construction of that shared perceived reality.

The images used to convey the idea of the tight coupling provided by the culture across the action spaces, are commonly drawn from the brain. Hofstede's (1980, 1991) ideas of the 'collective programming of the mind' or the 'software of the mind', are matched by Sorge's (2005: 52) view that 'action systems are the neuronal circuitry that makes effects reverberate throughout society'. He adds more graphically the idea of a 'network of communicating tubes' to convey the way the meanings are spread across the society to achieve consistency, and integration. This for him *is* the societal effect; in other words the meanings become connected, and 'tightly coupled action systems ensure that institutional and cultural adaptation and evolution are cross-referenced across institutional domains' (Sorge 2005 : 52). One might call them shared expectations that have social force.



Note: the five core divisions of the societal space are derived from Friedland and Alford (1991). The social axioms are reported by Bond and Leung (2005)

Fig 2 – Primary action spaces, social axioms and meta traditions

Action spaces can be seen as primary and secondary. Following Friedland and Alford (1991) I illustrate the primary set of action spaces in Fig. 2 as comprising: family, religion, person-state relations, the economy, and the state. Each of these domains is full of meaning, and the meaning derives from the combination of (a) an inner core of deep

meta-traditions, such as 'the five relationships' or 'the ten commandments', individualism or collectivism and their associated interpersonal logic and mandates, plus (b) the social axioms that reflect accumulated learning and coping, appropriate to the context.

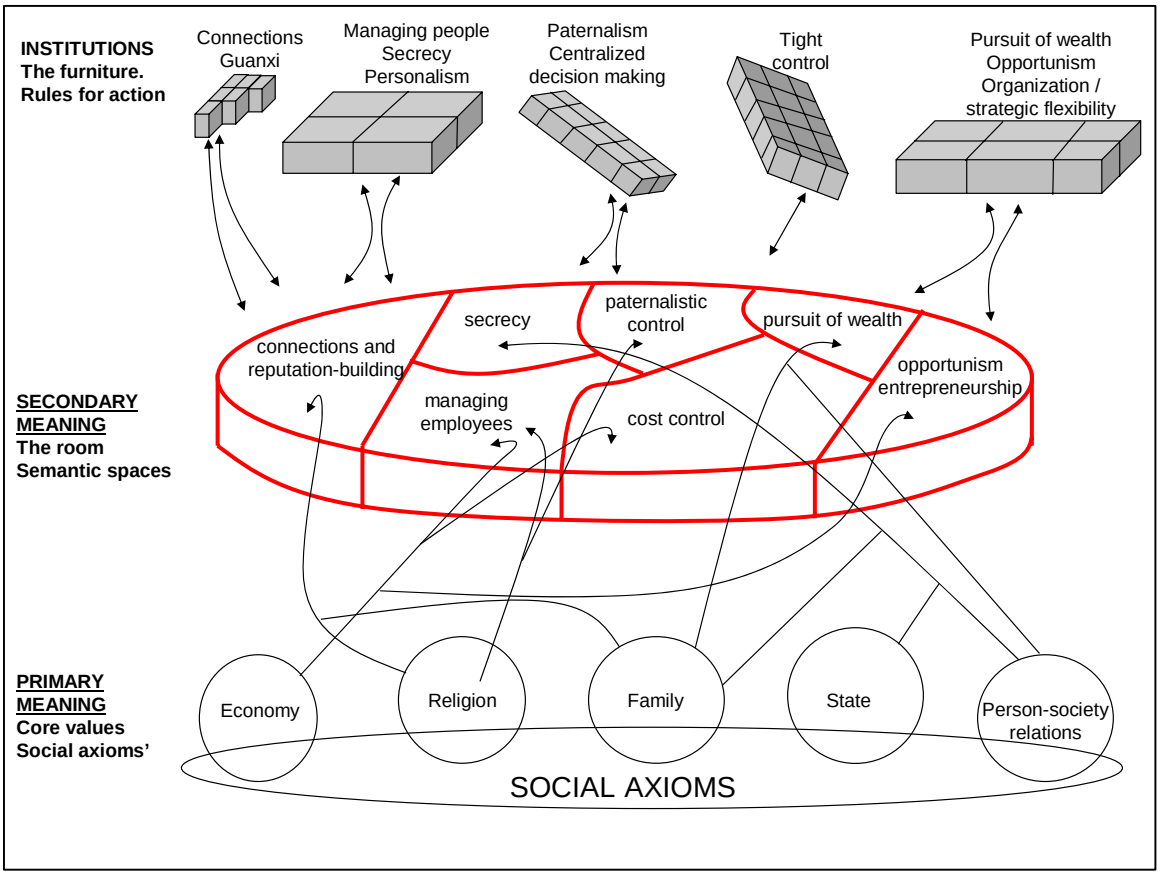


Fig 3 - Action spaces related to owning and managing an SME in China: their relation to social axioms and institutions

The secondary level, reflecting the diffraction of social action into more specialized semantic spaces, is illustrated in Fig 3. In this representation, the primary meanings feed into the secondary semantic spaces and are refined, added to, and made more specific, creating new meaning spaces. Each of these spaces has its own vocabulary and its own

norms. They are illustrated here by taking the semantic spaces entailed in the owning and managing of a small or medium size enterprise in the private sector of China. These are

1. **Connections and reputation-building** : the actions associated with stabilizing uncertainty in an information-poor environment, where trust is personally based and limited.
2. **Secrecy**: the work of maintaining control over crucial financial and technical information in a context of mistrust of formal institutions, and where the retention of discretion to decide and commit resources is strategic.
3. **Managing employees**: the actions associated with employment, incentives, control of work, and welfare.
4. **Paternalistic control**: the work of being a leader in conditions where authority is legitimized by acts of paternalism, and where centralized decision-making is normal and legitimized.
5. **Cost control**: actions associated with cost efficiency.
6. **Opportunism and entrepreneurship**: the managing of strategic initiatives, in pursuit of organizational growth.
7. **The pursuit of wealth**: becoming rich to achieve security and status in conditions of uncertainty.

In each of these semantic spaces the culture is visible in a widely agreed set of meanings. At its most fundamental, it amounts to a set of commonly adopted ends and means. As Weber (1922) specified long ago, the web of meanings in which action is suspended, may be seen as *value rationality* (ends) and *instrumental rationality* (means). Because of this, the resolution of who gets what in a society, tends to be shaped by ultimate values.

In each semantic space identified here for the owner/manager, a set of core ideals, and received wisdom (derived from the social axioms and experience) will shape the ends being pursued, even though unconsciously. Having a good network, a respectable reputation, control over resources, a capacity for risk, discretion to decide, and a workforce you can rely on, sets you up to survive in a highly competitive business arena.

Building an enterprise also achieves other ends: status, family security, contribution to societal progress etc. This complex pattern of interlocking ends and means *is* the business culture characterizing the semantic space of the Chinese private sector. It is also a living object, constantly shifting shape, as new possibilities demand new norms and rules, and old ideas fade from significance.

It is important here to consider the nature of the 'means' under discussion. What is meant is that certain methods of approach are seen as legitimate. It is, for example, legitimate in this Chinese business culture to build ties of obligation based in reciprocity. That is a norm. It is not a behaviour pattern, although it becomes one when acted out in the institution of *guanxi*.

The workings of institutions are at the top of Fig.3, and are drawn to suggest more formal, i.e. regularized and predictable, structure than exists in the worlds of meaning that evolve in the semantic spaces. As they are the commonly adopted norms of action, they may well become codified. That codification might be informal, as in the common understandings about reliability, status, respect, sanctions etc. that run though *guanxi* networks. They might equally be formal, as when a source of lending such as a bank is concerned to intervene in the cost control space, and imposes standard reporting requirements, called rules. Or they may be a mixture, as when a boss, working in the paternalistic control space, telephones all key executives daily for a report; that is also an institutional procedure.

The societal effect in China

Figure 4 presents an expanded view of the workings of culture in the case of China's private sector, allowing also for the changes now running through it. It is footnoted to indicate the supporting literature. At its centre are the semantic spaces that together contain the universe of meaning for the typical owner/manager, those meanings being connected across the society and bringing most organizational behaviour inside reasonably predictable boundaries, as the meanings are shared and evolve together with changes to the society.

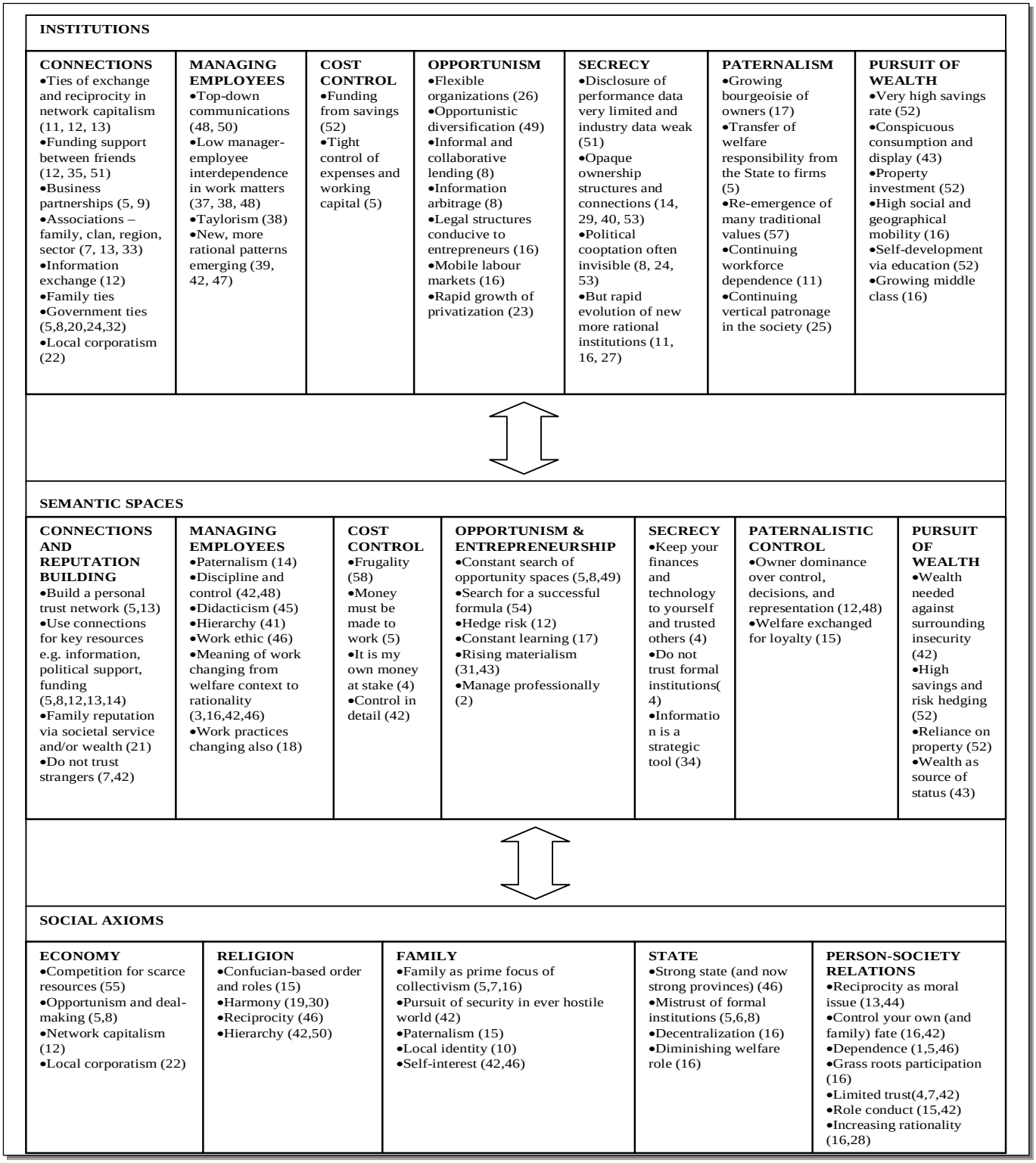


Fig 4: The culture and institutions of the Chinese private sector, and the role of semantic spaces

(1) Chen (2006)
(2) Dolles (2003)
(3) Tsui and Wang (2002)
(4) Studwell (2002)
(5) Li (2005)
(6) Wedeman (2004)
(7) Chen and Chan (2004)
(8) Ding (2000a)
(9) Child and Rodrigues(2005)
(10) Goodman (2006)
(11) Zhang and Reinmuller (2006)
(12) Hendrischke (2006)
(13) Batjargal (2005)
(14) Kong (2006)
(15) Hamilton (1990)
(16) Guthrie (2006)
(17) Tenev (2006)
(18) Chow (2004)
(19) State Council (2005)
(20) Diamant and Lubman (2005)
(21) Dickson (2003)
(22) Feuchtwang (2004)
(23) Garnaut and Song (2006)
(24) Gold and Guthrie (2002)
(25) Huang (2004)
(26) Krug and Kuilman (2006)
(27) Lo and Tian (2005)
(28) Lu and Alon (2003)
(29) Ong (2006)
(30) Rappai (2006)
(31) Rosen (2004)
(32) Sato (2003)
(33) Sung (2005)
(34) Boisot (1995)
(35) Tsai (2002)
(36) Yang (2004)
(37) Yu (2005)
(38) Zhu (2005)
(39) Nee and Yang (2005)
(40) Meyer and Lu (2005)
(41) Casimir and Li (2005)
(42) Kong (2006)
(43) Farrell and Gersch (2006)
(44) Luo (2005)
(45) Huang and den Vliert (2005)
(46) Ralston and Pounder(2006)
(47) Ding and Warner (2001)
(48) Feng and McDonough (2006)
(49) Jia and Zhang (2006)
(50) Cheng and Chou (2006)
(51) Allen and Qian (2004)
(52) OECD (2005)
(53) Ding (2000b)
(54) Tam (2001)
(55) Foster (1967)
(56) Tang and Ward (2003)
(57) Inglehart and Welzel(2005)
(58) Redding (1990)

Note: Details are contained in the full references at the end of the article.

At the base are the social axioms, the deeper layers of societal beliefs about how the world is, and scripts and values about how to behave in it. These are the fields of primary socialization that produce what might be termed 'Chinese' behaviour. Here these are treated only insofar as they relate to the economy. Their influence is seen as underlying the sets of meanings that emerge during secondary socialization, as specialized understandings accrete within the semantic spaces. With these two layers we are not yet at the level of institutions, i.e., people following stable patterns of action. We are instead

at the level of culture – the giving of meaning via shared understandings of ends and means. These are the rooms – full of meaning but empty of people. Then the people come in, populate the space, adopt the meanings (or negotiate their adjustment) and start behaving according to them in regular, predictable, and acceptable patterns. Thus institutions then fill the meaning spaces like furniture. They are given in the top layer in Fig.4.

As noted earlier, the institutions work in a different way than do the action spaces. To summarize, institutions

(a) have members

(b) those members interpret the semantic space meanings and enact them by converting them into stable patterns of behaviour

(c) those members interact with the meanings in the semantic spaces and affect the evolution of those meanings

(d) the behaviour of those members in 'instititionalizing' the meanings helps to keep active the 'neuronal circuitry' throughout the society, with which the culture in the semantic spaces remains tuned to that society and consistent across it.

But the meanings in the semantic spaces remain ontologically distinct as a category, for two reasons. Firstly, meaning is not action. Secondly its existence as societal glue, holding together a vast, varied, and proliferating set of behaviours, requires that it be independent of regularization if it is to function, and if the society is to continue to reflect its own core ideas and ideals, as it evolves. Such independence does not imply separation, as the two fields of meaning and action are reciprocal, but it does mean that their different workings give them different ways of fitting into the wider analysis. As Geertz (1973:5) has observed

> Believing, with Max Weber, that man is an animal suspended in webs of significance he himself has spun, I take culture to be those webs, and the analysis of it to be therefore not an experimental science in search of law but an interpretive one in search of meaning.

Space constraints do not permit a detailed discussion of all the components of this diagram, as that would need to be book-length. But a number of summary points may be useful, before finally considering the implications for wider theory.

Social axioms

At the level of the deeper culture and social axioms, the five main fields identified here as convenient envelopes, contain the society's most fundamental meanings guiding life. They reflect the social history of China, and its evolution as a Confucian-based patrimonial bureaucracy, the fundamental design principles of which were (i) reliance on families as the self-governing core social units, (ii) use of an apparatus of professional administrators to handle a de-centralized, but still controlled form of government, (iii) ultimate dependence on personalized central authority, and (iv) ideals of benevolent humanism balanced by discipline, order, and hierarchy. The past fifty years have seen a number of massive assaults on these ideals. The first set of these came from the social experiments of the Mao era, still visible in the retention of Party control. The second set is now resulting from the economic successes of more recent decades and the arrival of wealth, consumption, and new forms of communication. The growth of the economy is also serving to legitimate the extensive de-centralization of economic decision-making. China is also now deeply penetrated by external ideas that no amount of web censorship can rein in.

As a result of these historically new forces, the old culture is adjusting, and it is not clear at present how it will eventually stabilize. Recent data however point to two relevant features. Inglehart and Welzel (2005: 112) report, after four waves of the World Values Survey, that there is an unusual degree of agreement between generations in China on core values, thus suggesting the retention of core ideals. The traditional secularism of China, supported by the this-worldly humanism of the Confucian ideal, appears to be re-affirmed in the unusually low figure – in fact the most extreme in the world – for religious beliefs and participation (Norris and Inglehart 2004 : 226). In the background also is the ideological vacuum left by the demise of the Communist ideal, and the absence, so far, of a replacement other than the obvious contender, nationalism.

To fill that vacuum, China appears to be returning to its cultural roots – family, personalistic trust, hierarchy, government-derived order – but at the same time to be attempting to add the new components of rationality, professionalism, and local participation, to that old mixture. Previous sorties in this same general direction by Hong Kong, Singapore and Taiwan have produced radically contrasting alternatives for success (and have done so at much smaller scale). That variety suggests that China will produce yet another formula from the experimentation going on in its laboratory. It is not yet visible, even in outline, nor is it clear that it will be describable as a single system.

I now turn to the fields of secondary socialization, in which the culture becomes much more specific, and focused inside semantic spaces.

Meaning in the action spaces of private business

To run your own company in China *means that* you have to behave in ways that (a) pay attention to certain crucial features related to being competitive and efficient, and (b) fit what you do to the surrounding context of what is expected of you by employees, suppliers, customers, bankers, officials, co-owners etc. These requirements sponsor behaviour within the seven semantic spaces identified, each with its own readings of reality. We see running through these spaces the core themes of paternalism, personalized trust, control, ambition for wealth, and opportunism.

We are still here at the level of meaning, perhaps best grasped by imagining what a manager would say if you asked him or her: 'How do you make sense of building connections and reputation?' One is asking how people explain to themselves why they do things the way they do them. They are usually, of course, doing things without calling up such reasoning from their sub-conscious, but if asked, could arguably produce coherent explanations.

To make connections is to acknowledge that the surrounding society is not easy to deal with without friends to help. You cannot trust strangers, and officialdom does not

always behave predictably or ‘fairly’. Your capacity to influence others in such networks rests largely on your reputation for reliability, and on your perceived respectability. It is this latter, combined with wealth, that will bring honour to your family.

Employees are subordinates who will work hard, and who will expect discipline, but those on whom you depend will need to be treated as dependents for whom you are partially responsible. When your own money is at stake, great care must be taken that it works hard, and that it is not wasted. In moving the firm forward, you must learn constantly about the industry, and search constantly for opportunities. The ideal is the formula you might create to make money by combining things in new ways, before someone else innovates in this way. But you are not restricted to one field of business, and should hedge risk. Trust only those you know well, and do not give information away. You and your owning partners have the right to decide all issues, and to commit resources, and you speak for the whole enterprise with outsiders. There is always surrounding uncertainty, and things can change quickly, so you must fulfil your family duty to accumulate wealth and place it somewhere safe.

Institutions: the making of stable behaviour patterns

When meanings are widely shared, the actions they then make ‘meaningful’ become predictable and stable, so that people (a) can know how to enact the shared understandings, and (b) can predict the behaviour of others. By this process, the ‘institutionalizing’ of the meanings provides order. In doing so in semantic spaces of complexity, such as law or accounting, such order often become elaborated and codified, and requires much learning of rules by members. In other less domain-specific semantic spaces, such as courtship, or offering hospitality, order may simply be maintained by accumulated understanding and socialization. In most cases these enactments need to be protected against deviance and misinterpretation, and there is a vested interest for many in having things predictable that justifies sanctions against those who do not conform. These might range from a dress code to a set of membership rules, or codes of practice. For most, conformity is a fair price to pay for the benefits of membership, as it leads to

being able to take part in the action. Deviance can cost dearly if it means exclusion from a field of action.

In the semantic space of **Connections and reputation building** a wide set of institutions has been established to provide the scaffolding for network capitalism. Stable patterns of behaviour exist for blending reciprocity into exchange processes, including processes of funding, information exchange and business partnerships. Family, clan and regional networking provides much of this basic architecture. **Managing employees** follows a pattern of response adopted so widely as to be a stable institutionalized pattern. Organizational power and decision making is typically centralized, and apart from with key technical specialists, the average worker-boss relationship is very hierarchical and not strongly interdependent. Workers are essentially extensions of the machine in most manufacturing, and Taylorism is normal. Variations in Confucian humanism from boss to boss do not radically alter the fundamental power and communication structures (Gao, Ting-Toomey and Gudykunst 1996). **Cost control** is conspicuous in most private sector Chinese enterprises, and its good effects on efficiency are visible in perfomance data in the aggregate (e.g, OECD 2005: 86,125) Because of the institutionalizing of **Secrecy**, however, it is extremely difficult to demonstrate this empirically. Within this latter space, the constructing of complex organizational webs is also well established, and so too the dividing of much action between those who know what is going on and those who can only guess. This institutionalized opacity has been an important component in the growth of many new complex business groups, and in much opportunism in accessing state assets (Meyer and Li 2005, Rosen 2006). **Opportunism** *per se,* and its accompanying field **the pursuit of wealth**, contain a predicable pattern in behaviour given the following conditions : very rapid and sustained economic growth; the fast absorption of new technology usually entering from abroad; radical re-structuring of the economy and of government policy consistently in the direction of encouraging entrepreneurship; a powerful drive to improve the acquisition of wealth; the growth of new structures and institutions in financing, training, distribution, access to foreign markets, all capable of assisting in the creative pursuit of opportunity. The vast proliferation of new firms, and

within them of opportunistic diversification as they grow, are the main institutional vehicles carrying this momentum.

Paternalism lies at the centre of the set of Confucian-derived institutions, and surrounding it are related responses: 'iron rice-bowl' welfare structures now transferred from the state to business owners; a proliferation of such owners across society as the concern with control makes for so many small firm start-ups; and familism returning to solve the problems of mistrust of strangers and of obligation to the core unit.

Discussion

I have contended that culture provides meaning for institutions, that it may be seen at two levels, that it belongs to everyone and no-one, that it adjusts to its surroundings, and that it serves to hold together a possibly proliferating set of institutions as a society progresses towards greater complexity. I also contend that it may best be seen as existing inside envelopes wrapping semantic spaces in which specific forms of action occur. Its connection with action, and then with institutionalized action, may be analysed so as to make clear how the components variously function and fit together.

In order to use such an approach, it is necessary to begin with an idea of the semantic spaces of interest, and ideally to derive those empirically from the minds of local respondents (see e.g. Redding 1990, Witt 2006, Guillen 1994). How local actors make sense of the world begins with a set of categories into which their constructions fit, and they are not necessarily those used by theorists. It is, however, reasonable to suppose that where action is clearly definable, as for instance would be the case for managing a workforce, or relating to key customers, then a semantic space could be assumed.

Such an approach moves analysis forward towards a better understanding of how culture 'works' to shape economic action. It provides for it a clearer role in the larger matrix of processes contained in the societal effect. It also encourages research into its workings, by defining the boundary between it and institutions, and by making that interface less of a no-man's-land.

Three categories of researchers have tended to dominate the enquiries into how economies reflect societies, and why 'success' is unevenly distributed. (I leave out of consideration those who believe, like many economists, that one set of social behaviour laws applies universally). Those who concentrate on culture tend to be disengaged from researching institutions, and economic behaviour, except in the more obvious domains of organizational behaviour such as leadership style. Those who concentrate on institutions tend to be disengaged from researching their origins in meaning systems, and often prefer to lump all societal determinants together as institutions of one kind or another. There is among many of them a reluctance to deal with culture, or a tendency to come around late in their careers to acknowledging its influence, (often then seeing it as crucial). Those determined from the outset to take on the entire spectrum of socio-economics, from Weber onwards, have tended to engage in especially complex accounts. Their significant insights have tended to remain just that, and have not sponsored extensive empirical research on a comparative basis using clearly formulated categories. Examples here are Weber's (1930:26) view of the 'specific and peculiar rationalism of Western culture', Fukuyama's (1995) insights on trust, or Eisenstadt's (1968) identifying of the central role of a society's 'transformative capacity'. We also need to know more about why and how culture, in Landes' (1998: 516) view, 'makes all the difference'.

It is likely that progress on these enquiries awaits the removal of the 'mountain of theoretical muddle'. At the centre of this obstructive pile is the dilemma of knowing where culture and institutions respectively begin and end. The disaggregation of meaning and action offered here is perhaps a starting point for new research initiatives, as well as a means of coming closer to terms with the emerging society and economy of China.

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