

EDITORIAL ESSAY

Why Do We Need Phenomenon-based Indigenous Chinese Management Research? An Evolution of Theories Perspective

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Abstract

This editorial essay describes what is phenomenon-based research and why it is important to conduct indigenous Chinese management research. Grounded in the Chinese context, the author identifies emerging new organizational phenomena in the digital age that calls for new theoretical explanations and empirical validation. Adopting an evolution of theories perspective, the author outlines the various paths that can move a new theory explaining an indigenous phenomenon toward becoming a universal theory that can transcend time and space.

摘要

本文聚焦基于现象的管理学研究, 以及开展中国本土管理研究的重要性。作者扎根于中国情景, 指出了一些出现在数字化时代的新颖组织现象, 并鼓励大家对此提出崭新的理论解释和实证检验。作者采纳理论演化的视角, 总结了如何把基于本土现象所提出的新理论, 转变成放之四海而皆准的普遍性理论的演化路径。

All theory begins as indigenous theory. The theories that now dominate management scholarship originated from within an indigenous Western setting and reflected a Western perspective, yet scholars extended them to other settings (e.g., global regions).

– Bruton, Zahra, Van de Ven, and Hitt (2022)

Recent years have witnessed not only global disruptions manifested in fragmented globalization, economic and techno-nationalism, and geopolitical fractures (Luo, 2024), but also rapid technological advancements, exemplified by the industrial Internet of Things and relentless progress in generative artificial intelligence. Organizations worldwide are transforming by digitizing their operations, though the pace of this transformation varies significantly. For instance, a recent report indicates that since 2017, China has experienced the fastest growth in industrial robot applications, with a 300% increase in robot density per capita, reaching 392 units per 10,000 employees. In contrast, robot density in the United States (US) has seen modest growth, increasing by less than 43% during the same period (International Federation of Robotics, 2024). In 2023 alone, the value added by the digital economy grew by 6.3% in the US, while this figure was a staggering 45.6% in China's tertiary industry

(Journal of the U.S. Bureau of Economic Analysis, 2023). More impressively, in 2025, DeepSeek, a Chinese startup, developed an open-source R1 model with approximately 96% lower costs compared to leading models like GPT-4, developed by OpenAI, a US company. These and other facts suggest that China might be ahead of the curve in developing a digital economy.

How did China transition from a technological backwater to one of the world's largest digital economies in such a short span of time? As highlighted in a report by McKinsey & Company (2021), this transformation is 'a story of innovation and disruption. In omnichannel retail, social media, on-demand services, mobility, fintech, healthtech, and other domains, the country is developing many "China-first" innovations'. Innovation and disruption in the Chinese economy present significant research opportunities for organizational scholars, as the questions arising from these emerging phenomena may not be fully addressed by existing theories in the current management literature. These phenomena emerge from the specific economic, political, historical, and cultural context of China.

What roles do Chinese companies play in transforming the country's image from a latecomer in the industrial revolution to a leader in the era of the internet and digitization? Why have more companies in China than in other countries continuously enhanced their digital capabilities for innovation and growth over the past decade? Why do 90% of Chinese companies view generative AI as an opportunity, compared to the global average of 77% (Accenture, 2024)?

Meanwhile, the global disorder caused by decoupling between China and the US, geopolitical tensions in the world, wars between Russia and Ukraine, and between Israel and Palestine, unpredictable tariffs imposed by the Trump administration, and the often uncertain economic policies regarding private-owned enterprises (POEs) in China, paint a rather dim picture about the overall economic landscape for Chinese companies. Nearly 40% of Chinese companies perceive unprecedented changes in today's business environment while only 12% of their global peers have the same perception (Accenture, 2024). The mentality of 'if we don't go outside China, we will be out of the game' is pervasive among Chinese entrepreneurs and business executives (*Management Insights*, 2024). How would this influence the strategies and operation of Chinese firms?

The answers to these questions may have many layers that are interconnected. At the society level, the technological restrictions facing China have created unique innovation incentives beyond typical market forces, which legitimize China's national rhetoric around technological self-reliance, or the so-called 'independent innovation' (Gill, 2021). Strategic government policies and funding mechanisms have created a system that goes beyond conventional market-driven models to drive innovation. How do firms react to these incentives and mechanisms in visioning their innovation space? How do they take advantage of the policies and funding mechanisms to chart out their own unique path in innovation?

At the firm level, Chinese companies exhibit a greater diversity of ownership types compared to those in other countries. In addition to POEs, state-owned enterprises (SOEs) constitute a significant portion, alongside foreign-owned enterprises, joint ventures, and mixed-ownership enterprises. Recent studies of the heterogeneity in SOEs (Huang, Jing, Xia, Zhang, Zhong, & Zhu, 2024) offer some insights into how different ownership structures influence the nimbleness and agility of Chinese companies, akin to small startups, while simultaneously fostering the organizational and operational capabilities necessary to drive large-scale initiatives. Furthermore, within firms, how would an internally focused, Darwinian-style process of constructive competition (e.g., Murmann & Zhu, 2021) channel resources toward the most promising growth engines of a company? As digitization enables organizations to access real-time data and make immediate decisions, the traditional organizational structure that separates functional departments becomes less effective in ensuring rapid responses to frontline issues. How should organizations blur the boundaries between strategy, organization, and execution to expedite decision-making based on live data? Moreover, as frontline workers in digital organizations can access real-time information at their fingertips (sometimes with AI agents' help), how should top executives and middle managers delegate and empower them to take charge? Or would such practice be at odds with the high power distance orientation of the Chinese culture? How

would people reconcile the logic of democratizing information of a digital organization with the logic of controlling for power demonstration? These questions, although nascent and emerging for Chinese companies that have adopted digital technologies, may also have important implications for digital companies in other cultures.

Need New Theories to Account for Novel Phenomena?

While most management students are familiar with goal-setting theory (Locke & Latham, 2019), social cognition theory (Bandura, 1999), sensemaking theory (Weick, 1995), the resource-based view (Barney, 2001), and escalation of commitment theory (Staw, 1997), and regard them as foundational to management research, few may realize that these theories were originally proposed to explain novel phenomena observed or experienced by scholars within specific contexts (e.g., political, social, cultural, economic, technological, and organizational environments) that existing theories could not adequately address. The narratives and motivations behind the development of these theories are documented in the book *Great Minds in Management* (Smith & Hitt, 2005). Essentially, these theories were phenomenon-driven and contextually grounded at the time of their inception.

Why do these theories become widely accepted by scholars globally and attain the status of ‘universal’ theories over time, despite significant changes in their original contexts? My answer is that these theories abstract the essence of phenomena by developing key theoretical constructs and compellingly articulating their relationships in a manner that withstands the test of time and space. In other words, they are ‘good theories’ that not only explain what is happening but also provide a deeper understanding of why it happens and under what conditions (Whetten, 1989).

Following this logic, I argue that theories based on nascent and indigenous phenomena in China should not be constrained by specific social, cultural, and economic contexts, nor should they be narrow or short-lived. Instead, if these theories can be refined or evolve when encountering new organizational forms, diverse samples, and technological disruptions – a phenomenon-based theory explaining Chinese organizational management may become a ‘universal’ management theory that fundamentally changes our understanding of the mechanisms at play in modern digitalized organizations.

The Evolution of Theories

In 2014, I attended an invitation-only conference in Sweden, organized by Professor Tony Fang at the Stockholm Business School. Among the participants was Professor David Whetten, who presented a framework for the evolution of theories (see Figure 1). We engaged in extensive discussions and reached a consensus on this framework.¹

This framework introduces two dimensions to describe the progression of a theory from the ‘indigenous, mid-range’ stage (Cell 1) to the ‘universal, general’ stage (Cell 4). The first dimension is the contextual scope of a theory, which can be categorized as either ‘narrow context or one context’ or ‘broad context or many contexts’. The second dimension is the explanatory space of a theory, which can be classified as either ‘one Y-outcome’ or ‘many Y-outcomes’. As illustrated in Figure 1, all theories originate in Cell 1, representing an indigenous mid-range theoretical account that explains a single indigenous Y-outcome. From this starting point, a theory can follow either Route A or Route C to reach Cell 4.

Route A suggests first testing the indigenous theory in a broader context, followed by expanding its explanatory space. For example, if an indigenous theory about organizational digital transformation was developed in the manufacturing industry, it should be tested in other industries, such as the telecommunications or automobile industries, using the same Y-outcome, such as an increase in operational efficiency. If the theory holds in both industries, then Route D should be followed to

<p>Types of Theories</p> <p>Evolution of Theories</p> <p>All theories, until proven otherwise</p>		<p>Explanatory Scope (How many Y-outcomes does a theory explain?)</p>	
		<p><u>One Y-Outcome</u> Paradigmatic theory Middle-Range ("Why Y?" theory)</p>	<p><u>Multiple Y-Outcomes</u> Propositional theory General ("Omnibus X" theory)</p>
<p>Contextual Scope In how many contexts does a particular theoretical prediction (X → Y) hold?</p>	<p>Narrow context <u>One Context</u> Indigenous</p>	<p>1 Indigenous, Middle-Range (Explains 1 indigenous Y-outcome)</p>	<p>2 Indigenous, General (Explains 2+ indigenous outcomes)</p>
	<p>Broad context <u>Many Contexts</u> "Universal"</p>	<p>3 "Universal," Middle-Range (Explains 1 Y-outcome in 2+ contexts-- contextual moderator)</p>	<p>4 "Universal," General (Explains 2+ Y-outcomes in 2+ contexts)</p>

Figure 1. The evolution of theories framework

test whether another Y-outcome, such as new product or service innovation, can also be explained or predicted by the indigenous theory. If successful, the theory can then be considered universal or general.

Route C indicates that maintaining the narrow context while using more outcomes related to the initial Y-outcome can also verify the indigenous theory and elevate it to the status of a universal theory. Using the same example, if the Y-outcome was operational efficiency in the manufacturing industry, the next step would be to test product or service innovation within the same industry using the same theoretical arguments (Route B). If the theory holds for both production and service innovation, its generalizability can then be tested by applying it to the telecommunications or automobile industries.

The evolution of theories framework can be used to describe the process by which most, if not all, management theories become universal. In the study of leadership, the theory of transformational leadership is now regarded as universal by scholars worldwide. However, when it was first proposed, all examples and empirical research evidence were collected in the West, primarily in the US. This theory is often used to explain how and why business leaders like Lee Iacocca of Chrysler and Steve Jobs of Apple were able to rescue companies from dire situations and transform them into industry leaders. Over time, within the Western business context (following Route C), scholars developed its measurement, tested its relationship with organizational performance (one Y-outcome), and then examined its relationship with followers' commitment, loyalty, satisfaction, and organizational citizenship behaviors (multiple Y-outcomes), as well as its contingencies, potential substitutes, predictors, and correlates (for a review, see Bass & Riggio, 2005).

Meanwhile, transformational leadership theory attracted significant attention from scholars in non-Western contexts, who enthusiastically tested its explanatory and predictive power in organizations within their local cultures (Route B). Accumulated findings suggest that the central hypothesis holds, that is, leaders engaging in more transformative behaviors – articulating a vision, providing intellectual stimulation, fostering collaboration, setting high performance expectations, role modeling, and offering individualized consideration (Podsakoff, MacKenzie, & Bommer, 1996) – are more likely to have engaged, committed, and satisfied employees who would drive successful company transformations (e.g., Chin, 2007; Sartal, González-Loureiro, & Vázquez, 2020). Although studies also

revealed differential effects of the six behaviors in mainland China and Taiwan. For example, people there tend to view these leader behaviors as representing two types: relationship oriented (fostering collaboration, role modeling, and individualized consideration) and task oriented (articulating vision, intellectual stimulation, and high performance expectation), and the relationship-oriented transformative behaviors seem to have stronger positive effects on employee OCB than do task-oriented behaviors (e.g., Chen & Farh, 2001). Overall, the theory stood the test of time and space and is considered universal (Bass & Bass, 2008).

Conclusion

In summary, I encourage all authors and readers of MOR to become astute observers of novel phenomena within the digital economy in the Chinese context and follow the path outlined in the theory evolution framework to develop new theoretical accounts to explain them. After establishing the robustness and significance of a phenomenon that contradicts existing theories, boldly develop unique insights grounded in your sound knowledge and deep understanding of the local context. From refining these insights, a new indigenous theory may emerge. You would then initiate a new scholarly conversation (Huff, 1999) and engage others to join.

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Note

1. Professor David Whetten invited me to collaborate with him to further develop this framework into a paper following the conference. However, due to our respective busy schedules and numerous other commitments, this collaboration did not materialize. Nevertheless, I now utilize this framework in my articulation of why developing phenomena-driven indigenous Chinese management research is a means to creating universal theories that can contribute to global knowledge of organizational management. I extend my gratitude to Professor Whetten for his encouragement and trust in me, and I hope this editorial represents a different kind of collaboration.

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