Moral Atmosphere and Moral Influence under China's Network Capitalism*

Robin Snell, Choo Sin Tseng

Abstract

A weak legal system, weak civic accountability, market distortions, public cynicism, and workforces lacking moral self-efficacy, present challenges to moral integrity in Chinese mainland enterprises. Our predominantly qualitative study, in Wuhan, of organizational moral atmosphere (OMA) in two large state-owned enterprises (SOEs), two smaller, shareholder invested SOEs, two foreign-invested joint venture companies (JVCs) and one private company, indicated that felt distributive inequity may have compounded these problems. Government-championed, in-company ideological propagation of avowed business morality appeared to have little impact on OMA, owing to normative incoherence. The JVCs, by adopting the foreign partners' system of rational–legal administration and internal justice, appeared to have found a relatively more effective approach to formal moral governance. Non-JVCs had a more punishment-oriented yet less rigorous approach to regulation, which was commended only at the private company, where personal share ownership gave middle and senior managers incentives to enforce discipline and thus minimize losses. Developmental and dialogue-based approaches to improving OMA were largely untried.

Descriptors: ideology, ethics, leadership, morality, China, Communist

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Introduction

In this paper, we examine moral atmosphere (moral ethos) in seven enterprises in the Chinese mainland, in order to identify how organizational integrity may be achieved and maintained within a problematic wider context. Moral atmosphere is a force-field of norms, aspirations, assumptions and expectations among members of a social entity about good or bad, and right or wrong, channelling how they define, construe and tackle everyday issues and dilemmas (Snell 2000: 267). We assume that *organizational* moral atmosphere (OMA) subsumes, in addition, an enterprise's theory-in-use of justice, embodied in systems of regulation, resource allocation, remuneration, and discipline.

Figure 1 represents the antecedents, components and consequences of OMA. The model derives from Snell (2000: 280), but has been considerably adapted in the light of the qualitatively oriented research reported in this paper. We assume that OMA influences whether organizational behaviour

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is honest or corrupt, reliable or fraudulent; whether resource allocation is equitable or tainted with cronyism; whether systems create value or produce substandard outputs; and whether environmental policies are socially responsible or entail despoliation. From a critical, *ethical* stance (de George 1995), OMA may be adjudged sound, questionable, or problematic in terms of conduciveness for high integrity policies, practices and conduct. We now review the morally challenging contemporary social, economic and political context of OMA in Chinese mainland enterprises.

The Legal, Political and Social Background

Figure 1 implies that if governments were accountable to empowered, critically informed electorates, if businesses were accountable to market forces, and if both were subject to independently and systematically administered law, OMA would be sounder, giving rise to less corruption and more socially responsible policies and actions. Findings by Transparency International (2000) lend some support to that proposition. They show, for example, that among mixed economy nations with a large public sector, the Scandinavian countries (high accountability societies) are perceived to have low levels of corruption, compared with the Chinese mainland (a relatively low accountability society).

A Traditionally Weak Legal System

In Imperial China, the District Magistrate lacked specialist legal training but 'combined the roles of detective, police chief, prosecutor, judge and jury' (Dawson 2000: 45). Government runners (messengers, policemen, guards, etc.) extorted litigants. Local communities preferred to administer justice within the clan or guild, an arrangement that suited the overburdened District Magistrate (Dawson 2000: 161–162). This ramshackle legal system failed to develop independently of government (Dawson 2000: 163–164). It was abolished after Liberation, and a new legal system was not introduced until 1982 (Davies 1995). Laws in the Chinese mainland now abound, but are not systematically applied. A long, slow journey from 'rule by man' to 'rule of law' may be underway (Hao 1999: 417). According to Figure 1, a weak legal system militates against sound OMAs.

Weak Civic Accountability

Political pluralism, and administrative transparency and professionalism are hallmarks of civic accountability (Tanzi 1998). On the Chinese mainland, however, there is one-Party rule, and at local level, *guanxi* (connection-based) factions run the Party machine. The legacy of the Imperial system, when junior clerks corruptly derived all their income from predatory fees (Dawson 2000: 49) pervades government administration. Further up the hierarchy, self-serving collusion between state officials and leaders of State Owned Enterprises (SOEs) is endemic (Walder 1995: 285; Nimerius 1997; Hao 1999). In attempts to build civic accountability, the central government introduced a code of ethics for cadres in 1993, subsequently elabo-

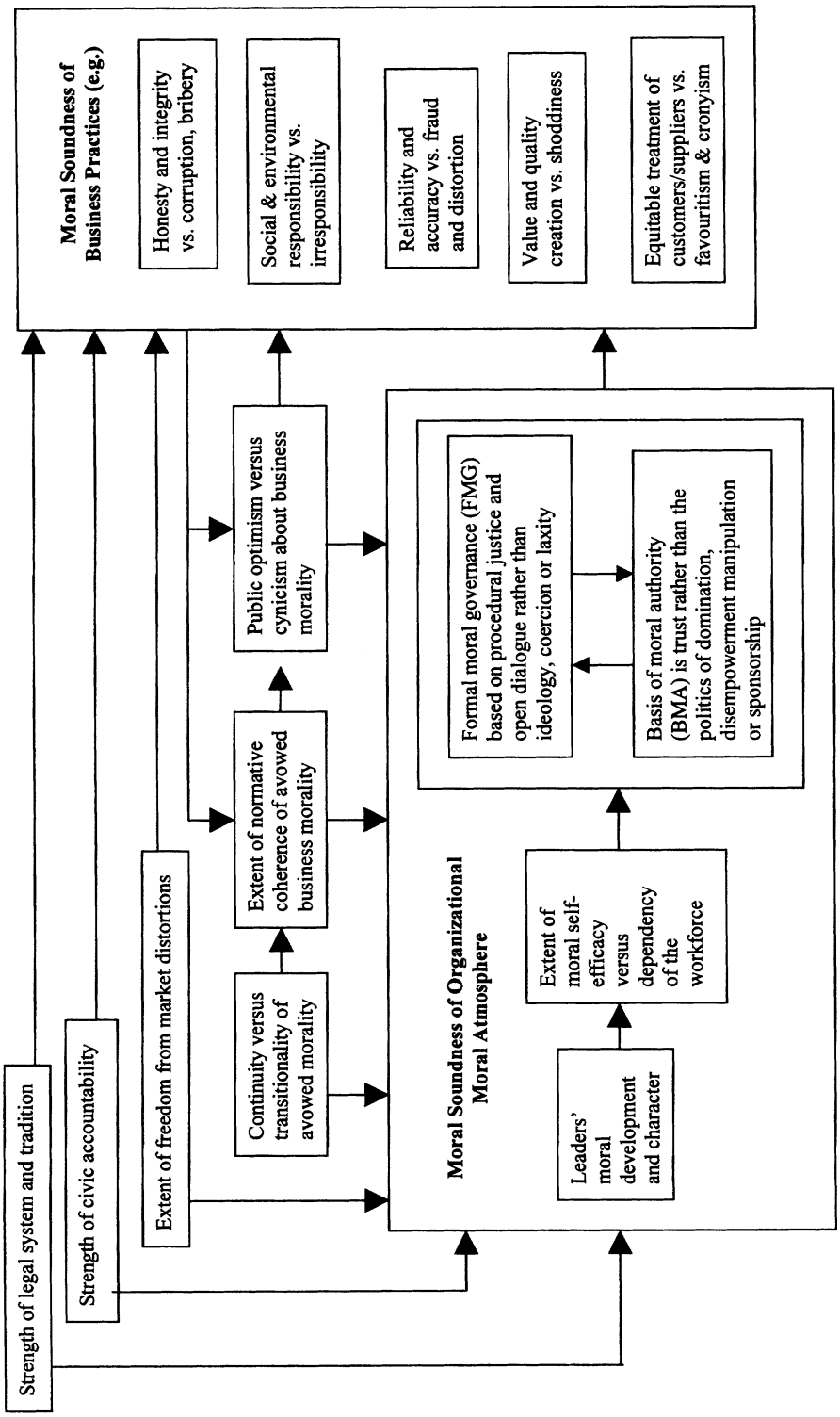


Figure 1. Relationships Among Antecedents, Aspects, and Outcomes of Organizational Moral Atmosphere

rated this (Ma 1998: 1287; Hao 1999: 414), and set up complaint hotlines for the public (McDonald 1995: 185). There were crackdowns on corrupt low-ranking officials, then higher-ranking 'moral degenerates' were targeted (China Business Information Network 1998; *China Daily* 2000a). Critics, however, dismissed this as the token purging of showcase targets in the play of factional politics (*China News Analysis* 1995; Lam 2000). Civic accountability appears to remain weak, which, according to Figure 1, discourages the development of sound OMAs.

Market Distortions

Rent-seeking local officials have diluted economic de-regulation and market reform policies, seeking kickbacks or red packets in exchange for permits, financial capital and trading rights (McDonald 1995: 182; Wank 1995: 166–167). To protect their businesses, leaders of private companies maintain relationships with networks of officials, through gifts, banquets, employment positions and free company shares (Wank 1995: 168–171). Some commentators contend that *guanxi*, the cultivation of trust through gift-giving and social connections, 'oils the wheels', and supports the development of free markets (Davies 1995; Tan 1999; Wank 1995: 155). Tsang (1998: 69) thus uses the term *organizational guanxi* to refer to the cultivation of cooperative relationships between a company as a whole and the agencies with which it deals. Against this, the official government line (here we sympathize) is that all *guanxi* is corrupt because of its inherent favouritism (Wong and Chan 1999: 114). Instead of being purged, however, *guanxi* is driven underground (Xin and Pearce 1996: 1654–1655), and may be an inherent feature of the Chinese mainland's 'network Capitalism' (Boisot and Child 1996). According to Figure 1, market distortion and injustice discourages the sound development of OMAs.

Transitionality and Possible Normative Incoherence in Avowed Morality

Whitcomb et al. (1998) identify Confucianism, Maoism and the pragmatic market enterprise ethic of Deng Xiaoping (1904–1997) as the three main strands of thought relevant to business ethics in the Chinese mainland. We summarize these next. Confucianism represents traditional Chinese ethics, absorbing much of Taoism (Carnogurska 1998: 211). Traditional norms include reciprocity (de Bary 1991: 3–4), avoidance of selfishness (Pye 1995: 41), the Golden Rule (Confucius 1979: 135), and respecting social hierarchy through face-giving and face-saving (Bond and Huang 1987: 247–248). Law (*fa*) was regarded as a necessary evil for controlling the morally bankrupt (Steidlmeier 1997). *Guanxi* was traditionally an honourable code of reciprocity and equity (Pye 1995: 45–46; Luo 1997: 44).

Under Mao Zedong (1893–1976), traditional Chinese ethics were officially rejected. *Guanxi* was disapproved (Pye 1995), but re-emerged under cover (Walder 1986). Loyalty to the people, the Party and the leader replaced filial respect of parents and loyalty to the emperor (Fairbank and Reischauer 1978: 491). There was some continuity with Confucianism, in that material incentives were disdained, as was selfishness, but hierarchy was down-

played and workers were urged to challenge line authority (Shenkar and Ronen 1987). SOEs operated an 'iron rice bowl' system of guaranteed employment, egalitarian rewards and lifelong welfare, centring on the *danwei* or work-unit (Lü and Perry 1997), creating a profound non-market ethic that persists in many contemporary SOEs (Ding et al. 2000: 222). Economic reforms beginning in 1978 overturned Maoist values. Deng Xiaoping's famous proclamations: 'To get rich is glorious' (Ralston et al. 417), and 'Whether a cat is black or white makes no difference — as long as it catches mice, it is a good cat' (CNN 2001) encapsulated pragmatic market enterprise values.

Transformation of the Chinese mainland's economic system into network Capitalism has thus entailed moral upheaval. A sign that Maoist values have waned is the replacement of wage egalitarianism by the 'post-plus-skills' payment system (gangji gonzi zhi) (Easterby-Smith et al. 1995). Money has become the prime source of work motivation (Fisher and Yuan 1998). While some Confucian values persist (Ralston et al. 1999), morality may have generally fragmented (Whitcomb et al. 1998), paralleling a possible breakdown of tradition-based normative consensus in Western civilization (MacIntyre 1988; Feldman 1998). Unlike the West, however, the legal system on the Chinese mainland is too weak to serve as an alternative basis for socio-economic order. Figure 1 implies that if there is neither legal order nor coherent avowed morality, the development of sound OMAs is impaired, resulting in high levels of corruption (Husted 1999).

Official Moral Optimism — and General Public Cynicism

The Party has attempted to provide moral leadership through ideology and propaganda. Socialist spiritual civilization construction (SSCC) became Party policy in 1982 (Dirlik 1989: 35), and a central programme began in 1986 (Lynch 1999), aiming to cultivate 'healthy personality' (Xu 1997: 90). SSCC attributes wrongdoing to weak culture and individual moral turpitude, rather than to institutional failure, and seeks remedies in deviance control, ideological education and thought reform (Hao 1999: 411–412; Lynch 1999). SSCC remains a Party priority (McDonald 1995: 175–176), but appears to lack credibility among the public (Lynch 1999), who perceive general reluctance to tackle corruption among the most senior officials (Burns 1994: 57–58). According to Figure 1, moral cynicism among the general public discourages the sound development of OMA.

Aspects of Organizational Moral Atmosphere

Thus far, Figure 1, in conjunction with the literature review, suggests that a weak legal system, poor civic accountability, market distortion, normative transitionality, and public cynicism all militate against the sound development of OMA. One part of the research, reported later, considers the coherence of avowed business values as a potential saving grace. We assume that a soundly developed OMA is a strong force for enterprise practices that are honest, reliable, equitable, value enhancing and environmen-

tally responsible. We now introduce and explain the elements of OMA, as shown in Figure 1.

Leaders' Moral Development and Character

The proposition, represented in Figure 1, that leaders' character effects OMA, has theoretical support (Gini 1998; Graham 1995). We assume that virtuous leaders fight or resist corruption. In Confucianism, only the virtuous should become leaders and role models (Shafer 1997). There is, however, a wide gap between ideals and reality, especially in and around many SOEs, which are illegally 'milked' by their supposed leaders and monitors (*The Economist* 2000), and are said to be 'poor temple(s) with a rich monk' (Lee 1999: 57). Once again, this phenomenon may be a legacy from Imperial China, where higher officials took advantage of being stationed above much of the law (Dawson 2000: 162).

Moral Self-Efficacy of the Workforce

A 'golden' period of rebuilding followed the Japanese invasion and the Kuomintang regime, but by the mid 1960s the *danwei* system began to induce dependency (Walder 1986) and learned helplessness (Schermerhorn and Nyaw 1990) akin to that of long-term psychiatric patients and prison inmates (Shenkar 1996). SOEs are no longer 'total' institutions, but some still serve as shelters (Shenkar 1996: 900). Inertia (Ding et al. 2000), and political concern about a weak national social security system (*China Daily* 1999), sustains a dependency ethos not only in SOEs (Francis 1996), but also in some foreign-invested Joint Venture Companies (JVCs) (Chan 1997: 105–106). This may impair moral self-efficacy, which we define as confidence in exercising principled, autonomous moral judgement. According to Figure 1, low moral self-efficacy among the workforce would discourage the sound development of other aspects of OMA.

Formal Moral Governance

Diverging from Snell (2000: 281), we define formal moral governance (FMG) as the 'systems for encouraging, establishing and enforcing official ethical standards within an organization'. Our research also considered distributive justice or reward equity. We arrived at these non mutually exclusive FMG categories: (a) laxity, (b) arbitrary coercive imposition ('rule *by* law'), (c) ideology or identification, (d) open dialogue, and (e) regulation of a just, systematic, transparent and consensually legitimate nature, characterized by ideal Weberian bureaucracy (Westwood 1992: 102–103), i.e. internal 'rule *of* law'. Historically, the FMG of SOEs, just as quasi-religious orders, boarding schools and prisons (Shenkar 1996), emphasized arbitrary coercion and ideology, but later became lax as politicization deintensified. Recent reforms may have encouraged a return to arbitrary coercion. *Xiagang* [the sending home of off-duty workers (Lee 1999)], privatization (Lau 1999), contract-based hiring and even layoffs (Ding et al. 2000), have rendered SOE workforces vulnerable to coercion by empowered managements. SOE directors have gained 'one pen, one mouth' author-

ity, while Union branches have lost credibility, and the Party's role has become that of assisting management to raise productivity (Lee 1999: 57–59). Enterprise managers have imposed meticulous, but arbitrary and harsh rules, rather than embracing systematic, just, regulation (Lee 1999). Coercive imposition in 'sweatshop' factories, often overseas Chinese-invested and Western-backed (Chan and Senser 1997; Boje 1998) may not foster high integrity, and raises questions of rights violations.

Basis of Moral Authority

According to Snell (2000: 282–283) moral authority represents the power to define what is acceptable and what is not. Three bases of moral authority (BMA) are: (a) the political play of domination, manipulation and sponsorship, (b) deferential trust, and (c) critical trust. After Snell (2000), we would rank these in ascending order, according to their expected contribution to sound OMA development. If those in key positions are protected by *guanxi*, as can happen on the Chinese mainland, their authority may stem from sponsorship rather than from trust. Under deferential trust, authorities are assumed, by default, to act with integrity, care, and wisdom, in accordance with moral tradition. Critical trust stems from transparency and openness; justice is seen to be done.

The Research

The research was conducted in Wuhan, the largest city in Central China, with 7 million people living within an area of 8,467 square kilometres. This is part of a larger ongoing study which has already gathered data in Beijing and in Xi'an in Northwest China, and which aims to investigate enterprises in Shanghai and Guangdong. Wuhan ranks fifth or sixth among Chinese cities in terms of economic production, having enjoyed average GDP growth of over 8 percent per annum since 1982 (Flood 1996). The city is a geographical 'mid-point' of economic and political reform in China. Wuhan was not in the vanguard of early economic reforms, which began mainly in the Southeast, but may be leading the regions lying to its Northwest. Wuhan has downsized some government agencies and redefined their role 'from micro-management to macroeconomic supervision' (Gu Jiaqi 1996: 123). Its municipal industrial bureaus have become state- asset management companies, able to sell equities in their subsidiaries and to set up joint ventures involving them (Yang 2000). Solinger (1999) reports that the non-state sector in Wuhan is 'vibrant', although the state sector still accounted for as much as 80.6 percent of employment in 1996. Wuhan's problems during economic transition have included a wave of early retirements (Paul and Paul 1995), rates of *xiagang* reaching 13.7 percent of total employees (Solinger 1999), plus an above-average unemployment rate of 6.5 percent (Bottelier 1998). In the late 1990s, Wuhan, like many other cities across the Chinese mainland, was wrestling with tension between pressing on with market reforms and enterprise restructuring, and the need

to arrange the orderly resettlement of displaced urban workers (Solinger 1999). The local political and social circumstances were not atypical of large Chinese cities.

The original OMA model had not crystallized until after data collection began, and, in any case, was modified substantially during data analysis. Through a predominantly qualitative approach, we sought to understand OMA in a small number of companies of varying ownership types. The following emergent research questions are addressed:

1. (About normative coherence of avowed business morality). What values were avowed? How do they link to moral traditions? To what extent do they form a coherent whole? How compatible are they with prevailing unofficial values?
2. (About moral self-efficacy of the workforce). How strong is the legacy of the 'iron rice bowl' in terms of the lack of an internalized work ethic among the workforce?
3. (About FMG). Who are the agents of company moral ideology? How is this promulgated at company level? What is the perceived impact on moral conduct?
4. (Also about FMG). Do internal systems of regulation and justice emphasize arbitrary and coercive 'rule by law' or consensual and Weberian 'rule of law'? Where do rules come from? How strictly are they applied?
5. (About BMA). What empowers/disempowers enterprise leaders when establishing what is morally acceptable and what is not?
6. Overall, what aspects of (internal) OMA make a difference to organizational integrity in the problematic context of China's business environment?

In this paper, out of respect for identifiable individuals, we do not discuss enterprise leaders' moral development and character, although our model recognizes this as an important aspect of OMA. Nor do we offer primary data on public cynicism about business morality, since secondary sources, quoted earlier, offer ample evidence of this.

Focal Companies

Our seven case study companies, accessed through local connections, comprised two large SOEs, two smaller SOEs with shareholding structures, two foreign-invested JVCs and a large private company. Table 1 summarizes background data about them.

The two large SOEs were Wuhan Iron & Steel (Group) Corporation (WISCO) and Changjiang Energy Group Corporation (CE). WISCO was founded in 1958 as an icon of socialism (Tomlinson 1997). With 120,000 employees, 18 steel mills and 35 supporting factories engaged in iron mining, and steel smelting, casting & rolling, it is a steel town in itself (Smith and Heim 1995). A parent-subsidiary structure with 14 subsidiaries was created in the mid 1990s. At the time of research, WISCO was planning to sell-off non-core assets (Tomlinson 1998). CE was founded in 1958 and has 14,000 employees in Wuhan. Its core business is designing, manufac-

Table 1
Focal Companies

Company	Ownership Structure	Core Business	Established	Employees
WISCO	Very large SOE	Iron and steel processing	1958	120,000
CE	Large SOE	Manufacturing turbo-generating machines	1958	14,000
WDS	Partially floated SOE	Department store and shopping plaza; retail chain stores	1959	4,500
HVC	Majority privatized SOE	Electrical equipment	1992	2,000
EB	60% French, 40% Chinese JVC	Beer manufacturing and bottling	1981 (Chinese) 1997 (JVC)	3,500
DCA	30% French, 70% Chinese JVC	Automobile manufacturing	1992	2,600
RHK	Privately owned stockholding company	Manufacturing and distributing an iron tonic	1994	10,000 at group level

turing and installing turbo-generator machines for power stations and ships. The company made various acquisitions and has 17 subsidiaries.

The two smaller, shareholder-invested SOEs were Wuhan Department Store Group (WDS) and Wuhan HiTech Venture Company (HVC). WDS was founded in 1959, supervised by Wuhan commercial commission. In 1986, it became a limited company, with minority shares owned by 15 large enterprises in Wuhan, three banks, and 16 retail stores outside Wuhan. WDS was the first company outside Shenzhen Special Economic Zone to get approval to list on its stock market (*Asian Wall Street Journal* 1992), majority shareholdings retained by state-invested organs. Its core business is retail chain stores across Hubei province, but it also has wholesale, property, recreation, and clothing businesses. Of 12 subsidiaries, eight are foreign-invested JVCs; four are wholly owned. Our focus was on WDS's wholly owned main departmental store in the city centre of Wuhan, with 3,500 employees and on WDS's minority Hong Kong Chinese-invested shopping plaza situated next door, employing another 1,000 people. Wuhan City Committee and 4 other state organs founded HVC in 1992 as a state-invested enterprise. After HVC became a joint stock company in October 1997, a private Hong Kong-backed, Shenzhen-based company bought 31 percent of the shares, and private individuals bought another 20 percent. The company produces welding mask covers, current- and voltage-control devices, and designs, and installs fire prevention systems for high-rise buildings.

The two JVCs were Eurobeer (EB) and Dongfeng-Citroen Automobile Company (DCA). EB is a Sino–French JVC set up in 1997 by the Wuhan Dongxihu Brewery Group and Danone; the former with a 40 percent stake, and the latter with 60 percent. The company employs 3,500 people in its

beer manufacturing and bottling factory. The Chinese parent began manufacturing in 1982, and after two factories merged in 1991, became a shareholder company in 1993. DCA is a Wuhan-based, Sino–French JVC car factory with 2,600 employees, set up in 1992 by Dongfeng (Second Motor Co.) and Citroen, and is the largest foreign-funded project in Wuhan. The French have a 30 percent stake (25 percent from Citroen, and 5 percent from two French banks). The Dongfeng parent company is a large SOE, comprising 9 divisions, with its wholly owned truck factory located in NW Hubei.

Our private company was Red Heart King (RHK). RHK began with seven founder-partners as a private business in 1994, manufacturing and distributing an iron tonic. It grew rapidly and had 10,000 employees in 22 province-based branches and 3,000 county-level branches across the mainland, as well as a stake in a listed company (Leggett 1998). We focused on Hubei province branch and the central HQ offices in Wuhan.

Data-gathering Procedures

From December 1998 to April 1999, 65 interviews were conducted in Wuhan, with a total of 87 senior and middle managers/officers, 3 workers and one commentator. All respondents were Mainland Chinese, with the exception of one Hong Kong/Canadian Chinese, who was present during part of a group interview. Table 2 lists the respondents.

We developed a structured interview guide for the senior respondents, covering ownership structure, business strategies, ideological and ethical education, company values, payment schemes, regulatory and disciplinary procedures, involvement in anti-corruption and SSCC activities and campaigns, and hypothetical ethical dilemmas. Our intention was to use the hypothetical cases to ease the interviews towards disclosure of actual ethical problems. Interviews with middle managers were structured around the moral ethos questionnaire (MEQ) (Snell et al. 1999), translated into simplified Chinese characters. We considered the MEQ to be sufficiently comprehensive to cover the issues likely to emerge as research questions. One part of the MEQ contains nine multiple-choice items covering OMA, each with six options matching the Kohlbergian moral stages at organizational level. Given doubts about the applicability of Kohlberg to the Chinese mainland (Dien 1982), this part of the MEQ was employed here mainly as a catalyst for obtaining examples and illustrations from respondents. Another part of the MEQ comprises five Likert-scale items relating to the moral soundness of the business practices noted in Figure 1, e.g. honesty. These items are detailed at an appropriate point in the findings section, below. Our requirement that interviewees provide concrete examples to justify their ratings was also intended to increase the reliability of these ratings. One author, together with local investigators, interviewed all senior respondents, and some middle managers. After training by the authors, local investigators interviewed most of the middle managers alone. Given the sensitivity of the topic, and the importance of 'face' (Shenkar 1994: 23), tape record-

Table 2
Interviews
Conducted

Company	Interviews
WISCO	Group of 12 (plant managers and company-level Party officers). Solo with plant manager/secretary of the Party committee at one plant. Solo with 8 middle managers.
CE	Group of 3 (general manager/union chairman, 2 assistant general managers). Solo with 8 middle managers.
WDS	Solo with chairman of the board. Group of 5 middle managers. Follow-up interview with one of the departmental managers. Solo with 9 middle managers. Solo with a local university professor as commentator.
HVC	Group of 3 (general manager, capital operation manager, company secretary). Solo with 6 middle managers.
EB	Group of 3 (general manager, union president, union vice-president). Solo with 4 middle managers.
DCA	Solo with deputy general manager. Group of 3 officers from personnel management section. Group of 5 (Party secretary, middle manager and 3 workers). Solo with 8 middle managers.
RHK	Solo with Party secretary (twice). Solo with vice-president /union chairman. Solo with 8 middle managers.

ing was not attempted. Extensive notes were taken in Chinese and English. Company reports, newsletters, brochures, booklets, speeches and video extracts, and local press cuttings were translated into English and used as supplementary documentary sources.

Data Interpretation

Transcript material was sorted according to emergent themes, regardless of their relationship to extant category schemes. Data was then marshalled into qualitative tables, comparing each enterprise across the emergent themes. Once initial thematic groupings had been identified, the Snell (2000) model provided a provisional basis for constructing synthesized coherence (Golden-Biddle and Locke 1997: 29–30) among otherwise unconnected categories. The model facilitated inter-linkage between what would otherwise have remained an an intuitively bundled miscellany of items on value aspirations, model workers, control systems, punishments and incentives, welfare and dependency, anti-corruption, *guanxi*, 'scandal', etc. One principal investigator, less familiar with the Chinese mainland context, developed initial extensive data categorizations and arrived at a higher-order inter-category synthesis. That work was then checked and refined by the other principal investigator on the basis of the latter's intimate familiarity with the language, culture and unofficial business practices on the Chinese mainland. Quotes were selected to emphasize the semantic significance of a category or to illustrate distinctions between categories, and were not included if contradicted by other interview data.

Findings

The Normative Coherence/Incoherence of Avowed Morality

On the Chinese mainland, even private companies are required to allign official enterprise values with the doctrines avowed by the central government's Department of Propaganda and disseminated by propaganda departments at municipal level. An eclectic mix of values is now promulgated; spiritual- in tandem with material civilization (wealth creation). After noting inter-company commonalties and differences, we identify clusters of avowed values and their possible links to Confucianism/Taoism, neo-Maoism, pragmatic market enterprise, and modernism. We then assess whether the values form a coherent whole and are compatible with prevailing unofficial values.

Generic Avowed Organizational Values

We found six generic clusters of avowed values across all enterprise types, expressed as slogans or proverbs in brochures, reports or speeches, or through storytelling.

Serving the Customer God. All seven companies stressed customer service and survival in competitive markets. The slogan, 'The customer is our God', was repeated at four companies, including the two large SOEs, and was reflected in several stories. For example, at WDS, a middle manager related, 'A customer's child took a pee in the shop, the salesperson came to clean up before that customer could make an apology'. Referring to a change in corporate identity, The general manager/Party secretary at a WISCO steel mill claimed, 'The daughter of the Emperor has married the market'.

Quality and Technological Advance. Reflecting government prompting, most companies officially aspired to high quality and technological advancement, notwithstanding gaps between rhetoric and reality (Zhang 2000: 95–96). For example, at EB, '1 percent = 100 percent: 1 percent quality-failed means 100 percent quality-failed to customers', was a 'company formula'.

Unity and Co-operation. All seven companies extolled unitary ideology (Fox 1974): shared goals, co-operation, teamwork and collegiality. There were, however, differences in how companies construed their relationship with wider society. Slogans for the two large SOEs (WISCO and CE) subordinated enterprise interests to the nation. The converse applied at the private RHK and privatized HVC, where (in 'General Motors' fashion) a contribution to the company was held *per se* to be a contribution to society. A contract worker at DCA's paint shop, introduced to us by the Party, articulated a third kind of relationship between enterprise and society, portraying it as a Darwinian struggle that required internal unity:

'(The nation has) not established a social insurance system and business competition is very cruel. While unemployed workers receive benefit in the West, here they get nothing. The life or death of this company is at stake ... People at the end

of the line are always coming to check the quality of the work of the front line, because it will affect them.'

Perseverance, Hard Work, Voluntarism, and Altruism. Stories across all enterprise types reflected the Maoist spirits of voluntarism and altruism (Hua 1995: 42–44). For example, even staff who were sick were said to have joined heroic salvage operations at the WDS warehouse during the floods of 1998. RHK's Party secretary/regional chief hailed Founder-president Xie Sheng-ming, whom he said spent a third of his time in rural villages, delivering by tricycle, a model of selflessness and service to society.

Blending Spiritual and Material Motivation. In line with Party policy (BBC Monitoring Asia Pacific 1999), two SOEs, WISCO and WDS, aspired to both spiritual civilization and material civilization as complementary projects. They were joined by the private RHK, whose Party secretary and regional chief executive claimed: 'In China, if people only get spiritual rewards they are being fooled, but if they only get material rewards they are being damaged. Here we get both.'

Continual Improvement. Companies across all enterprise types officially aspired to work-related self-improvement. For example, a WISCO employee won a prize for the slogan, 'The work today is better than yesterday, tomorrow it is better than today'. A motto of WDS's chairman was 'If you don't change anything, you're not doing anything'.

Inter-Company Differences in Avowed Values

There were two main differences across enterprise types in terms of avowed values.

Internal Rule of Law. This was only advocated where companies had direct contact with foreign partners, i.e. at the two JVCs and at WDS, whose management had learned about rational–legal administration from the Hong Kong-based parent company of a subsidiary JVC. For example, DCA's Chinese general manager told us:

> 'Many believe that the thinking and values of the people will develop as the economy develops. We think that the market economy is under the control of law, and that with the development of the economy, the people's ethics and values will also develop.'

Economic Sheltering vs. Self-reliance. Sheltering, a fragile legacy of the 'iron rice bowl', was advocated at the larger SOEs and at the two JVCs, but not elsewhere. The fragility was evident, for example, at WISCO, which described itself as a 'total community' but had already retrained and redeployed 70,000 out of a total workforce of 140,000 (including 60,000 retirees), in subsidiaries earmarked for privatization. In contrast, born-private RHK had had no compunction in laying off half of its 20,000 workforce in 1997, nor in regularly dismissing staff with poor sales figures. Mentioning this, RHK's Party secretary and regional chief executive, himself on a one-year contract, declared, 'The company is a young person's

Shangri-La; they can develop here'. Leaders of the two smaller SOEs, which had adopted shareholding structures, acclaimed the end of economic sheltering. A newspaper item (Yang and Xiong 1999) on the philosophy of WDS's chairman, Mao Dong-sheng reported (somewhat wishfully):

'Under the planned economy ... enterprises enjoyed a big bowl of rice from the government. Staff members working in the enterprises enjoyed a big bowl of rice from the enterprise. These two big bowls of rice seriously restricted enterprises' contribution to the country, and staff members' creativity for the enterprise. Setting up a shareholding system instantaneously broke these two bowls.'

Ideological Loose Coupling

Table 3 heuristically relates avowed organizational values, all of which, apart from one (we touch on private property rights below), are mentioned above, to four moral traditions. Some values shown as new ones in the table may be linked, if not in terms of genealogy, then at least by imaginative association, to neo-Maoism or to traditional Confucianism/Taoism. For example, Confucian self-cultivation (Ivanhoe 1993) may correspond to contemporary emphasis on self-improvement, as in this account by RHK's Party secretary:

'I wanted to fire a subordinate, but my counterpart in head office, whom I model myself on, advised me that if a person is essentially good, you can train him. I took his advice to heart. When my subordinate discovered that I was concerned that he should improve himself, he became motivated to do so.'

We observe four ways in which the avowed values are loosely coupled. First, connecting new values to old traditions requires leaps of moral imagination (for example spinning Maoist 'serving the people' into 'serving the customer', or Confucian 'selflessness' into 'collegiality and teamwork'). Second, the avowed values are characterized by 'eclectic richness and inconsistency', also a feature of classical Chinese ethics (Hua 1995: 33–34). Third, neo-Maoist values have lost direction: the shelter is crumbling and the meaning of spiritual civilization is vague. Fourth, some pragmatic market enterprise values are controversial. Managers supported them, but noted resistance among workforces — as Perry (1997: 53) observes, 'even the humblest of China's workers (have) absorbed some lessons from decades of Communist discourse on exploitation and class struggle'. Thus, Mao Dong-sheng lamented opposition to dividend payment and private property rights:

'We must, first and foremost, make money, for without profit, we can't allocate anything to the shareholders. This is obvious, but some employees think that while it is reasonable to give the profits to the government, it's unreasonable to give profits to other personal shareholders.'

Unofficial *Guanxi* Versus Avowed Values

A final test of normative coherence is the congruence of avowed morality with prevailing unofficial norms: organizational *guanxi* and expediency.

Organizational Guanxi: Interviewees confirmed that organizational

Table 3
Avowed Values Matched to Moral Traditions

Traditions	Transformed Ideals	New Manifestations	Persisting Ideals
Confucian/Taoist	Self-cultivation. Obligations of wealth. Harmony. Selflessness.	Continual improvement. Philanthropy, taxes. Co-operation. Collegiality and teamwork.	
Neo-Maoism	Serving the people. Iron rice bowl; Shelter	Serving the customer god.	
			Perseverance and hard work. Voluntarism and altruism. Spiritual civilization.
Pragmatic market enterprise		Market competition. Profit and wealth creation. Quality. Self-sufficiency. Private property rights.	
Modernism		Technological advancement. The rule of law.	

guanxi was a necessary — underground — means of company role assertion (Waters and Bird 1989) under network capitalism. While some cases of organizational *guanxi* were evidently regarded by the parties as honourable arrangements, those involving 'recommendations' by high-level government officials for relatives or friends to be given employment, tended not to be. Both JVCs (EB and DCA) had nonetheless acceded to such requests, as had the born-private RHK. One enterprise leader admitted that it was hard to say no:

'The relationship net is too complicated. A great many high officials recommend *people* to my company, but I have rejected them strictly. Sometimes, it is not easy to refuse, and I have to use some tricks to reject personal recommendations.'

Expediency: Expediency may be regarded as an umbrella value, subsuming questionable practices such as organizational *guanxi*, and conflicting with spiritual civilization, for all the vagueness of that concept. Interviewees reported various pragmatic ways of furthering company interests, which they did not explicitly link to Deng Xiaoping's 'black or white cat' maxim. For example, a middle manager, who described RHK as a Confucian company declared also:

'I was a teacher in a University before I came here, but I changed from a Confucian to a businessman. As a teacher, I seldom borrowed money and once I borrowed, I would try to pay back as soon as possible, but as a businessman, I will try to put off the payment because the competition is merciless.'

Moral Self Efficacy of the Workforce

This aspect of our OMA model relates to dependency. Managers and Party officials in some case companies mentioned a poor work ethic, manifest in

indiscipline — lack of application, and avoidance of responsibility. The problem, which interviewees traced to the 'iron rice bowl' and the Cultural Revolution (1966–1976), applied, in particular, to the large SOEs, WISCO and CE. Contrary to hyperbole, reported above, about the breaking of the 'two big bowls of rice', managers at WDS, a smaller SOE, also reported a dependency syndrome. Data was not available for HVC. Among the non-SOEs, EB had inherited its workforce, and possibly with it the 'iron rice bowl' legacy, from the Chinese parent company. By contrast, managers at DCA and RHK spoke of their elite company cultures, with a high proportion of staff recruited from universities or colleges (88 percent at RHK). At DCA, 85 percent of employees were under 28 years of age. At RHK, the average age was 28 years. We were told that only the best had survived the mass layoffs.

Formal Moral Governance by Ideology

In at least six of the seven companies, it appeared that ideological transmission was a major approach to FMG, drawing on employees' participation, but seeking, as in the West (Boyce 1996), to manipulate meaning rather than to nurture co-enquiry. In all companies except the private HVC and RHK, it was the domain of the Party. At WISCO, for example, the Party-run department of corporate culture re-engineering ran a TV station and a daily newspaper, and provided ideological ethics training for all staff. Even at private-born RHK, where a 'Confucius Business Institute' provided ideological training, this was apparently done under Party supervision. In this section, we identify the main propaganda vehicles, and assess their overall impact on employee conduct.

Model Workers

Model Workers (MWs) are a Maoist legacy (Hua 1995: 43) and remain propaganda vehicles (*China Daily* 2000b). Legendary MWs include soldier Lei Feng (Ebrey 1993; Yang 1998), and Canadian physician Dr. Norman Bethune (Pai-ch'iu-en) (Mao 1990). Emphasis on pure altruism distinguished these icons from Stalin's Russian Stakhanovites, who received material benefits (Sil 1997: 126). Most case companies participated in MW competitions — WISCO, for example, boasted 51 national MWs, 60 municipal level MWs, and 8000 company level MWs. Historically, such competitions failed to motivate workers because of the lack of material rewards and the association with political conformity (Chan 1997: 97). We found, however, that contemporary merit criteria — innovation, sales and productivity achievements — reflected new emphases on modernism and pragmatic market enterprise. While in most competitions the prizes were little more than souvenir photographs, i.e. 'spiritual', RHK departed from Maoist tradition entirely, by adopting a Western 'sales conference' approach, where the top ten winners received 30,000 Yuan each, nearly as much as SOE workers earned in their whole career.

Hero Stories

Two leaders of our case companies had received national MW awards: Mao Dong-sheng, chairman of WDS, was portrayed as a visionary SOE reformer, while RHK's president, Xie Sheng-ming, was hailed as an entrepreneur committed to meeting people's needs. Hero stories also featured grassroots MWs. Wang Tao, a car mechanic from DCA's parent Dongfeng factory in Northern Hubei, who came top of the 1998 national list of MWs, combined altruism, perseverance and technical excellence with a zest for self improvement (*China Daily* 1998). Later that year, in honour of Wang Tao and Lei Feng, the Party branch at DCA's Wuhan factory organized a MW competition entitled 'Learning from Wang Tao to raise our standards'. The winners, a model team (Youth Civilization Line) of paint-shop workers, had shaved their heads after one found a strand of hair on the paintwork. They and six individual MWs feature in a hagiographic booklet (*Dongfeng-Citroen Automobile Company* 1998). One chapter tells of Lee Hong Kit, 'the very Wang Tao of ours', who helped set up the Wuhan factory. When outside foreign equipment suppliers invited him to dinner, 'Lee politely declined all such invitations, because he knew that accepting entertainment might give rise to conflict of interest and ethical dilemmas'. During our visit to DCA, the Party's propaganda effort centred on the paint-shop workers. Interviewees reported that both the French and the Chinese general managers had been moved by the team's sacrifice. A paint-shop worker told us: 'We didn't think it was such a big thing, but when the (Chinese) general manager discovered what was going on, he decided that we were a good model worth using as propaganda'.

Slogans or Mottoes

At RHK, a senior working group, in consultation with employees, compiled a set of twelve proverbs, referred to as 'cultural rational knowledge'. Other companies held slogan competitions. Slogans accumulated (as many as 40 at WISCO's no. 3 steel plant), and there could be confusion about which ones were still in force. For example, at DCA, both the Party secretary and the human resource office said that the company had only one slogan, but the Chinese general manager quoted four.

Negative Cases

Cases such as the purchasing officer jailed for 14 years for taking bribes totalling 610,000 Yuan, were presented at WISCO's annual factory meetings. RHK's company magazine presented negative cases, such as the Hainan-based salesman who took a 40,000-Yuan kickback, and the director of discipline discussed them at each annual sales meeting. At WDS, the story of a corrupt deputy general manager was similarly publicized.

Organized Dialogue and Self-learning

There was only one mention of open dialogue. This was at WISCO, whose various plants arranged annual meetings to discuss SSCC, and most recently to consider the demands of the market economy. The general manager/Party

secretary at WISCO's cold rolled silicon steel mill, said, 'For the workers, it is self-learning. It is important that the management does not set out to teach, but rather seeks to make them learn from discussion.'

Questioning the Effectiveness of Moral Propaganda

Party propaganda, as with Western corporate ideology (Collins 1999; Payne and Wayland 1999) may not have won hearts and minds. Managers implied, subtly, that it had little or no impact on employees' moral conduct. At CE we were told, 'It is actual events that provide the most effective education. The workers now realize the reality of labour layoffs that arise from enterprise inefficiencies and they treasure their jobs.' A middle manager at WDS pointed out, 'Actually it is the competitive environment itself that makes the enterprise and its staff raise their ethical standards'. There were also hints of the erosion of the Party's credibility as a provider of moral leadershuip. As one Party secretary admitted, 'Generally speaking, the reputation of the labour union and of the Party is not too bad, however ideological work is not a panacea'.

Other Means of Formal Moral Governance

Organizations regulate a wide range of activities, including purchasing and sales, resource allocation, compensation, and workplace discipline. A common FMG issue underpinning these otherwise miscellaneous regulatory arrangements concerns the justice behind their conception and administration. We now assess the procedural consistency (strictness versus laxity) and arbitrariness (imposed 'rule by law' versus the consensually just 'rule of law') of the regulatory systems adopted in the focal companies. We also note the origins of the more procedurally just systems.

Imposed Rule by Law and Procedural Laxity at the Two Large SOEs

Accounts suggested a blend of imposed rule by law and procedural laxity at both WISCO and CE. Managers at both companies appeared impatient with imposed egalitarian reward systems, while also reporting arbitrary punishments for workers who made mistakes or performed poorly. For example, at WISCO's Cold-Rolled Silicon Steel Mill, workers who delivered steel of the wrong thickness were made to re-do the job at *xiagang* rate wages, which, in one case, took six months. Interviewees at both companies reported that a blind eye was being turned to corruption and that it was being covered up. At WISCO, for example, one manager complained:

> 'There are numerous rules and procedures, but leaders don't use them to check subordinates' performance. Since they are irrelevant to employees' income and promotion, no one will obey them.'

Procedural Justice at the Two JVCs — Not Quite at WDS

Systems of regulation at the two JVCs, DCA and EB, were said to run on relatively just, impartial Weberian lines. Comprehensive rules and proce-

dures that had been introduced by the respective French partners were praised as fair, rational and strict (i.e. consistently applied). Middle managers judged DCA's reward system, under which those at the top received twice the salary of ordinary DCA employees, and average salaries were well above the Wuhan average, to be equitable. Middle managers at EB also reported that rules and procedures were strictly applied, and that rewards and punishments were equitable. There may have been some contrast with the pre-JVC regime, when EB's ex-general manager had applied 'feeling, reason and law', arbitrarily doubling fines if he judged a breach to be serious.

WDS, as noted earlier, modelled its systems of regulation on the Hong-Kong-based parent company of a subsidiary JVC. All financial decisions were to be documented and approved by the general manager, and underpinned by the principles: 'all income belongs to the company', and 'the system is bigger than the general manager'. It appeared that a blend of Weberian bureaucracy and imposed rule by law was in force, under which those in authority could exercise clemency, although employees had no right to this (see also, Hu 1999: 168). A WDS middle manager explained:

> 'We prioritise law, reason and sympathy in that order, not the reverse. For example, general manager Hu, when patrolling on the 3rd Floor before opening time, found a male staff member in his mid 30s sitting on the floor. This is not allowed under the rules. She asked the man what was going on, and the man replied that he had no money, had not eaten breakfast, and felt weak. Hu instructed the man's manager to punish him by recording a serious mistake and fining him 50 Yuan, according to the rules. After further inquiries, Hu discovered that the man's wife had recently given birth to twins, and that she had been laid off. Life was sad and difficult for them. The company still applied the punishment. However, the company Union visited his family, gave gifts to his two children and the company arranged for him to receive an extra 100-Yuan monthly allowance, and assigned him to a better post. Subsequently, the staff member's behaviour improved, and he told others that the company's system of law, reason and sympathy made him improve upon his very poor prior conduct.'

Regarding rewards, WDS sought to administer an equitable performance-based system, with basic pay as low as 350 Yuan per month for ordinary shop workers. A variable element, based on objective measures of sales performance and on line supervisors' appraisal judgements, could exceed that amount. Some middle managers reported, however, that 'money-obsessed' shop workers distorted the system by engaging in gamesmanship and 'window dressing'.

Imposed Rule by Law and Procedural Laxity at RHK and HVC

Private-born RHK had, like WDS, adopted a reward system based on sales performance, but unlike WDS there were no reports of problems with it, possibly because RHK's average take home pay (in Wuhan) was twice the Wuhan average, much higher than that of WDS. RHK's regulatory approach embraced arbitrary coercion rather than ideal Weberian bureaucracy, but much of it took the form of rules, many of which had been indirectly benchmarked on a Hong Kong company. The Party secretary/regional chief exec-

utive claimed that the company practised military management, at least in the Wuhan area: 'Subordinates aren't allowed to argue with or question their supervisor's command'. Another middle manager spoke of assemblies at RHK headquarters:

> 'Every Monday morning, the president holds a meeting in the yard of the HQ. Sometimes he will ask a staff member, at random, to report his work arrangement for the week. If he cannot present this clearly, he will be criticized. Once a young man's answer was so bad that the president declared a punishment on the spot: 3 month's bonus was removed.'

Despite much regulatory machinery, and an evident desire by RHK managers to enforce the rules, it appeared that these were not put into effect. One middle manager estimated that each level in the hierarchy obeyed only 80 percent of instructions received, so that only about 40 percent of what front-line staff did actually conformed with official procedures and rules. This laxity was attributed to the geographical dispersion of operations across rural areas throughout China.

Unlike RHK, at HVC, middle managers reported dissatisfaction with the reward system. They felt that the differential between their salaries and those of ordinary workers was unjustly small. Some also complained that bonuses were not allocated justly or transparently. Furthermore, regulation in general was seen as unsystematic, arbitrary, unclear, unfair and unreasonable, and to have given rise to a company culture characterized by blame avoidance, 'politics' and lack of initiative.

Basis of Moral Authority

In this section, we focus on the leading figureheads and whether their authority was grounded in trust (either deferential or critical), or whether, by entanglement with the politics of domination, manipulation or sponsorship, it entailed disempowerment.

Disempowerment at the Two Large SOEs

A legacy of disempowerment was reported at both large SOEs. At CE, according to the current general manager, his predecessor 'had supreme authority, his words were the company's policy and decision', implying a BMA of domination. He set himself above the law — having transferred the ownership of a Philippines-based subsidiary worth $650,000 to a personal friend, he disappeared shortly before his compulsory retirement was due. This incident, a manifestation of the so-called '59 phenomenon' (Jiang 2000), is described in Xin and Chen (1999: 50–51). The current general manager was said to have adopted a more transparent, rational and consultative approach than his predecessor, but which could still be characterized as 'forceful'. In one episode, for example, he paid senior managers only the *xiagang* rate, pending the completion of an important project. On meeting the deadline, they got their money back with 10 percent interest. WISCO's problematic BMA legacy was an inverse form of that at CE. A

system of sponsorship served to disempower the leadership. *Guanxi* networks protected managers at various levels in the organizational hierarchy from scrutiny and accountability. One middle manager claimed that the former Premier Vice President had attempted to crack down on syndicated corruption, but that his investigations into a key case had been obstructed.

'He discovered that his power was limited, compared with that of an established system. He was frustrated deeply. Half a year ago, he resigned from his post.'

Various Forms of Deferential Trust at the Two JVCs, and at WDS and RHK

At the two JVCs, EB and DCA, deferential trust centred on the integrity of the regulatory systems imported by the foreign partners, and appeared to spill over into trust in the integrity of the leaders themselves. For example, a middle manager at EB said of the general manager, a Hong Kong Chinese Canadian passport holder, 'He is Canadian, he abides by the laws strictly!'. At WDS, where regulatory systems were modelled on a subsidiary JVC, as noted earlier, middle managers were also confident that everyone was subject to the rules. The chairman, Mao Dong-sheng, claimed that his own (real or notional?) accountability to shareholders was a foundation for trust, 'If I didn't obey the regulations, no one would obey them. So we must have something to supervise the general manager.' At RHK, there appeared to be strong deference to the moral authority of charismatic Founder-president Xie Sheng-ming, who was seen as the force behind the company's success, and who had achieved the rare honour for a private businessman of being appointed as a non Party member to the National People's Congress.

Domination at HVC

The current general manager at HVC, a former Wuhan government official, had a substantial personal shareholding, and was said to require unquestioning obedience and not to delegate authority. A middle manager reported the circumstances:

'Since its foundation, the company has had three general managers and has recruited three distinct batches of employees. The general managers have had different business beliefs and approaches, so employees' values differ correspondingly. Frankly speaking, in this situation, people just learn to obey.'

Assessments of Moral Conduct

MEQs were completed by 47 of the middle management interviewees. The MEQs included five nine-point Likert scales on perceived moral conduct (1 = totally disagree, 9 = totally agree). The items in question were:

- (On honesty): If I act honestly in every aspect of my present job, I will be praised.
- (On care): My overall impression is that my colleagues will take the greatest care to avoid any damage to the community or to the environment.

- (On truthfulness): I believe that my staff always keep reliable and accurate records when they have business meetings.
- (On responsibility): Staff take responsibility to do everything properly, even when such work is not specified in their duties.
- (On fairness): I am confident that my company treats every customer and supplier in a fair manner.

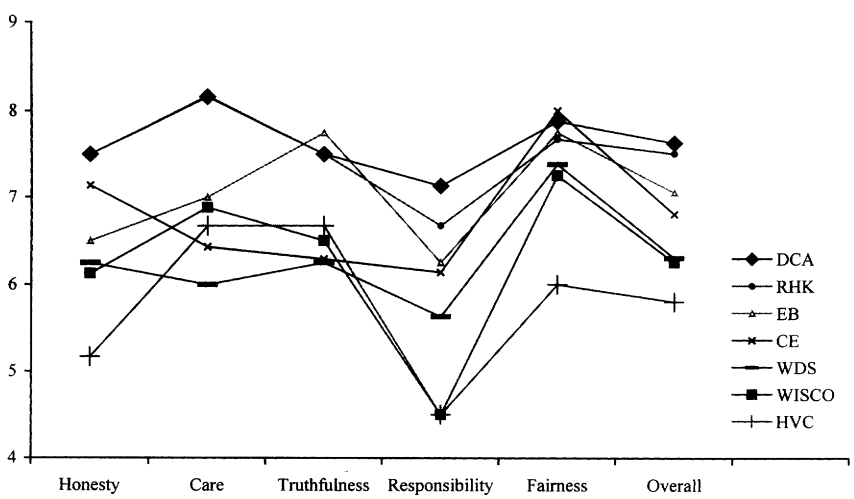
Figure 2 summarizes the ratings by middle managers, placing private-born RHK, and the two JVCs (DCA and EB), above the four SOEs in terms of integrity. Mann-Whitney U tests (Siegel 1956) indicated that the differences between DCA and HVC [U (8,6) = 3, P < 0.01)], DCA and WISCO [U (8,8) = 2, P < 0.001], and DCA and WDS [U (8,8) = 14, P < 0.05] were statistically significant. The differences between RHK and HVC [U (6,6) = 4, P < 0.01)], and RHK and WISCO [U (8,6) = 6, P = 0.01] were also significant.

Conclusions

How Problematic is the Wider Context?

Under network Capitalism, upholding high standards of organizational integrity may be very difficult. The propagation of moral ideology through Party channels may have been intended as a surrogate for a robust legal system, but — as would probably be the case in the West also — this ideology appears too loosely coupled, incoherent and incompatible with unofficial values, to govern social and economic order. Organizational *guanxi* and other questionable business practices, some not mentioned here, were regarded as survival imperatives, even by employees at RHK, which was

Figure 2
Ratings of Moral Conduct



rated second out of seven companies in terms of overall integrity. Because of normative incoherence, legitimate means of wealth accumulation are not clearly differentiated from illegitimate means. A related problem in SOEs is that of perceived inequity or distributive injustice, as managers bemoan the Maoist legacy of equality-based rewards, but owing to lack of funds, cannot implement market-based or formal equity-based remuneration. SOE employees, from top to bottom, use idiosyncratic and illegitimate tactics, such as moonlighting, 'window-dressing', commission taking, and — at the very top — the '59 phenomenon', to seek equity for themselves by the back door.

Further problems, especially at the large SOEs, concern employee dependency and lack of work discipline. DCA got around this by negotiating an elite recruitment policy, and RHK could hire and fire at will, but these options were not open to CE and WISCO, and, if translated into mass layoffs, would merely create other social problems. The large SOEs lacked resources to reward punctuality, diligence, or accuracy, and could not dismiss those who fell short of standards, so managers there appeared to regard fines as the only disciplinary tool open to them. Punishment does not, however, instruct the culprit on how to improve, it 'requires constant vigilance on the part of a supervisor', and it 'encourages efforts to "beat the sys-

Table 4
Aspects of Moral Atmosphere at the Focal Companies

Company	Workforce Moral Self-Efficacy	Approaches to Formal Moral Governance	BMA of the Leadership
DCA	Educated elite	Ideology. Weberian bureaucracy. Equitable rewards.	Deferential trust
RHK	Educated elite	Ideology. Imposed rule by law. Procedural laxity. Equitable rewards.	Deferential trust
EB	Dependency oriented	Ideology. Weberian bureaucracy. Equitable rewards.	Deferential trust
CE	Dependency oriented	Ideology. Imposed rule by law. Procedural laxity. Inequitable rewards.	Domination
WDS	Dependency oriented	Ideology. Weberian bureaucracy. Imposed rule by law. Equity (on paper).	Deferential trust
WISCO	Dependency oriented	Ideology. Imposed rule by law. Procedural laxity. Inequitable rewards.	Disempowered
HVC	?	Imposed rule by law. Procedural laxity. Inequitable rewards.	Domination

tem"' (Blanchard and Thacker 1999: 91). With no incentive for supervisors to police their lifelong neighbours, punishment-based regulation at WISCO and CE was lax and ineffective.

What Might be Done to Achieve and Maintain Organizational Integrity?

At the two JVCs, DCA and EB, and at WDS, managers sang the praises of rational–legal administration, brought in by overseas partners. On paper at least, these companies had embraced Weberian-oriented FMG, adopting coherent systems of internal rule of law, seen to be fair, reasonable, and rigorously applied to everyone, regardless of rank or connections, independently of the idiosyncratic will of individual administrators. Such FMG was more complete than the arbitrarily coercive, punishment-oriented rule by law regimes practised (and evaded) at CE, WISCO, RHK and HVC. However, the significant difference in conduct ratings between DCA and WDS suggests that hands-on collaboration with a non-mainland partner (as at DCA) may be necessary in order not to veer towards arbitrary rule by law, a self-fulfilling version of 'theory X'.

The RHK case initially puzzled us, because conduct ratings were high, despite inclination towards arbitrary rule by law and problems of enforcement owing to geographical dispersion. That middle and senior managers held personal shares in RHK, and thus had a vested interest in cracking down on embezzlement, suggests another vehicle for improving OMA. Managerial solidarity around organizational goals at RHK contrasted sharply with managerial apathy at both large SOEs — manifest at WISCO through failure to exhume the details of what appeared to be a case of syndicated corruption, and at CE by the disappearance of the former CEO.

The sole mention of a developmental approach to building OMA, open dialogue with no 'right answer' among employees, was at WISCO. However, the traditional context of Party propaganda may have loomed over such open space. If permitted, freedom of thought and voice within the organization might improve OMA (Snell 2000), but wider political realities evidently militate against this.

We do not focus here on the character and moral development of leading figureheads, an omission that future work might correct. Our data suggests that moral authority of a kind that is either disempowered or disempowering, is associated with lower ratings of organizational conduct than moral authority based on trust. However, even in the JVCs and at WDS, where Weberian bureaucracy was either fully or partially in operation, that trust may have been founded on traditional deference, rather than on transparent decision making. More transparency at the very top might further improve OMA.

Note

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