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Intellectual History of Public Administration

Mary R. Hamilton ......................................................... 189

Three Paradigms of Public Administration: An Analysis of the Current Status of Public Administration in China
Bing Wang, Yuanfei Gu .................................................. 199

Administrative Reforms

Local Government Reform in the People’s Republic of China: Stipulations, Impact, Cases and Assessment
Zhiyong Lan ................................................................. 209

Guoqing Zhang .............................................................. 221

E-Government

E-Government and Public Affairs Education
Edward T. Jennings, Jr. ...................................................... 230

Human Behavior

Costs, Benefits, and Motivations for ISO 14001 Adoption in China and Around the World
Susan Summers Raines, Rong Tan, Fei Xu ................................ 239

Understanding the Difficulties in Building Intersubjectivity among Members of an Organization
Donna Hom ............................................................... 253
MPA Education

On MPA Education Engineering in China
Xiaolin Xu .......................................................... 261

Public Personnel Management

Development and Management of Government Human Resources: A Shortcut to Economic Development
Bin Song, Jing Bao .................................................. 266

Public Policy

On the Nature of Public Policy
Renzong Huang .................................................... 275

Research Methodology

Identifying Best-Practices: A Monte Carlo Evaluation of Quantile Regression
Jiannan Wu, Stuart Bretschneider .................................. 283

Administrative Culture

A Curvilinear Model of Trust and Innovation with Implications for China’s Transition
Stephen R. Herting .................................................. 291

Chinese Public Administration Review Index

Volume I by Author .................................................. 311
Volume I by Subject .................................................. 313
Government Matters
More Than Ever:
Toward Respect for Government in an Increasingly Privatized World

Mary R. Hamilton, American Society for Public Administration

This article argues that, in our rapidly changing, increasingly complex world, government matters. It always has and arguably now matters more than ever largely because of the context within which we live—a context in which more than two decades of government bashing have taken their toll on pride and capacity in public service, leaving an emasculated public sector to deal with the immense challenges of today’s world.

The horrors of September 11, 2001 brought this home to us. We saw clearly that only government could marshal the resources to respond to a disaster of this magnitude. For a short time after the attacks, it seemed that the public perspective on government and public servants in the United States had shifted, that there was widespread recognition that government, and a high quality, professional public service, are essential to our individual and collective well-being. The failure of self-regulation, vividly illustrated by the Enron, WorldCom, and other private sector scandals, bolstered this recognition. Now, almost a year after September 11, the warm glow of gratitude and respect for public service appears to have abated except where police, fire and rescue personnel are concerned.

To make this argument, the historical shifts of perspective on government and the marketplace are described along with the changes occurring so rapidly in our world. Second, the impact of the recent shift to a pro-marketplace bias and the impacts of globalization, interdependence and increased tribalism on governments and on public administration are described. Finally, some key challenges facing public administration as a result of these changes are discussed.

Our Rapidly Changing World

Government vs. Marketplace: Historical Context

Debates about the respective roles of the public and private sectors have been waged for most of history. In today’s world, there is general agreement that the public sector is responsible for protecting citizens by providing for national defense, a police force, and now air-

Abstract: This article argues that, in our rapidly changing, increasingly complex world, government matters. It always has and arguably now matters more than ever largely because of the context within which we live—a context in which more than two decades of government bashing have taken their toll on pride and capacity in public service, leaving an emasculated public sector to deal with the immense challenges of today’s world. To make this argument the historical shifts of perspective on government and the marketplace are described along with the changes occurring so rapidly in our world. Second, the impact of the recent shift to a pro-marketplace bias and the impacts of globalization, interdependence and increased tribalism on governments and on public administration are described. Finally, some key challenges facing public administration as a result of these changes are discussed.
port security, as well as providing other public goods and services, such as pollution control, legal and regulatory infrastructure, building roads, bridges, ports, and some aspects of health care and education (McMillan, 2002, pp. 158-162). This article will focus on one aspect of the debates — the respective roles of the two sectors in relation to the economy.

Throughout human history, the role of government in relation to the marketplace has shifted with changes in world conditions, major technological innovations, and political perspectives. Most of these shifts can be characterized as a pendulum swinging from either strongly pro-government/anti-marketplace, or vice versa. In recent history, we have largely treated the public and private sectors as competing in a zero sum game — one of the sectors wins at the expense of the other.

What is either being forgotten or ignored is that both government and markets have essential roles to play for social systems to work and desired outcomes to be achieved. The reality is that neither government nor markets are an end, they are a means.

Prior to World War I, national governments had little effective control over their economies (Gilpin, 2001, p. 375). Economies were governed by the classical gold standard of fixed exchange rates, and governments were limited to “the efforts of central banks to maintain the value of their currencies” (ibid.) World War I changed the role of governments vis a vis the economy dramatically.

Daniel Yergin, in The Commanding Heights: The Battle Between Government and the Marketplace that is Remaking the Modern World, traces the shifts since the First World War in the role of government in relation to the marketplace. Yergin describes how, during the 1920s, “The market system had not performed anywhere near adequately in many countries, and, during the 1930s, it failed massively” (Yergin, 1998, p. 22). With the onset of World War II, governments in Europe and the United States took over their economies and ran them efficiently and effectively in the service of the war effort (Gilpin, 2001, pp. 375-376).

What is either being forgotten or ignored is that both government and markets have essential roles to play.

After World War II, Western European nations were devastated. Because of the experience with capitalism in the 1920s and 1930s, and because of the effective performance of government during the war, the European nations and the United States looked to government to rebuild their infrastructure and economies and ensure sufficient food and jobs (Yergin, 1998, pp. 22). And government delivered.

It is hard to imagine now, in a world that sees markets as far superior to government, but, at that time, capitalism was completely discredited. It was seen as both totally ineffective to deliver economic growth and a decent life, and morally bankrupt — in Yergin’s words, “it appealed to greed instead of idealism, it promoted inequality, it had failed the people, and — to many — it had been responsible for the war” (Yergin, 1998, p. 22).

The record of economic success in Western Europe in the postwar years was extraordinary. Governments delivered a standard of living and a way of life that could not have been anticipated, or even imagined, at the end of World War II (ibid., p.45).

State control continued to advance through the 1960s and 1970s. The basic rationale for government’s central role was perceived failure of the market to move nations toward secure futures. Government was seen as the solution to market failures.

The seeds of a shift in views of government and markets were planted in the 1960s and 1970s when inflation began to creep up. The oil “crisis” of the early 1970s and the economic slump that followed shocked the system (ibid., p.129). Government policies that had worked for 30 years and produced economic growth proved futile and counterproductive. Confidence in existing arrangements (i.e., central control by government) eroded. There was general acceptance that government’s role in the marketplace had to be reevaluated.

In response to grave economic problems in Great Britain in the 1980s — in part due to government’s overreaching — Margaret Thatcher embraced privatization and a greatly reduced government role. She sought to
replace the “Nanny State” with the “enterprise culture” by drastically cutting government spending, by massive privatization, and by restricting the power of trade unions (ibid., p. 108). Other nations followed Britain’s example. By the 1990s, there was general agreement that Margaret Thatcher had established the new economic agenda around the world (ibid., p.123).

The marketplace had become the solution for the economic problems attributed to 30 years of government ‘mismanagement.’ This economic agenda was emulated by industrialized countries as well as emerging nations, and continues to prevail to this day.

In our field, The New Public Management has endorsed and promoted these views of the relationship between government and the marketplace. Thus, in today’s world, government is frequently seen as the problem, the private sector as the solution, or even the savior in the face of the ‘mess’ made by government. Market forces allowed to range freely are seen as superior to intervention of any sort, especially intervention by government. The growth of globalization during the past decade has reinforced this bias toward the private sector.

**Globalization, Interdependence, Diversity**

In addition to the pro-private sector bias that pervades the United States and much of the world today, we are also struggling to understand and address the forces unleashed by globalization, increasing interdependence, and increasing tribalism.

**Globalization**

Although the argument can be made that globalization has been around for at least 100 years, there is general agreement that, today, the number, degree, speed, and intensity of global interactions and transactions are much greater, and extend to many more parts of the world (Bosworth and Gordon, 2001, p. 3).

**Defined**

There are as many definitions of globalization as there are people writing about it. I find one by Joseph Stiglitz in his latest book, *Globalization and Its Discontents*, to be very helpful:

> [T]he closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and (to a lesser extent) people across borders. (Stiglitz, 2002, p. 9)

Ali Farazmand (1999) describes six meanings of globalization that are related to public administration. Specifically, he discusses globalization as: internationalization: an increase in cross-border relations; border openness; a process — “a continuing process of capital accumulation in modern capitalism that has been going on for centuries” (p. 511); ideology, embodying values of “freedom, individualism, free enterprise, plural democracy” (ibid.); a cause-and-effect phenomenon in late capitalism; and, as both a transcending phenomenon and a process.

**Causes**

Robert Gilpin, in his book, *Global Political Economy*, states that “the end of the Cold War provided the necessary political condition for the creation of a truly global economy,” but the driving forces have been major economic, political, and technological developments (Gilpin, 2001, p. 8).

Thomas Friedman, in *The Lexus and The Olive Tree* (1999), argues that what he calls ‘the globalization system’ resulted from the same forces that toppled the Berlin Wall and led to the collapse of the Soviet Union, namely changes in how we communicate, how we invest, and how we learn about the world. He calls these, respectively, the democratization of technology, the democratization of finance, and the democratization of information (pp. 39-58).

Farazmand cites as causes “economic factors of surplus accumulations” (ibid., p.512): global marketing, global production, global commodification, reorganization of corporate structure, global money and financialization, global state and administration, domestic economic downturn in the 1970s, rising human expec-

**Consequences**

The changes allegedly caused by globalization — both positive and negative—have been well document-ed. Stiglitz argues that “Globalization itself it neither good nor bad. It has the power to do enormous good, and for the countries ... who have embraced globalization under their own terms, at their own pace, it has been an enormous benefit ... But in much of the world it has not brought comparable benefits. For many, it seems closer to an unmitigated disaster.” (Stiglitz, 2002, p. 20)

On the one hand, globalization has stimulated rapid economic development in countries that would not have grown as quickly (ibid., pp. 4-5). As a result, many people are better off, live longer, and have a higher standard of living. The interconnectedness of the world today means that many people in developing countries have “access to knowledge well beyond the reach of even the wealthiest in any country a century ago” (ibid., p. 4). That includes knowledge about democracy and civil society (ibid, p. 248).

On the other hand, most analysts agree that global-ization is not working today for many of the world’s poor (Bosworth and Gordon, 2001, pp. 4-5). They have lost jobs, their standards of living have sunk even lower, and they have seen their cultures homogenized (Stiglitz, 2002, pp. 248-249; Bosworth and Gordon, 2001, pp. 4-5). In addition, the world’s environment has not fared well under globalization as pollution lev-els have increased with economic development.

Also, in terms of major negative consequences, the increasing interconnection of national financial sys-tems is undermining the stability of the global econ-omy (Stiglitz, 2002, p. 214). The world economy is increasingly vulnerable to the “size, high velocity, and global scope of financial movements” (Gilpin, 2001, pp. 262-263; Friedman 1999, pp. 7-11), so that today, “financial crises are a recurrent feature of the interna-tional economy” (Gilpin, 2001, p. 263).

Finally, there is concern about what globalization is doing to democracy. Stiglitz and Farazmand argue that the way globalization is being done, in particular by the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO), means that poor and less-developed nations must follow the dictates of these organizations regarding fiscal, monetary, and other structural policies if they are to benefit from much-needed loans (Stiglitz, 2002, pp. 247-248; Farazmand, 1999, p. 516). Farazmand calls this “a negation of local democracy” (Farazmand, 1999, p. 516). Indeed, many in developing countries observing the United States’ role in globalization, and our war on terrorism, are convinced that sustaining American democracy requires the repression of democracy in the rest of the world (Goldfarb, 2002).

**Increasing Interdependence/ Increasing Tribalism**

All of the forces driving globalization are also driving an increasing interdependence of nations, organiza-tions, and individuals, while at the same time promoting new forms of differentiation. In a world that is more and more connected, we often seek the shelter of “familiar, distinctive identities” (Lipman-Blumen, 1996, pp. 4-6). “As a result, even as diversity evokes independence, separatism, tribalism, and individual identities, interdependence pulls in a different direc-tion, promoting alliances, collaboration, mutuality, and universalism” (ibid., p. 6).

Samuel Huntington makes this case in The Clash of Civilizations and the Remaking of World Order (1996). Huntington argues that the forces of integration in the world today are very strong and are “generating count-erforces of cultural assertion and civilization-consciousness” (ibid, p. 36). He posits seven or eight civ-ilizations primarily defined by a common religion, and argues that conflicts between civilizations (as opposed to conflicts between tribes and nations within a civ-ilization) pose the greatest dangers for stability in the world.

**Government Matters More Than Ever**

The impact of all of these changes on governments and on public administration are profound. Balance is the
answer to gaining the advantages of globalization and avoiding as much as possible the disadvantages as well as managing interdependence and diversity. Balance between the public and private sectors. Balance between the systemic nature of a world that binds us together and our need for distinctive identities. It is largely the job of governments, both national and international, to achieve this balance.

**National Government**

At the national level, countries must find a balance between what Friedman calls the Lexus and the olive tree. Olive trees, Friedman argues, symbolize “everything that roots us, anchors us, identifies us, and locates us in this world” (Friedman, 1999, p. 27) — family, community, tribe, nation, religion, home. The Lexus represents “an equally fundamental, age-old human drive — the drive for sustenance, improvement, prosperity, modernization” (ibid.). “A country without a Lexus will never go far. A country without healthy olive trees will never be rooted or secure enough to open up fully to the world. But keeping them in balance is a constant struggle” (ibid., p. 36). Stiglitz argues that the pace of globalization is very important — “a more gradual process means that traditional institutions and norms, rather than being overwhelmed, can adapt and respond to the new challenges” (Stiglitz, 2002, p. 247).

As a result of all of these changes, and in spite of the marginalization of government that prevails today, government matters more than ever. Stable, functional political, economic and regulatory institutions and systems are critical to a nation’s ability to participate in the global economy and achieve the balance necessary to protect indigenous cultures and thrive (Gilpin, 2001, pp. 169-170; Ink, no date, pp. 2-3).

Key to nations’ effective functioning in today’s world are quality legal, regulatory, tax, and financial systems and quality economic management (Stiglitz, 2002). All of these systems are currently largely under the control of governments (Gilpin, 2001, pp. 3, 129). Also key is transparent, accountable government, free of significant corruption. The higher the quality of these institutions and systems, the better able a nation will be to get the most out of participation in the global economy while protecting itself from the worst excesses of globalization (ibid., p.12).

On the other hand, weak and/or incompetent national governments have hurt both stability and growth in their countries (Stiglitz, 2002, pp. 54-59; Gilpin, 2001, pp. 264, 367-369). Stiglitz cites a lack of adequate regulation of the financial sector as a cause of the Asian financial crisis. He attributes Mafia capitalism in Russia to “a failure to enforce the basics of law and order” (Stiglitz, 2002, p. 220). And, he notes that privatization “without the necessary institutional infrastructure ... [has] led to asset stripping rather than wealth creation ... [and] privatized monopolies, without regulation, were more capable of exploiting consumers than the state monopolies” (ibid.).

National governments must also constantly balance the roles of the public and private sectors in order to manage the impact of globalization and other major changes in the world. They must be careful not to implicitly cede control over commerce and finance to the private sector in an effort to gain the benefits of globalization. Bernard Barber makes this case well in an op-ed piece in the New York Times in July of this year entitled, “A Failure of Democracy, Not Capitalism.” In the article he is discussing recent egregious corporate conduct:

[B]usiness malfeasance ... arises from a failure of the instruments of democracy, which have been weakened by three decades of market fundamentalism, privatization ideology and resentment of government.... Capitalism is not too strong, democracy is too weak. We have not grown too hubristic as producers and consumers; we have grown too timid as citizens, acquiescing to deregulation and privatization ... and a growing tyranny of money over politics.... [The] problem is not that they [citizens, president, Congress] may have once been complicit in the
pies of capitalism, but that they are today insufficiently complicit in the virtues of democracy” (Barber, 2002).

William Greider, in One World, Ready or Not: the Manic Logic of Global Capitalism, develops the general theme of balance between the sectors a little differently. He charges that “in the advanced economies, most governments have become mere salesmen, promoting the fortunes of their own multinationals in the hope that this will provide a core prosperity that keeps everyone afloat” (Greider, 1997, p. 24). Greider argues that the cost of this posture is mass unemployment, or declining real wages, or both.

Greider also cautions governments to guard against corruption that results from a revolutionary atmosphere, such as globalization is creating, and where “law always suffers” (ibid., p.35). He holds out little hope that the private sector will help: “Global business and finance seem to be astride a giant contradiction: while they campaign to dismantle legal restraints in one part of the world, the wealthiest societies, they are simultaneously urging poorer nations to adhere to the ‘rule of law’... The laws they urge the underdeveloped nations to adopt are mainly ones that will protect private property from political interferences” (ibid., p.34).

In spite of the credibility of the argument that quality government is critical to nations’ success in today’s world, the prevailing public perspective is that the marketplace is the vital component. Efforts by industrialized nations to help developing countries improve their situations largely focus on economics, not on government. Building local stock markets and entrepreneurs are seen as the proper focus of development efforts, not building government institutions or a broad-based private sector (Ink, no date, pp. 4,7). Belief in the rosy futures that would be spawned by efficient markets is strong (Friedman, 1999, p. 131).

International Government

Obviously, there is no world government to manage and oversee the globalization process as national governments can do for their individual countries. Stiglitz says that, instead, “we have a system that might be called global governance without global government, in which a few institutions — the World Bank, the IMF, the WTO — and a few players — the finance, commerce, and trade ministries, closely linked to certain financial and commercial interests — dominate the scene, but in which many of those affected by their decisions are left almost voiceless” (Stiglitz, 2002, pp. 21-22).

Gilpin cites Richard Cooper’s 1968 argument for improved international governance of the world economy as prescient (Gilpin, 2001, pp. 377-378). Extending Cooper’s argument,Gilpin asserts that “Neither domestic economies nor the increasingly integrated world economy can rely on markets alone to police themselves. An international governance mechanism is needed to assume several functions in the new global economy: in particular, it must provide certain public goods and resolve market failures” (Gilpin, 2001, p. 378).

In the September 2002 special issue of Public Administration Review dedicated to the victims and heroes of the September 11, 2001 attacks, O’Toole and Hanf (2002) explore the impact of international governance on public administration. After providing a very useful description of the multiple networks, actors, and policies involved in international governance, they conclude that public administrators have major roles “in making sense of the implications of transnational governance for the systems of participating nations.”

Implications for Public Administration

If we accept John Kirlin’s view of the role of public administration as a profession and a field of inquiry that must be of service to the society at large, then the implications for public administration of these changes and the resulting challenges for government are profound.

Kirlin asserts, “Public administration is a central part of the grandest of human endeavors — shaping a better future for ourselves and those yet unborn” (Kirlin, 2001, p. 142). He goes on to argue that the results of public administration have worldwide impact: “The institutions crafted to achieve human aspirations require administration.... [T]he measure of success is ... its enduring value not only to those in a particular nation, state, or city, but worldwide to all
who aspire for improved lives" (ibid.).

Taking Kirlin's inspirational words to heart, I believe that there are four issues we need to address as a community that is committed to excellence in public service.

First, we need, in the words of George Frederickson (1997), to reclaim the 'spirit of public administration.' It is time we put the passion back into public administration and public service. We have allowed our field to be captured by the sterile, technocratic forces that tout economy and efficiency above all, and we have forgotten why it is important to be economical and efficient. It is time to remind our colleagues and ourselves that public service is about delivering democracy.

Frederickson makes this case by reminding us of the special relationship that the founding fathers envisioned between public servants and citizens in a democracy. It was the founders' intent that all public servants view the processes of government as a 'moral endeavor'; "there is not just to administer but to assist in bringing the ideals of democracy (liberty, justice) into existence" (ibid., p. 205). The founding fathers saw public servants as both moral philosophers and moral activists — "guardians and guarantors of the regime values for the American public — both idealistic and practical" (ibid., p. 205).

We are a long way from the idealism and passion that these views inspire. We need to refocus on what public service means in a democracy and work to instill (or revive) the resulting passion in our students, staff, and colleagues. Once we have done that, we can proudly identify ourselves as members of and advocates for the public service and take on the next big issue.

The second issue we in public administration need to address is balance between the sectors. We must do our part to bring balance to the public and private sectors in our societies. The costs are too great to all of us to allow the pendulum swings of pro- and anti-government to continue unchallenged. It is tempting, now that major private corporations are self-destructing before our eyes, to take our turn at bashing them — a little payback for decades of public sector bashing. We must resist that temptation and take the moral high ground. Such a posture will have the public service/public administration community leading the way to valuing both sectors in our societies.

Washington Post columnist E.J. Dionne, Jr., argued in his Fourth of July column this year that respect for the contributions of both sectors is the American way:

[I]t's worth remembering that the United States is both a commercial republic and a popular democracy... [T]he two traditions embedded in our political culture have served us pretty well. Our commercial side has made us a rich nation. Our democratic side has made us suspicious of the abuse of wealth, and of the power that wealth brings. The interaction between these traditions has led not to stalemate but to a dynamic process of self-correction (Dionne, 2002).

We all know that business is not all good, and government is not all bad, although the prevailing biases would persuade us otherwise. We know that each sector has its place in a balanced society (Mintzberg, 1996). On the costs of devaluing one sector, Henry Mintzberg says, "Societies get the public services they expect. If people believe that government is bumbling and bureaucratic, then that is what it will be. If, in contrast, they recognize public service for the noble calling it is, then they will end up with strong government. And no nation today can afford anything but strong government" (ibid., p. 83, emphasis added).

We also know that learning is not one-way. Business can learn from government and government can learn from business. Many in public administration have been making that point recently in reference to the Enron, WorldCom and other scandals (Gross, 2002, p. 10). We need to continue to emphasize, with specific examples—and not just when the private sector is being bashed—that both sectors are important

Hamilton / Government Matters More than Ever

195
sources of good practices and good ideas for management.

We must also do our part to restore pride in public service. Again, Mintzberg has the right words for this argument: "We need proud, not emasculated, government. Attacks on government are attacks on the fabric of society" (Mintzberg, 1996, p. 83).

To return to the original point, above all we need balance among the different sectors of society. One example of where we can push for balance is privatization and outsourcing. If we are scrutinizing government to determine what doesn’t belong, in Mintzberg’s words, “shouldn’t we be equally diligent in considering what doesn’t belong in business? ... Let us not forget that the object of democracy is free people, not free institutions” (ibid.).

The third issue we in public administration need to address is to ensure that quality government is emphasized in development efforts rather than ignored in favor of building markets and entrepreneurs. Some have argued recently that the United States has lost the moral high ground because of our corporate scandals, and thus has no right to preach quality government — e.g., regulation, accounting standards, etc.—to the rest of the world (Sanger, 2002; Rohatyn, 2002). I prefer a view that Thomas Friedman argued in a recent op-ed column: “What distinguishes America is our system’s ability to consistently expose, punish, regulate and ultimately reform those excesses — better than any other” (Friedman, 2002). We are not perfect, but we do have a lack of corruption that other nations find enviable and thus an ability to manage the regulators and licensing officials and property laws and bankruptcy courts that is a model to be promoted while improving it.

The previous discussion about how critical quality government is to a nation’s ability to survive and thrive in today’s globalizing, tumultuous world need not be repeated here. Suffice it to say that we in public administration have an obligation to push this argument and insist that development work in other nations focus on establishing the basic infrastructure that is required for any economic system to work. Quality government is also vital to ensuring that globalization work for the benefit of all, not just the few. If globalization is going to succeed, it must not only maximize consumer choice and stimulate global wealth, it must also protect the environment, safeguard jobs, and reduce poverty. Not just a tall order, a monumental one. However, we in the public administration community can help move in that direction by insisting that quality governmental institutions and laws be a major emphasis of development efforts.

The fourth issue this community needs to address is inclusiveness. By this I mean bringing citizens back into governing and public service. I was struck in the aftermath of September 11 at how out of practice we in public service are at involving citizens. People from all over the world wanted so much to help, to be part of the healing, to participate in the good that we all know we are capable of, to push back on the concentrated evil we had just experienced. Our public officials didn’t know how to involve us unless we were in official positions in government. So most of us gave money, tried to give blood, and wondered what else we might do to feel part of the solution at this horrible time.

John and Mary Kirlin explore civic engagement after the September 11, 2001 attacks (Kirlin and Kirlin, 2002). They conclude that most responses to September 11 were individual acts within established roles (e.g., giving blood, financial contributions), and that neither those acts nor current responses are likely to increase civic engagement.

I attribute our officials’ inabilities to involve us to the pervasive technocratic nature of public service today, and to aping the customer focus of the private sector. The Kirlins explain it somewhat differently: “Lacking intellectual frameworks that encompass citizen engagement, policy instruments to that end, and political commitment to that goal, public leaders have, so far, responded in ways that will not increase civic engagement” (Kirlin and Kirlin, 2002, p. 84). I believe the lack of frameworks, etc., can be attributed to our focus on technocratic fixes and on customers.

Citizens are not customers. They are citizens, and it’s time that we treated them as such. Citizens in our society have responsibilities, and we in public service need to hold them accountable for performing those
responsibilities. Bob and Janet Denhardt say this well in their 2000 Public Administration Review article promoting "The New Public Service" (Denhardt and Denhardt, 2000). The Denhardts outline seven principles of the New Public Service. The emphasis in the principles is on service, and they mean service on the part of everyone — elected officials, public employees, and citizens. No one is exempt. Everyone is responsible for "building a collective, shared notion of public interest," and for making the public interest "the aim, not the by-product" of their efforts (Denhardt and Denhardt, 2000, p.554).

The fourth of their principles is particularly appropriate for this discussion, "Serve citizens, not customers" (Denhardt and Denhardt, 2000, p.555). The Denhardts frame the principle nicely when they argue that "government should not first or exclusively respond to the selfish, short-term interests of 'customers' ... people acting as citizens must demonstrate their concern for the larger community, their commitment to matters that go beyond short-term interests, ..." (Denhardt and Denhardt, 2000, p.555). It seems that post-September 11, there is much more sympathy for this position, both within nations and among them.

Conclusion

In conclusion, in a world that has changed dramatically in the last decade, where we still don't understand the new rules, but have had time to make a lot of mistakes, we are finally beginning to realize that quality government matters more than ever, and that a first, foundational step in making globalization work for everyone is to build stable governments, to replace corruption with rule of law, walls of transparency and accountability, and to replace dependence with responsibility.

We in the public administration community have a responsibility to work together to build the quality governmental institutions that will allow nations to thrive in this new world, and to reclaim the spirit of public administration, rebuild pride in public service, and generate new respect for the role of governments in today's world.

In the words of that great champion of civil society, John Gardner, "Who gave you permission to stand aside?"

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Three Paradigms of Public Administration: An Analysis of the Current Status of Public Administration in China

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In the 1970s and 1980s, many scholars paid much attention to the movement of government public administration reforms beginning in some western developed countries such as Britain, the United States, New Zealand, and Australia (Farnham and Horton, 1996). This movement has been referred to as managerialism (Pollitt, 1990, 1993), new public management (NPM) (Hood, 1991), market-based public administration (Lan, Zhiyong and Rosenbloom, 1992), post-bureaucracy (Barzelay, 1992), and entrepreneurial government (Osborne and Gaebler, 1992). Although referred to in different ways, they described the same phenomenon, which challenges the optimal bureaucracy proposed by German sociologist Max Weber (1947). After more than 100 years development and improvement, bureaucracy is now being attacked for its inevitable shortcomings, such as department expansion, administrative cost increases, bureaucratic red tape, and institutional complexity and rigidity (Ranson and Stewart, 1994). Although governments in the aforementioned countries have realized these problems and have implemented some reforms several decades before, history keeps repeating itself after each round of reform. However, with the revival of New Libertarianism and a deeper understanding of public administration, this situation has been greatly changed by the NPM movement (Osborne and Gaebler, 1992), which is gaining attention from academia and compliments from the public (Flynn, 1997).

In general, the Chinese government must contend with dilemmas similar to those faced by developed nations, namely poor administrative efficiency and large government scale. Since the “the Third Session of the 13th CPC National Congress” in 1979, the Chinese government has launched four rounds of government department reforms in 1982, 1988, 1993 and 1998, which have focused upon reducing government, cutting down the number of civil servants, and improving

Abstract: Historically, there have been three paradigms of public management, namely, the Machiavelli-Hobbes Paradigm (MHP), the Wilson-Weber Paradigm (WWP), and the Ostrom-Hayek Paradigm (OHP). These paradigms have different characteristics and face different challenges. After more than 100 years of development throughout the western countries, the WWP has achieved its utmost, having emerged as an obstacle to further development. Given this, Western countries are now embracing the OHP, and the New Public Management is a reform that is fostering this transformation. In China, however, the situation is very different. Due to the feudal traditions and the dominant governance method (rule by man, not by law), public administration in China contains several aspects of the MHP. Currently, China’s most pressing challenge encompasses instituting reforms that will cultivate a public administrative system where the rule of law prevails. The change to bureaucracy and establishment of WWP is ultimately more critical than the New Public Management.
administrative efficiency. However, the first three did not live up to people’s expectations and finally fell into the vicious circle of “reducing, expansion, re-reducing, and re-expansion” (Ma Jianxing and Gu Hailing, 1996). Deng Xiaoping (1994) criticized this situation furiously, stating the following:

Now, the administration of our government has so many departments, so many layers, so many procedures, and so poor efficiencies, that we have to spend most of our time on useless political quarrels.... If we don’t carry out reforms as soon as possible, our objective of modernization and socialism will be just as good as a dream.

According to the Chinese official announcement, the government has successfully implemented the 1998 reform. However, the effectiveness of this reform is still being evaluated. According to certain Chinese scholars, the NPM is considered to be a dose of good medicine for the Chinese government (Chen Zhenming, 2000; Zhang Kangzhi, 2000).

Nevertheless, after a comprehensive analysis of the history of public administration and the status quo of the Chinese government, we find that public administration in China and the Western developed countries are at different stages, follow different paradigms, and face different problems. In developed countries, the bureaucracy has achieved its utmost, having emerged as an obstacle of further development. The New Public Management (MPM) is used to overcome bureaucracy. Because of feudal traditions and the dominant governance method (rule by man, not by law), China’s most pressing challenge encompasses instituting reforms that will cultivate a public administrative system where the rule of law prevails, which can be accomplished through bureaucracy. The change to bureaucracy becomes more critical with the information explosion and globalization. China should not follow others blindly and lose its objective of public administrative reform.

This paper discusses and analyzes three paradigms of public administration are discussed. Then the current status of public administration of China is analyzed. An argument is put forth against the adoption of NPM, as it is imperative to establish a real bureaucracy. The fourth section gives reasons why there is lack of real bureaucracy in China. Finally, we offer a conclusion.

Three Paradigms of Public Administration

Since the beginning of human societies and organizations, management or administration has emerged as the engine of organization, where the function is planning, organizing, commanding, coordinating, and controlling in order to allocate the tangible and intangible resources (Fayol, 1925; Wren, 1994). According to the sectors in which an organization serves, the organizations can be divided into private and public organization, and the management can be distinguished as private and public as well. The former (“private”) refers to management in families, clans, and guilds, especially in firms nowadays. The latter (“public”) deals with whole societies or states and their subsections of the local ones. There is also a difference between management and administration, but here we do not desire to make clear clarification, as this is not the aim of this paper.

Obviously, public management has governed society, its members, and products. After the emergence of political states, public administration had become more essential in the interest of sustaining power. In many instances, force and violence served as a means of maintaining power. With the establishment of democratic states, however, management became based upon institutions, procedures, and the notion of equity, which ultimately replaced force. With this in mind, the following are three public administrative paradigms:

**Machiavelli-Hobbes Paradigm, Reign Administration, and Experience Management**

Throughout most periods of human history, minorities, whose validity and reasonability have been advocated and verified by political theories, have dominated the masses. Many theorists constructed the theory bases for this system for administrative control, namely Niccolo Machiavelli and Thomas Hobbes. We can define the public administration of this time as the Machiavelli-Hobbes Paradigm (MHP), whose objective was to sustain the dominance of the minority over the majority, where power was sustained through force.
Niccolo Machiavelli was a civil servant and diplomat in Florence, Italy during the Renaissance. In his famous work The Prince, the monarch views his subordinates as villains, who would show their evil natures as much as they could. It was reasonable for the monarch to take any measures to deal with these irrational people. It was also necessary for him to gain a good reputation without worrying about justice. If he had to choose between cruelty and mercy, being feared and being loved, cruelty and being feared would be his choice. For a monarch, the end was more important than means, as his sins would be forgotten and the people would support him once he succeeded. The monarch must be aggressive, like a lion, and possess duplicity, like a fox (Machiavelli, 1513). “Machiavellism” became synonymous with autocracy.

Thomas Hobbes, a famous ideologue and jurist during the period of Bourgeoisie Revolution, embraced similar notions. In his book, Leviathan, a huge and feral beast in the sea was a metaphor of his great admiration of state power. According to Hobbes, a monarch must possess absolute power, and the citizenry are compelled to obey unconditionally (Hobbes, 1651)

Throughout the history of class rule, public administration was only the accessory of this class rule. The power of public administration came from an undisputed “God” or “Charisma,” and was delegated in the manner of a scalar chain running from top to bottom. The management of society and the class rule were mixed together, and mainly took the form of a unilaterally powerful chain from the state to its people. In this period, public administration coincided with unequal reigning. From this point, we named it reign administration, or the Machiavelli-Hobbes Paradigm (MHP).

Organizational structure is the externalization of the power structure (Weber, 1947). The organizational form of MHP is the traditional organization or Charisma organization, which is similar to the traditional hierarchy. That is, both are like a pyramid, but the management modes are totally different. In the MHP, the power to run public management — more accurately, reign — is empowered by God or Charisma, and will be passed down by inheritance or tradition. The organization lacks stable and reasonable administration in its everyday activities, and the superior could give orders skipping a grade or even juggle the order of his subordinate to the sub-subordinate at his personal will. Simply, the ruler, in accordance with his preference or experiences, manages the organization, and there are few explicit procedures and rules to follow. The aphorism “a prince has the same accusation as a plebeian if they break the same law,” has proven to be a beautiful slogan, representing the manner by which ordinary people have been cheated as a result of the MHP for thousands of years.

Wilson-Weber Paradigm, Managerial Administration, and Institutionalized Management

With the victory of bourgeois revolution and the foundation of the capitalist state, democratic principles emerged, with equity serving as a foundational public administrative tenet. The ideas that “everyone is born equal,” “everyone has rights with birth,” and “power lies in the people” transferred the source of power from God to people. The government was recognized as a tool of the people, exerting power in order to manage social public affairs.

Certainly, it was impossible for public administration, at that time, to do away with the use of force as a means of rule, yet democracy and participatory management were becoming more popular throughout more sectors. This tendency not only brought public administration more publicity and weakened its service for political reigns, but also made it more independent to political reigns. Furthermore, it transferred the traditional political reign, overriding the whole society via an equal managerial mode that penetrated all sectors throughout the entire society. The organizational structure of this kind of public administration was “bureaucracy” (Weber, 1947). The bureaucratic power structure is based upon the separation of politics, which is the source of power, and administration, which is the use of
power (Wilson, 1887). From this point, we define it as managerial administration, or the Wilson-Weber Paradigm (WWP).

Elected in 1913 as President, Woodrow Wilson was an outstanding politician, educator, reformer, and thinker. At the end of the 19th Century, the scholars of his time were debating questions about the source of power, such as "monarchism versus democracy" and "who have the right to make law." Wilson recognized that society was becoming increasingly more complicated, and consequently, governmental responsibilities had become diversified. With this, Wilson paid much attention to the exertion of power. In his opinion, politics and administration are two different fields. With the foundation of the democratic state and the location of the source of power, it was more important for a democratic state to understand how to exert power. Based upon the dichotomy of politics and administration, public administration as a discipline of study emerged from politics. An inherent difficulty in public administration lies not in who should master the power, but "on the one hand, to disclose what functions should by done by the government appropriately and successfully, and how to accomplish them with the highest efficiency and lowest cost; on the other hand, to abstract the effective methods from the chaos and the waste of the experiences, and establish the ‘stable principles’ upon these methods" (Wilson, 1887).

Weber (1947) provided the organizational basis for the notion of “stable principles.” Unlike the reigning administration in the traditional organization, the managerial administration is implemented in the legitimate organization whose externalization is the optimal organization structure, which is bureaucracy or hierarchy, according to Weber. From the point of organizational form, the bureaucracy is not much different from traditional structures. That is, it is a pyramid that has a small top but large bottom. Yet, there are some fundamental changes in the internal managerial modes between them.

In the bureaucracy, the power originates from the established institutions and will be delegated top-down. For a state, these institutions include its constitution, laws, bylaws, and procedures. Because the people at the bottom of the state could modify the institutions by public choice, the power of the state is no longer a unilateral reigning administration. Rather, it is in the form of a closed circuit. The staffs of the government are rational creatures, and will follow the institutions and procedures without any emotion. And with this, everything will be dealt with according to rules rather than the actors. These staffs are not the proprietors of the government, but the employees earning fixed salaries. They will take the responsibility for their superiors, which is the essence of these institutions. Moreover, they should pass the exams and received formal training in order to obtain their positions. The government should be departmentalized according to the principle of division of labor. As a result, the authorities and responsibilities of every department should be clear and independent. Therefore, the institutions, procedures, and rules, and not personal experiences or preferences, will serve as the spirit of bureaucracy. In contrast to the management in the reigning administration, the managerial administration also relies on the organizational institution. And, administrative efficiency will be determined directly by the degree of an institution’s integrity and maturity.

The bureaucracy could foster efficiency and reduce the likelihood of corruption. It is synonymous with a precise clock, which is strictly controlled by prepared programs, operating without deviation. However, the greatest handicap of the institution lies in its rigidity. "The law is not sufficient to be executed by itself." No matter how perfect the institutions are, they must be carried out and manipulated by people. And, the bureaucracy is just a organization in which "there is no room for people" (Bennis, 1976) or "designed by genius but operated by idiots" (Blau and Meyer, 1971). Once the bureaucracy has a set of perfect institutions, it is not necessary for people to exist within the organizations.

Because of its rationality, opacity, rigidity, and the characteristics of hierarchy, it is inevitable that bureau-
cracy will conflict with democracy. Weber ultimately recognized the inherent tension between bureaucracy and democracy. That is, on the one hand, "the bureaucracy and democracy emerged simultaneously and exist with the company of each other." On the other, democracy "will undoubtedly collide with bureaucracy," and "as long as the bureaucracy exists, the people will be impossible to escape from its control and find something to substitute it" (Gerth and Mills, 1946).

**Ostrom-Hayek Paradigm, Democratic Administration, and Decentralized Management**

After more than 100 years development, the bureaucracy and managerial administration throughout the western countries have begun to gradually show side effects, such as government scale expansion, management rigidity, officialism, and formalism. This is due to the increasing complexity of society, and therefore government must accept more responsibilities. The disadvantages of the rigidity of institutions outweigh its advantages of rationality, and the people are slowly becoming the slaves of the institutions. An excellent case can be observed in accordance with "Reinventing Government" (Osborne and Gaebler, 1992). The Pentagon needed to replace a $100 steam valve. Wasted steam from the broken valve cost $50 every week, but it was regulated that anything more than $100 should be acquired by government purchase in June and December of every year. As a result, the government wasted thousands of dollars worth of steam because of a valve that cost merely $100. The rigidity of bureaucratic institutions is easily seen in this particular case.

The governments of these countries have realized the seriousness of this situation, and have subsequently launched a series of reforms. However, due to the constraint of managerial administration and bureaucracy, problems continued. In 1989, Vincent Ostrom provided the theoretical basis for a fundamental and meaningful reform, which become known as the New Public Management Movement. Almost 40 years ago, another famous scholar, Hayek, expressed similar ideas (1945). He made a comparison between the market and authority based upon the dispersion of knowledge. Since the knowledge relating to the decision-making was distributed among the whole market and was mastered by every individual, the centralized plan economy was inevitably worse than the market economy, where the individuals occupying knowledge made their own decisions. Ostrom (1989) followed this idea and criticized the WWP. In his opinion, the WWP is the "single center administration" and "hierarchy organization" based upon the rigid division of politics and administration and the centralization of administration center will foster the expansion of departments and increase the complexity of institutions. It is ultimately necessary to replace the WWP with a "multi-decision center," "participatory," "dispersive, overlapped and decentralized" democratic administration. We refer to this as the Ostrom-Hayek Paradigm (OHP).

The New Public Management Movement, which gained strength throughout western countries during the late 1970s, sought to achieve the following: "minimizing the government, socializing functions, improving efficiency of administration, marketing the management." This movement began in Britain with Prime Minister Thatcher, whose government took serious steps, which included selling state-owned enterprises such as Britain Tele, Britain Steel, Britain Oil, and Britain Aero. Thatcher further established efficiency teams and set up the semi-autonomous Executive Bureaus, whose heads gained the position through market competition instead of being appointed by the government. Following Britain, the Labor Parties of Australia and New Zealand came into power in 1983 and 1984 respectively, and implemented similar reforms. They abolished most of government formulas, redesigned the core departments, established the mini departments that were evaluated by their performance, and privatized $5 billion of state-

Vincent Ostrom provided the theoretical basis for a fundamental and meaningful reform, which become known as the New Public Management Movement.
owned enterprises. In the United States, the Clinton Administration strived for “more efficiency, less expenses” and put forward the “National Performance Review” to carry out the administrative reform in both federal and local government. Until the mid 1990s, 39 states had implemented public service quality plans, 29 had exercised the government department performance review, 33 had simplified the personnel formulas, and 28 had treated the public as customers. Thereafter, the members of the OECD, such as Canada, Holland, and France, carried out similar government reforms (OECD, 1992). The New Public Management Movement became a popular phenomenon among the Western developed counties at the end of the 20th century.

Although the New Public Management Movement did not replace the organizational structure of bureaucracy, the functions of government no longer covered all respects of the whole society, and some of them were executed by NGOs, which resulted in the reduction of government scale. It did not, however, abandon the institutions. Rather, it strengthened them on the whole, as the institutions became relatively more flexible. Nonetheless, it failed to change the fact that power originates from Constitutions and bylaws, and it is the people who have the power to modify these institutions. On all accounts, the “newness” of the New Public Management Movement does not mean that it is thoroughly different from the traditional WWP.

The Current Status of Public Administration in China

Different developmental phases are facing different tasks in terms of reform. Undoubtedly, it is crucial to find the bottleneck of public administration within China and clarify its paradigm.

After a thorough analysis of the current status of public administration in China, we find that, on the one hand, reigning administration is transforming into managerial administration. On the other hand, China’s immature bureaucracy is also conflicting with democracy and decentralization in the age of the knowledge economy, globalization, and information explosion. The former is more important. However, a number of problems ultimately blur our vision.

First, the experienced management has not been completely replaced by the institutional management. The institutions and procedures are the spirit of bureaucracy and managerial administration, which was criticized for being “designed by genius but operated by idiots,” but the essence of which is to sacrifice the human sensibility for the sake of organizational rationality. This is the reason why it improved the efficiency of administration greatly. In China, however, the administration system is similar to the bureaucracy. The institutions and procedures have not yet replaced the preferences and experiences of governmental officials, especially upper-level decision makers. Chinese people place their trust in people, whereas Americans trust institutions. This may account for the difference between their prosperity (Fukuyama, 1995). When the institutions are useful to a government officer, they will be carried out without any pleas. However, when the institutions are obstacles to him, they will be discarded. In fact, the institutions are a narrow canoe to the weaker, but the broad road to the stronger. In addition, institutions seem ideal, but they are far from perfect. Some institutions conflict with others, such as the bylaws of departments and state laws. Meanwhile, there are some areas that have yet to be covered by institutions. More seriously, a large number of institutions cannot be exercised in practice. The first one is Constitutions. There are so many actions of the government breaching the Constitutions, such as depriving the migrating right of the peasants and depriving the equal right of acquiring education of children simply because they are born in the different districts. As a result, some scholars question the necessity of establishing the Constitution Court to protect it. If supreme Constitution is marginal, how about others? The difficulty of executing laws makes it difficult for the Chinese to depend on the law.

Second, the exercising of the public power is not sufficiently regulated and supervised. In the optimal bureaucracy, administrative power is, in fact, the aggregation of the public power endowed by the institutions.
The consequence is that the power chain becomes a closed circuit, with no definitive beginning or end. The power of a superior is not his own individual power. Rather, his power comes from his position. Accordingly, one's responsibility to the superior is, in fact, not to the individual but to the institutions. When the orders of the superior conflict with the institutions of the government, the subordinates should appeal or even refuse to comply with these orders.

In China, however, governmental power is still a top-down scalar. The cost for the people to exercise their power endowed by the Constitutions is incredibly high. Because the power ends at the top of the government, and the sub-departments receive their power from their superiors, the subordinates will naturally satisfy the needs of their superiors instead of the people. With this, it is difficult for them to disobey their superiors. The power of the government is so great and unlimited that it always interferes with ordinary people's living. So, it is very urgent for the Chinese government to establish the normative, reasonable, predictable, stable, and limited public power-exerting mode, which is similar to the WWP.

Third, the administration department is not set up properly, as mismatching, overlapping, and separation between authority and responsibility exist simultaneously. Due to these deficiencies, on the one hand, there are many blind districts where nobody is responsible. On the other hand, there is multi-directing in many areas. The real bureaucracy is designed according to the division of labor and each department has its matched authority and responsibility. Different departments' functions are tangential, neither overlapping to induce multi-directing, nor separating to form the management vacuum, so that any public goods and services will be provided by the government. But in China, some government departments' functions are blurred given a lack of clear boundaries among them. The government departments' motivation for rent seeking is so strong that some public affairs containing great interests are scrambled for by many of them, but others without any benefits are repulsed and even their own duties cannot be accomplished smoothly. Nowadays, there are plenty of fake goods flooding the market and the consumers cannot distinguish among them, such as fake cigarettes, alcohol, drugs, seeds, soccer, financial statements, and even poisonous rice, biscuit, and vermicelli. Nobody, however, takes responsibility for the consequences of this. Supervision of the market is an inescapable responsibility of any governments. Failure to do so constitutes a dereliction of governmental duty.

**Reasons**

The public administration reform in China is facing two tasks: the first one is to consummate the WWP; the second is to introduce the OHP. The reason for the latter task is similar to that of the Western countries, and so it will not be our focus here. The first one, which will be analyzed below, however, is unique to China. In our opinion, the reason for the lack of real bureaucracy in China lies in the following two aspects: people and government.

**People**

Feudalism throughout the world and Confucian culture have cultivated the psychological tradition of "rule by man, not by law" among most Chinese people, which needs long-term and thorough reengineering of democracy and legitimacy.

The feudalism based upon Confucianism has governed the Chinese for more than 2000 years. Under this circumstance, it is difficult for most Chinese to form the habit of doubting the legitimacy of the government. Instead, they believe in it without any doubts, and the government has become accustomed to considering themselves as the "parents" of the people without realizing that their power rests with the people. In the minds of most people, the relationship between the government and themselves has yet to become an equal social contract. It is an unequal relationship between managing and managed, commanding and obeying, and superior and subordinates. With the foundation of
PRC and the powerful centralized planned economy, this relationship has not been weakened, but strengthened. The architects of the PRC used their own subjective experiences and authorities from the success in the wars to govern the state; and neglected the importance of institutions and laws. The transactions among ordinary people are dependent on the flexible "relations," but not the rigid institutions. These relations, however, are quasi institutions (Williamson, 1985; Hart and Holmstrom, 1987; North, 1990, 1991). It only functions among a small group of people or in small-scale organizations, but fails in large organizations, especially the whole state. It is something like the trust that can be used to explain the prosperity of different countries — the Americans trust the institutions but the Chinese trust relations (Fukuyama, 1995).

The market economy is the economy based upon the institutions. The government of market economy should be the government based upon the institutions as well. The formation of the institution needs long-term cultivation and the enhancement of institutional consciousness of all people. It further needs the fundamental change of the relationship between the government and its people. Additionally, the consciousness of institutions will need much more time. The long revolutionary war and the establishment of PRC interrupted the good traditions of "May 4th movement," and in the Cultural Revolution, the institutions were trampled. The lack of trust in institutions constrains the WWP from realizing its full efficiency in China.

**Government**

There is no effective and sufficient supervision and restriction on the Chinese government. It is impossible to expect the sovereign, who has received great benefits from the residuals of the MHP, to give up these benefits. And, the weakness of the civil strength makes it more difficult to change this situation.

"In reality, the administration departments or legislators, to say nothing of the decision-makers in them, are not the simple institutions who dedicate themselves to promote the social welfare as the general political theories said." "Most government leaders are also economic men as ordinary people, who have not the saintly altruistic objectives. What they want to do is just only to achieve their own objectives, and by the way the social welfare is realized" (Buchanan, 1986). Undoubtedly, the MHP is beneficial to those authorities which are the privileged ones above the whole society, and need not bear the troubles and sufferings as ordinary people; who monopolize the mass media and deprive the people' right to know; whose private lives are so secret that nobody knows whether their families, relatives and friends profit from their public right and how much their private wealth is; whose exercising of public power is not open to the public and the people could not see whether this process is normative and legal. The power is born with expansion and we cannot expect it to withdraw by itself. With the government's slogan of "stability is the most important," it is difficult to expect the government to give up the remainder of the MHP by itself, ultimately weakening its own power. For example, the Constitution of PRC stipulates that the most powerful department is the National People's Congress (NPC). But in reality, most representatives dare not exercise their rights for the people. The relationship between them and the government is not the superior and subordinate, supervising and supervised, but the contrary. So, these representatives merely listen and applaud. They do not criticize or debate. It is well known that the NPC is just a "rubber STAMP."

The other force pushing the reform comes from the civil side. The power would maintain itself but, at the same time, it would be challenged by its objects. The development of society and market economy are strengthening the people and enlightening their consciousness of democracy, although their strengths are relative weak and always suppressed and interrupted.
Conclusion

The bureaucracy should not be abandoned completely, and the New Public Management should not be adopted unconditionally. It is not the scientific attitude to follow others without any serious analysis based upon the realities. Why were the bureaucracy and WWP criticized in the western developed countries? Because the WWP has achieved its peak following more than 100 years development, and the centralization of the administration and rigidity of the institutions have been the narrowest bottlenecks hindering further development. So, in the western world, the WWP is transforming toward the OHP, and the New Public Management Movement is just the means to achieve this transformation.

The situation in China is very unique and different from others. Due to the longest MHP in history, the WWP in China is congested with large residuals of the MHP, which confuses our viewpoints and makes us misconstrue the bureaucracy and its WWP. Therefore, China will achieve great improvement of administrative efficiency after abolishing the MHP and establishing the real bureaucracy and the perfect WWP. Here we do not rule out the necessity of adopting the OHP. As the OHP is based upon the perfect WWP, it is far more important to China to adopt WWP now. In conclusion, the bureaucracy and WWP are useful in terms of accelerating the path toward rule by law, establishing a democratic society, and building the authority of institutions.

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Local Government Reform in the People’s Republic of China: Stipulations, Impact, Cases and Assessment

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Local governments are administrative arms of central governance. They play critical roles in policy implementation, service delivery, local economic development, and maintenance and improvement of local political, economic, social, and environmental infrastructure, particularly in political and administrative systems that are large in size. China is such a large system. Amidst its repeated administrative reform efforts at the national level in the past two decades, significant changes have also been brought about at the local government level. These changes have greatly contributed to China’s fast economic growth and social transformation. However, the reforms have also revealed many deep-structure problems hidden in Chinese society. This paper is an effort to examine some of these problems and search for directions for future change.

China’s Central–Local Administrative Structure

China’s central-local administrative structure is roughly illustrated in Figure 1. Theoretically, the National People’s Congress (the Legislature) is the highest decision-making body. In reality, because of China’s emphasis on the leadership of the Communist Party, the Political Bureau of the Party is the de facto highest decision-making body in that it can exert significant influence over vital national policies, key candidates elected to the National People’s Congress, and cabinet ministries. In the past, under special circumstances, the Political Bureau could even influence the verdicts made by the Supreme Court or China’s other legal bodies or the compliance of these verdicts. In this sense, China is a highly centralized system.

The National People’s Congress of Political Consultation is an organization through which elected members from various walks of life and other parties can have their voices heard by the nation’s highest decision makers. The State Council is the executive branch of the government. It has had 29 ministerial cabinet departments and commissions since the 1998 administrative reform.

At the sub-national level, there are 22 provinces (populations range from 25.4 million (Gansu) to 85.5 million (Sichuan); (the island province of Hainan, Abstract: This paper traces the locus of China’s local government reforms in recent years. It discusses their impact and searches for future directions for further changes. The author argues that China’s local government reforms may have come a long way, but what happens next will be more important in determining whether China’s local government reforms will enjoy lasting success. (A previous version of this paper was presented at the 2001 Annual Political Science Association Conference, San Francisco, Aug. 20, Sept 3.)
which was established in 1988, has a population of 7.6 million); four large municipalities enjoying provincial level administrative privileges (Beijing, 12.6 million; Shanghai, 14.7 million; Tianjin, 9.6 million; Chongqing, 30.8 million); five autonomous regions (Guanxi, 47.1 million; Inner Mongolia, 23.6 million; Xingjiang, 17.7 million; Ningxia 5.4 million, and Tibet, 2.5 million, populated mostly by people of Zhuang, Mongolian, Urgur, Hui, and Tibetan ethnicity) (China Statistical Yearbook, 2001); two Special Administration Regions (Hong Kong and Macao); and one out-of-control province (Taiwan), which has been trying a variety of tactics to claim independence.

Under the provincial level, there are administrative prefectures and administrative prefecture level municipalities medium-sized cities with supervision authority over a few adjacent counties), counties, and townships. The central government normally does not have a direct working relationship with the governments at or below the level of prefecture governments. It can only reach them through provincial authorities. National laws and central governmental policies and directives
Autonomous regions, districts, and counties, as well as ethnic rural districts are afforded greater self-governance privileges than ordinary local governments.

 gradual. Resistances were met in Tibet and Xingjian in the 1950s, but were suppressed quickly through force and massive political persuasion. From the 1960s to the 1970s, these minority regions suffered China’s Cultural Revolution, as did everywhere else in China. When reform started in 1978 to promote decentralization, small-scale ethnic skirmishes resurfaced in Xingjian and Tibet. In more recent years, small groups of people in these regions voiced a desire for independence.

It should be noted that, in China, the term “local governments” typically means all types of sub-national governments including provincial/municipality, prefecture, county/city, and township governments. In the United States, sub-national governments are always distinctly described as state and local governments, with the term “local governments” specifically meaning sub-state (provincial) level governments such as counties, municipalities, townships, and school districts, etc. In this paper, local government broadly refers to sub-national government, while the focus of the study is concentrated more on the county and municipality level governments due to their closeness to the grassroots masses.

Local Government Reform Efforts in China

Between August 1948 and July 1950, the State Administrative Council (Zhen Wu Yuan) divided the entire country into six large administrative regions (Northern China, East China, Northeast China, Northwest China, South-central China, and Southwest China) in correspondence to its military establishment (six large military regions). Military generals were transferred to be regional leaders, who were responsible for both civilian and military affairs in the region. These large administrative regions served in-between the Central Government and the provinces for the purpose of assisting the Central Government in controlling the provinces. In June 1954, the Central Government...
abolished the large administrative regions and merged a few provinces and some counties (Sun, 1995, p. 162).

Published in September 1954, the first Constitution of the People’s Republic of China established the basic rules of China’s administrative jurisdictional infrastructure. Administrative jurisdiction definitions from the previous Nationalist regime were extensively borrowed, yet were modified when needed. The whole administrative system was divided into a multi-level hierarchy.

1) Province, autonomous region (provincial level), and provincial level municipality directly supervised by the central government.
2) Autonomous district (county level), county, autonomous county, municipalities.
3) Ethnic rural district (township level), rural district (Xiang), township, and urban district.

Autonomous regions, districts, and counties, as well as ethnic rural districts are afforded greater self-governance privileges than ordinary local governments. Also, the People’s Republic of China’s Organizational Law, derived from the Constitution, stipulates that the provincial or autonomous region level governments may, in times of necessity, establish administrative prefecture bureaus that serve as the administrative arm of the provincial level of government in order to supervise the operation of the county, autonomous district, or municipal governments. The number of prefecture level of governments fluctuated from 150 to 199 between 1951 and 1983, and ultimately decreased to 113 after the 1988 reform (Sun, 1995, p. 168).

Between March 5, 1978 and July 1, 1979, China amended its original Constitution (known as the Second Constitution), whereby “rural district” (Xiang) was renamed “People’s Commune.” This change was reverted in the third revision of the Constitution on December 4, 1982 (known as the third Constitution). The new constitution also amended an article stating the following: In times of necessity, the Central Government could establish a Special Administration Region (Sun, 1995, p. 160). This picture shows that as a large administrative system, China has made various efforts to accommodate differences in spite of its highly centralized system.

After 1978, a number of major reform endeavors have led to significant changes in China’s central-local relations. The endeavors are as follows:

1) In 1980, China’s financial system went through a significant reform. Under the catchwords “reform and decentralization,” a “contractual revenue sharing system” (Feng Zao Chi Fang) was established. Most of the provinces started to enjoy a multi-year fixed revenue contract (five years) with the Central Government. These provinces were allocated a number of revenue sources (enterprises which pay profits and taxes) from which they could spend more should they manage to collect more revenues. (Si Chuan, Shanxi, Gansu, Henan, Hubei, Jiangxi, Zhejiang, Shangdong, Shangxi, Hebei, Liaonin, Heilongjiang, Jiling, Zhejiang, etc.). The Central Government continued to give fiscal support to the five autonomous regions in addition to Yunnan, Qinhai, and Guizhou where there were large ethnic minority groups. Moreover, the Central Government promised an annual increase of 10 percent in revenue subsidies. It further fixed the revenue amount Guangdong province had to hand to the Central Government, and fixed the subsidies the Central Government would pay to the Province of Fujian. Additionally, through the contractual financial system experiment started in Jiangsu since 1977, Jiangsu enjoyed the privilege of continuing its fixed ratio (61 percent to the Central Government and retaining the rest). Starting in 1985, the directly supervised municipalities of Beijing, Shanghai, and Tianjin also joined others in participating in the contractual revenue sharing system with the Central Government (Ren, 1998, p. 259). This contractual revenue (profit) sharing system was later replaced by the new tax-sharing system established in 1994 (Lan, 1998).

2) The Constitution was revised and passed in 1982, and clearly laid down the principle that there should be a division of function and power between the Central and the Local government. Furthermore, under the unified leadership of the Central Government, incentives should be provided in order to motivate the creative initiative of the local governments. The People’s Congress and the
State Council are the authorized to ensure that this will happen.

3) The Constitution also empowered the provincial level of governments to pass laws and regulations, known as Having Changed from One Level Legislation to Two Level Legislation. Other than the People’s Congress at the Central Level, the People’s Congress at the provincial level (including the autonomous regions and directly supervised municipalities) could act as formal legislative bodies, passing laws governing regional and local affairs so long as these laws are not in contradiction with national laws and the Constitution. This change is further accompanied by expanded local powers of the autonomous regions.

4) Special economic zones were established that gave some localities jurisdictional power they have yet to enjoy. In April 1979, China established Shenzhen, Zhuhai, Shantou, and Xiamen as special economic zones. Three months later, the Central Government decided to give special policy favors to Guangdong and Fujian. In May 1985, the State Council opened 14 coastal cities (Dalian, Qinghuang Dao, Tianjing, Yantai, Qingdao, Lianyun Gang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhenjian, and Northsea). These policy favors helped to attract foreign investments and technologies. They further facilitated greater cooperation with foreign organizations, as special economic zones were granted the authority to approve contracts with foreign organizations.

5) The jurisdictional power of the municipalities was expanded. More specifically, in 1982, the Central Government issued an announcement to reform the prefecture level of the administrative system, adopting a system in which counties were organized around large municipalities and supervised by the municipalities. The system was first tested in 1983, and was implemented nationwide afterwards. By now, all but Hainan implemented the new system of county organized around municipality. Among them, Liaonin, Jiangsu, and Guangdong have essentially eliminated their prefecture districts and replaced them with prefecture level municipalities. Amid this organizational reshuffle, many county seats were turned into municipalities.

Except for some large operations related to the military, railway, airlines, navigation, postal, and communications, which require national coordination, many central government and provincial government owned state enterprises were also decentralized into the hands of the municipalities. Even for those enterprises that still report to their ministerial or provincial level management authorities, the function of providing support for living facilities and production coordination became largely the responsibilities of the municipalities.

Additionally, major cities, such as Wuhan, Shenyang, Dalian, Haerbin, Xian, and Guangzhou, gained approval for inclusion in a special list for national economic planning (Ji Hua Dan Lie). That is, these cities are treated as provincial level governments in terms of privileges when it comes to matters of economic affairs. It has overwhelmingly increased their powers in urban management, local economic development, local capital project investment, transportation, foreign trade, science and technology development, education, health, cultural policies, taxation, employee compensation, tourism, banking, price, commerce, and raw material and resources management. (Bo, 1991, p. 119).

Other than the discussed changes, China’s repeated administrative reforms at the Central Government level have also impacted local reforms. As we know, China’s major administrative reforms included its 1982-83, 1988, 1993, and 1998 reforms. The 1982-83 reform’s major objective was to downsize the government and increase administrative efficiency. The 1988 reform was attributed to the failure of the 1983 reform in that the basic system of governance remained unchanged. It targeted changing the role of the government by preventing agencies from running profit-making enterprises, and separating the Party apparatus from the administrative apparatus on top of the routine objectives of downsizing and reorganization. The 1993 reform re-proposed the reform objectives advanced in 1983 and 1988. And the 1998 administrative reform sought to streamline government, remove direct governmental control over profit-making enterprises, and move China in the direction of the rule of law. Each of
these efforts penetrated down to the local governments (Lan, 1999) and resulted in workforce reduction in the governmental sector (though these proved to be temporary successes later on). In 1991, the State Council established the “Central Government Employee Quota Evaluation Committee,” which served in the capacity of laying down personnel reform principles, evaluating personnel reform proposals, and supervising the streamlining of governmental organizations. Each subnational government followed suit and established an executive office at its level. Each time, the local governments’ workforce was reduced by 25 percent to 50 percent. The number of employees, however, quickly bounced back, ultimately surpassing its original number. Between 1979 and 1991, the personnel increase had a compounded annual rate of 9.5 percent, which nearly equaled the average annual rate of growth for its public finance before controlling for inflation during the same period of time (average rate of price index growth is 7 percent) (Lan, 2000). Government jobs at the local level became a harbor for many in need of good jobs. The local governments took a free ride on the fast-growing economy.

Another important highlight in local government reform is the 1992 initiative regarding county-level reform. As former Premier Li Peng said in his speech, “County level government’s comprehensive reform is very important. The county establishment is the level of government at the grassroots level that has relatively comprehensive governmental functions and directly faces the vast rural areas. Of the over 1.1 billion population, 900 million live in rural areas or cities and townships under the jurisdiction of counties” (Chinese Local Government Reform Editorial Group, 1995, p. 113).

Prior to 1992, county or city level government reform was essentially trial-based, or they merely followed the Central Government’s workforce reduction initiative. About 200 of the counties went through these trials and experiments. Based on those experiences, the 1992 national campaign for county government reform established the following principles:

1) Reform should follow the principle of small governments and extensive governmental service. Emphasis should be placed upon government’s function in terms of planning, coordination, supervision, service, and information, without excluding the possibility of directly managing certain aspects.
2) The key is to change the role of the government from a comprehensive management and service organization to one that steers. Enterprises should be separated from the government. The government should refrain from directly running profit-making entities.
3) The relationship between county, city, and township government should be clarified. While the Central Government has decentralized its function to the provincial government, and the provincial government to the county, the county should likewise decentralize some powers to the cities and townships.
4) Reasonably allow for diversity regarding organizational structure and policy preferences in different counties, since factors such as economic development, population, and land resources are vastly different in these regions.
5) Pay attention to entities that provide fee-based services, and gradually turn them into financially independent non-profit organizations.

In short, the operational objective of county level government reform is to promote economic development and eliminate “deficit counties (many of the counties in the nation are deficit counties).” In time, the role of the government will be changed (ibid. p. 121).

Since its establishment, the Central Government Employee Quota Evaluation Office has acted as a constant supervisory body for local government personnel control.

From this reform locus, we can clearly see that reform for local governments means their expanded legislative power (at the provincial level), increased executive power, enhanced tax authority, more jurisdictional responsibility (more enterprises under its wing, more territory and municipalities under its control), more central mandates, and differentiated local privileges based on individually negotiated terms with
the central government. In many localities, there is greater latitude to work with international organizations and businesses. A unified system has thus become one of great differentiation. The vast power vacuum left by the Central Government, coupled with increased amounts of economic activities at the local level, has given local government officials tremendous flexibility in terms of trying out their own ideas, capabilities, and aspirations. How have these changes affected local behavior? The following section will attempt to answer the aforementioned question.

**Impact**

The reform efforts have greatly enhanced local powers in regional political and economic affairs. Until recently, 50 percent of the industrial outputs, 70 percent of the GDP, 80 percent of governmental revenues, 85 percent of the value added for the service industries, and 90 percent of higher educational and research resources have been in the urban areas, which are under the control of local governments (People’s Net, 2001). Local initiatives and creativity have helped China maintain a sustained period of high economic growth (double digit growth in most of the 1980s and 1990s except for 1997, 1998, and 1999, during which the growth rates were 9.69, 5.21, and 4.55 respectively) (China Statistical Yearbook, 2001). Local governments are also the major spenders of public expenditures, moving from 60 percent in the 1980s to more than 70 percent of the total governmental revenues (See Table 1).

The areas blessed with capable local leaders, especially those who have good connections with the Central leaders and are able to negotiate favorable terms and privileges for their localities, have begun to thrive. Those areas, however, which are not naturally or politically well endowed, must face many problems.

The extra-budgetary revenue is a major source of income for local governments. As Table 1 shows, the budgetary local revenues are typically in the range of 49 percent to 51 percent between 1997 and 1999. However, when “reported” extra budgetary revenues are included in the calculation, local revenues proved to be 60 percent of the total governmental revenues. This does not include the large amount of extra budgetary revenues that are not reported to the Central Government. Often, the authority to impose fees and surtaxes at the local level has made this part of the local income a dark box for outside auditors. Some localities are endowed with high levels of economic development and abundant revenue sources. Others are not as fortunate, as they are not afforded a healthy tax base, and consequently, service delivery suffers. For example, during the mid 1990s, one province had reported budgetary revenues of 16 billion yuan (RMB). The provincial party secretary knew this to be an underestimation. He completed an informal survey among the local magistrates (many of them promoted by him) within his province, promising that he was not going to take away their local money. The informal survey revealed that the local off-the-budgetary revenue was 18 billion, larger than the official budgetary revenue. It was rumored that Zhu Rongji, China’s premier, was completely surprised by the demonstrated wealth from the personal gadgets some county level magistrates

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possessed. As China’s de facto economic leader, Zhu could not understand how this could be possible. Where did his governmental expenditure rules go? Regarding another example, a provincial leader (from a more agricultural province) was transferred to work in a more industrialized province. Even though he was serving in a similar capacity, he did not dare accept his first month’s salary from the secretary. That is, thinking that it was an error, he was paid more than three times what he had received previously, not to mention the other fringe benefits.

The retreat of central level state power has created many power vacuums. Due to the vastness of China’s local areas, it is impossible for the central government to have unified policies governing all areas. In order to maintain power and protect local revenue bases, the local officials started to work more closely, sometimes in an illegal capacity, in order to ensure local economic vitality at the expense of other governmental policy objectives.

In their article, “Selective Policy Implementation in Rural China,” O’Brien and Li have illustrated how a pattern of selective policy implementation has emerged in the Chinese countryside. It is not the incidents themselves but the extensiveness of such practice that is appalling. There have been periodical reforms targeted at downsizing and reorganization, resulting in the reshuffling of local officials. With this, short-term oriented local officials work to secure promotions, or they attempt to amass wealth before specific reforms can be implemented. The relaxed central control has given many their opportunities. They sometimes even turn a well-liked central policy, such as economic growth, into a harmful “local policy” that justifies wasteful investments and wasteful resource extraction (O’Brien and Li, 1999, p. 167). These practices have become all too common, particularly in rural areas, where local leaders violate governmental regulations and laws in the interest of personal gain. Excessive tax imposition is common. Social conflicts between farmers and rural leaders, workers and management, and citizens and officials have been on the rise. Organized tax revolts or other forms of protest are frequent. Jiang Zeming, Party Secretary General, has personally urged to crack down on local “emperors” (O’Brien and Li, 1999). A few small cases could reveal the extent of such local practice.

**Case 1: Image Engineering Projects of the County Party Secretary of Luzhi County, Henan**

Luzhi County is a nationally defined “poverty county” with an insignificant industrial base and revenue sources. When Du Bangang became the Party Secretary of the county (top leader), he initiated large-scale image projects, such as the city’s Night Scene Project, the Greenbelt Project, the Fenced Public Parks Project, and the Fancily Paved Pedestrian Walks Project. He imported exotic trees, which were to be planted regardless of climate compatibility (many trees died.). He liked the red color and asked all the urban constructions to be painted red, which averaged 20 yuan (Chinese currency) extra burden for each household. Since 1986, when Luzhi was classified as the poverty county, it has received an annual budget subsidy from the Central Government (a total of 130 million yuan up to the year 2000) and the Henan Provincial government. The secretary did not use this money to help with the lives of the poor. His over spending resulted in a large financial deficit (over 100 million). The government constantly owed salaries to its officials, teachers, and government employees. He had no choice but to allow all subcounty level governments to figure out innovative ways to impose extra taxes and fees upon the already poor people. On April 14, 1998, over 30 county officials and local police drove to one village, guided by two township leaders, broke into people’s houses, and confiscated assets of relative value, as people living in these households could not afford to pay the fees and taxes. He also ordered the county seat to be a non-smoking city. He received awards for the environmental project he implemented. When traveling throughout the county, he did so with a large number of assis-
When asked why the local government would help the mine owner cover up the accident, Huangyi, the spokesperson for the National Supervisory Bureau for Production, and deputy bureau head of its Law and Regulation Department said, “Some local government leaders do not understand the safety production laws and regulations issued by the Central Government. Out of their local protectionism, they may want to resist outside supervision. Of course, we can not rule out that some local officials have interests in those illegally operated mines, became their protective umbrella, and made it possible for the illegal operations to prosper. If they dare to cover up serious accidents of such magnitude, they certainly would not hesitate to cover up smaller accidents. Some localities depend heavily on the mining industry (or other industries of potential hazard such as fireworks production). Seventy to 80 percent of the revenues come from these industries. If you close them down, revenues will be affected.” (Du, 2001)

Case 3: Local Government Making Foreign Policy

Conveyed by a foreign expatriate manager: “We have been paying a ‘local’ tax in Shanghai relating to relocation fees for returned servicemen. This issue was raised about the time of the military exercises off the coast of China near Taiwan. To my way of thinking, returned service’s entitlements should not really be a ‘local’ issue. The defense of the country is pretty much a central government activity, and we were being asked by the Shanghai authorities to make a contribution to this fund… It wasn’t a huge amount of money. It was a tax on the amount of tax you already paid...” (Blackman, 2001).

Case 4: Blood Donation in Shanghai

Conveyed by a foreign expatriate manager: “There are things which pop up from the government and take some understanding. There was the forced blood donation, which was imposed on our enterprise. A foreign government donated a blood bank to Shanghai… To fill
the blood bank the authorities decided to impose targets for donations. Since we are one of the bigger enterprises, we were given a target of 26 people every six months. I found that unpleasant to swallow. We had to tell our workers, ‘You’ll go. You will give blood.’ I said, ‘Should the enterprise be doing this? It is your blood, it should be a voluntary thing.’ But the government thought otherwise. So we had to encourage them to go by drawing lots. Foreigners’ blood was not accepted, so we were excluded... [The government] decided that our company was to give them (the workers who donated blood) an allowance of seven days leave for giving 500 ml of blood and a cash allowance of 700 Yuan Renminbi. From the company’s point of view, we were losing 26 people a week plus some money. We asked them, ‘How did you arrive at this decision?’ The government says, ‘We are just doing our job. You can delay, you can pay us a fee not to do it. We’ll be back in six months’ time.’ Although these extra taxes are not crippling, they demonstrate that the government views business entities as organizations through which it can carry out social and economic actions. Since the introduction of economic reforms in 1978, local officials have forced private Chinese businesses to pay ad hoc contributions to local infrastructure developments, such as city appearance, traffic regulation, and sanitation. Similarly, Chinese officials expect joint ventures to fund social security, retirement, medical, and housing programs for employees” (Blackman, 2001).

The first case reveals rampant power abuse by some local officials for personal gain (awards and promotion, for example) at the expense of local citizens’ quality of life. The local police silence voices of opposition, rather than uphold the integrity of the law and justice. The second case shows how local officials can cooperate with local businessmen to protect the “so called local interests” at the expense of citizens’ life, rights, and central governmental policy objectives. This could involve corruption as well. After all, local and individual interests conflict with central interests. The third case demonstrates how local governments are overstepping their bounds and making foreign policy decisions. The fourth case shows how local governments can go out of their way to levy extra taxes in violation of the basic tax principles of equity and fairness. They are under pressure to raise money because the Central Government has deferred a large number of spending responsibilities to them. And they may also unscrupulously collect money for local government employee compensation and fringe benefits. After all, the Central Government did not provide them with enough tax sources, and they are allowed by law to raise local money to supplement their work. In many cases, local officials from poorer areas try to emulate officials in relatively wealthy areas in terms of lifestyle, office facilities, and city appearances, often at the expense of the citizenry’s well being. The reform has gone so far that a tremendous amount of local energies have been released. How to channel them to move along the lines of national policy objectives remains a real challenge. This could still be a question for China’s Central leaders.

Not a Conclusion

Overwhelming problems at the local level are sources of constant headaches for China’s Central leaders. As ultimate leaders, they have been lied to constantly. While the western world thought it was an incomprehensible premise, China’s premier leader felt well justified to tell the American media, “If China goes democracy, people will go hungry.” At the local level, going hungry is by no means the worst possibility. For a while, the central leaders thought that after decentralization, the central government could relax from daily management and think more broadly. There were even beliefs in Lao Tse’s (an ancient Chinese philosopher) philosophy that “managing a big country should be like cooking a small dish, leaving it alone and not to stir too much.” China’s status quo tells us that before a fully relaxed situation can manifest, the country must cultivate a healthy and conducive management environment.

First, it needs to straighten out its legal system and assure legal independence. China has tried many different approaches of social control, including building charismatic leaders, inculcation of ideology, neighborhood network, regular police force, alternative police force which is relatively more centrally controlled, and others. These controlling mechanisms are either insufficient or quickly become corrupted if management goes sour, making it a necessity to look for even more
controlling mechanisms. This is a heavy burden upon government's size and budget. Unless an independent legal system can be established nationwide and can properly function, there is no way to ensure the legal integrity of China's local governments. With retreating state power at the local level, China's traditional local forces, such as the family tree oriented patriarchal system and local mafias are starting to resurface, which pose a threat to social stability. With the escalation of cadre-and-people conflict, the likelihood of social unrest is increasing. The integrity of its legal system proves to be a critical factor in terms of ensuring social stability.

Second, an independent legal system of high integrity works best in a positive institutional environment in which roles, responsibilities, and jurisdictional authorities are well defined. China's sub-governmental governments often copy the functions of the Central Government, repeating the bureaucratic structures created at the superior level of government. The result is that the Central Government performs its supervisory role of the regional authorities by relying on the corresponding agencies or units at the local level. And those agencies or units are often where the problem started in the first place, resulting in easy cover-ups in cases where there are wrongdoings. Unless an institutional system can be set up in which different levels of the government have complementary functions in governance, management, supervision, and service delivery, efficient supervision of local operations without jeopardizing regional economic dynamics and ingenuity cannot be possible.

Third, China's local governments need a new system of accountability and performance measurements. Currently, local officials are more accountable to their supervisors at the higher level of governments, and less to the people they are serving or working for at the local level. The way local official performance is measured is more based on a supervisor's impression than an index of carefully developed performance indicators that present an objective and clear picture of local situations. Efforts are being made to implement local elections. However, successes of the elected officials in running local affairs are sporadic, due to upper level interference, traditional local power resistance, or the lack of having higher-up support in obtaining policy favors or preferential status. Without policy favors, a locality cannot compete with those that do.

Fourth, a system of checks-and-balances would be essential for ensuring the smooth operation of the local governments. China's current official theory denies the existence of bureaucratic interests. It argues that all the cadres are people's servants and that they should have no interest of their own. Western bureaucratic theories have long proven that bureaucrats as a social group do have their unique interests. If unchecked, the public power could be diverted into serving the personal interests of bureaucrats or local officials. Currently, the only check on local bureaucracy in China is the higher-level government. As an ancient Chinese saying goes, "The Heaven is high, and the Emperor is far away." As long as local officials can manage to cover up their wrongdoings or make good excuses for them, they can practically do whatever they desire.

Fifth, after many years of revolution that started with the May 4 Cultural Movement in 1919, China again finds itself in need of healthy and upbeat cultural values to serve as a glue to hold the society together. Wherever power and law cannot reach, ethics become important. As a developing prismatic society, law and regulations are far from mature. Loopholes are everywhere. The need for ethics to govern people's behavior is more acute. The revolutions have significantly undermined the traditional value system; a new value system has yet to be formulated and accepted. Currently, China's leaders are hoping to recreate a value system that is more compatible with the fast-moving modern world. It can be anticipated that if no significant measures are taken quickly in this area, there will be many more casualties along the way before China can join the group of the world's well-developed nations.

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from the Maxwell School of Public Affairs and Citizenship at Syracuse University in 1991. His publications have appeared in Public Administration Review; Journal of Public Administration Theory and Research; Administration and Society, American Review of Public Administration, Public Administration Quarterly, and a number of other journals and as book chapters. His teaching and research interests include public administration reform, organizational theory, information technology management and policy (e-government), evaluation methods, and comparative public administration. His recent book Administrative Bureaucracy and Modern Society is published by Zhongshang University Press.

**Endnote**

1. On July 1, 1979, China revised and passed “People’s Republic of China Organizational Law for People’s Congresses and Governments at Various Levels”. It was revised and passed on December 2, 1986, and revised and passed again on Feb. 28, 1995. This law has served as the basis of China local government reforms.

**References**


Guoqing Zhang, Peking University

During the past century, China has experienced a series of significant historical events, namely, the initiation of the “third-stride” developmental strategy (Standing Committee of the National People’s Congress of People’s Republic of China, 2001), the Gross National Product (GNP) surpassing a trillion, successfully bidding for the 2008 Olympic Games, and joining the World Trade Organization (WTO). All indicate that China has entered into a new historic era and is proceeding towards modernization. This new era will see comprehensive development in China, which includes profound and innovative institutional changes. The changes in governmental administration will be vital at this stage, as administrative organizations are vastly different in power, decision-making, responsibility, and behavior. The Chinese government has implemented a long-term economic development program, relying on the developmental style of “government-domination” for more than 20 years. China’s gradual reform strategy of “going through river by touching stones” and long-term economic development under governmental domination require that Chinese administration play a “dual” role: one role as the direct object of the country’s great innovation and development, and another as its forerunner and leader. The Chinese administrative system must, therefore, fluctuate dynamically between administrative development and development administration.

The Chinese government, however, faces unprecedented difficulties in implementing its public administration. As for public policy, a first challenge for the Chinese government is to choose and determine the criteria for public administration in China under changing circumstances.

Administrative criteria mainly refer to basic value standards and behavioral norms of government administration, i.e. the country’s administrative system. Then comes governmental function, decision-making, and the implementation of public policies, supported by a set of fundamental categories: political principles, managerial ideas, behavioral manners, and moral boundaries. Regarding administrative criteria, essentially the public value standards of society are relatively stable in the democratic countries, and are integrated into the country’s ideology by various kinds of public and social power instrumentalities, including administrative institutions. The value of these criteria lies in rectifying, prompting, restricting, and correcting the administrative behavior of government and providing basic values, which orient administrative reforms...
and developmental administration. These criteria are usually recorded in public documents, principally the laws and statutes of the country.

Though administrative criteria are the legal forms of administrative conception, administrative conception may not translate into administrative criteria. As described above, administrative criteria, as part of the country’s ideology, directly behave as a standard system of public values validated by legal bodies and legal procedures. Administrative conceptions, on the other hand, are those value standards that have not been validated by legal public power, even though they are partly accepted by government. Theoretically, criteria are close to norms, and conceptions are still close to ideas and theories (Waldo, 1968). Conceptions, therefore, combine theory with reality, induction and deduction, and unify ideas and actions. They include elements of justice, reason, feasibility, and efficiency, and apply universal and particular circumstances.

Universal ideas have dominated throughout the history of Chinese political culture. For instance, “zheng da guang ming” (be open and aboveboard), “tian xia wei gong” (the whole world as one community), “ming zheng yan shun” (right title and proper words), “shi chu you ming” (a good reason for waging a war). Such ideas about public will, public reputation, public organs, and public rights, are still prized as the spirit of the Chinese people. These ideas constitute the fundamental value for behavior for the Chinese government and its executives in these new times. On the other hand, ideas are related tightly with historic conditions, i.e. different periods of history and different stages of development always bring out different administrative ideas. As far as public management of the Chinese government is concerned, these crucial ideas include institutional guarantees, legal administration, democratic administration, administrative validity (Zhang Guoqing, 2002), as well as regular administration, credit administration, civil administration, professional administration, and developmental administration, all of which I will explore in this paper. Some of the ideas above have been identified as criteria for public admin-

istration of the Chinese government, while other still need to be affirmed by Chinese agencies.

Regular Administration: Institutional Basis of Chinese Public Management in the New Era

Theoretically speaking, government regulations can be regarded as public rules. To some extent, public rules mean institutions and laws, which coincide with the soul of the country and administration. In order to sustain development in the new era and foster changes in international and domestic conditions within China, the Chinese government should convey the notion that rules are paramount. This should be done through effective institutional arrangements and public policies embodying the country’s dominant ideology. Public rules consist of market rules in the economy, rules on social behavior applied to corporations and individuals, and political rules that restrict public institutions. Under modern democratic conditions, the country’s administration has been never considered the sole body responsible for the enactment and execution of public rules; moreover, the validity of public rules enacted by administration institutionally requires deliberation and validation by the highest body in the system of public power. But the administration still takes responsibility for enacting and executing public rules because it has the legal status as a public body above others. Therefore, it assumes indispensable governmental functions in China’s modernization, and its public policies profoundly affect the development of the country and the society. Within this new era, public rules of the Chinese government should have the following elements:

Validity

As the basis of public rules for every government, validity implies that administrative codes and public policies must accord with the principles, spirit and rules of the law (content), their generation must accord with legal proceedings (form), and administrative rules
must reflect the common desires and fundamental interests of all. First of all, on the question of increasing citizen obligation or limiting civil rights, it is essential that public policies comply with the laws of the country, especially with the constitution. Moreover, it is imperative to install effective institutional arrangements that prevent individuals from circumventing administrative rules and regulations, which has proven to be a recurrent theme. Thus, the validity of the rules government establishes is an important component of constructing and maintaining the country’s institutional stability.

Unversalitv

Public rules of the government should be applied to all social bodies, the only exceptions of which are clearly statutory. In this case, the principles of the World Trade Organization such as non-discrimination, fair citizen treatment, free trade, fair trade, third-party arbitration, reasonable protection, and so on, should be incorporated as important administrative principles of the Chinese government in these new times. Other administrative ideas, like “the public interest is paramount,” “the private property sacrosanct,” “equality for everyone in front of laws,” “equal benefit,” “open policy,” should also be identified as public administrative criteria.

Publicity

Rules of government, including rules about administering government, are public information, which should be disseminated to the public in time by way of mass communication. Theoretically speaking, the only exception to publicity pertains to special information protected by the country’s law of secrecy. Through public information of public management, citizens are not only able to join discussion of public affairs and effectively supervise government, but also the cost of “rent-seeking” is also increased, thereby improving the country’s political integrity (Angang, 2000, p. 103). On the other hand, according to legal principles, governmental policies that have not been published cannot be considered law.

Stability

Public rules generally surface after a period of gestation, remaining stable once publicized. However, conflicts occur alongside rapid development in this first modernization effort in China, and will challenge policy making in the Chinese government. Dilemmas are readily apparent in the following areas: equity and efficiency; economic development and natural environment; humanistic development; international rules and historic Chinese culture; tradition; domestic conditions; centralized political power and market economic power; national, local, and private interest; and Southwest regions and Midwest regions. The Chinese government must continue adjusting public policies to changing realities. Yet, there is also the concern that the Chinese government further requires constant propaganda and the enforcement of public policies and the dominant ideology in order to accomplish the target of national development under the principle of constant “keeping amid changes.” Therefore, adhering to public policies for the sake of their stability and continuity is another form of normalcy in public policy. The estimation of two kinds of normalcy discussed above rests on the valuation and judgment of reality, interaction forms of Chinese government as decision-making parts.


Credit administration assumes that government should advance and execute public policies identified and supported by the public. The government’s credit, the core
of credit administration, is based on whether the government’s public rules conform to public interest, public benefit, and public morals. It is imperative that these rules are accepted and maintained consciously. The government’s credit combines with the public power the government holds, as the government could formulate and execute public policies without public power. Public credit has nothing to do with power politics. It does, however, have a direct relationship with public authority. Under a democracy, public credit is not only the core of credit administration, but it is also the basis of public authority.

“No credit, no respect” is an important Chinese tenet regarding state government. It proves to be consistent with the ideas of “benevolence, justice, courtesy, wisdom, credit” which are also identified as supreme ethics to civilize the public, especially officials and even emperors. This was a moral tradition of cultivating these officials or scholars. Unfortunately, such tradition had resulted in destructive outcomes, culminating in the Cultural Revolution. This tradition has been further undermined by contemporary mammonism associated with Chinese market economy. This is one of the reasons for the current credit crisis in China. In order to cultivate a sustained and socially balanced development strategy, the Chinese credit system must be reconstructed.

The credit system of society consists of different levels of subsystems, which include commercial credit, educational credit, individual credit, and state credit. In this institutional framework of social credit, state credit (government credit) is the foundation, and it is decided by Chinese cultural tradition and political institutions. In the political power structure of the state, ministerial parties — assured by the constitution — dominate and practically decide public policies. In the system of state government, the government widely takes on the public functions of promoting the national economy, stabilizing the social orders, and improving people’s standard of living. In the social system of value standards, the government usually occupies the active and powerful status of having control over one’s ideology, which profoundly influences traditional values such as “officer standard.” In this new era of China, reconstructing the social credit system must begin with building up the public credit system within the state (government) credit system, gradually establishing and solidifying the whole social credit system upon which promoting state modernization depends. Constructing credit administration is also one of the political responsibilities of the Chinese government in the new era.

Actually, some serious credit crises have manifested at all levels of Chinese government, especially in some local governments. These crises include the following:

1) In some places, important index and statistical data of economic and social development heavily lose consistency with the facts, and are often fabricated.
2) Some local governments make arbitrary decisions, informed only by official political positions; many decisions are never implemented; performance often falls short of scheduled targets; and there is much public dissatisfaction with government performance.
3) Because of frequent turnover of many key personnel, there is often a break in the credit of some local governments. This is caused by such approaches as “new officers don’t pay for old debts.” These breaks engender governmental credit loss in eyes of the public.
4) Some local governments improperly intervene in the local economy, vouch for enterprises with public funds, or set up impact projects without regard to local financial capacity, all of which indirectly result in local government getting into fields and even violating court orders.
5) Some departments of local governments lose their honesty and credit for departmental interests, and debase the whole credit image of the government.
6) Some local governments defy the central govern-
ment’s policies, carry out local protectionism, and condone and even encourage illegal and irregular behaviors. Government, as a whole, loses its credit before the public (Yu, 2002). In reference to this question of credit in China, Premier Zhu spoke out, announcing that officers should abide by morality and rules, and not false accounts (Jie, 2001). Scholars directly point out, “the construction of a credit system should first begin with governments themselves (Furen, 2001, p. 9). These questions have aroused the serious consideration of the Central Government (Gang, 2002), as well as some local governments, such as the Zhejiang provincial government (Hongjun, 2002) and the Beijing city government (Wei and Aimin, 2002). These governments have, therefore, begun to establish relevant public policies that will address existing credit problems.

Civil Administration: The Ideology of Public Management of the Chinese Government in the New Era

If “yi min wei ben” (centered around people) can be thought of as a basic political idea, civil administration would be the application of this idea in public administration. In the whole course of Chinese civilized history, even though feudal emperors did not have genuine democratic notions about God-given human rights and equality, “yi min wei ben” was always a central precept for state management and stable governance. Such ideas as “civilian heaviest, state heavier, and emperor lightest” (Mencius, 1962), have influenced rulers across the dynasties. They did have different interpretations of the “yi min wei ben” idea at different times, and these should be a valuable historic heritage for Chinese public administration in these modern times. Of course, it also needs a new and more relevant definition.

Good governance is fundamental to state management, and every government of a democratic country values it as a supreme administrative idea. Even in the age of feudalism, it was understood that good administration was the root of peace and order. Good administration, when it successfully combines theory and practice, understands that public interest is the starting point and destination of all public policies. In practice, government can neither attain legitimacy, nor sustain development, until it dispenses good governance.

As a classical theory of public administration, the idea of good governance has taken on numerous meanings, which differ based upon the era and country. In China, for example, “serving the public,” “yi de zhi guo” (governing the country by ethics) (Jie et al., 2001), can be regarded as a form of good governance. Under modern democracy, even though government promotes good governance expressly for political reasons, i.e. to serve its interests, good administration is a kind of basic public value standard for government officials. Good administration has inter-related premises. They are as follows:

1) Country interest is paramount. Operating on the democratic theory of “people’s sovereignty,” the government, bound by political rules that are essentially contained within the constitution, takes the responsibility for serving the public. Therefore, civil interest should be the springboard for all public policies of government. Group or sector interests must be secondary.

2) The public will is paramount. As such, administration is one of institutional rules. Also, based on the democratic political theory of “people’s sovereignty,” the government, under representative democracy, must conform to the public will and be supervised directly or indirectly by the public. This is ensured institutionally in the form of general elections, the tenure principle, balance of power, and so on. Therefore, the most important value standard for measuring whether public policy coincides with good governance is whether it reflects the will of and benefits the people. According to this stan-
standard, the obligation of the Chinese government in the new era is to continue economic expansion. It is further imperative to maintain social equity and justice. Apparently wasteful “impact projects,” and a deceitful “numeral economy,” do not belong to good governance.


In the interest of Chinese modernization, it is necessary for the government to honor professional administration, which will quicken the development of Chinese society. This ultimately encompasses the following:

1) From a theoretical perspective, professional administration encompasses professional elites, thoughts, theories, methods, and techniques that help to improve the quality of public policies, and increase the efficiency and effectiveness of public administration. On the one hand, governmental management faces the challenge of resolving conflicts between traditional managerial ideas, thoughts, principles, functions, institutions, methods, and measures. While on the other hand, management must resolve conflicts between the market economy and social development. The conflict is so prominent that the government is likely to impede economic development. It must, therefore, expedite self-reform by reconsidering and reconstructing administrative criteria, and enhance its ability to enact and execute public policies. China’s future is dependent upon modernization. Throughout the course of modernization, China has widely participated in international communication and exchange, which in turn has resulted in scientific activities, maximum substance manufacture, and diversified social life for China. Complexities in science and substance manufacture have ensued from these developments, and so have an increase in public affairs and lawful activities (Aberbach et al., 1981). Furthermore, problems have emerged regarding public management. That is, “Because of the government’s tasks, ... increasingly complex in quality and broader in range, it needs for more skilled persons” (Stillman, 1980, p. 330). From international experience and Chinese public administrative practice, it is apparent that professional administration is a priority in public policy in order to continuously raise the level of governmental public management under the circumstance of rapid change.

2) The range of professional administration. Professional administration personnel: (a) They span an explicit professional range; (b) they usually receive higher education, having attained not less than a bachelor’s degree; (c) they hold a lifetime occupation. (Mosher, 1968, p. 336). Professional administration means raising the quality of civil servants. Since the establishment of the temporary regulations of civil servant in 1993, the standardized management of civil servants has seen great progress. There are, however, many areas in theory and policy in need of urgent resolution, such as job security, the process of examination and selection, motivation, performance evaluation, and promotion. As a matter of fact, as early as 20 years ago, the Chinese government had mapped out its strategy of searching for talents on the bases of “knowledge, youth, specialization” (Deng, 1980, p. 320). Throughout the course of this new historic time, the specialization of public management officers has become more indispensable. The Chinese government has a relatively clear recognition of the demands of professional public management. Currently, China is “building a highly-qualified team of professional administrative officers” (Peng, 1998, p. 373). The Chinese government has started education for Master of Public Administration (MPA). In addition it has commissioned influential domestic and international universities to train senior civil servants (Zujun, 2002), established schools of government or public management in universities (Tao, 2001), and carried out the policy of publicly testing and selecting public management officers. Despite the enormous number of civil servants in China, the Chinese government has not kept pace with the process of modernization thus far, especially when one considers
local governments below the province level. The task of professional administration is still heavy, and requires that the Chinese government actively and resolutely impact professional civil servants by every possible means.

In the pursuit of development, the government and its officers must possess intense job motivation and a spirit of sacrifice.


Keeping in step with world development, China will address three realities more pointedly in the new era:

1) Development and change happen rapidly. Thus, there are a plethora of new phenomena, new techniques, new discoveries, new inventions, new products, new thoughts, new theories, and new fortune. And, consequently, there are numbers of new questions. (2) There is a condition of uncertainty. People have no control over the consequences of many things. For example, how does cloning impact on human ethics and human reproduction? Or, what are the long-term effects of transgenic diets on people's health? (3) The connections among things tend to be more complicated: Abounding now are nonlinear relations, along with the sharp increase in human activities. Faced with new challenges, the Chinese government is required to solidify its administrative spirits and accomplish historic tasks on the basis of a strong sense of obligation and mission.

Administrative spirit is a value embodying the idealistic accomplishment of government and officers towards the performance of official duties. It reflects a commitment to professional ethics and self-discipline. Governmental officers that fulfill obligations and share responsibility for the country's well-being comprise a government possessing administrative spirit. The Chinese government is being challenged greatly in this new era. China is in need of an administrative spirit that will engender innovative development.

In the pursuit of development, the government and its officers must possess intense job motivation and a spirit of sacrifice. This is the essence of administrative spirit. For the Chinese government in these new times, it is important to pursue development and move forward, given the complexity of Chinese politics, its economy and society. Nevertheless, China is simultaneously living through the violent shocks having resulted from institutional transitions, and it has paid greatly for this transition. Among these are a lack of social equity; (according to international standards,

China has joined the ranks of countries with very unbalanced earnings, with a Gini Ratio over 0.45 (Tingting, 2002). Problems include a worsening environment (Ying and Tinggang, 2001a, 2001b) and confused economic orders (State Department of People's Republic of China, 2001). These circumstances may have been inevitable, proving to be endemic to the process of development, a notion that Samuel P. Huntington has described (1968). The uniformity of society becomes increasingly formidable, and Chinese public management has come into the dual-stage where internal and external processes simultaneously impinged on it (Jun, 2000). This is the case especially as the Chinese government has entered the World Trade Organization and is roundly re-entering the mainstream of international community. All these demand that the Chinese government consider the new situation and, with alacrity, pursue further institutional innovations and push "explorative tasks" (Louise, 1955, pp. 515,
Challenges and opportunities coexist in China in this new century. As far as the matters of choosing a developmental strategy at this stage, a "government-dominated" style of economic development is the reasonable choice. The state will still carry out macroscopic adjustment and control; consequently the functional transition of government and market will be actualized in the process of gradual reforms, a typical Chinese style. In this sense, Chinese governmental reform is still the biggest historic challenge in the development of Chinese society and economy in the new age (Zhang, 1994). On the other hand, reconsidering and reconstructing the national ideology, China has selected the market-economic system, and has clearly applied market principles on resource configuration (Communist Party of China Central Committee, 1993). The continuous advance of the market economy is another important reason why Chinese governmental reform is presently the most significant challenge. Consequently, the success or failure of governmental reforms, to a large extent, rests upon whether the Chinese government has the desire and the capability to execute the country's criteria of public administration in the following areas: institutional administration, legal administration, democratic administration, effective administration, regular administration, credit administration, civil administration, professional administration, and development administration.

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E-Government and
Public Affairs Education

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Technological transformations shape much of what
we do in contemporary governance. They affect
the amounts and types of information available to
citizens and decision makers, the speed and volume
of communications, the ways we make and implement
laws, and the manner in which we deliver public serv-
ices. The same technological innovations that have
hastened the development of global markets in the pri-
vate sector have had major consequences for the deliv-
er of public services. Just as e-commerce has trans-
formed relationships among producers, retailers, and
consumers, so also has e-government opened possibil-
ities for dramatic changes in governance relationships.
Those changes, in turn, have substantial implications
for public affairs education. It is these implications
that I want to address.

Drawing on a limited range of sources on the devel-
opment of e-government, I want to explore three ques-
tions:

1. Where does e-government fit in the curriculum of
   graduate programs in public policy and administra-
tion?
2. Might we expect the answer to this question to
   vary depending on the institutional home and type
   of public affairs degree?
3. Should we expect programs to offer a required
   course on e-government or should we aim to inte-
   grate material on e-government throughout the cur-
   riculum?

In the American context, this is a familiar problem in
some ways because it has been discussed frequently in
relation to other topics. These questions require dis-
cussion whenever we grapple with the issue of how to
insure that students have the knowledge, values, and
skills that are critical to successful public service
careers.

We can discuss these questions in light of standards
that have been developed for professional graduate

Abstract: This article examines three fundamental questions with respect to the place of e-government in graduate education
for careers in public service. First, where does e-government fit in the curriculum of graduate programs in public policy and
administration? Second, might we expect the answer to this question to vary depending on the institutional home and type
of public affairs degree? Third, should we expect programs to offer a required course on e-government or should we aim to inte-
grate material on e-government throughout the curriculum? These questions are approached through standards developed for
public affairs education in the United States, but they are examined in the context of international variations in governance,
technology, and education.

The article first traces the development of e-government across the globe, summarizing important issues and considera-
tions that governments must answer as they pursue e-government initiatives. It then reviews standards that have been developed
for public affairs education in the United States and turns to the question of how to incorporate e-government in the curricu-

E-government involves much more than technological and information management questions. Thus, it has implications
for the entire public affairs curriculum. It is unlikely that a single course can successfully covers technical, managerial, and
policy dimensions of e-government. For most programs, it will be more productive to explore e-government across a range
of courses in the existing curriculum. The approach that is taken is likely to be affected by institutional setting, resources, and
faculty competencies. It is also likely to be shaped by the broader social, economic, and political environments in which pro-
grams operate. Although the stage of e-government development in the country is likely to make a difference, although we
can also hope that our training will also shape e-government's development.
degree programs in public affairs and administration in the United States. Those standards, developed by institutional representatives to the National Association of Schools of Public Affairs and Administration (NAS-PA), provide the basis for the voluntary accreditation of graduate degree programs. While the standards identify important curriculum components that must be covered by all accredited programs, the curriculum components are identified with sufficient generality to leave programs considerable leeway to identify the specific content and extent of coverage of each component.

Although the discussion is grounded in a consideration of the American experience and the development of public affairs graduate degree programs in the United States, it has relevance for public affairs education across the globe. Whether in The Netherlands, Brazil, New Zealand, or China, public administrators and policy makers will need to develop the skills and knowledge necessary to guide and manage government’s presence on computer networks and its use of advanced information technology. Thus, graduate programs in public policy and administration must prepare their students to assume leadership in this arena.

Development of E-Government

E-government, with its roots in communication and instantaneous communications, has major implications for the relationship between citizens and their governments. Reviews of experience with e-government internationally and in the American states suggest the range of use and potential avenues for further development.

A report of the United Nations Division for Public Economics and Public Administration and the American Society for Public Administration (Ronaghan, 2001) characterizes the extent to which nations around the world have developed a presence on the Internet and World Wide Web and used it to provide information and services to their citizens. For purposes of that report, e-government was defined as “utilizing the internet and the world-wide-web for delivering government information and services to citizens” (Ronaghan, 2001, p. 1).

The report discusses five stages of e-government. Those are emerging, enhanced, interactive, transactional, and seamless (Ronaghan, 2001, p. 2).

- Emerging — an official government presence on-line
- Enhanced — government sites increase and information is more dynamic
- Interactive — users can download forms, e-mail officials, and interact through the web
- Transactional — users can pay for services and other transactions on-line
- Seamless — full integration of e-services across boundaries

Each stage represents more developed and sophisticated e-government presence. The study indicates considerable variation in the extent to which countries have developed a web presence. Most governments (88.9 percent) have a web presence. Of those, a majority is at the emerging or enhanced stages. Only 9 percent of UN member states have reached the transactional stage. Of the 169 UN member states with a web presence, eighty-four, less than half of the total member states, have a national government website. Only 36 have single-entry portals, and only 17 have on-line transaction capacity (Ronaghan, 2001: 1-2).

The report goes on to discuss a variety of important issues and strategic considerations for governments to address as they develop e-government applications. It asks how e-government will affect the performance of public organizations, what structural effects it will have on public organization, the skills public employees will need to maximize their performance in an information age, the leadership skills of the new information age, and
whether e-government will affect the autonomy of public servants and lead to a rethinking of conventional administrative practices. It points out the necessity of balancing the needs of citizens with those of government staffers and administrators (Ronaghan, 2001, p. 48).

The report also identifies barriers to e-government in the form of institutional/operational features, managerial characteristics, and policy/planning capabilities (Ronaghan, 2001, p. 49). A series of administrative issues accompany these barriers: insufficient coordination, a failure to develop project management teams for e-government, a digital divide within public administration, weak political leadership, insufficient data on cost effectiveness, and a digital divide in society (Ronaghan, 2001, p. 50-53).

In a report on web portals of American state governments, Gant, Gant, and Johnson (2002) assess the degree of development of e-government in the American states. They define web portals as an integrated entry to a state government web site that provides users with a single point of contact for online service delivery in the state (Gant, Gant, Johnson, 2002, p. 6) They examine the functionality of the web portals of the fifty states in terms of the following:

- openness, or the extent to which a state’s web site provides comprehensive information and services,
- customization, or the degree to which users can uniquely tailor their views of portal content,
- usability, or how accessible the content is for a range of users, and
- transparency, or the ease with which users can determine the legitimacy of the content (Gant, Gant, Johnson, 2002, p. 6).

They find significant variation in the level of development of state web portals and report that the top state portals offer access to services, contact information for agencies, and usability for most constituents of the state. They suggest that progressive states organize web services around activities or events, rather than around agencies. While we might expect that the states with the most well-developed web portals would be those that are wealthy, urban, and highly developed, it turns out that some of the leading states are not. Among the top five states, California, North Carolina, and Pennsylvania might fit that description, South Dakota and Maine do not.

For present purposes, the most interesting aspects of their report deal with their major recommendations for enhancing state web portals. They urge states to do five things (Gant, Gant, Johnson, 2002, p. 7):

- emphasize customer service,
- organize services by events rather than departments,
- allow for customization,
- recognize the diversity of portal audiences, and
- include features that enhance legitimacy of the portal.

Gant, Gant, and Johnson find that the American states are doing better on some dimensions of functionality than others. For example, only seven states allow citizens to customize their view of the site; only two score high on this dimension. They judge four states to be inadequate in terms of openness and 22 to be low. Four states score high on openness. They find thirty states to have medium usability; six are rated high. Finally, they judge most states (33) to have inadequate transparency.

There are, of course, a wide variety of services that could potentially be made available to citizens through state web portals. Gant, Gant, and Johnson (2002, p. 21) say that leading state portals offer such services as car registration; tax filing, form, and instruction download; professional licensing; access to state regulations and pending legislation; recreational licensing (e.g., fishing, hunting); and access to a wide variety of agencies. The possibilities would seem to be endless. Websites can make available a wide variety of information including studies and reports, census data, and data for use with geographic information systems. Educational services can be offered over the web. American states have, for example, created virtual universities.
of the Kentucky Virtual University (KYVU), which offers courses from universities, colleges, and technical schools throughout the state, finds that it is making higher education available to citizens who would not otherwise be able to take advantage of it (Kentucky Long-Term Policy Research Center, 2002). Residents of rural areas, where higher education is less accessible, are disproportionate users of KYVU. Although rural residents make up 51 percent of Kentucky’s population, they make up 77 percent of the students of the Kentucky Virtual University.

**NASPAA Standards**

**NASPAA Standards for Professional Masters Degree Programs in Public Affairs, Policy, and Administration**

The standards for public affairs, policy, and administration programs often set expectations for curricular components. These standards include a set of common curriculum components that all programs are expected to offer and a set of additional curriculum components for work beyond the common core. The latter can include coursework for areas of specialization. The requirements for common curriculum components are as follows (NASPAA, accessed May 29, 2002):

1. **Common Curriculum Components.**

The common curriculum components shall enhance the student’s values, knowledge, and skills to act ethically and effectively:

   - In the Management of Public Service Organizations, the components of which include:
     - Human resources
     - Budgeting and financial processes
     - Information, including computer literacy and applications

   - In the Application of Quantitative and Qualitative Techniques of Analysis, the components of which include:
     - Policy and program formulation, implementation and evaluation
     - Decision-making and problem-solving

   With an Understanding of the Public Policy and Organizational Environment, the components of which include:

   - Political and legal institutions and processes
   - Economic and social institutions and processes
   - Organization and management concepts and behavior

These area requirements do not prescribe specific courses. Neither do they imply that equal time should be spent on each area or that courses must all be offered by the public affairs, public policy or public administration programs. Nor should they be interpreted in a manner that might impede the development of special strengths in each program.

The standards leave open diverse possibilities for the coverage of curriculum components. They prescribe neither specific courses nor specific content. Nor do they mandate a fixed amount of time on any part of the common curriculum components. American public affairs programs, reflecting their diverse origins, institutional settings, organizational locations, missions and faculty competencies, have developed curricula reflecting considerable variation in attention to elements of the common curriculum components. Some give more attention to management, while some give more attention to policy, and yet others emphasize analytical skills.

**Incorporating E-government in the Curriculum**

Most American programs have struggled with the question of what to cover with respect to the management of information and how to deliver that component of the curriculum. Many programs have interpreted this to mean training students to be knowledgeable users of computers for data analysis and report preparation. Others have given some attention to subjects like data base management. Still others have attempted to provide broader coverage of the management and use of information in organizations. E-government broadens the knowledge and skill base with respect to computerization and information that demands coverage, but
like other components of information and computerization, it raises much more than technological and information management questions, as is illustrated in a recent article by Kim and Layne (2001).

In their article, “Making the Connection: E-government and Public Administration Education,” Kim and Layne (2001) provide an overview of the effect of e-government on citizen transactions with government, discuss issues that it raises, and assess its potential to transform how public administration is taught. They note that e-government alters citizen expectations about services. This leads to changes in external and internal government processes and shifts the focus from the agency to the service. It contributes to enhanced demands for efficiency, effectiveness, and accountability, while opening possibilities for greater citizen access to government. They suggest that it makes demands on government functions across the spectrum and leads to a need for new perceptions of leadership. One of the points they make is critical for thinking about how to prepare future managers for their careers. They say it will transform the way government conducts business.

In turn, this transformation will create a second transformation: the perception of information technology by government managers and executives. In the past, information technology was perceived as a function to be performed by a director of an information services department in a manner similar to financial and human services issues. In that model, the information services office was simply a staff function separate from executive and line functions. This perception must change with e-government (Kim and Layne, 2001, p. 232).

This leads Kim and Layne to three primary suggestions. Governments need (1) new styles of leadership, (2) ways to rethink how services are provided and (3) the capacity to deal with organizational culture to facilitate changes needed for e-government. They suggest giving chief information officers more authority in the operations of organizations, presumably as a way of integrating services and maximizing information technology’s impact on the organization and its services.

They also offer specific suggestions for the incorporation of e-government in the public affairs curriculum. They note, first, that earlier studies had examined the place of information technology in the graduate public affairs curriculum. Kiel (1986), in a study of 184 programs offered by member institutions of NASPAA, reported that respondents did not think they needed to change their core curricula to add a course on information technology.

Instead, they favored integrating information technology in existing courses. A report from the NASPAA Ad Hoc Committee on Computers in Public Management Education suggested that programs should require “three levels of computer literacy: (1) the ability to use the technology in their own work, (2) the ability to use the technology of the organizations they manage, and (3) the ability to develop policy for the effective use and control of the technology for strategic as well as for operational advantages (Kraemer, et al., 1986, p. 595).” The Ad Hoc Committee suggested that information management be integrated into other courses in the MPA curriculum, as well as being taught in a separate, required computer applications for public managers course for MPA students. Only students concentrating in information management would be expected to take courses dedicated to information management. A similar structure might work for e-government applications.

Kim and Layne suggested one set of topics in e-government for coverage in public administration education. As can be seen in Table 1, they envision a range of topics to be covered in different components of the curriculum. The point of their analysis is that e-government is not simply a technical matter; indeed, as widely recognized, it is a central component of governance in today’s environment. Thus, it connects to a whole range of management functions, including general management, human resources, finance and budget, and information. More critically, it opens a variety of opportunities to deliver services to the public, make information available to the public, and create
enhanced two-way communication between citizens and public officials.

For our purposes, the studies of e-government development internationally and in the American states serve to illustrate the wide range of potential applications of electronic government. By demonstrating current applications, they suggest the diverse agencies, programs, and activities that are likely to be encompassed in e-government. There is hardly an area of government activity for which e-government is not relevant. Nor can we imagine public management positions that will not involve some engagement with e-government. The pace with which applications will develop will vary from government to government. The extent of use will vary across functions and activities. In the long run, however, much of public management will be significantly engaged in e-government. The NASPAA Ad Hoc Committee on Computers in Public Management suggested in 1986 that each of the common core of public affairs graduate programs had a connection to computer applications and information management. We can go further now to suggest that e-government also cuts across the breadth of the curriculum.

Kim and Layne captured only part of the fit between e-government and the public affairs curriculum. If we return to the NASPAA curriculum matrix, we can illustrate how e-government cuts across all components of the curriculum.

### Table 1: Emerging Topics of E-Government in Public Administration

<table>
<thead>
<tr>
<th>Areas of MPA programs</th>
<th>Additional topics for e-government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public management</td>
<td>Collaborations/partnerships, citizen participation, intergovernmental relationships, transaction based services</td>
</tr>
<tr>
<td>Human resource management</td>
<td>Leadership competencies, training, on-line communication, dissemination, and on-line assessment as well as database development and privacy and security concerns for employee records</td>
</tr>
<tr>
<td>Organizational theory</td>
<td>Bureaucratic politics (data-sharing, re-engineering, transformation, culture), communications with the citizen</td>
</tr>
<tr>
<td>Computing in public administration</td>
<td>Nonproprietary databases, ADA, privacy and confidentiality, security, digital divide</td>
</tr>
</tbody>
</table>

Source: Kim and Layne, 2000, p. 236.

*Common Curriculum Components: The common curriculum components shall enhance the student’s values, knowledge, and skills to act ethically and effectively:*

- Human resources
- Budgeting and financial processes
- Information, including computer literacy and applications

While it is easy to think of e-government as a largely technical question of hardware and software design, and, consequently, largely a matter of systems design,
it poses a variety of management challenges in the area of human resources, budget and finance, and information. Whether in recruitment and retention of staff, making budget and financial data available to the public, or the effective management of public programs, e-government is likely to be increasingly important. E-government will change resource mixes; at the same time, it makes demands on managers and policy makers while offering solutions to problems. Students should be able to address the e-government opportunities and challenges in this arena intelligently.

In the Application of Quantitative and Qualitative Techniques of Analysis, the components of which include:
- Policy and program formulation, implementation and evaluation
- Decision-making and problem-solving

Electronic information resources play an increasingly important role in policy analysis and evaluation. They will also be used to engage the public more extensively in policy-making, provide information resources to inform public debate, and search for innovative and creative solutions to problems. One potentially important application, of course, is in the conduct of elections. While we are not yet ready to move to online voting in public elections, the first experiment with this approach to public engagement took place in the American presidential primaries in 2000. Voters in Arizona were given the chance to cast their ballots in the Democratic party primary in Arizona (Done, 2002). Clearly, also, e-government will play a growing role in the implementation of public policy as an increasing array of public services are offered electronically. One example is public education, where both secondary and higher education are developing a range of applications to extend the accessibility of education (e.g., Kentucky Long-Term Policy Research Center, 2002). This suggests the desirability of exposing our students to a variety of analytical and application e-government issues in the public affairs curriculum.

Environment, the components of which include:
- Political and legal institutions and processes
- Economic and social institutions and processes
- Organization and management concepts and behavior

Finally, it is likely that students will need to develop an understanding of how the political and legal institutions and processes, as well as economic and social institutions and processes shape and constrain the development of e-government while opening opportunities for applications. Organization and management concepts and behavior will also come into play and students will need to think about their applicability to e-government. For example, e-government applications will often develop in the context of strategic planning initiatives. Indeed, one could safely argue that strategic planning should be central in guiding e-government development. And, because e-government often challenges established practices and requires change in organizations, graduates of our programs will confront issues of how to change culture and behavior in organizations.

One Course or Throughout the Curriculum

How should we cover these instructional needs in the curriculum? Should we move toward the development of a single course that covers technical, managerial, and policy dimensions of e-government? That seems unlikely. While some programs might want to develop a course that provides an integrated approach to e-government technology, applications, management, and policy issues, particularly as part of a specialization in information management or e-government, most programs are unlikely to do that. Such courses would be useful for students who expect to be engaged extensively in e-government applications. It would be for them an integrating experience, tying together the various elements of the curriculum.

Given the multiple demands on the curriculum in a constrained time period,
od, however, it is likely that most graduate public affairs programs will find it to be more productive to explore e-government across a range of courses in the existing curriculum. Public affairs programs are increasingly moving beyond teaching straightforward computer applications to providing students with a broader base of knowledge in information management. Indeed, a change to the NASPAA curriculum standards adopted at the organization’s meeting in Los Angeles in October 2002 requires that programs go beyond computer applications. Many have developed required courses in information management. It is likely that e-government will be covered in these courses as they move beyond the development of information systems for internal use in government decision-making and management to their applications in public service delivery. In addition, courses throughout the curriculum can incorporate attention to e-government. Managing change in the development of e-government applications is presumably not different from managing change in other service delivery and organizational processes. The use of the web to extend democracy can be part of a broader discussion of how to engage citizens more extensively and authentically in governance processes. Web applications are just one form of service delivery and should be discussed in the context of other forms. This can be done, for example, in courses on the implementation of public policy.

Institutional Settings and the Teaching of E-Government

The issue of how to incorporate e-government in the curriculum and prepare our students for the altered face of governance that it produces will play out differently in different programs. If we look across programs in the United States, it is likely to be affected by variations in resources, institutional setting, and faculty background and perspectives. For example, public policy programs, with their attention to policy issues and analytical methods, are likely to incorporate e-government differently than public administration programs with their attention to management and human resources. A faculty dominated by political scientists might be more likely to address issues of privacy and democracy, while a faculty dominated by economists might be more likely to address issues of cost-effectiveness and cost-benefit. Differences in the nature of the students in the programs are also likely to affect it. Larger, better endowed programs have taken more steps to incorporate information management in the curriculum, and they are more likely to act more aggressively to bring e-government considerations to their students.

If we think about this in international terms, we reach much the same conclusion. The incorporation of e-government in the curriculum is likely to be shaped by the broader social, economic, and political environments in which programs operate, government mandates or certification requirements, resources, institutional settings, and faculty backgrounds and perspectives. The stage of e-government development in the country is likely to make a difference, although we can also hope that our training will also shape e-government’s development. Education of public affairs students for e-government is likely to be handled differently in China than it is in Bulgaria than it is in the United States. In all cases, however, we should be preparing our students to use e-government to serve our citizens more effectively and enhance the responsiveness and accountability of government.

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References


Costs, Benefits, and Motivations for ISO 14001 Adoption in China and Around the World

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Tan Rong, Nankai University

Xu Fei, Nankai University

Increasingly, firms in many countries desire greater flexibility in meeting pollution reduction targets in order to improve their environmental impacts, while simultaneously enhancing economic competitiveness through reduced resource use and innovative production methods. ISO 14001 is a relatively new initiative designed to harmonize environmental management systems (EMSs) in order to assist firms in their efforts to meet increasingly stringent national level environmental requirements, while simplifying the process of product export through the evolution of uniform process standards.

Environmental self-regulatory efforts by industry are on the rise both nationally and internationally. Yet it is not completely clear why some firms become certified and others do not. Nor is it clear why rates of certification to ISO 14001 or other international voluntary regimes vary so greatly between countries. With these ideas in mind, this study examines three main questions in an attempt to better understand self-regulatory regimes: 1) Are the costs and benefits for ISO 14001 certification the same for Chinese firms as for firms in other countries, even though China’s unique economic and political system influence the market and regulatory incentives of firms; 2) Can self-regulatory measures, such as ISO 14001, really accomplish the public and private goals of improved environmental performance by firms; and a related issue 3) What are the public policy implications of self-regulatory measures such as ISO 14001?

This study presents evidence that ISO 14001 certification appears to be improving the environmental performance of firms, based on more than 159 surveys of firms worldwide. While Chinese firms pursue certification for many of the same reasons as firms in other countries, there are some unique aspects of ISO 14001...
in China that make it an interesting case to study. This study makes contributions to knowledge in the areas of public management theory and practical firm management. At the theoretical level, this study sheds light on the reasons why firms would voluntarily self-regulate. It is not clear from the existing literature which factors most strongly motivate improvements in environmental management by firms: economic forces, regulatory requirements, national variation in culture and litigiousness, or the presence of environmental leaders within firms. This study examines and compares these motivations in the case of ISO 14001, thereby allowing for the relative importance of these factors to be assessed. This is an important contribution to existing knowledge in the fields of public management and policy.

At the practical level this information is important and timely, as many domestic, joint venture, and foreign firms are currently evaluating whether or not ISO 14001 certification is right for them. While ISO 14001 certification is not required, Chinese regulators strongly recommend that foreign firms consider certification. In fact, some of the individuals interviewed were not clear as to whether ISO 14001 was actually required or just "very strongly recommended". Additionally, the information presented in this study should help Chinese regulators (and regulators worldwide) as they decide what kinds of incentives and/or regulatory relief are justified for ISO certified firms.

**What is ISO 14001 and Why is it Important?**

ISO 14001 is the dominant international environmental management system standard and certification is rapidly becoming a requirement for international trade. Many large corporations, such as General Motors, Ford, and Home Depot require their sub-contractors to be ISO 14001 certified. Some governments, including the European Union (EU) are giving preference in contracting to ISO 14001 certified companies. For many companies, certification has become a term of trade and many others fear that it will become so. With the recent admission of China to the World Trade Organization (WTO), many firms within China hope to tap new export markets and/or increase their sales to existing markets. ISO 14001 certification may well be a prerequisite for both of these activities.

So what is an environmental management system (EMS)? An EMS is a voluntary and flexible approach to environmental management designed to assist firms in their efforts to improve environmental performance. The environmental management system helps companies to track their environmental impacts and take steps to improve them. It provides the information necessary to make improvements and to chart progress toward environmental goals. One criticism of ISO 14001 is that it can provide the tools necessary for environmental improvements at the firm level, but there is no guarantee that all firms will fully use the information provided by the EMS to actually improve their environmental performance.1

Environmental management systems are designed with a focus on process rather than output. Therefore, an EMS is not a product standard. Product standards often conflict with World Trade Organization rules, making them unworkable.

The 14001 standard does not require continual improvements in environmental performance, but it does require continuous improvements in the EMS itself. This is so confusing, that many consultants and auditors are under the false belief that companies must show continual environmental performance improvements in order to become certified and to renew certification. For those who wanted a more stringent standard, this misunderstanding is not necessarily bad. However, it seems logical that if the EMS is getting better and better, there should be related improvements in environmental performance.
Insights from Previous Work

As mentioned above, numerous theories exist which attempt to explain why firms decide to improve their environmental practice and become more "green" or clean. Some of this literature argues that economic or market-based incentives, such as economic savings from reduced waste, are the most important factors driving firm-level decision making (Porter and Van Der Linde, 1995; Porter, 1991). Other observers argue that firms only become cleaner when forced to do so by the specter of looming regulation (Cook, 2000; Lutz, Lyon and Maxwell 2000). Still others argue that differences may be attributable to variation in national cultures and regulatory frameworks (Kollman and Prakash 2001).

A final vein of research investigates the role of individuals within firms who take up the cause of environmental stewardship and act as leaders to initiate change (Raines and Prakash 2002). While it is relatively clear that all of these factors influence firm-level decision making, it is not yet clear how to weigh these individual factors or how their interdependence influences outcomes. Therefore, the surveys used in this study asked firm leaders to rate the importance of these varying factors on their decision to become ISO 14001 certified. This data provides information about variations between different types of countries (e.g. economically developed and developing), and variations in the importance of these factors in the case of ISO 14001.

At the practical level, one study of ISO 14001 in China has been done previously and its findings deserve examination. As of 1999 there were approximately 120 ISO 14001 certified enterprises in China (Lee, 1999). In April of 1999, the China Center on EMS and the United Nations Centre for Regional Development (UNCRD) conducted a survey of 46 certified enterprises. This study found the majority of firms (78%) took between 7 and 12 months to implement and certify their ISO 14001 EMS. In terms of their motivations, 91% of firms reported that they chose to pursue ISO 14001 in order to "enhance the firm's image among the public and investors" (1999:1). The vast majority of respondents also stated that certification would enhance environmental awareness among employees (89%), improve environmental management methods (85%), reduce environmental accidents and risks (74%), bring new international marketing opportunities (67%), and help reduce costs (67%). Mohammed Matouq, from the UNCRD also reviews these findings in his 2000 article.

While the respondents in Lee's report mentioned a number of obstacles to certification, only 10% stated that the fees for registration and consultation were prohibitively high. Instead, firms found difficulties in prioritizing their environmental goals, communicating with relevant stakeholders, and assigning environmental tasks and responsibilities to employees. All of these tasks are required for certification.

The good news is that the certified firms in Lee's study reported many environmental improvements since ISO 14001 implementation: 26% reduced greenhouse gas emissions, 22% reduced their sulfur emissions, 15% reduced their Nitrous Oxide emissions, and 28% reduced their solid particulate emissions (1999:2). Similar improvements were reported for the reduction of hazardous wastes and water pollutants.

This study builds upon this work by examining the costs, benefits, and motivations for ISO 14001 certification in China compared to those of firms in other countries. Because of China's unique economic and political system, China cannot readily be grouped with other developing countries, nor is it truly an economically developed country. Therefore, it is interesting to compare findings from China to both of these other groups in order to see potential differences.

Methods and Data

Ideally, the efficacy of an environmental regime would be measured by its direct impacts on environmental performance. To get these measures, it would be necessary to gather data on environmental emissions and resource usage both pre- and post-ISO 14001 implementation, while controlling for other explanatory factors, such as the introduction of new technologies and changes in environmental regulations and/or market prices that encourage or discourage resource conservation and efficiency.

Currently, Dennis Rondinelli at the University of North Carolina (U.S.A.) is working in conjunction with
the U.S. Environmental Protection Agency (USEPA), to conduct exactly this type of study for U.S. firms only. This is a longitudinal study with data collection occurring over a period of three years. It took a number of years to create the data collection protocols and to get firms to agree to participate. As participation is somewhat onerous, the EPA has been a key ally in securing cooperation from individual facilities.

This study cannot be easily replicated at the international level. These measures would need to be comparable across countries and industries. It is very difficult to gain access to this kind of detailed information. In many countries such information simply does not exist, as municipal regulations governing monitoring and reporting vary greatly by country and even within individual states or sub-national units. To get information about ISO 14001’s impact on trade, one would need to gather data about firm trade patterns pre-and post ISO 14001 certification, preferably over the course of five or more years, while controlling for other forces that would affect these measures (e.g. economic growth rates, changes in trade laws and barriers, etc). Clearly this kind of cross-national data is not easily obtainable, if it can be obtained at all.

Therefore, this study asks firm CEOs and managers to share their perceptions about the impact of ISO 14001 on their facility’s environmental performance, on their company’s ability to trade, on profitability, and on relationships with regulators. By analyzing both quantitative (e.g. Likert Scale questions) and qualitative data, it is possible to examine the perceived efficacy of ISO 14001, the costs and benefits, and the motivations for certification.

Both the open-ended and quantitative data will be presented. The qualitative data supply an important source of information that will bolster, enrich, and deepen the study’s quantitative findings.

**The Surveys**

As mentioned earlier, 26 Chinese firms and 133 firms from 16 other countries completed surveys. Of the non-Chinese respondents, 58 were from developing countries and 75 responses came from economically developed countries. All of these responses came from ISO 14001 certified firms. In the majority of cases, environmental managers completed the questionnaire, although other types of managers and Chief Executive Officers (CEOs) completed approximately 33% of the questionnaires. These surveys included more than 50 questions and took anywhere from 30-60 minutes to complete. The survey included questions about the costs, benefits, and motivations for ISO 14001 implementation and certification; the impact of certification on relationships with regulators; the existence of subsidies or other incentives for certification, and demographic information about the firms themselves. Table 1 shows the number of responses from non-Chinese countries, the response rates for each country, and for the two countries grouped into the categories of developed and developing countries. Chinese firms are not included in this chart, but are discussed below.

**Non-Chinese Respondents**

For the non-Chinese respondents, the firms responding to the survey varied in size, with most being rela-

<table>
<thead>
<tr>
<th>Country Name</th>
<th>No. of Responses</th>
<th>Response Rates (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>Columbia</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1</td>
<td>50</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>1</td>
<td>50</td>
</tr>
<tr>
<td>Ecuador</td>
<td>2</td>
<td>66</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Malaysia</td>
<td>21</td>
<td>35</td>
</tr>
<tr>
<td>Mexico</td>
<td>9</td>
<td>25</td>
</tr>
<tr>
<td>South Africa</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>Uruguay</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>Developing Nations Combined</td>
<td>58</td>
<td>40</td>
</tr>
<tr>
<td>Canada</td>
<td>19</td>
<td>33</td>
</tr>
<tr>
<td>Spain</td>
<td>1</td>
<td>08</td>
</tr>
<tr>
<td>Sweden</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>U.K.</td>
<td>7</td>
<td>47</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>30</td>
<td>56</td>
</tr>
<tr>
<td>Developed Nations Combined</td>
<td>75</td>
<td>34</td>
</tr>
</tbody>
</table>
tively large. Only one firm had fewer than 20 employees, 5 had between 20 and 49 employees, 12 had between 50 and 99 employees, 36 had between 100 and 299 employees, 42 firms had between 300 and 999 employees and 27 firms had more than 1000 employees. It is not possible to know the size of the distribution of the Chinese firms, because that question was removed from the Chinese survey. Due to concerns about the length of the Chinese survey and the newness of survey research in China, a number of questions were deleted so that it is not possible to compare Chinese responses on all of the original survey questions. However, the Chinese survey remains full of interesting and useful data that will be compared to responses from other countries on all possible points.

Unfortunately, there is no central registry listing the names and contact information for ISO 14001 certified firms worldwide. Contact addresses for the non-Chinese respondents in this survey came primarily from a members-only website entitled "Globenet". From this website, firms from the targeted countries were randomly selected (e.g. every third address was chosen). For the Swedish firms, the addresses came from a publicly available list of all certified firms.

The quality of the contact information obtained appears to vary by country. When phone numbers were available (for many firms in the U.S., Canada, Sweden, and Mexico), the author and one Spanish-speaking assistant verified the contact information via telephone. Telephone numbers were not available for most of the firms in South America, South Africa, and Asia. However, phone calls revealed that most of the addresses were confirmed for firms in the U.S., Canada, and Sweden, but phone numbers were less often listed for firms in the developing countries, thus making it difficult to confirm the accuracy of those addresses.

In order to maximize the response rates, the survey was translated into Spanish, French, and Standard Chinese. While many firm managers in Malaysia, Indonesia, and other developing countries may speak English, the fact that the survey was not in their first languages likely reduced response rates for many countries. These many obstacles, combined with the varying quality of mail service, make international survey research difficult at best. While the response rates and breadth of participation is not ideal, it does allow is to reach tentative conclusions on a number of issues.

Chinese Respondents

Unlike the other countries surveyed, survey research in China poses unique obstacles. For example, it has been more difficult to obtain contact information for these firms than it has been for firms in some other countries. Secondly, in China, respondents are highly unlikely to complete a survey that is mailed to them unless they are familiar with the organization or the individuals conducting the survey. Relationships are important and without a pre-existing relationship survey researchers are unlikely to receive a response. For these reasons, the authors obtained the assistance of the Tianjin Environmental Protection Bureau. Without their assistance and commitment this survey would not have been possible.

The Tianjin Environmental Protection Bureau distributed the survey, in standard Chinese. The survey was accompanied by a cover letter explaining the survey and its purposes. The response rate was 100%. While the surveys were not anonymous, respondents did understand that the purpose of the survey was to gather information that would help other firms and the government to develop appropriate responses to ISO 14001. The survey responses were translated back into English by a professional translator and university-level Chinese Language Instructor.

Twenty-six surveys were gathered, with 19 coming from certified firms and 7 coming from uncertified firms. Gathering information from both types of firms allows us to begin to understand why some firms choose to become certified while others do not.

Findings

Motivations

As Table 2 shows, managers of certified firms around the world were asked to check all of the motivations that applied to their decisions to become certified. Overall, we see that Chinese respondents were less likely to check off these categories than were man-
agers in most other countries. It is possible that Chinese firms are feeling less overall motivation to become certified. This might help to explain why so few Chinese companies are becoming certified to ISO 14001.

Why might they be less motivated to become certified? One possible answer may lie in the existence of such a large domestic market. Many Chinese firms can prosper without needing to expand their sales to foreign markets. Since the primary motivations for certification often include a desire to increase exports, pressure from a parent company and/or pressure from trading partners, firms that are not export dependent should feel less overall motivation for certification.

Other possible explanations exist as well. Forces that were not included in the survey's list may motivate Chinese firms. While respondents were encouraged to write-in additional motivations, none of the Chinese respondents did so. It is also possible that lower levels of awareness about ISO 14001 have resulted in weaker motivations, but this is simply a hypothesis in need of further research, rather than a research finding.

As was the case with their foreign counterparts, the most commonly reported motivation for ISO 14001 certification by Chinese firm managers was the desire to "be an environmental leader and a good neighbor", with 14 out of 19 firms listing this as a motivation. If companies generally pursued ISO 14001 only to reap financial gains, but without true concern for the environment (although these are not mutually exclusive), then we would expect categories like "economic savings" or "green marketing" to be the most common responses. While these two categories are ranked as important, the respondents more commonly reported a desire to provide environmental leadership and to be a good neighbor.

While some individual firms may pursue an ISO EMS purely for publicity purposes, the most frequent motivation appears to be truly a "green" motive. This should provide some level of reassurance to those who are concerned that ISO 14001 is little more than "greenwashing". For all three groups of respondents, the second most common motivation was "green marketing". Interestingly, Chinese firms are less likely to report this as a motivating force than are non-Chinese firms. It may be possible that the environmental awareness of the citizenry in many developing countries, including China, is somewhat lower than that of citizens in other countries, thereby resulting in fewer green marketing opportunities. Or, it is possible that marketers have simply not yet realized the benefits of green marketing. Anecdotal accounts from Chinese firms indicate that they are increasingly concerned with their environmental image, as Chinese consumers are increasingly becoming environmentally conscious.

On the other hand, in Sweden the level of environmental awareness is very high. Swedish respondents stated they were equally motivated by the desire for green marketing and the desire to be environmental leaders/ good neighbors. More work needs to be accomplished before this hypothesis can be tested, but it is likely that the level of environmental awareness among the citizenry is closely tied to green marketing.

Table 2: Comparing Motivations for ISO 14001 for Chinese and Non-Chinese Firms (all numbers in percentages)

<table>
<thead>
<tr>
<th>Country</th>
<th>Environmental Leadership/ Good Neighbor</th>
<th>Green Marketing</th>
<th>Parent Company Requirements</th>
<th>Trade Partner Requirements</th>
<th>Economic Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>74</td>
<td>53</td>
<td>47</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Developing Countries</td>
<td>93</td>
<td>83</td>
<td>71</td>
<td>72</td>
<td>71</td>
</tr>
<tr>
<td>Developed Countries</td>
<td>92</td>
<td>81</td>
<td>72</td>
<td>73</td>
<td>79</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Pressure/Incentives from Regulators</th>
<th>Regulatory Relief</th>
<th>Understand Regulations</th>
<th>Reduce Liabilities</th>
<th>Increase Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Edited from survey</td>
<td>0</td>
<td>16</td>
<td>21</td>
<td>37</td>
</tr>
<tr>
<td>Developing Countries</td>
<td>83</td>
<td>67</td>
<td>81</td>
<td>78</td>
<td>72</td>
</tr>
<tr>
<td>Developed Countries</td>
<td>64</td>
<td>63</td>
<td>72</td>
<td>68</td>
<td>60</td>
</tr>
</tbody>
</table>
Chinese firms indicate that they are increasingly concerned with their environmental image.

Improvements. This question was not included in the Chinese survey.

Of the non-Chinese respondents, sixteen stated they felt their facility had experienced fewer inspections since implementing ISO 14001: Columbia (2/3), Malaysia (5/21), Mexico (3/9), South Africa (2/10), Sweden (1/18), United Kingdom (1/7), and the United States (2/30). Since the number of respondents from many of the countries is relatively small, it may be more helpful to again group the responses into the categories of "developed" and "developing" country firms. Using this grouping we find that 12/58 (21%) of respondents from developing countries claimed to have received fewer inspections as a result of ISO 14001 certification, whereas only 4/75 (5%) of the firms in economically developed countries are making the same claim.

For the Chinese respondents, 21% (4/19) stated they experienced reduced inspections since becoming ISO 14001 certified. This percentage is the same as the percentage for developing countries overall. This finding could be interpreted to mean that regulators in developing countries are putting more faith into ISO 14001 certifications than are their counterparts in wealthier countries. This may be related to the perceived need to preserve scarce governmental resources: fewer inspections of ISO 14001 certified firms frees up inspectors for other tasks.

In sum, Chinese firms reported fewer overall motivations to become ISO 14001 certified. However, the rankings of their motivations are fairly similar to those of other countries, with the desire to be an environmental leader/good neighbor being paramount, and the desire for green marketing falling second. Unlike firms in other countries, Chinese respondents do not report strong motivations for regulatory relief or a greater desire to understand environmental regulations through the application of an ISO 14001 EMS.

**Benefits of ISO 14001 Certification**

As Table 3 shows, Chinese firms were even more enthusiastic about the overall benefits of ISO 14001
than were firms in other countries. In open-ended responses, seven Chinese respondents (or 37%) stated that ISO 14001 improved the overall management of their company. In an in-depth interview, one respondent stated that prior to the implementation of ISO 14001 the company was not organized into functional units (e.g. shipping, production, etc). In order to better implement ISO 14001, the company undertook a massive reorganization effort so that the company is now hierarchically structured into organizational units, with individual job descriptions. This is not likely to be a change or a benefit that the (mostly Western) creators of ISO 14001 anticipated.

Table 4 lists some examples of the open-ended comments received concerning the benefits of ISO 14001 in China. The benefits fall into four main categories: management benefits, raised environmental awareness, benefits to trade, and benefits to profits.

The open-ended responses reveal many similarities between Chinese and non-Chinese firms, with one main exception. While firms in all countries are reporting benefits to trade, the environment, profitability, and employee environmental awareness, Chinese firms have specifically noted that the implementation of ISO 14001 helped to change the organizational structure of their firms, resulting in heightened efficiency.

It is not completely clear how some of these firms were organized prior to the implementation of ISO 14001, but there is a pattern of responses among Chinese respondents which indicates that the process of implementing ISO 14001 required significant reorganization within these firms. While this was a painstaking and costly process, the respondents believe that their companies are more organized and responsive as a result. It is possible that the authors of ISO 14001, almost all of whom were from Western countries, had culturally-based assumptions about firm structure that were not universally true. It is likely that they felt that ISO 14001 could be applied equally well to any type of company in any country. But it is possible that the predominant organizational structure of companies may vary across countries, making a harmonized standard easier to implement in some companies than others. More research needs to be accomplished in order to gain greater insight into this phenomenon.

Firms were also asked to rate ISO 14001’s benefits to trade and to profits. Tables 5 and 6 show these results. Firms in all three groupings seem to have roughly equal perceptions about the benefits of ISO 14001 on their ability to trade, with more than half of all respondents stating that it will be “very helpful” to their trade efforts. Few respondents felt that it would be of little or no help to trade.

The results of Table 6 also show great similarities between all three groups of countries, with firms in developed countries somewhat less likely to feel that ISO 14001 is “very beneficial” to profits. This makes sense because firms in these countries are more likely to have had a pre-existing EMS in place, prior to switching to an ISO 14001 EMS. Therefore, these firms most likely had already “picked the low hanging fruit”, so to speak. Even if these firms did not have a pre-existing EMS, the higher levels of environmental regulation in these countries likely produced greater incentives for resource conservation and efficiency. As a result, the initial gains from the implementation of and ISO 14001 EMS may be somewhat smaller.

Unfortunately, the scaled question about ISO 14001’s environmental benefits was not included in the Chinese survey, thereby making comparisons difficult. Table 7 shows these results for developing and developed countries. Interestingly, developing country respondents are more likely to report that they feel that ISO 14001 will be “very helpful” to the environment. These results of a t-test for differences between 2 means reveals that these findings are statistically significant at the .01 level. Again, it is possible that thor-

<table>
<thead>
<tr>
<th>Table 3: Comparing Views About Overall Benefits of ISO 14001 (all numbers in percentages)</th>
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<tbody>
<tr>
<td>Country</td>
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<tr>
<td>----------------</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>Developing Countries</td>
</tr>
<tr>
<td>Developed Countries</td>
</tr>
</tbody>
</table>
though environmental management is newer in these countries, thereby resulting more immediate gains upon the introduction of an ISO 14001 EMS.

Chinese respondents did supply open-ended comments as to the environmental benefits of ISO 14001. In addition to the recurring issue of overall improved company management, eight respondents (42%) noted that the process of ISO 14001 raised the level of environmental awareness for employees. For the non-Chinese respondents, 14% noted an increase in environmental awareness among employees as a result of implementing ISO 14001. It is heartening to note that the raised awareness has frequently resulted in environmental initiatives in the community beyond the firm gates.

All of the Chinese respondents stated they predicted or had already experienced significant environmental improvements. For the non-Chinese respondents, only 4 stated that they expected to see no significant environmental improvements as a result of ISO 14001 implementation. Of these, two stated they already had pre-existing environmental management systems prior to switching to the ISO 14001 EMS.

Costs of ISO 14001

While almost all respondents report significant benefits to the environment, trade, and to profits, ISO 14001 implementation is neither inexpensive nor easy. On average, Chinese firms took 10 months to implement ISO 14001 at an average cost of $58,111 (U.S. dollars). The costs for individual facilities around the world varies highly, and is strongly influenced by the size of the facility, number of employees, and the type of business. But it is safe to say that these costs are likely to be prohibitive for small and medium-sized enterprises, perhaps even more so for those in developing countries. When asked about the costs of ISO 14001 implementation and certification, only two of the seven non-certified Chinese respondents noted this as a significant barrier to ISO 14001 adoption. A larger
Table 5: Comparing Benefits to Trade (all numbers in percentages)

<table>
<thead>
<tr>
<th>Country</th>
<th>Not Very Beneficial to Trade</th>
<th>Somewhat Beneficial to Trade</th>
<th>Very Beneficial to Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>0</td>
<td>16</td>
<td>57</td>
</tr>
<tr>
<td>Developing Countries</td>
<td>7</td>
<td>21</td>
<td>55</td>
</tr>
<tr>
<td>Developed Countries</td>
<td>12</td>
<td>27</td>
<td>51</td>
</tr>
</tbody>
</table>

Table 6: Comparing Benefits to Profitability (all numbers in percentages)

<table>
<thead>
<tr>
<th>Country</th>
<th>Not Very Beneficial to Profits</th>
<th>Somewhat Beneficial to Profits</th>
<th>Very Beneficial to Profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>0</td>
<td>26</td>
<td>63</td>
</tr>
<tr>
<td>Developing Countries</td>
<td>9</td>
<td>26</td>
<td>55</td>
</tr>
<tr>
<td>Developed Countries</td>
<td>12</td>
<td>40</td>
<td>44</td>
</tr>
</tbody>
</table>

Table 7: Comparing Benefits to the Environment (all numbers in percentages)

<table>
<thead>
<tr>
<th>Country</th>
<th>Not Very Beneficial to the Environment</th>
<th>Somewhat Beneficial to the Environment</th>
<th>Very Beneficial to the Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing Countries</td>
<td>2</td>
<td>4</td>
<td>86</td>
</tr>
<tr>
<td>Developed Countries</td>
<td>4</td>
<td>15</td>
<td>79</td>
</tr>
</tbody>
</table>

sample of non-certified firms would be necessary to fully understand whether or not these costs are prohibitive.

For developing country firms, excluding China, implementation took an average of 14.5 months and cost an average of $76,975. Firms in developed countries took an average of 17 months to implement ISO 14001 at an average cost of $82, 102. Based on this information it appears that the costs of ISO 14001 implementation are not highly different between developed and developing countries, but they do appear to be lower in the sample of firms in China. It is not yet clear why the costs of implementation and certification are lower, on average, for firms in China than for firms in other countries. It is possibly due to lower labor costs and/or due to the presence of higher levels of technical assistance from government agencies. Additionally, local Chinese third-party auditors are available and the majority of respondents did use them as opposed to foreign auditors, which likely cost more due to the added travel expenses. More research needs to be done before one can definitively account for these cost differences.

Summary and Discussion

As mentioned earlier, firms may become greener and cleaner for many reasons: for financial gain through increased efficiency or green marketing, to respond to existing or looming regulations, as a result of environmental leadership within the firm, or due to variations in national cultures or legal frameworks. Data from this study generally support the argument that firm managers wanted to provide environmental leadership and be a "good neighbor", with the second-strongest motivation coming from a desire to increase green marketing benefits. In no country was concern over regulation stronger than these other two factors, nor was a pure concern for economic savings as a result of increased efficiency. Other survey data indicates that the decision to seek ISO 14001 certification came as a result of the lobbying and leadership of "environmental entrepreneurs" within the firms (see Raines and Prakash 2002). These findings somewhat refute the Porter hypothesis which states that firms will become greener in order to reduce the costs of inefficient resource use. While respondents hoped to save money through improved
Some firms in China conducted a reorganization of their company concurrent with their efforts to implement ISO 14001.

Marketing, export growth, reduced wastes, and overall economic savings through resource conservation. It is clear that a comprehensive environmental management system, such as ISO 14001, can be an important tool to improve the environmental performance of firms within and outside of China.

The third and final primary question of this study involves the public policy implications of voluntary regimes such as ISO 14001. Because these voluntary standards have largely been created by and for industry, some observers have argued that they amount to nothing more than the “fox guarding the henhouse” or mere “greenwashing” (Greer and Bruno, 1997). Others have stated that it is too soon to know if these voluntary agreements are more than “hype” (Shoals, 2000). As Shoals writes, “Certification depends not on an organization’s actual environmental performance, but rather on evidence of its conformance with its own internally-developed environmental management system” (2000:291). Still others have argued that voluntary standards provide an important tool through which businesses can increase their level of environmental awareness and become more proactive (Mazza, 1996; Rondinelli et al, 2000; Wellford, 1996; Raines 2002).

Even the strongest critics often admit that while these are imperfect instruments, voluntary agreements are often the most feasible solution in light of current World Trade Organization rules which promote voluntary, but not mandatory standards (Arriaza, 1996), and since environmental legislation at the international level is rare and difficult to achieve. As this discussion points out, experts are enormously divided as to whether or not voluntary measures, such as ISO 14001, will actually improve the environmental performance of firms versus simply creating a false image of “greenness”. Before public policy makers can decide how to respond to these voluntary efforts, they need data as to their impacts on environmental performance.

The data provided by this study indicate that the ISO 14001 environmental management system can provide needed information to track firm-level environmental
impacts and create strategies for improvements. However, firms must be sincere in their desire to use the information gained for improvements. While the ISO 14001 EMS can provide needed information, there is no guarantee that all firms will use the information to make real improvements. This is an important factor to consider when public policy makers and regulators are considering the issue of regulatory relief for certified firms.

Respondents in the Chinese survey are reporting reduced inspections and regulatory relief at about the same rates as those in other developing countries (21% report fewer inspections). However, none of the Chinese respondents stated that regulatory relief was a motivating factor in their decision to implement ISO 14001.

Before regulators can decide upon the merits of regulatory relief, they need to be clear about the reasons behind a firm's decision to seek certification. If firms are motivated largely by a desire for green marketing and/or regulatory relief, then regulators may have reason to be suspicious of the depth of the impact that ISO 14001 will have on real environmental performance. However, if firms are motivated by a desire to be a "good neighbor" and to improve their employees' environmental awareness, then it is likely that the EMS will be well implemented and used to improve performance. This can only be determined on a case-by-case basis, although the results look promising for Chinese firms.

Since the potential to abuse the system exists (firms could implement an EMS on "paper only without realizing any environmental performance benefits), reduced inspections or other forms of regulatory relief are not necessarily justified for all certified firms.

**Conclusions**

It is not completely clear why so few Chinese firms have become ISO 14001 certified. One regulator in Beijing stated that the standards were not translated into Chinese and this has delayed the regime’s adoption. However, it is clear that ISO 14001 certified firms in China generally seem very satisfied with the benefits of certification. It is possible that as Chinese firms increase their exports (as a result of their new WTO status) they may come under increasing pressure from trading partners to become ISO 14001 certified.

These findings are important for firms worldwide, but may be especially crucial to firms operating in China. China has recently been admitted to the World Trade Organization and many firms in China plan to take advantage of this new status in order to expand into new export markets. However, ISO 14001 certification is likely to be a precondition for expansion into some markets and for trade with some potential partners. In fact, one Chinese respondent explicitly stated that his firm had postponed implementing ISO 14001 until China’s WTO status had been changed.

The good news is that the information gained from the survey of firms in China and from other countries, supports the position that ISO 14001 implementation and certification are likely to have both environmental and economic benefits for the majority of certifying firms. While Chinese firm managers reported lower levels of motivation to seek certification, they were also more likely to say they felt ISO 14001 would be very beneficial to their firms.

Lastly, regulators may wish to encourage the implementation and certification of ISO 14001 through the provision of affordable or free training and/or auditing services, since firms are reporting significant environmental improvements as a result of ISO 14001. However, reduced inspections and other forms of regulatory relief should only be granted on a case-by-case basis, since there is always the possibility that a company could implement a "paper" EMS, while not really reaping the benefits intended by the creators of ISO 14001.
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Endnotes

2. The ISO 14001 EMS contains a number of basic elements: firms must develop and declare an environmental policy committed to pollution prevention and continual improvement of the EMS; they must plan ways of meeting those goals by determining the firm’s environmental impacts and ways to address them; they must actually implement their environmental plan; firms must monitor their own performance and take corrective actions when necessary; employees and managers are given the training and responsibility for ensuring compliance with the firm’s own environmental policies; firms must have a system in place to communicate with relevant stakeholders, such as regulators, shareholders, and neighbors. Full disclosure of the firm’s environmental audits is not required.

2. Copies of the surveys are available upon request from the authors.

3. For the purposes of this analysis, developing countries include: Argentina, Columbia, Czech Republic, Dominican Republic, Ecuador, India, Indonesia, Malaysia, Mexico, South Africa, and Uruguay. Economically developed countries include Canada, Spain, Sweden, the United Kingdom, and the United States.

References


Understanding the Difficulties of Building Intersubjectivity among Members of an Organization

Donna Hom, City of Oakland, California

In Public Administration in Today’s World of Organizations and Markets, Herbert Simon, the 1978 Nobel Prize winner in economics, points out the following:

“Intersubjectivity is the organizational identification of members, more than any other of their characteristics, that gives organizations their remarkable power to secure coordinated behavior of large numbers of people to accomplish organizational goals” (December 2000).

In other words, individual members are the building blocks of an organization. Assuming that organizations usually exist for their goals or missions, the power of an organization derives from the collective effort of its large numbers of people. But how do these large numbers of people in an organization cooperate in order to achieve organizational goals? Jong Jun, in his book on titled Philosophy of Administration (1994), provided the answer from a philosophical standpoint: “What makes administration functional is the individual’s commitment to develop an intersubjective, shared experience with other members” (Hun, 1994, p. 8).

Thus, the power of an organization comes from its members, and it is the commitment to developing an intersubjective, shared experience with other members that makes the administration functional. But what is intersubjectivity? How is it constructed among people? What difficulties do administrators/members of a large, complex organization encounter in everyday organization life when constructing intersubjectivity? In this paper, I will attempt to answer these questions on the basis of my research, and over twelve years of public administration practice at the local government level within the United States. I will also conclude this paper with some recommendations for meeting the challenges of building intersubjectivity.

Intersubjectivity Defined

Aitken and Trevarthen (1997) define intersubjectivity as follows: “Intersubjectivity is the process in which mental activity includes conscious awareness, motives and intentions, cognitions, and emotions is transferred between minds.” Richard Zaner defines intersubjectivity beyond the mental activity transfer process: this process builds a common world among
human minds. According to Zaner, it is a phenomenon that, generally speaking, refers to what is cognitively common to various individuals. "Intersubjectivity signifies an interlocking of perspectives, motives, and behavior and ultimately of meaningfully connected actions into a system of meanings that constitutes 'the' world as a world common to you and me." (Quoted by Professor Jun in a California State University Hayward lecture, March 2002 from Zaner, R.M., 1970). To translate the intersubjectivity concept to an organization's life, it can be interpreted as follows: to be a member of an organization is to think and act in a certain way, in the light of particular goals, values, and pictures of the world, and to think and act so as to belong to an organization (Berlin, 1976, p. 195). But how do individuals with various backgrounds "think and act in a certain way"? Let me examine how individuals communicate their ideas, perspectives, and values.

**Constructing Intersubjective Understanding**

How is intersubjective understanding constructed among people? To understand how mental activities transfer between individuals' minds, we may employ Berger and Luckmann's (1966) concept outlined in *The Social Construction of Reality: a Treatise in the Sociology of Knowledge*. In this work, the authors describe how one's idea is expressed through objective events and others perceive the meaning of the idea and transform their perception into their own subjective idea. Berger and Luckmann call this process internalization. Internalization is the immediate apprehension (i.e., comprehension) or interpretation of an objective event as expressing meaning, as a manifestation of another's subjective processes which thereby becomes subjectively meaningful to oneself (pp. 129). This comprehension does not result from autonomous creations of meaning by isolated individuals, but begins when individuals "take over" the world in which others already live. This internalization makes it possible for the intersubjective, shared experience to be formed. However, this does not mean, they further argue, that "I understand the other adequately. I may indeed misunderstand him" (p. 129). They offer an example in their text: "He is laughing in a fit of hysteria, but I understand his laughter as expressing mirth" (p. 129). In other words, the intended meaning from one's mind, expressed through language or action, might not be received as such in another's mind. Only when the actors involved in the intersubjectivity building come to share the same meaning of the "common world" is intersubjectivity successfully built.

**Challenges to Constructing Intersubjective Understanding**

Having defined intersubjectivity and described how it is constructed? Let us examine some difficulties we encounter in everyday organizational life while building intersubjectivity and the reasons these difficulties exist.

**Lack of recognition of the need for building intersubjectivity**

Before intersubjectivity can take place, individuals must recognize the need for intersubjectivity, and be willing to build it. Many administrators often assume that members of an organization automatically work toward the organizational goals based on the members' job descriptions, organization structure, and administrative orders. They do not see the need to build an intersubjective understanding among members. Large numbers of organization members need to work as a team on its goals; all members need to buy in to the value of its goals. To operate an organization more effectively, administrators need to initiate intersubjectivity building. As we have discussed above, what makes administration functional is the members' commitment to developing shared experience.
Individuals comprehend others based on event-observation or information exchange through language.

Besides recognizing the need for building intersubjective understanding, members of an organization must be willing to open to each other prior to constructing intersubjectivity. To be open is to be sincere, truthful, and honest, and to set no restrictions or obstacles in the way of communication. A lack of openness can exist in various ways. For example, members may be allowed only to communicate with their immediate supervisor for issues relating to their work. Such an approach discourages employees from building intersubjectivity horizontally within the hierarchy of an organization.

Lack of willingness and openness to build intersubjectivity may be caused by not seeing its benefits. Helga Hohn (November 2000) presents a discussion that links intersubjectivity and leadership style and that makes clear the necessity for open communication. In her discussion of intersubjectivity and leadership model, Hohn identifies the importance of honesty and clear communication. The benefits, as she describes them, include goals being clear, a focus on performance, efficient team work, and originality.

Lack of trust

Lack of trust is another difficulty faced in building intersubjectivity. As I have explained in the previous section regarding the process of building intersubjectivity, individuals need to express their ideas to each other. In many cases, ideas can be unpopular opinions or criticism. It takes trust for an individual to express them. Why? Fernando Bartolome (1999) puts it this way: “Almost any organization would operate more effectively with completely open and forthright employees, but absolute frankness is too much to hope for. Candor depends upon trust, and, in hierarchical organizations, trust has strict natural limits.” By natural limits, Bartolome means “people keep their mouth shut in order to protect themselves or their subordinates” (Bartolome, 1999, p.79). Bartolome argues that open communication among members of an organization helps it to perform effectively, but that this often does not happen because people keep their opinion/criticism to themselves in order to protect themselves. Bartolome implies that employees might be vulnerable when they openly express their opinion/criticism, especially when the opinion is against or is not in alignment with a supervisor’s views, behavior, or values. The one who raises the opinion/criticism may be perceived as a challenger to the superior instead of a valuable colleague. The superior may, in turn, take actions such as eliminating promotions for the “challenger.” The fear of retaliation is very real in organizations. The fear may not be based on reality. However, real or not, with such a lack of trust, the building of an intersubjective reality is extremely difficult.

Lack of complete information

Another difficulty in building intersubjectivity is the lack of complete information. Individuals comprehend others based on event-observation or information exchange through language. “Being only partially informed, the actors run their own programs on the basis of their perception.” (Leydesdorff, L., 2000). If individuals make their own assumptions to fill in the unknown information, it is likely to cause a failure in building intersubjectivity. Let me take the example of an administrator who instructs her staff to develop a job-training program to help unemployed citizens. Her staff could easily interpret this directive in ways that the supervisor did not intend. They may decide that the program is to serve “all” unemployed citizens regardless of the geographic boundary, whereas the supervisor may have meant the program to serve only the unemployed citizens in certain cities. In this case, because the supervisor did not specify the geographic limits, her staff filled in the all unemployed assumption. The resources intended for unemployed citizens of certain cities may not be sufficient for all unemployed citizens. When the limited resources are exhausted, some of the intended unemployed citizens will not have been served. Intersubjectivity requires careful and thoughtful communication that includes complete information.
Ambiguity of language

"Language, which may be defined as a system of vocal signs, is the most important sign system of human society.... An understanding of language is essential for any understanding of the reality of everyday life" (Berger and Luckmann, 1966, p 36). Language also typifies experiences, allowing one to subsume them under broad categories. As it typifies experiences, it also anonymizes experiences, for the typified experience can, in principle, be duplicated by anyone falling into the category in question (Berger and Luckmann, 1966, p39). For example, a supervisor gives a warning to a staff member who has been constantly late to work. This could be typified as "supervisor-staff-conflict." This typification process, through language, opens the doors for individuals to interpret the meaning of the language with their own experiences; Simon Glynn calls this interpretation "imaginary free variation" (1998). This process of interpretation can result in employees categorizing such disparate situations as sexual harassment and tardiness under the same rubric as "supervisor-staff-conflict." But, indeed, the situations would have very different implications for an organization’s operation.

Let me give another example. In an organization, one supervisor may evaluate his staff’s performance and rank them between Standard and Above Standard for the jobs he perceives as "well done." Another supervisor in the same organization ranks her staff Outstanding for jobs that are also "well done." The rationale for the former is that no one should get an Outstanding rating so that his staff will work toward improving performance. As for the other supervisor, she believes that all staff who do their jobs well should be rated Outstanding; this supervisor believes that what the improvement staff should look for is a promotion. In other words, differing interpretations of words and concepts can have important implications within an organization.

The above examples show that the ambiguity of language creates difficulty in building intersubjectivity among individuals of an organization. Individuals transmit the "individual-historico-socio-culturally" relative instance of their life-world to the others when they engage in intersubjectivity building (Glynn, August, 1998). Life-world is the total sphere of experience of an individual, which is circumscribed by the objects, persons, and events encountered in the pursuit of the pragmatic objectives of living. It is a "world" in which a person is "wide-awe," and which asserts itself as the paramount reality of his/her life (Schutz, A., 1967). The receivers interpret ideas from the others with their own life-world. If the actors involved in the intersubjectivity building do not have a similar "individual-historico-socio-cultural" background, what was intended to be expressed might not be the perception of the receivers. Clandinin and Connelly (2000) put it this way: we are prisoners caught in the framework of our theories, our expectations, our past experience, and our language (p. 39). This leads us to the next topic discussion, which is cultural differences.

Cultural differences among members of an organization

In the past, most human beings were born, lived, and died within a clearly defined geographical area. Seldom did they come in contact with people of other races or cultural backgrounds. Such a world no longer exists (Samovar, L.A., Portr, R.E., Stefani, L.A., 1988). Six billion of us who occupy this planet are inextricably interwoven. Each of us brings our cultural world from family to workplace, from home country to nation of residence. The same event can be interpreted in different ways depending on the interpreters’ cultural background. For example, individuals who bring constructive criticism in an organization are likely to be viewed as normal because this behavior coincides with western up-bringing. In Western society, individuals are taught to think critically, independently, and creatively; they are also taught to freely speak their minds. However, bringing constructive criticism is viewed as lack of respect towards authority in the eyes of those with an Asian up bringing. Therefore, the same event will be viewed differently depending on cultural norms.

With respect to culture, a common problem is ethnocentrism. Ethnocentrism is the tendency to believe that one’s own culture and its values are superior to others. Very often, such tendencies are accompanied by an unwillingness to try to understand alterna
Past intersubjective, shared experience is certainly valuable. Members involved in communication do not have to rebuild assumptions each time they communicate.

External elements, and to take the values they represent seriously. (Plumber, K. August, 1998). This prejudice can be disadvantageous when building intersubjectivity among individual from different cultural backgrounds.

Action is different from words

Individuals transmit ideas not only through language, but also actions. Sometimes the words communicated from one person to another contradict the originator’s action. For example, an administrator communicates the value of customer service to all members of an organization. But when a customer walks in and needs services, the administrator does not provide the quality customer service that he/she told staff to provide (the do-as-I-say, not-as-I-do model). This administrator’s action communicates a different message than what he/she told the staff members in words. Employees will infer what you value from your words, actions, must unify the idea with his/her words and actions. Otherwise, room is left for receivers to interpret the meaning in multiple ways — some might take the words, while others might interpret the actions.

Lack of recognition of changing conditions

Intersubjectivity is grounded on social conditions. That is to say, economic milieu and various life histories are variables when intersubjective understanding is in place. Once it is constructed, actors involved in the process share certain meanings of realities, and can develop deeper intersubjectivity based on prior mutual understanding. More specifically, a group of members are engaged in the design of a social service program. In the first few discussions, members of the group share the consensus of what population this program will serve. In the following meeting, this group will build the next level of intersubjectivity — how to serve the needed population. They do not need to rebuild the consensus they developed in the prior discussion.

Past intersubjective, shared experience is certainly valuable. Members involved in communication do not have to rebuild assumptions each time they communicate. However, if the intersubjective, shared understandings were built under certain conditions, they might need to be revisited when conditions change. Members who are involved in intersubjectivity building need to be sensitive about the changing conditions that are related to the subject in question. Intersubjectivity building is a constant process, for the social condition is ever changing. Herbert Simon (December 2000) states the importance of coping with changing conditions. He says: “If complex systems must operate in a constantly changing environment, or in competition with other systems that are changing, they must modify their structures at a corresponding pace.” Failure to recognize changing conditions could create difficulty in constructing intersubjectivity among members of an organization.

Short-term efficiency verses long-term commitment

We have discussed the value of building intersubjectivity among the members of an organization. In a large organization, it takes resources to construct intersubjective understanding. Many administrators choose a top-down-order approach in their decision-making and problem solving instead of a participatory approach. Giving coercive orders sometimes can achieve the goal efficiently for the short-term. However, in the long run, if all members of the organization subscribe to the idea that the administrators want to share with the members, the members’ collective efforts could achieve the goal more efficiently. That is, administrators of an organization may choose to adopt a sexual harassment prevention policy (a top-down approach) to its members. This approach only costs the organization some policy development time and printing expenses.
It seems efficient if a few people at the top make the policy, and then pass it down for implementation. But do individual members understand the policy? Do they now subscribe to the importance of preventing sexual harassment at the workplace? If not, the policy is just a piece of paper. Another approach administrators can take is to conduct training sessions, which convey the harmfulness of sexual harassment to an organization. Through the trainer-trainee communication, the common understanding between the administrators, who want to prevent sexual harassment, and the members of the organization, who implement the sexual harassment policy, can be realized. A common understanding of the importance of preventing sexual harassment, though more costly than a top-down directive in the short-term, is more likely to avert sexual harassment and reduce costly litigation.

**Recommendations**

*Acquire action skills*

There are many obstacles to building intersubjectivity within an organization. However, there are ways to overcome these difficulties. There are skills that can empower employees in taking conscious and effective steps toward creating a shared reality. These include (1) reflexive skill, (2) skills in interpersonal and group interaction, (3) communicative action skill, (4) persuasive power, (5) therapeutic skill, and (6) skill in action science and social inquiry can help (Jun, 1994, pp.198-203). The descriptions of these action skills are summarized in Table 1.

The action skills described above are essentially self-explanatory. We can easily relate how useful the

<table>
<thead>
<tr>
<th>Action Skill</th>
<th>Descriptions</th>
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<tbody>
<tr>
<td>Reflexive skill</td>
<td>A form of critical thinking and self-awareness: a person thinks about his or her actions and critically examines his or her assumptions and biases in his or her interpretation of a problem and its solution.</td>
</tr>
<tr>
<td>Interpersonal and group interaction</td>
<td>A skill needed in interpersonal and group interaction in order to include members of an organization for participatory problem solving and decision-making.</td>
</tr>
<tr>
<td>Communicative action skill</td>
<td>A form of speech that individuals use as an active vehicle for the exchange of subjective experiences, for reciprocity of perspectives.</td>
</tr>
<tr>
<td>Persuasive power</td>
<td>An essential skill needed in order to influence the behavior of other actors and to seek the commitment of others in accomplishing organizational goals.</td>
</tr>
<tr>
<td>Therapeutic skill</td>
<td>Public administrators as therapists must not only interact with the various organizational members, such as minorities, women, the elderly, and the disabled, but also provide a positive setting where organizational members feel free to express their opinions and where support is mutual, both hierarchically and laterally.</td>
</tr>
<tr>
<td>Skill in action science and social inquiry</td>
<td>This skill is an approach to organizational problem solving. It is the application of the scientific method of fact finding and experimenting to practical problems requiring action solutions, which involve the collaboration of participants and change agents.</td>
</tr>
</tbody>
</table>

Source: Jun, 1994, pp. 198-203
Skills can be in solving some of the difficulties discussed in the prior sections of this paper. For example, the therapeutic skill can help actors suspend their own judgments for the moment when attempting to build consensus with others having different viewpoints. As another example, the communicative action skill can be used to minimize the ambiguity of language.

If we are convinced that the action skills are some of the tools for actors to use in building intersubjectivity, then acquiring such skills is in order. How? This leads our discussion to the next recommendation: continuous education.

Continuous education helps us to meet the challenges

Continuously recognizing and understanding the changing world calls for continuous learning. Greenwood and Levin, in their *Introduction to Action Research* (1998), pointed out that one of the most important and frequent paths leading people into the practice of action research has been the field of education (Greenwood and Levin, 1998, p. 215). Similarly, understanding the importance of building intersubjectivity, identifying the difficulties, and learning skills to overcome these difficulties in building intersubjectivity can be achieved through continuous education. This education can be in the form of college education, seminars, workshops, and on-going trainings conducted by organizations.

Conclusion

The power of an organization comes from its members, and it is the commitment to developing an intersubjective, shared experience that makes the administration functional. To be a member of an organization is to think and act in a certain way, in the light of particular goals, values, pictures of the world; and to think and act as to belong to an organization (Berlin 1976, p. 125). In reality, because organization members have diversified backgrounds such as cultural, sexual, educational, ethnic, and age — there are many difficulties in building an intersubjective understanding. Some of these difficulties are as follows: neither recognizing the need for, nor being willing and open to building intersubjectivity; lack of trust among members; lack of complete information when constructing intersubjectivity; ambiguity of language; cultural differences among members of an organization; action being different from words; lack of recognition of changing condition; and valuing efficiency over long-term commitment. Some tools, such as action skills, can be used to overcome these difficulties. Action skills can be acquired through continuous education.

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Implications of MPA Education Engineering

Engineering refers to specific technologies which can best transfer, by following scientific principles, natural resources into certain structures, machinery, products, systems, or processes to benefit mankind (Britain Encyclopedia, 1999, p.70). An engineering process can be defined as a process during which some applied technologies control certain actions in practice. According to this definition, applied teaching subjects and practical classroom teaching activities characterize MPA education engineering. These involve technological teaching and implementing systematic education evaluation. MPA education engineering should have the following features:

The Courses Chosen for MPA Education Should be Applied

Deruke (1998) points out that “management works as a social mechanism through which various resources are bestowed for productivity. In other words, the task of management is trying to realize organized economic advances.” In accordance with this view, we can see the importance of providing management and administration personnel education on work skills and technologies. Before the 1990s, public administration education in China placed emphasis upon the teaching of political and administration macro-theories and basic principles. Such theories are often impractical when used in solving real-world problems. However, present
public administration practice demands greater working skills and knowledge in relevant technologies from administrative personnel. Thus, in MPA education, the curriculum design must be practical, and must give preference to applied courses in order to improve the students' operational skills and professional capabilities (Xia, 1998).

**Classroom Teaching Activities Should be More Practical**

In conventional public administration education before the 1990s in China, classroom activities concentrated on theories. Little attention was paid to training the students in practical skills and abilities in administrative operation. The teaching methods were often traditional and sometimes out-of-date. Such education practice not only held back the development of public administration as a discipline, but also reduced the significance and functions of public administration education. In contrast to this, present MPA education must pay adequate attention to the practicality of classroom activities and the creation of new teaching methods. The teaching of quantitative methods and case studies must also be emphasized.

**Technological Teaching Must be Introduced into the MPA Education Process**

The faculty should include not only lecturers teaching theories and theoretical researchers, but also experts in public administration practice, entrepreneurs, and other administration professionals possessing theoretical and practical knowledge. We must adopt modern education theories, use the latest in information technology, such as multi-media and distance education, and compile new computer programs suitable for MPA students in China.

**A Systematic Set of Education Evaluation Methods Should be Established for MPA Education**

Such an evaluation system should stress results as well as the process of MPA teaching. In other words, the evaluation standards should be designed to be able to measure the students' practical skills and abilities, instead of merely estimating how much knowledge the student has acquired. Evaluation methods must be varied and practical, including not only formal written examinations, but also oral tests, examinations with references permitted, research reports, experiments, and actual role operations. A student's research and thesis as should be judged in accordance with its practicality and depth regarding new technologies. Purely theoretical contributions should be a secondary element to one's research.

In short, MPA education engineering aims at offering students opportunities to acquire, via systematic learning, professional knowledge for public administration, and to understand the basic principles and study methods of this subject area. The objective is to improve the students' administrative acumen, and raise their capabilities in analyzing and solving practical problems. The means to be employed will be such programs as on-the-job training, role playing, the use of case studies, and the emulation of actual public administration.

**Framework of MPA Education**

This section is to illustrate MPA education engineering in terms of curriculum design and course contents. Practical skills and technological means should be initially considered when designing course contents. MPA education has some unique features, as compared with other forms of postgraduate education. It has some specific requirements and quality standards for its educational goals, admission, curriculum and methodology, as well as the students' academic background and capabilities. MPA education focuses on training administration professionals for government institutions and other public organizations, rather than for teaching or researching.

As mentioned previously, MPA education is different from the existing postgraduate education for a mass...
The framework of MPA education should cover "one skill, two areas, three bases, and four levels."

Mostly from two either government or non-government public institutions. After receiving an MPA education, they are expected to have mastered enough basic knowledge in public administration and the necessary skills for public work. Upon graduation, they will be assigned to work in these two areas (Cheng, 1999).

"Three bases" refer to the three disciplinary bases of MPA education, which include economics, politics, and mathematics. Present public administration activities and public policy studies are often related to economic problems, such as costs and revenues. Thus, economics is one of the bases for Public Administration and Public Policy studies. Public administration activities and public policy studies are complex processes, possessing both economic and technological components relating to political problems. For example, political institutions, political interests, political culture, and public opinions exercise great influence on public administration. And, mathematics offers basic tools for analysis. Very useful branches of mathematics include: statistics (such as mathematical statistics and non-parameter statistics), combinatorics (often used for studying counting, structure, and optimization), and mathematical programming (both mathematical and non-mathematical programming) (Greer, 1994).

"Four levels" refer to the fact that public administration has four types of administration, which include the following: basic administration, functional administration, comprehensive administration, and strategic administration. Basic administration deals with administration activities at the bottom level; functional administration uses the basic administration principles for specific functional purposes, such as planning administration, accounting administration, personnel administration, etc.; comprehensive administration refers to all-around administration of a certain department; strategic administration, which is the apex of the four, contains principally strategic policy and decision-making that demands higher professional qualities and skills regarding managerial personnel.

The framework of MPA education, with the bases of
“one skill, two areas, three bases, and four levels” as explained above, is actually a complete, systematic, integrated engineering project. Master of Public Administration (MPA) education will certainly develop into a discipline which “combines and intersects knowledge of different disciplines, using diverse methods and tools for its research” (Jim, 1998, p. 80).

**Balance is the answer to gaining the advantages of globalization.**

**Means to Realize MPA Education Engineering**

Taking into account the MPA education target, i.e., to train multi-functional and versatile professional talents for public work, I hold that we should learn from the advanced western countries and adopt their sophisticated techniques in MPA education. For this purpose, we must reinforce the following teaching methods in our education practice.

**Role-play**

This teaching method has the advantage of creating an on-the-spot effect upon the students, inciting them to take an active part in the study. During the process, the students will acquire some personal experiences. They will have to look closely into the problems, learn how to make decisions, and to analyze the feedback afterwards.

**Fieldwork**

After instruction and training on the basic principles and skills for public administration, it is necessary to let the student do fieldwork so as to promote their practical abilities in decision-making, implementation, administration, and adjustment. This is also an effective means of determining how well students have learned the theories. Almost all world-famous universities give emphasis to fieldwork for MPA education. The Springfield Work program in the Kennedy School, Harvard University, is one of the most prominent programs for MPA education. This program provides the students opportunities to use their knowledge and skills to solve practical problems, and learn how to make professional analyses of the problems before finding solutions. The French National School of Administration is known for its emphasis on fieldwork. Out of the 27 months of training, 12 are set aside for fieldwork (Liu, 2000). The prominent feature of their fieldwork is the “follow-up” program. Instead of working in a certain public institution, the student is sent to shadow a statesman closely for 12 months, observing how the statesman tackles actual political and economic problems. After the fieldwork, the student has to pass a strictly designed evaluation (Zhang, 2001, pp. 99-104).

**Case Study**

The case study is the most common teaching method, widely used in various forms of professional education (Shan, 2000). First, the case study enables the students to have a deeper understanding of the theories learned, thereby allowing for more practical applications. By this means, their comprehensive administration abilities are improved. Second, the case study offers the students the rare opportunity to look into real problems. Through the short, but vivid, imitation of actual administration, students learn how to analyze practical problems by confronting various public institutions. Third, the cases used are often collected or produced by experienced teachers or public professionals having been involved in public administration from both a theoretical and practical standpoint. Such cases usually reflect the general principles contained in real-life work, thereby helping students adapt more easily to future work. In present MPA education in China, appropriate cases for class work are greatly needed. A call for experts and professionals who will make efforts to compile and write for MPA education in China is quite necessary.

**On-the-Job Training**

This is a process through which MPA students are sent to work regularly in local government and other
public institutions for a period of time. On-the-job training has been an effective means for cadre training in China. If transplanted into MPA education, this training form will be more efficient and more challenging to the students than role-playing or case studies. On-the-job training affords students the opportunity to confront real-world problems, which, in turn, improves their administration capabilities. The students have to apply their knowledge and skills to specific contexts of decision-making and cooperation. On-the-job training can also stimulate the students’ sense of duty and desire for competition, so that their potentialities are developed, and they learn more by “doing in reality.”

Conclusion

Master of Public Administration (MPA) education in China is new in China. In order to optimize gains from this degree training, we suggest that education engineering be introduced in curriculum design, classroom teaching, and education evaluation. Role-play, fieldwork, case study, and on-the-job training are the means we recommend for MPA education engineering. The aim is to train MPA personnel with both professional knowledge and practical ability in public administration, and for MPA education to be able to accord with the requirements of the governance reforms in public administration institutions.

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References


Development and Management of Government Human Resources: A Shortcut to Economic Development

Bin Song, Chinese University of Geology

Jing Bao, Chinese Public Administration Society

Enhancing Investment in Government Human Resources Departments

Economic growth is defined as the accumulation of materials, human power capital, and technological advancement. Together, success in these three areas can increase the products and total output of labor services constantly in the long term, or propel the per-capita output substantially in this regard.

There are two crucial periods in research of the growth theory. The first occurred in the late 1950s and 1960s; the second in the late 1980s and the early 1990s. The new classical growth theory was formed in the first period, and focused on capital accumulation and its relation to saving policy. Robert Solow, a winner of the Nobel Prize in economics, made prominent contributions to the formulation of the theory and found that “technological advancements, an increase in labor output, and capital accumulation are key factors to GDP growth” (Done, 2000, p. 44). The second period saw the evolution of the internal growth theory, which explored the accumulation of human resources and technological advancement. The term “human resources investment” mainly refers to investment in education and training of human resources, “like the investment in substantial capital such as workplace and machinery by enterprises” (Sideglici, 2000, p. 191). “Capital (material and human resources) accumulation and technological advancement are two primary elements for the better part of history” (Done, 2000, p. 45). Although Robert Solo attributes long-term economic growth to technological advancement, he cannot explain the way in which technological advancements impact GDP growth.

Paul Roamer contributes to the development of this concept in its initial phase. He thinks the key economic factor that determines technological advancement is internal growth, namely, hoarding. In fact, economic growth in most developed countries is decided by the rate of technological advancement. According to the pattern of internal growth: “The technological advancement rate relies on hoarding, the hoarding of human resources capital (education and training)” in particular (Julies, 2000, p. 71). To increase the number of talents available in society by means of education and professional training is similar to the way material capital is increased through material investment (Jiang, 2000, p. 45).

From the survey above on economic growth, government affects economic growth in three ways:

First, it propels the formation of materials and human power capital. No doubt, reinforcing the investment will speed up economic growth, but high-speed economic growth needs enormous investment, and it is hard...
maintain economic growth. For example, in order to promote investment, the government adopts fiscal policies, which lead to inflation and unsteady economic growth in the long run.

Second, it stimulates input in the labor force. Although the labor force can be supplemented constantly, a majority of countries are opposed to broadening the labor pool by speeding up population growth. That is, people are mainly concerned about improving the quality of life, and population growth means a decline of per-capita income growth rates. In the short term, since the labor output curve is turning back, the state has to lower tax rates to bring about an increase in the number of employees. At the same time, relatively high income will reduce labor efficiency. Therefore, most economists will not consider an increase in the number of workers.

Third, it improves technology and productivity.

Fourth, it strengthens investment in government human resources development and management. Throughout the 1990s, the main factors resulting in the economic growth in America lie in careful investments in human resources and in technological advancement. Since China implementation of its policy of reform and opening up to the West, “Three Transformations” (Market Economy, Industrialization, Internationalization) have been taking shape. These transformations are indispensible to the increased investments in human resources and technological advancement.

So, the key to improving productivity is to substantially increase capital investment — in human power capital and in research — in order to encourage government and human power capital investment and development. In fact, in the past 30 years, people have increasingly regarded the quality of human resources as an element that is vital to economic growth. “Human Resource Development” and “Human Power Capital Investment” have become hot topics among experts.

Judging from the analysis above, the government’s fiscal and financial policy will expose its own faults, and even become invalid in the long term. Promoting investment in human resources and scientific research can bring together qualified people with advanced technologies, which will lead to advanced productivity and stimulate steady economic growth.

The development and management of human resources in China began with the establishment of China’s human resources research center in 1988. A speech by Minister Song De Fu at the conference for “Development of National Human Resources” and the conference of the National Personnel Department marked the beginning of organized research into the development and management of human resources conducted by our government. In May 2001, President Jiang Ze Ming made a speech in a summit meeting of the Asian Pacific economic organization that explained strengthening the construction of human resources capabilities, promoting the development, and encouraging prosperity in the Asian Pacific Zone. In the speech, he pointed out that the development and utilization of material resources is the foundation of the development of human society. Moreover, it was deemed imperative. “To develop human resources and strengthen the capability of human resources construction has become an important issue concerning the development of all countries.” Meanwhile, the personnel administration of our government has begun to transform itself.

The Transformation of Government Personnel Administration

Philosophical Evolution and Digital Development and Management

The demonstration of transformation from traditional government personnel management to the digital development and management of entire human resources agencies of modern government is as follows:

1) With regard to the nature of management, it transforms from administrative routine to administrative strategy. 2) With respect to management concepts, it gets transformed from considering primarily the burden of costs to basing itself primarily on resources and regarding the administrative personnel not only as capital, but
In mandatory personnel, development government from ruling by al to merely receiving management, people. Science. Attaching importance to things to attaching importance on market demands. 4) The general attitude toward management changes from ruling by men to ruling by law. 5) In management conduct, it makes the transition from controlling management to service management. 6) As for the role of management, it gets transformed from merely performing a mission to actually making a decision. 7) By the manner of management, it changes from being based on experience to being based on science. 8) The model of management changes from receiving and executing an order passively to making a decision actively. 9) The management center shifts from attaching importance to things to attaching importance to people. 10) The method of managing shifts from the static state and the separation between departments to an inclusive dynamic state. 11) The media of management changes from "the four treasures of study" to computer networks. This transformation facilitates the evolvement from a unified approach to a systematic approach in personnel management.

Government personnel management, based on a planned system, and characterized by the centralization of leadership and a unified program plan, holds that the part must be subordinated to the whole, serve the whole, and should sacrifice its own interests to the more important interests of the whole. As a result of developing the market economy in depth, the creation and management of government human resources is guided by the "systematic theory" that has been formed. Directed by the "systematic theory," changes will be made by dealing with the relationship between the part and the whole, guided by the "unified theory" to manage the relationship among the processing system, the subdivision system, the subsidiary system, and its superiority. The goal will be to protect notable achievements in the reform of China's personnel system. As this transformation is unprecedented, what is important is forming the concept of digital development and the management of government human resources.

The emergence of digital development and management promotes the progress of society, and the reconstruction of traditional government management. It also strengthens the power of supervision and accelerates the process of adapting to democracy. At the same time, it will enlarge the scale of the government's human information network, management, and decision making; weaken the decision maker; and strengthen the function of government human resource management (Tapsket, 1999, p. 56). This will be a great revolution, one that will enable us to discuss the characteristics, quality, quantity, and contents of government human resources.

The Characteristics, Quality, Quantity, and Contents of Government Human Resources

The so-called development and management of government human resources refers to employing the scientific development strategy to establish a complete development mechanism, aimed at training, evaluating, selecting, employing, allocating, and protecting government administrative personnel.

The five characteristics of government human resources are as follows: a) It is a resources of time. b) It is a natural resource that is able to regenerate. c) It is a social resource. d) It is an active resource, which means it can administer creatively and actively through impetus. e) It is a periodic resource, which means it is influenced by occupational age.

The quality and quantity of government human resources, and inherently contradictory. Quantity refers to the availability of government human resources. Quality refers to the comprehensive ability and worth of government.

The development and management of the completed government human resources are important. "The National Program for human resources development and
Social welfare must come first, while government subsidies must come second, followed by social assistance.
plan; the development and the employment of personnel resources; its capital investment; and training, evaluating, protecting, and educating administrative personnel. This network should also take occupational analysis into consideration.

3) Constructing an Information Network for Administrative Occupational Analysis

Administrative occupation analysis refers to a series of administrative activities that include research and analyses of all the government posts, the purposes, characteristics, responsibilities and rights, subordinated relations, working conditions, job qualifications, and processes. One of the key notions in administrative occupation analysis is the post classification. In this economic area, the classification of administrative posts must be simple in process, abstract in content, and unified in standards. The analysis must also make adjustments to the posts. The information stored and operated by this network includes the factors, responsibilities, posts, titles, duties, and the occupational classification of administrative personnel (Zhao, 1998, p. 31). The establishment of this network provides the working preconditions for the implementation of a human resources structure.

4) Constructing a Local Area Information Network for Strategic Information

This would provide the following: a) A resource center for the administration structure that stores government information at three levels. b) A resource center for administrative knowledge that stores three dimensions of knowledge. With the development of network technology, knowledge administration has become an inexorable trend. Government network management security will be demonstrated in the government organizations. The establishment of this network will exert an impact upon strategy and planning.

5) Constructing a Local Area Information Network for Strategy

President Jiang Ze Ming conveyed the following: “China is implementing the personnel strategies, and forming resource advantages. Generally, the strategic planning of all the organizations is subject to seeking a balance of power between two organizations. The two powers may face threats and realize the potential for internal advantages and disadvantages.” Therefore, constructing a Local Area Network for strategic information is important. It consists of three resource centers: a) An environmental information center, which includes changes in the external and internal world. b) An information center for developing strategy that includes feedback, environment analysis, formulating, implementing, and evaluating information. c) An information center aimed at promoting harmony between government human resources development strategies and overall government strategies. The information center facilitates the interaction of the two strategies and accelerates the plan making process.

6) Constructing a Local Area Information Network for Planning

The first step of the planning process is to sketch the overall goal, which is merely a declaration of the ultimate purpose of the organization. (Laolus, 2001, p. 53) This information center emphasizes five points. a) It stresses implementing three planning steps. They are prediction, estimating sufficient internal and external supplies, and take to balancing demands. b) It stresses supervising the following three matters: designing a training program, selecting administrative personnel serving at home and abroad, and making internal development match international levels of investment and management of government capital. c) It stresses promoting harmony among three bodies: the high level, the low level and the overseas counterparts. d) It stresses dealing appropriately with three pairs of relationships: the relationship between immediate digital development and management and sustainable development; the interrelationship among posts, ages, and abilities among administrative personnel; and the relationships between an analysis based on quality and an analysis based on quantity. e) It stresses digital development, management, and economic development; the theory construction of digital development; and realistic management of the legislative and mechanical framework. These three combinations undoubtedly sketch the blueprint for digital development and management. The
most significant issue is the promotion of life-long education.

7) Constructing a Local Area Information Network for Continuing Life-Long Education

This LAN refers to imparting, renewing, expanding, and improving the knowledge of government personnel, and cultivating quality. In light of these, the continued life-long education of administrative personnel in the global economic era is better characterized by internationalization and externalization. President Jiang Ze Ming further declared, “We should speed up the construction of a life-long education system, devote major efforts to occupational education, set up an extensive, multi-level education training network ... to propel personnel investment toward plural orientation and market orientation.”

Through education, examinations, and assessment, we can classify faculties and then place them in the Local Area Network for central human resource information.

8) Constructing a Local Area Network for Central Human Resources and Successors

The construction of this network can help government use personnel effectively and scientifically, protecting and bringing their talents into full play. This network will also consider the program design behind the construction of an Information Local Area Network (Tu, 2000, p. 120). It consists of four information resource centers: a Local Area Network for planned information on the chosen successor; a Local Area Network for information on preparing legal documents by the chosen successor; a Local Area Network for information on examinations and assessments of chosen successors; and a Local Area Network for information on supervising the program’s implementation. The “outline” points out, “within three or five years, the selection and employment of candidates at or below the local level are subject to publication before taking up an official post.” Wu Han has carried out this system to “practice dynamic management for reserved personnel” (Lemond, 2001, p. 427). The two aforementioned Local Area Network constructions have put three projects described below into operation.

9) Constructing a Local Area Information Network for the So-Called “Morning Project,” “Noon Project,” and “Evening Project”

The “Morning Project” refers to well-educated personnel who already have a job or are seeking employment. For suitable job candidates, the government should treat them fairly according to conditions. For instance, the undergraduates who have passed band 6 should be guaranteed appointments as registered residents in Wuhan. Those who have just gained a post in a government organization should be given fair treatment.

The “Noon Project” refers to the administrative personnel who are already in their prime, having gained a great deal of experience in administration. They are the nucleus of sustainable development of government human resources development and management.

The “Evening Project” refers to personnel who have had careers of achievement, and have fairly strong faculties. These individuals, however, have retired. Their development and management has been carried out scientifically with rewarding incentives.

10) Constructing a Local Area Network that Encourages a Reward System

The effective use of a reward system can help accomplish the goal of government human resources development. “Stimulating salary is closely related to work contribution and is allocated among these effective workers” (Yate, 2001, p. 297). Information is stored by this network, including wages, bonus compensation, subsidies, and social protections. b) It can also hold information as to factors that affect policy making. The information
includes internal and external factors. c) It can store information about “Four Principles:” the Contribution Principle (rewarding personnel according to their contribution); the Labor Principle (distribution according to work qualifications); the Demands Principle (distribution according to needs); and the Equal Principle (everyone is equal and will be treated impartially). d) Emphasis will be placed upon stored information about reward strategies and fairness, as well as making government strategies and human resource strategies compatible with financial and administrative concerns.

II) Constructing a Local Area Information Network for Marketing Distribution

President Jiang Ze Ming pointed out in the Report of the 15th CCP Conference, “We should better perform the market function in resource distribution.” The market should consist of four information resource centers: a market operation, market service, a social security and personnel agency, and an information center for macro-control. Developing and standardizing personnel markets, and setting up a personnel information network nationwide, can help socialize personnel resources distribution. Therefore, to establish a government human resources market, we should begin with five “definitions:” to define business subjects; to define the cost of administrative personnel; to define the scope for business; to define government’s function of macro-control; and to supervise the “law-making” process.

12) Constructing a Local Area Information Network for Administrative Occupational Development

Administrative occupational development refers to the promotion of administrative personnel in their occupation. “Occupational development and planning have become an important activity in the organization.” (Zhao, 2001, p. 294). This Local Area Network consists of individual government design, social and economic development, and the needs of government organization. Four information chains link this information: administrative occupation location; administrative occupation requirements; promotion or demotion of administrative occupation; and occupation flow. These four information chains guarantee “goals set for promoting the adaptation of personnel to various kinds of job at all levels and to a complete evaluation.”

13) Constructing a Local Area Information Network for Overall Evaluation

“Evaluation is the key function among all the functions of human resources management” (Liao, 2000, p. 1). The reform of this Local Area Network is aimed at the promotion department. It consists of four information resource centers: a) A testing database — the information resources include an administrative personnel evaluation standards system, the program design for relevant criteria and a psychological test for evaluation, observation analysis and the corresponding period. b) Assessment database — this information includes assessments of the achievements of professional and technical abilities. c) The examination database includes the definition of the assessment index, vertical and horizontal analyses, and a comprehensive analysis of administrative personnel achievements. d) The appraisal database stores the information based on the station evaluation, which includes selected targets and an analysis of administrative personnel. The operation of this information center paves the way for personnel classification and location.

14) Constructing a Local Area Information Network for Administrative Personnel Classification

This network includes three databases: a database for classification criterion, which must be based on facts; a classification directing committee, which should consist of the officials, specialists, and leading experts of all departments so as to demonstrate democracy and justice; and a network for classification supervision. For example, Nanzhou city in the Guizhou province implemented a personnel classification system called the Double Three Policy. (One-third of the personnel remain in government office, one-third work for county government, and one-third work in start-up enterprises) (Liao, 1996, p. 4).
the process of classification, we should embrace several principles, such as choosing a person based upon merit and skill, employing him or her in the right place, and fostering the highest comprehensive efficiency (Dai, 2000, p. 247). From this point on, the human resource accounting work begins.

15) Constructing a Local Area Information Network for Accounting

The Human Resources Accounting (Flanderci, 1994, p. 28) Local Area Network consists of a Local Area Network for examining the administrative functions and the methods by which information is provided to the government, which ultimately impacts decision-making. Government decisions concern human resources digital development and management, the administrative personnel examination program, and the investment in human resources capital. This is the foundation for administrative level assessment.

16) Constructing a Local Area Network for Administrative-Level Appraisal

Information stored by this Local Area Network includes: a) macro and micro assessment index information; b) long and short-term arrangement assessment index information; c) examination in and out of the city for an evaluation index; and d) fixed and new indexes information; temporary and routine evaluation index information. Only in this way can we establish an open, equal, and just socialized evaluation system under the country’s macro-control and management (Sun, 2001, p. 10).

17) Constructing a Local Area Information Network for Value and Calculation

“The key of the Value Project lies in innovation” (Zhang, 1999, p. 392). This network consists of two databases — one that calculates the value of human resources development management and a government human resources development and management value examination database that includes information that examines the index system and calculates methods for determining values.

18) Constructing a Local Area Information Network for Examining, Analyzing, and Collecting Feedback

The “outline” pointed out the importance of establishing and perfecting the policy of personnel “vocational economic examination responsibility” (Gali, 1999, p. 667). Desilare held that it must be determined whether “the expenditure coincides with the importance and effectiveness of the human resources managing function” (ibid, 1999). Through auditing, analyzing, demonstrating, and information preservation and application, can we not provide reference for the government’s predictions, plans, and decisions in human resources development management? Auditing results will provide a firm basis for the brain trust groups to conduct investigations and make decisions.

19) Constructing a Local Area Information Network for the Brain Trust

This Local Area Network refers to the computer system that emulates the thinking methods and strategies of experts in order to solve problems in digital development management. The brain trust group’s blueprint for development management is conducive to the establishment of systematic and dynamic management.

20) Constructing a Local Area Information Network for Systematic and Dynamic Management

The government human resources development and management is a multi-category, multi-level, and multi-dimensional system. Therefore, the process of digital development management must be comprehensive. Success not only requires that the businesses and information systems benefit each other in the personnel administration, but also that all the departments and their
information remain compatible with each other. From the perspective of macro information, emphasis is placed on the continuity of government human resources development and management. The establishment of this network can help to achieve the goal of dynamic development. This network can also “develop government human resources to propel irrevocably forward the development of a social economy” (Song, 2001, p. 21).

In summary, in order to carry forward the in-depth study on government human resources development and management, we should take all the relative issues into consideration. It is further imperative to focus on the significant issues and the difficulties in the Information Local Area Network and analyze and abstract them accordingly.

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On the Nature of Public Policy

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Since Harold Lasswell and Daniel Lerner published The Policy Science: Recent Developments in Scope and Method in 1951, public policy analysis has been developing into an engaging discipline, and it is even considered a revolution in contemporary social sciences. At the same time, it is evident that public policy analysis has not constructed a solid bridge between academic research and empirical research, behavioral science and management science, and academia and the practical circle. That is, public policy analysis has not fulfilled the task of interdisciplinary integration.

To some degree, this is because people have not agreed upon the nature of public policy, which is the basic unit of public policy analysis. This hinders its passage to academic dialogue. Strictly speaking, public policy analysis has not grown into a systematic paradigm. It is rather a research method that covers many fields and involves many disciplines. Different methods of public policy seem to be at odds with each other. In order for there to be an academic dialogue, it is necessary for public policy analysis to first reach a consensus on its basic unit of analysis, “public policy.” This will allow policy analysis to gain greater acceptance.

This article focuses on the nature of public policy. It includes: (a) defining public policy in the light of problem-solving (b) arguing that the functions of public policy during the process of solving objective differences include not only allocation, but also production, exchange, and consumption of public interests (c) showing that the function of the consumption of public interests is negative, as contrasted with allocation, production, and exchange—which are positive functions—so that it must be limited in the policy process.

Review of Traditional Views

The following are traditional views regarding the nature of public policy:

(1.) Woodrow Wilson, who is arguably the father of modern public administration, contends, “public policy is the laws and regulations which are made by legislative statesmen and implemented by public administration personnel” (as cited in Wu Qiyuan, 1985, p. 4).

This definition is obviously characterized by “the dichotomy between politics and administration,” which narrows the scope and limits the range of public policy makers. First, public policy includes not only laws and regulations, but also government’s plans, instructions, decisions, and other symbolic systems. Secondly, those who participate in the making of public policy include not only statesmen, but also representatives of citizens, experts, and scholars. Especially in the modern era of the “administrative state” (Waldo, 1984), with the sharp expansion of governmental function and the wide application of administrative judicial rights, executive authorities’ participation in making public policy has increased steadily. In connection with the above, Paul Appleby (1949) points out, “decision-making doesn’t merely belong to politics,” and “public administration means decision making” (pp. 27, 170).

(2.) Harold Lasswell and Abraham Kaplan (1970) define public policy as “a projected program of goals,
values, and practices" (p. 71). The aforementioned definition confuses public policy with programs, making the latter seem overly extensive. A program can be public policy, but not all public policies are programs. As has been pointed out, public policy also includes instructions, decisions, laws, regulations, and other symbolic systems that government sends out.

(3.) Thomas R. Dye (1987) thinks, "Public policy is whatever governments choose to do or not to do" (p. 2). Dye focuses not only on government action, but also on government inaction, and therefore, his definition shows the obvious character of behavioralism. It reflects the practical discipline quality of public policy analysis. "Action" means that government takes measures or uses symbols openly in order to solve some public problem. "Inaction" means that government does not take measures or express active symbols, abiding by the principle of noninterference. Both are important solutions to public problems. For example, given that China has been carrying out political system reform means that it has been implementing "action" policy. But Chinese Premier Zhu Rongji (2001) points out, at the same time, that "the political system reform in China can never copy western patterns, that is to say, China will not adopt the alternative of banking on political parties or bicameralism." This is, in fact, a kind of "inaction" policy. Dye's definition is too extensive and lacks adequate maneuverability. His definition confuses two types of governmental behavior in implementing public policy with public policy itself. The nature of public policy should be determined at a deeper level.

(4.) Robert Eyestone (1971) defines public policy most extensively. He states, "In a broad sense, public policy is the relationship between governmental organs and their environment" (p.18). It is evident that Eyestone is influenced by the science of ecological administration. Indeed, public policy is the function of a governmental system and its living environment, namely \( P = F (G, E) \) (here, \( P \) refers to public policy, \( G \) refers to governmental system, and \( E \) refers to the living environment).

Government must take the response to public problems into consideration when it makes a public policy. This response, however, inevitably involves the preferences and interests of government itself. Public policy reflects the double demand of government and its environment. Eyestone's view, therefore, is relatively deep.

In the first place, what is a governmental environment? Is it only the surrounding environment outside government? I think that government, like any other organization, is an open, and not a closed system. The boundary between closed systems is impenetrable, but the boundary of an open system and a wider super-system is penetrable. Besides, environment includes not only the societal (general) environment, but also the task (specific) environment. The former is defined as the forces that affect all organizations in a society. The latter is defined as "the more specific forces that are relevant to the decision-making and transformation process of the individual organization" (Dill, 1958). "The distinction between the general environment and the task environment is not always clear-cut and is continually changing. Forces in the general environment are continually 'breaking through' into the task environment of the specific organization" (Kast and Rosenzweig, 1979, p. 132). "Even beyond the task environment there are environmental factors and phenomena which may affect the organization. Clearly, the environment is a continuum in which relevance is a matter of degree" (Thorelli, 1967, p. 69). Further, M. R. Louis looks at organization itself as "the environment where culture is produced" (as cited in Zhu Lijia, 1997, p. 274). Within this, the boundary between government, which is an open social system, is not easily defined and proves to be penetrable. It is impractical to define public policy merely from the interaction between government and its environment.

(5.) David Easton (1953) defines public policy as "the authoritative allocation of values for the whole society." Furthermore, "the nature of policy is that some things are owned by some people but not by others." This viewpoint points out the values allocation function of public policy, which is favored by many scholars. There are, however, attendant concerns regarding this viewpoint.

First, what are values? According to Easton, values involve not only tangible matters, such as capital, but...
also intangible matters (e.g., power, reputation, and service). As a philosophic concept, "values" are the function and utility of object for subject. At the same time, "values" can be understood as all objects having utility for subjects. Easton's definition of public policy using the term "values" is inherently ambiguous. That is, "[Because of] the extensiveness of 'values'... [it is] necessary to [replace] 'values' with 'interests'" (Chen Qingyun, 1996, p. 5).

Interests are all the resources and conditions which are necessary for the survival, development, freedom, and happiness of people. As a matter of fact, the values for the whole society are public interests. Since being, generally speaking, public policy can allocate human values, but not natural values. But with the blurring of the divide between what is human-made and what is natural, many social values are increasingly becoming integrated. For example, governmental policy could not allocate sunshine, which is a natural value in traditional society. No specifically that some possess sunshine but others do not. Therefore, not all values in society can be allocated by public policy.

Finally, does public policy only have the function of allocation? Richard Musgrave (1959), like David Easton, espouses three economic functions of government: (a) stabilizing the economy (maintaining a full-employment economy) (b) allocation of income (c) redistribution (of resources). I think that they overemphasize the values allocation function of public policy because we can ask, following their logic, "does public policy have only the function of allocation"? Chen Qingyun (1999), a professor at Peking University, believes, "Public policy is the behavioral norms made by government [in pursuit of its goal, at any given time], to promote and allocate the public interests of society." By this definition, public policy not only needs to allocate values, but also bears the function and mission of promoting or producing values. In other words, besides the functions of allocating social values or public interests, public policy has the function of producing, exchanging, and consuming public interests.

1) The function of production

According to classical economist, Adam Smith, government should only play the role of "night watchman." Government needs only to divide and allocate the cake, which should be made large by liberal market mecha-
nisms. Repudiated in the 1930s, the laissez-faire mechanism that fostered market fetishism gave way to Keynesian economics, which emphasizes state intervention and governmental responsibilities, thereby signaling the end of the "passive government" era. Although the rise of Reagan economics and Thatcherism in the 1970s once led to the return to neoliberal economics, intervention and liberalism remain two opposing schools of thought today.

It is not a question of whether government should intervene. Rather, it is degree of governmental intervention that fosters debate. The World Bank (trans. 1997) states, "[It is] impossible to achieve economic, social, and sustainable development without an effective government. It is an effective government that is the key to economic and social development." Joseph E. Stiglitz, (trans. 1989), who is one of the 2002 Nobel Prize winners for economics, emphasizes the production function of government. His view is that, "Government itself directly participates in production when it influences private production [through] the legal system, legal mechanisms, direct and indirect allowances (the allowance built by the tax system is sometimes called tax expenditure), credit activities (direct loan and loan vouchers), and supply of public service.... In the U.S.A. government not only produces goods privately consumed (e.g., railway services) but also orders goods publicly consumed (e.g., military planes) from [the private sector]" (pp. 34-36). It is the supply of public goods that is the calling of government. Government directly produces such public goods and services as national defense, environmental protection, public order, and public infrastructure by implementing public policy (e.g., direct investment and state-controlled shares). This is the case in every modern country, especially in government-dominated developing countries, despite differences in their degree of nationalization.

Certainly, there are arguments about the supply of public goods. In recent years, western countries have made great efforts to change the traditional pattern in which public goods and services are monopolistically supplied by governmental sectors. There has been a turn to the socialization of public service in order to better supply public goods. This includes contracting out, privatization, public-private partnerships, and community service. With this in mind, public policy possesses the production function of public interests. However, government should bear the burden of deciding whether the production of public goods should be direct or indirect.

2) The function of exchange

According to Peter Blau's theory of social exchange, each process of social intercourse can be looked at as an exchange of resources between people. "Social exchange, as the term is used here, refers to voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others." (Blau, 1964, p. 91). Indeed, there is social exchange among governments as there is among individuals or groups. "Social exchange differs in important ways from strictly economic exchange. The basic and most crucial distinction is that social exchange entails unspecified obligations" (ibid., p. 93). There is exchange function in public policy indeed. For example, a government undertakes foreign trade with others by signing and implementing intergovernmental contracts under the principle of comparative advantage. This is a natural exchange of social values. According to Heckscher-Ohlin's gift theory, comparative advantage results from relative gifts of production factors and different factor intensiveness of different merchandise production in different countries. Therefore, each country should produce and export products that consume relatively sufficient production factors, and import products consuming relatively scarce production factors. In so doing, every country's welfare is promoted.

China's entry into the World Trade Organization (WTO) in 2001 indicates Beijing's willingness to promote the exchange of social values and relations of mutual priority with foreign countries. The exchange function of public policy applies not only among central governments of different countries, but also among local governments of each country. For example, in recent years, western China, which has the greater advantage of natural resources, has benefited from the investments...
and the talents of eastern China by mutual priority exchange after the Chinese central government carried out its public policy of "great western development."

**The function of consumption**

In reality, besides the three positive functions mentioned above (the production, allocation, and exchange of public interests), public policy has a negative consumption function, which often takes the form of interiority or rent-seeking by governmental sectors. It can lead to political disorder, reduce the legitimacy of the political system, and even destroy the production, allocation, and exchange functions of public policy. According to public choice theory, government, which is not benevolent, has the character of the "economic man" and is "an egoistic, rational, utility maximizer" as well (Mueller, 1979, p. 1). And government, which is the supplier of public goods, obviously has more familiarity and command over these goods. As a result, when faced with an opportunity for rent-seeking, government can impose and extract rent, or otherwise appropriate and consume public interests which were originally meant to be shared by the public. What matters is not to eliminate the consumption function of public policy (public choice theory proves that any attempt like this is in vain), but to limit the negative self-consumption function of public policy by constructing systems, a democratic credo, transparent politics, etc.

**Public Problems as Reasons for Public Policy**

Public policy and private policy differ, given the public nature of the former. Public policy should reflect the public will. In the modern world, although the human capability for developing nature and transforming society has grown in an unprecedented fashion, many public problems arise (e.g., the deteriorating environment, population explosion, global warming, internet deceit, garbage disposal, the fall of the water table, and the rampancy of terrorism). After more than 20 years of reform, and having opened itself to the outside world, China's market economy has grown very rapidly, and the Chinese standard of living has continuously improved. At the same time, many public problems have appeared (e.g., a worsening environmental pollution, the irregular flow of the Yellow River, the fall of the water table, retrogression of fishery resources, retrogression of grasslands, smaller forest acreage, loss of water and soil, fragile public security, and a poorly maintained infrastructure). These public problems cannot be solved by any private organization. It must be government's responsibility, as government can coordinate itself and civil society towards sustainable development through flexible and effective public policy.

As an output of the political system, the fundamental value of public policy lies in the effective and timely solution of public problems. In other words, public problems are the cause and reason for public policy. As Chinese Taiwanese scholars Zhang Shixian and Chen Hengjun (1997) write, the value of public policy is "to deal with or solve public problems or public goals" (p. 3). The American scholar J. S. Livingston correctly points out, "The finding and [confirmation] of problems is more important than the solution of problems. For a decision-maker, to solve a wrong problem by a complete and elegant project will cast a larger blight upon his or her department than to solve a right problem by a relatively incomplete project" (as cited in Zhang Jinma, 1992, p. 133).

A problem is "the deviation between 'is' and 'ought,' or the difference between the existing state and the expected state of a system" (Jiang Shengjie, 1986, p. 78). Problems are defined in accordance with individual interests, values, knowledge, and convention. That is, different individuals have different understandings and cognitions. Nevertheless, the human understanding of problems is essentially identical, with only minor differences. This results from the following factors: (a) There is relative homogeneity among a group facing the same problem; (b) in comparison with values and conventions, interests are dominant. More specifically, Karl
Marx and Friedrich Engels (tr., 1995) writes, "The start and proceeding of revolution is aimed at interests but not principles. It is only interests that can develop into principles" (p. 551). The cognition difference resulting from values difference, therefore, is less than the interest consistency of groups, which ought to be taken into consideration in decision making.

A problem is either private or public (social), depending upon its scope. A private problem is one where the cost and income only influence a single individual or a limited number of people. In other words, its beneficiaries and victims are specific and limited. Generally speaking, a private problem can be solved by private efforts. In private affairs, an individual has adequate initiative to maximize his or her interests without any exterior regulation, supervision, and adjustment for the symmetry between income and cost of the problem. As a matter of fact, even when there is well-intended regulation, there is asymmetry between income and cost in private affairs. "A prosperous society always makes the greatest efforts to ensure privacy, sufficiently esteems rational choice, and sufficiently protects the rights of an individual to deal with his or her private affairs, in contrast to which a poor society often unlimitedly interferes in private affairs, and forcefully restrains, even deprives, the liberty of individuals to deal with private affairs under the principle of the 'boundary rationality' of individuals" (Mao Shoulong, 2002). Therefore, public policy should, as much as possible, not interfere in private problems.

A public problem is a problem which influences the whole society and is "socially-shared" (Chen Qingyun, 2000). After recognition of a public problem's existence, the public must have the intention to resort to government, which is the public sector for the whole society. But intention is not action. The public must take action to press government to bring the public problem into its policy agenda. Action can be taken under the following conditions: (a) A strong civil society makes the public dare to mobilize and appeal to government; (b) a receptive democratic government is willing to listen to the voice of the public; (c) even if it is not democratic and constitutional, government wisely brings the public problem into its policy agenda; otherwise, social turbulence may ensue, undermining its own legitimacy.

A public problem that is not addressed by government may result from the following: (a) Civil society is weak, meaning that there is a shortage of resources and lack of courage, which are necessary for a public appeal to government; (b) an autocratic government can neglect social needs; (c) even if it is democratic, government has its own interests, or rather is "the broker of specific interests" (Anderson, trans. 1990, p. 222). Should the solution of a public problem prove to be unbeneificial, or run counter to governmental interests, government inaction is likely.

It should be noted that both public and private problems result from two factors: subjective expectation and objective situation. Public policy can, therefore, solve public problems in two ways: reducing subjective and objective indifference.

(1) Reducing subjective difference among the public (i.e., reducing or diverting public expectation and mitigating public dissatisfaction). In other words, government neither takes action aimed at the solution of the public problem, nor does it adjust social interest relations. Rather, it uses propaganda machines to make public feel as though "the problem is not as serious as we thought and will be solved in a very near future."

This is a policy choice that is suitable for the temporary treatment of crises. It can give people comfort and temporarily relieve societal tension. For example, Vladimir Putin won the Russian Presidency, defeating several successors to former President Boris Yeltsin. Putin's success was predicated upon favoring a policy of eliminating rebel forces throughout Chechnya. Putin chose not to participate in the domestic political struggle. As a result, attention was diverted from the depressed domestic economy to the war in Chechnya, thereby vaulting Putin to power.

The policy choice of reducing subjective difference is obviously characterized by Machiavellianism, and gives the public the feeling of being deceived. But Niccolo Machiavelli (1513) wisely said, "So a prince has, of necessity, to be so prudent that he knows how to escape the evil reputation attached to those vices..."
could lose him his state, and how to avoid those vices which are not so dangerous, if he possibly can; but, if he cannot, he need not worry so much about the latter." This is because "Some of the things that appear to be vices will bring him security and prosperity" (p. 49). Therefore, this policy choice can play a certain role under specific situations.

All public problems result from competing interests. Public policy’s interest and process-natures vitiate government’s attempt to avoid solving public problems by reducing subjective difference. Contradictions accumulate until social turbulence, thereby increasing the likelihood of revolution. After mitigating public problems temporarily and superficially by reducing the subjective difference of the public, public policy should turn to the complete solution of public problems without hesitation, by reducing objective difference.

(2) Reducing objective difference (i.e., public policy directly accepts the challenge of public problems and focuses on the adjustment of social interest relations). Government utilizes many methods to find and discern public problems (e.g., public-opinion polls, media analyses, and documents study). Government can predict the problems and trends that may appear during a long period through some methods — for instance, the historical analytic approach, judgment by intuition, matrix analysis, prediction analysis, and the Delphi method. In so doing, government can choose to produce, allocate, or exchange public interests. At the same time, the negative consumption function of public policy must be guarded and restrained. Through the production, allocation, and exchange of public interests, public policy can reduce objective difference and achieve a solution to public problems.

The concepts and arguments presented above are illustrated in China’s reform. Through more than 20 years of development, China’s reform is no longer the so-called Pareto optimum. Each step of reform has resulted in a disequilibrium between reform income and reform cost. In addition, crony capitalism and power capitalization have led to numerous public problems that have demanded prompt solution, such as the uncompleted SOE reform; the increasing unemployment rate; the polarization between rich and poor; market disorder and segmentation; the lack of distinction between the Communist Party of China (CPC), government, and enterprises; corruption and rent-seeking; the fragile rule of law; and the increasing sense of retrogression of society. With this in mind, public policy’s consumption function of public interests has not been effectively limited, and hence, has resulted in the increasingly weak dynamic of China’s reform. Authoritative Chinese economist Wu Jinglian (1998) points out, “The dynamic system of reform is not strengthened but weakened in the second decade of reform,” which perhaps is one of the most important public problems currently facing the Chinese government. Obviously, the public problem has to do with the objective situation. Therefore, dissipating subjective difference by morally preaching politics, without directly adjusting interests and proportioning reform cost, has failed to stimulate the dynamics of China’s reform. The Chinese government joined WTO resolutely in 2001, thereby ensuring that China’s reform would be in accordance with international rules, and to make its opening to the outside world force reform. This indicates that the Chinese government is carrying out the exchange function of public policy in order to exercise not only the mutual priority principle of trade, but also to stimulate internal reform.

Conclusion

Public policy has the power to reduce subjective or objective difference in order to bring solutions to public problems. The nature of public policy, therefore, is government; and government takes its own interests and public interests into consideration as it chooses to reduce objective or subjective difference in order to solve public problems effectively and expeditiously. Public policy can directly adjust social interest relations to reduce
objective difference by exercising three positive functions: production, allocation, and exchange of public interests. However, it also has the option of setting public interests aside and merely mitigating public dissatisfaction by reducing or diverting public expectation to reduce subjective difference. Furthermore, government must guard and restrain public policy's inherent negative consumption function of public interests.

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References

Identifying Best-Practices: A Monte Carlo Evaluation of Quantile Regression

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In the field of public management, the concept of best practice implies a sorting out of people, organizations, techniques, etc. in order to find extremely "good" cases. The idea of a best practice has a long established and recognized history in management research dating back to classical works by Frederick Taylor and Elton Mayo to more recent studies by Peters and Waterman and by Osborne and Gaebler (Katorobo, 1998; Overman and Boyd, 1994). Public management interest in best practices has been visible at all levels of government. The State of New York has established a standing legislative committee on Best Practices, while The National Governor’s Association, the General Services Administration, and numerous other groups have established awards for best practices in public organizations (Rocheleau, 2000). Effort to measure the performance of public organizations through the regular collection and reporting of information about efficiency, quality, and effectiveness, is arguably the number one research topic in government (Nyhan and Martin, 1999).

Under the combined influence of GPRA,¹ the NPR, state and community benchmarking efforts, and the GASB’s SEA reporting, most federal, state, and local government agencies, as well as those private and non-profit organizations delivering government programs under grants and contracts, are likely to become involved in performance measurement before the end of the decade (Nyhan, Ronald C. and Lawrence L. Martin, 1999). Once governments begin routinely collecting and reporting performance measurement data, policymakers and policy evaluators will be faced with the task of identifying best-practice providers. How, then, can governments go about making comparisons?

Abstract: The area of best practice research has only recently begun to embrace statistically based comparisons as a basis for identifying recommended practices. In part motivated by growing interest in performance measurement activities these new approaches hold significant potential for improving out ability to identify and utilize true best practices. Unfortunately, little has been done to study how to apply statistical methods to this task appropriately. In this paper a Monte Carlo evaluation is developed to demonstrate that how Quantile Regression methods can be used to identify best practice. After a brief literature review and a summary of the Quantile Regression technique, the paper develops a specific monte carlo simulation design based on statistical situations with varying numbers of high, medium and low performing organizations. Next, we apply quantile regression to the simulated data and attempts to develop some reasonable guidance about how to apply quantile regression to real world data. The results demonstrate that quantile regression can accurately estimate different models for different types of organizations (e.g. high and low performing) and should be considered as an effective tool for the empirical study of best practices when samples of similar organizations are available. As an order based statistical estimation approach, it also has the virtue of being more robust than typical moment approaches.

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¹GPRA: Government Performance and Results Act of 1993
across diverse service providers using performance measurement data? Can best-practice providers actually be identified? As noted by Nyhan and Martin (1999), “after encouraging governments to routinely collect and report information on the efficiency, quality, and effectiveness of their programs, the performance measurement literature suddenly becomes silent on how the resulting data might be used in making service provider comparisons.”

Most of the standard statistical estimation techniques used to analyze performance data focus attention on typical behavior or average behavior. However, in order to identify a “best” practice case, a different set of techniques is necessary. Several potential approaches have been identified that attempt to sort out cases and identify extreme cases. Data Envelopment Analysis (DEA), for example, converts multiple input and multiple output data on comparable organizations into a relative measure of technical efficiency, which can then identify those units that are best at converting inputs to outputs (Charnes Copper and Rhodes, 1978).

Quantile regression and substantively weighted least squares (a form of iteratively weighted least squares), have been suggested in situations where a single output is related to multiple inputs, including environmental variables, and the relationship between variables is expected to differ for high performers, typical performers and low performers (Marc-Aurele, DiAmico and Bretschneider, 2000). While both of these approaches directly estimate conditional distribution for the outcomes in the tails of a distribution, the quantile approach allows the user to specify *apriori* a specific conditional quantile (Bassett and Koenker, 1978; Eide and Showalter, 1999; Scharf, Juanes, and Sutherland, 1998). Substantively Weighted Least Squares (SWLS)\(^2\) has also been introduced and applied to exploring how “best practice” organizations differ from typical performers in public administration (Meier and Keiser, 1996; Meier and Gill, 2000). However, SWLS estimation is more heuristic and does not automatically yield a specific conditional quantile, the actual location in the tail of the distribution can only be obtained after estimation and will vary significantly from estimation to estimation. While some analytic results exist to guide the use of quantile regression, recent results from a comparative study on Texas Schools, suggest that application of either quantile regression or SWLS can produce conflicting and un-interpretable results (Marc-Aurele, DiAmico and Bretschneider, 2000).

This paper uses Monte Carlo simulations to develop a deeper understanding of how quantile regression is likely to perform in a wide array of possible realistic settings. It is the view of the authors that such studies are necessary in order to develop appropriate strategies for using any empirical approach to identification and analysis of “best practice cases” from real world data. The next section of the paper describes the quantile regression model, how to estimate the model, and how formal statistical inference is applied. This is followed by a description of the design of the Monte Carlo simulation and the resulting datasets. Section four of the paper discusses the results of applying quantile regression to the data and attempts to develop some reasonable guidance about how to apply quantile regression to real world data. Finally, the paper concludes by summarizing our findings and suggesting directions for future research.

**State of the Art of Quantile Regression**

In this section of the paper, we review the underlying model associated with Quantile Regression, how to estimate it from data and how to apply statistical inference to the results.

**The Model**

Quantile Regression is a statistical technique intended to estimate, and conduct inference on, conditional quantile functions (Koenker, 2000a). Its regression model, first introduced by Koenker and Bassett (1978b), can be written as

\[ y_i = x'_i \beta_0 + \mu_0 , \quad \text{Quant}_\theta(y_i | x_i) = x'_i \beta_0 \]  

where \((y_i, x_i) i = 1, ..., n, n, i = 1, ..., n, n, i = 1, ..., n\) is a sample from some population, \(x_i \) is a \(K \leftrightarrow 1\) vector of regressors, and \(\text{Quant}_\theta(y_i | x_i) \) denotes the conditional quantile of \(y_i \) conditional on the regressor vector \(x_i\) (Buchinsky, 1998; Eide and Showalter, 1999). Note that as one increases \(\theta\) continuously from 0 to 1, one traces the entire distribution of conditional on \(x\).
An interesting application of the quantile regression technique is in situations where multiple fixed structures underly a single dataset. Consider the following situation:

\[
Y_i = \left\{ \begin{array}{l}
  y_1 + b_1 x_{1i} + e_{1i} \\
  y_2 + b_2 x_{2i} + e_{2i} \\
  \vdots \\
  y_m + b_m x_{mi} + e_{mi}
\end{array} \right. \quad (2)
\]

where an observation \( Y_i \) could be generated by any of \( m \) alternative equations. Note that in this context we will assume that the set of regressors are the same in each of the equations, only the coefficient values change across equations. In this context, subsets of observations will group together around the different generating models. Note that as \( m \) increases to 100, this situation approaches the quantile case where each value of \( m \) is a specific quantile. Many real world applications ask the researcher to consider situations were \( m \) is some unknown value reflective of different responses or reactions to the same stimuli or inputs. For example, in many fields we are interested in how high medium and low performing organizations or organisms behave and why.

**Estimation and Issues**

Wagner (1959) provided one of the earliest treatments for estimation of the quantile model by minimizing weighted least absolute deviations. Koenker and Bassett (1978) discuss the theory for estimating quantiles of a variable assumed to be a linear function of other variables. Bloomfield and Steiger (1980) and Koenker and D’Orey (1987) explain the use of linear programming techniques as a means for estimating quantile regression. Specifically, to estimate a Quantile Regression, the problem can be stated as the following linear programming problem:

\[
\text{Minimize} = \sum_{i: y_i < b} \theta e_i^- + \sum_{i: y_i > b} (1 - \theta) e_i^+ \quad (3)
\]

Subject to:

\[y_i - x_i \beta - e_i^+ + e_i^- = 0 \quad t = 1, \ldots, t\]

Where \( y_i \) is the dependent variable, \( x_i \) is the explanatory variable, \( 0 < \theta < 1 \) is the specific quantile of interest, and \( b \) is a parameter to be estimated, and \( e_i^- \) and \( e_i^+ \) are positive and negative deviations from the model also estimated by the procedure. When \( \theta = .5 \), the solution will be identical to the estimates producing the median regression line. Quantile regression had been used in a broad range of applications as a comprehensive approach to the statistical analysis of linear and nonlinear response models (Buchinsky, 1998; Koenker, 2000).

**Inference and Issues**

Despite early development of the estimation procedure based on minimizing absolute deviations, little could be said about the sampling distributions of the coefficient estimates. This failing is at least partially responsible for the slow diffusion of the method among researchers. In 1978 Basset and Koenker (1978) developed a formal basis for large sample inference for the special case of the median regression and later extended it to include the full set of quantile regression models (Bassett and Koenker, 1982). The results demonstrate that in a large sample, estimated parameters are consistent estimators of the true parameters and have an asymptotically normal sampling distribution.

While knowledge of large sample distributions was provided through axiomatic developments, most results surrounding small sample behavior comes from numerous Monte Carlo simulations (Dielman and Pfaffenberger, 1982). Most of the early simulation studies of least absolute deviation estimators (LAV) focused on efficiency of these estimates as compared to least squares estimators for various error distributions. Except for standard normal error distributions, these results found that LAV estimators were consistently more efficient than least squares estimators. The corresponding results from the large sample theory found that for any error distribution where the median is (asymptotically) more efficient than the mean as an estimator of location, LAV estimates would similarly be more efficient than least squares estimation (Dielman and Pfaffenberger, 1982).

Consequently, Quantile Regression provides a powerful alternative to more traditional approaches to esti-
mating relationship for several reasons. While it can be used to estimate standard relationships for typical conditional behavior of phenomena (the median regression), it can also be used to study extreme conditional behavior. Secondly, quantile regression is more robust than traditional methods in the same way a median is more robust than the mean, thus its assumptions are likely to be less restrictive when applied to real world data. Finally, a well-established approach to large sample inference exists permitting formal hypothesis testing. Finally, computational software is now relatively widely diffused making it easy to apply.

While simulations studies have been used to compare efficiency LAV estimates with least square estimates, application of quantile regression to study extreme behavior is relatively new. Several researchers have proposed alternatives to quantile regression based on iterated weighted least squares estimation (Meier and Keiser, 1996; Meier and Gill 2000). To better understand the characteristics of quantile regression as a tool for modeling extreme behaviors, several researchers have compared it with one iterated weighted least squares approach call substantively weighted least squares (SWLS/SWAT) (Marc-Aurele, D' Amico and Bretschneider, 2000; Wu, Bretschneider, Marc-Aurele, 2000). While useful, these prior studies are limited in the set of conditions simulated. In particular, their paper considered relatively symmetrically distributed alternative models. This paper considers a broader set of assumptions in building a set of simulated data, which are more likely to be encountered in the real world.

Monte Carlo Simulation

The purpose behind a Monte Carlo Simulation is to study the behavior of a statistic as it varies across multiple samples. This is done by an artificial "world," or pseudo-population, which hopefully resembles the real world in all relevant respects (Mooney, 1997). Our interest is in studying how quantile regression can identify alternative sub-structures within a single sample for high medium and low performing cases.

General Structure (high, middle, low)

Since we are interested in the extreme behavior, we assume there are many organizations that produce some output as a function of a single input where a high performing unit is one that generates a higher level of output for the same level of input than do other units. Similarly, a unit that generates lower output for the same level of input will be considered a lower performer. In order to simplify the situation, we assume that there are only three different types of organizations in our population-high, medium and low performers. Equations 4, 5 and 6, define these specifically in terms of different coefficients to convert inputs to outputs.

\[
y_h = 200 + 20 x_h + e \quad (4)
\]
\[
y_m = 120 + 10 x_m + e \quad (5)
\]
\[
y_l = 100 - 5x_l + e \quad (6)
\]

Symmetric vs Non-symmetric sub-samples

The final sample size was set at 600 cases but in order to evaluate a wide range of situations that might be encountered in the real world, several different distributions of cases allocated to each of the three models were generated. First, the values for the three independent variables were generated using a uniform distribution defined in the interval 0 to 10, and three separate sets of random errors were generated based on a normal distribution with zero mean and variance 5. The base case assumed each equation was equally likely to occur so that there were 200 observations for each equation combined to form a single sample of 600 observations. This specific situation was used by Marc-Aurele et. al. (2000) and we refer the reader to that.

### Table 1: The Asymmetrical Subgroup Structure of Simulated Datasets

<table>
<thead>
<tr>
<th>Percent of Cases</th>
<th>Corresponding Observations in the simulated Datasets</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-Medium-Low</td>
<td>High</td>
</tr>
<tr>
<td>10/20/70</td>
<td>60</td>
</tr>
<tr>
<td>20/30/50</td>
<td>120</td>
</tr>
<tr>
<td>50/30/20</td>
<td>300</td>
</tr>
<tr>
<td>60/20/20</td>
<td>480</td>
</tr>
<tr>
<td>70/20/10</td>
<td>420</td>
</tr>
</tbody>
</table>
study for extensive information on how LAV models fared. Here we move on to consider situations where the relative likelihood of high, medium and low performance is not uniformly distributed and generated several alternative samples as shown in Table 1.

100 iterations for comparisons

For each of the five designs presented in Table 1, one hundred separate iterations of a 600 case data set were generated in order to study the sampling distribution of the estimates.

Results and Analysis

Since prior work has focused on what we call symmetric distributions of models within a single sample (Wu and Bretschneider 2000; Marc-Aurele et al. 2000), here we only present the results from our asymmetric simulations where the ratio of high to medium to low are 10:70:20, 20:30:50, 50:30:20, 60:20:20, and 70:20:10. The results are summarized in a series of

**Figure 1:** Average Slope Versus Quantile with Ratio 10/70/20

- Average Slope
- Quantile

**Figure 2:** Average Slope Versus Quantile with Ratio 20/30/50

- Average Slope
- Quantile

**Figure 3:** Average Slope Versus Quantile with Ratio 50/30/20

- Average Slope
- Quantile
related figures. Each figure plots the average estimate of the slope term for each quantile from the 100 separate samples against the quantile. Each value on the graph then represents the results of 100 estimations and the whole graph covering 100 separate quantiles summarizes 1000 separate estimates. The true values for the high, medium and low slope were 20, 10 and -5 respectively.

In Figure 1 we see a direct correspondence between the percent of cases in each of the 100 samples and the range of quantiles. Quantile one through 18 the average estimate remains relatively constant close to the true value of -5. Then for quantile 19 through 89 the average slope remains close to 10. Finally the estimated average slope for quantiles 91 through 100 remains level at 20. The biggest estimation errors occur at and around the break points. This general pattern hold across all of the various cases presented in figures 1 through 5.

Conclusions

This paper extends the range of situations likely to be encountered in real world data over previous simulation studies of quantile regression. The results further support the ability of quantile regression to accurately estimate different underlying situations. The particular context for this work is in sorting out how high, medium and low performing organization convert inputs to outputs with particular reference to the best practices area of management research. The results further demonstrate that quantile regression is an effective tool for the empirical study of best practices when samples of similar organizations are available. As an order based statistical estimation approach, it also has the virtue of being more robust than typical moment approaches. The next step is to compare these results with iterated least squares approaches to determine if one of these approaches can be identified as superior at accuracy of estimation (bias) or efficiency of estimation.
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Endnotes


2 According to its authors, SWLS is just one special form of Substantively Weighted Analysis Techniques.

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A Curvilinear Model of Trust and Innovation with Implications for China’s Transition

Stephen R. Herting, SYS Technologies and the University of La Verne

Problem

Innovation is an issue at the highest levels of the PRC government. President Jiang Zemin, in a national conference on technological innovation in Beijing, declared that technological innovation was a top priority to further improve China’s national strength and social prosperity. During the same conference, Premier Zhu Rongji noted that China’s economic growth has been inhibited by "backward technologies and limited technological development capability," (2) and called for intensification of technological innovation in traditional industries as well as state-owned, technology-intensive enterprises (Larsen, 2000). Li (2001), however, attributed much of China’s current industrial progress not to technological innovation but to increased labor efforts and more efficient organizations. He concluded that:

These results [of Li’s study] indicate that developing countries can gain significant productivity growth without significant technological improvement. On the other hand, they imply that the reform of Chinese industries, even in the most economically vibrant area, is far from over. There will have to be a more difficult second stage to deal with the technological backwardness. This implication was true in the early 1990s and it is true today. In 2000, reforming deteriorated state industries is still the most difficult task for the Chinese government (107).

If China’s industries could become more innovative, while continuing to increase their productiveness with organizational and labor efficiency methods, some of the competitive advantages now enjoyed by the West

Abstract: How can an atmosphere of innovation be infused into cultures (national cultures as well as organizational cultures) that are commonly associated with such traditionally viable values as stability and conformity? Understanding the linkage between trust and innovation could be very important to any organization, particularly where extensive innovation adoption is necessary, as in China’s transition.

In this paper, innovation adoption is associated with the degree of trust by managers of organizations in the behavior of their members. As a methodological model, the paper describes a consulting project that surveyed ten Southern California Hospitals, with fifty organizational groups and over 800 participants, questioning their perceptions of organizational climate elements as well as their observations of innovation adoptions. Trust-related organizational climate elements were positively associated with the adoptions of administrative innovations and negatively associated with adoptions of product/service innovations.

The paper proposes a curvilinear model to illustrate the trust/innovation association. It also suggests possible implications of the findings and discussion on the study of diffusion of innovative technologies in China and developing countries. The curvilinear model itself can perhaps be related to some Chinese cultural norms, particularly the “doctrine of the mean” from Confucianism. The methodology may be applicable to important studies of innovation in China.
could shift in China's favor. But how can an atmosphere of innovation be infused into cultures (national cultures as well as organizational cultures) that are commonly associated with such traditionally viable values as stability and conformity?

As in the west, many organizations in China find innovation to be problematic. Organizational climates of conservatism, conformity or traditionalism may slow the process of innovation adoption and, therefore, hinder competitiveness. Innovation is considered particularly important for the economic transition of China, at the town and village level (Naughton, 1994), in agriculture (Lin, 1991a), in joint ventures (Huang, Shroeder and Steffans, 1999), at the enterprise level (Wang, Z., 1994), at the provincial level (Sun, 2000) and at national levels (Wang, X., 1996). Sun (2000) found that innovation was not uniformly dispersed throughout China, but tended to be clustered in certain geographical areas, these being associated with co-located technical infrastructures (but not necessarily with R&D and foreign investment). Merrifield (2000) identified the innovation in U.S. industry as providing a major long-term competitive advantage over transitional countries such as China, in spite of its large excess industrial capacity and relatively low labor rates.

But is it realistic to think that China, with cultural and political values favoring stability and conformity, could foster a climate of innovation? In his final work, *China's Leap into the Information Age*, Lu Qiwen (2000) provided six detailed case examples where Chinese enterprises, operating largely within contexts of government hierarchies and relying on relatively low levels of foreign influence or financing, were able to successfully innovate and compete with Western firms in emerging computer technologies. Lu attributed the successes of the six enterprises not to privatization or increased human effort, but to "non-governmentalization," with managerial autonomy and financial independence appearing to play a greater role than privatization. Lu wrote:

"My case studies have shown that the leading Chinese computer enterprises that contributed the most to the rise of a viable Chinese domestic computer industry were not at all privately owned in the sense of Western market economics. They were all, and still are, under some sort of state ownership." (p. 189)

Some of the current Western innovation literature associates innovation with trust in organizations. The reasoning is that for individuals to assume the necessary risks of experimentation, they must trust that organizations will reward success and tolerate failure. Likewise, for managers to accept the risks of failure associated with innovation adoption, they must trust subordinates sufficiently to balance discipline with latitude.

Figure 1 illustrates a theoretical relationship between trust and innovation via the medium of relaxation of organizational control. Figure 2 illustrates its converse, linking distrust with conforming behavior through increased organizational control mechanisms. (Also suggested are negative side effects of the inappropriate application of control measures: Relaxation of restraint could result in negative lax behavior and increased restraint could produce rebellion or non-compliance.)

Managers with high trust in subordinates might only speak the word and expect the desired result to happen. There would be very little need for control measures such as supervision and auditing. Conversely, if organization managers were to have a low confidence in the predictability of their subordinates' behaviors, they would be more likely to establish restrictions and constraints to reduce variation and help the organizational environment to be more predictable, more manageable; or, in their perception, more trustworthy. A balanced atmosphere of trust and discipline among managers and organization members may be an important underlying factor in the encouragement of innovation adoption in organizations. While there are indications that these effects cross cultural and national boundaries.

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**Is it realistic to think that China, with cultural and political values favoring stability and conformity, could foster a climate of innovation?**
there seems to be a lack of empirical evidence that this is so.

Perfect predictability would equal perfect conformity of behavior and, in the reverse, perfect unpredictability would result in chaos and confusion. Useful innovation is unlikely to be a product of either end of that continuum. I suggest that innovation and conformity are, by definition, almost exact opposites. Where there is a high degree of conformity, innovation suffers, and vice versa. However, with an optimum degree of organizational trust — balancing rigor and slackness, predictability and randomness, empowerment and oversight, confidence and caution, risk and reward, vision and practicality — there may be maximum innovation. This concept is similar to Fairtlough’s (2000) idea of an innovative organization:

Nowadays, successful innovation seems to require ‘loose-tight’ organization structures that provide both the freedom to create and the discipline to turn good ideas into commercial success. The loose-tight form has probably emerged through competitive pressures. Perhaps only these pressures could have forced people at the top of organizational hierarchies to become less controlling (p. 271).

In the context of China’s transition, the idea organizational controls as inhibitors of innovation come forth clearly. Lu (2000) attributed the inhibition of innovation, especially in the industrial sector, to constraints of centralized planning and organizational structures. He wrote:

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**Figure 1: Model of Linkage between Trust and Innovation**

- Organizational Trust
- Relaxation of Controls and Restraints
- Innovative Behavior (Side effect: Laxity)

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**Figure 2: Converse Model of Linkage between Distrust and Conformity**

- Organizational Distrust
- Increased Application of Controls and Restraints
- Conforming Behavior (Side effect: Rebellion)
The biggest problem, however, was the lack of innovation initiatives at the enterprise level. The priority of enterprise managers was to fulfill planned targets. They had neither the incentives nor the resources to engage in innovation, particularly product innovation, given the high uncertainties associated with it. (7)

The relationship between trust and innovation may also be nonlinear. Intuition tells us that minimum trust would certainly end in minimal innovation. In a coercive, suspicious environment, innovation that emerges is likely to be rare and self-serving. However, maximum trust may not result in maximum innovation. In a completely free-wheeling, unregulated environment, randomness and experimentation may spiral into chaos. Hardin (1993) is helpful in this regard, suggesting an optimum balance between trust and trustworthiness. In the case of innovation, there may be a point of optimization, where there is sufficient trust to enable the maximum innovation effects, but where, beyond that point, innovation decreases. Finding that optimum degree of trust would be important to any organization needing to adopt technical or organizational innovations. It could be particularly important for China’s transition.

The purpose of this paper is to suggest a methodological approach to empirically analyze organizational trust factors that may encourage or hinder innovation in organizations, both in China and in the west. I first examine concepts of trust and innovation, as well as their intersections, in order to show how these two concepts have been linked western literature, as well as some eastern literature. Next I review the conduct and findings of a consulting project where I attempted to empirically relate organizational trust with incidences of innovation in California hospitals. I examine the findings of that project, not to generalize the findings themselves to China’s context, but to show the viability of a curvilinear regression methodology for looking at trust and innovation. I argue for a curvilinear model as being more realistic in identifying optimal solutions and as being more in tune with eastern cultural paradigms.

Literature

Trust has been described as a fundamental ingredient for collaboration among organizations (Lewicki, McAllister and Bies, 1998). “The essential ingredient of collaborative effort is trust.” (Costigan, Ilter and Berman, 1998, 303) Levels of trust in organizations can be causally related to collaborative climates that encourage innovation (Ruppel and Harrington, 2001). But the relationship between a climate of trust in organizations and the actual adoptions of innovations is still unclear. Whether or not organizational environments are indeed capable of substantially encouraging or inhibiting innovation with trust or trustworthiness is a matter of controversy.

The consequences of management control measures may fall on a continuum ranging from perfect predictability at one end to total unpredictability at the other. Tushman and O’Reilly (1999) suggest that an organizational balance between efficiency and innovation may require an internal contradiction of management styles, balancing trust and control:

Organizations can sustain their competitive advantage by operating in multiple modes simultaneously-managing for short-term efficiency by emphasizing stability and control, and for long-term innovation by taking risks and learning by doing. Organizations that operate this way may be thought of as ambidextrous-hosting multiple, internally inconsistent architectures, competencies and cultures, with built-in capabilities for efficiency, consistency and reliability on the one hand, and experimentation, improvisation and luck on the other (p. 20).

Classifications of Trust

The three stage model, from Shapiro, et al. (1992) and Lewicki and Bunker (1995) is a convenient way to view managerial trust in organizations. The stages are 1) calculus-based trust — trust based on deterrence, 2) knowledge-based trust — trust based on information, and 3) identity-based trust — trust based on common values and affiliations. Each stage will be discussed
and related to examples of trust literature.

**Calculus-Based Trust**

Lewicki and Bunker (1995) described calculus-based trust as being based on perceived benefits and consequences, balanced by the costs of continuing in the relationship. It is a trust based on deterrence or the balance of consequences perceived by the trustor and trustee. Behavior control and manipulation of the other are its hallmarks. Consistency is assured by making inconsistency undesirable. Defections may be tolerated in a continuing relationship if positive consequences outweigh negative ones. Similar to the conditional trust of Jones and George (1998), calculus-based trust is often reappraised or recalculated, depending on the willingness of the parties to assume risks of exploitation or betrayal.

Doney, et al. (1998) similarly incorporated a calculus-type trust within their cognitive framework, describing behavior of the trustee that can be predicted by the trustor, based on the assumption that individuals tend to act opportunistically. People act trustworthily because it is in their interest to do so. Calculus-based trust is characterized by short-term expectations and circumstantial contingencies. The relationships are fragile and recalculated based on violations. The parties trust each other as long as their respective interests are served (Lewicki and Bunker, 1995).

**Calculus-Based Trust Related to Innovation**

**Risk Acceptance.** Trust involves risk — often calculated risk. An organizational environment of distrust may result in a culture of risk aversion among employees. Inhibitors of innovation are reported to be such factors as fear of failure, reluctance to change, fear to commit finances or organizational inertia. Risk acceptance means purposefully allowing experimentation and removing deterrents to variation. If employees are to experiment, innovate, and adapt, there must be an acceptance of a margin of error by management. Kanter (1984) noted that “innovating companies provide the freedom to act, which arouses the desire to act” (p. 142). Greve and Taylor (2000), Shane (1995), O’Neill, Pouder, and Buchholtz (1998) related the speed of innovation adoption to tolerance of risk and experiment.

Innovation may be countered by risk aversion. Silver and Mitchell (1990) observed a strong tendency among many decision-makers to cling to the status quo in spite of the perception of better alternatives. Only when the status quo began to clearly fail were imaginative alternatives seriously considered. Ryan and Oestreich (1991) observed incidences where a risk-averse attitude became the organizational norm, resulting in decreased innovation. Ironically, Kanter (1984) associated innovation with “benign neglect” of managers who allowed subordinates to experiment (p. 96-97). In another case, a wide separation between potential innovators and the core functions of the organization created a permissiveness that allowed innovation to occur.

**Financial Discretion.** Financial discretion implies having resources to risk and trust in the discretion to spend them. Nohria and Gulati (1996) found both positive and negative relationships between organizational “slack” resources and innovation. Delbecq (1995) also identified centralization of slack funds for experimentation as being detrimental to the promotion of innovation. Chandy and Tellis (2000) found that, contrary to established wisdom, large firms with R&D investments were at least as innovative as smaller, more flexible firms, also concluding that risking existing assets is a key to radical innovation (Chandy and Tellis 1998). Similarly, Chandrashekaran et al. (1999) suggested that the lack of innovation may be related to the unwillingness of an organization to divert from investments in current products. Coyne (1999) attributed part of 3M’s success in innovation to substantial R&D investments and Albert (1995) considered existence of R&D departments as an indication of an organizational commitment to innovate. In China, Lu (2000) found substantial association between financial independence and the ability of managers to make innovative decisions.

**Management Autonomy.** Lin (1991a) associated increased agricultural innovation in China with decen-
predict how they will respond in most situations” (Lewicki and Bunker, 1995, p. 149). Several aspects of the cognitive model described by Doney, et al. (1998) also align with knowledge-based trust. The more the trustor could know about trustees, the more effectively their behaviors could be predicted or anticipated. The known experiences of the past are relied upon to predict the future. Similarly, Costigan, Iltir and Berman (1998) discussed cognitive and affective trust as two dimensions of “dyadic” or interpersonal trust. Cognitive trust, by their definition, is trust formed as a rational choice based on knowledge.

### Knowledge-Based-Trust Related to Innovation

The sharing and gathering of information through meetings, networking and information exchange may function to promote an atmosphere of knowledge-based trust and, hence, innovation. In the literature, innovation has been linked with socialization and the exchange of information. Without considerable information and collaboration, innovation cannot be diffused and adopted. The strength of innovation seems to be closely tied with the benefits of collaboration, teaming and social interaction.

Faitlough (2000) described an innovative organization where “Information is freely shared, there are high levels of trust, and everyone is bound together by a deep understanding of and commitment to organization goals” (p. 271). He further suggested that even such mundane measures as the layout of the workplace or the locations of restrooms can encourage exchange of information, thus encouraging the idea-sharing necessary for innovation.

The awareness and knowledge of an innovation occurs more rapidly than its adoption, according to Rogers and Shoemaker (1971). Further, if an innovation is perceived by members of a social system to be compatible with existing ideas, even more rapid adoption could be expected. Therefore, information sharing and networking plays a large role. Lin (1991b) found

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**The sharing and gathering of information may function to promote an atmosphere of knowledge-based trust and, hence, innovation.**

With no incentive for enterprise managers to innovate, any significant innovation within the centrally planned system had to come from the central planning apparatus. Yet due to information and resource constraints, the central planning authorities could only initiate a limited number of innovative projects (p. 7).

At a higher organizational level, centralized national economies tend to start fewer innovation projects than decentralized economies. Amburgey, Kelly, and Barnett (1993), Taylor (1992), Damanpour (1991), and Schon (1971) all found formalization or rigidity in organizations tending to inhibit innovation. Delbecq (1995) and Bartlett and Ghoshal (1995) associated rigorous strategic planning with decreasing innovation, while Hitt et al. (1996) found that innovation within companies was negatively affected by activities of acquisition and divestiture.

### Knowledge-Based Trust

While exercise of control characterizes calculus-based trust, exchange of information fuels knowledge-based trust. Calculus-based trust relies on deterrence; knowledge-based trust is conditioned upon how well the trustor can understand and predict the trustee’s actions. “The better I know the other, the better I can trust what the other will do because I can accurately..."
innovation adoption of rice hybrids increasing with education levels. Powell, Koput, and Smith-Doerr (1996) found that innovation is related to maintenance of organizational relationships. No single organization has sufficient information to keep pace with all the technological advances. Goes and Park (1997) found that technical and product information exchange in hospitals led to increased diffusion of innovations among individual facilities. Hitt, Hoskisson, and Kim (1997) described a relationship between the international diversity of companies and increased innovation, due to more information exchange from a wider array of sources.

The necessity of information sharing in solving innovation-related problems was explained by von Hippel (1988). Required information tends to be difficult to transfer from one situation to another. As information becomes harder to transfer, iteration of information increases and the costs associated with the innovation rise accordingly. Other linkages between information exchange and innovation were also found by Daft and Becker (1978), Tsai and Ghoshal (1998), Utterback (1994), and others. Knowledge and information, linked to trust by Shapiro, et al. (1992), were also found necessary for innovation by the writers above. Especially pertinent to Chinese culture is the concept of relationship-building, associated by Li and Atuahene-Gima (2001) with product innovation strategies in China. They hypothesize that strategic alliances for product development influence product innovation and technology ventures.

**Identification-Based Trust**

Lewicki and Bunker (1995) described identification-based trust as a product of mutual understanding. Each party understands the other and also understands what is required to maintain the relationship of trust. "At this ... level of trust, trust exists because the parties effectively understand, agree with and endorse each other’s wants; this mutual understanding is developed to the point that each can effectively act for the other." (p. 151) The parties are bonded by common identities, locations, goals or values. According to Doney, et al. (1998), trust could also be transferred, based on referral or association. If a known person could be trusted, a person with similar affinity could also be trusted. They identified this type of trust as being more prominent in cultures with more faith in institutions and other individuals.

Similarly, Atwater (1988) demonstrated that attitudes of trust and loyalty among subordinates and superiors were predictors of supportive and demanding supervisory behaviors, noting that “The more trust and loyalty expressed by subordinates toward their supervisor the more positively the supervisor was perceived to behave” (p. 305). Ruppel and Harrington (2000) found a clear relationship between an ethical work climate and communication. Principle-oriented cultures, influenced by an ethical tone set by management, may promote open communications, which is further linked to trust. Conversely, ethical climates emphasizing parochial interests or organizational interests subsuming individual consequences tended to inhibit communications and, thus, trust.

Identity-based trust may vary with cultures and worldviews. According to Fukuyama (1995), trust and distrust may differ in various national cultures according to differences in social structures and family relations. In his view, the phenomena of trust in Japan may extend to corporate structures, while in China the kinship network may be more important.

The reason, in my view, has to do with the fact that such groups have a narrow radius of trust. In-group solidarity reduces the ability of group members to cooperate with outsiders, and often imposes negative externalities on the latter. For example, in the Chinese parts of East Asia and much of Latin America, social capital resides largely in families and a rather narrow circle of personal friends. It is difficult for people to trust
Identity-based trust is associated with the sharing of values and vision among the participants of a trusting relationship (Lewicki and Bunker, 1995). With an empowered and enlightened leadership, organizations promote a climate of identity-based trust, where partners act upon one another’s behalf. By empowering subordinates, leaders say, “You are one of us.” Leaders, promulgating elevated goals, clear visions and strong values, are associated with sustained innovation in an organization.

Empowerment. Linden (1994) defined effective empowerment as “greater authority and control, with greater responsibility for results” (p. 211). Randolf (1995) described empowerment creating autonomy in the organizational hierarchy and allowing teams of employees to become the new hierarchy. Bartlett and Ghoshal (1995) observed innovation occurring in independently-empowered sub-organizations in spite of the bureaucratic restraints of the larger organization.

Formality of empowerment may not be as important as the reality of empowerment. Thorlakson and Murray (1996) found that formal implementation of empowerment measures do not necessarily yield the predicted innovation-encouraging effects such as perceptions of improved communication, workgroup cohesiveness, or management styles with the needed flexibility. According to Kanter (1984), monetary rewards do not motivate entrepreneurial behavior as much as the perception of being empowered to act. She wrote that, “People tackle innovative projects because they have received the go-ahead for a pet idea they have always wanted to try, or they feel honored by the organization’s trust in them ... or they simply want to solve a problem that will remove a roadblock to something else they want to do” (p. 153-154).

Maccoby (1991) also found that the creation of a sense of team empowerment and purpose is more effective than monetary reward in motivating innovation. He analyzed motivating factors of individual innovators, proposing that satisfaction is attained in the process of understanding and creating, rather than in receiving intrinsic rewards. Further, empowerment and management commitment can theoretically reinforce and sustain innovative behavior. Delegation of power is an investment in commitment that is necessary for innovation.

Leadership. The sharing of values is an aspect of identity-based trust (Lewicki and Bunker, 1995). Visionary, value-oriented leadership is also often mentioned in conjunction with innovation. Tsai and Ghoshal (1998) found shared vision to have an indirect effect on innovation through its promotion of a sense of trust. Howell and Higgins (1990) studied leaders considered to be innovation champions and non-champions and compared their behaviors and levels of effectiveness, suggesting that the innovative success of champions depended upon their capacity to articulate vision, express confidence in others, and model innovative actions. Delbecq (1995) and Dougherty and Hardy (1996) also recognized the contribution of power-wielding and committed champions.

Several researchers emphasized the motivational benefits of appealing to the value systems of potential innovators. Innovative organizations are known for having evident and pervasive value systems. Schneider, Gunnarson, and Niles-Jolly (1994) described the innovative climate of 3M Corporation as reflecting the priorities of management for change, customer focus, and employee entrepreneurship. Kanter (1984) described organizations with innovative cultures as having a pride in the company and a sense that innovation is one of the core values. Leadership that promotes innovation is not limited to leadership from the “upper rungs” of the organizational hierarchy, according to Shane (1995). He defined the following four championing roles as valuable to the innovation process: (1) the organizational maverick, (2) the transformational leader, (3) the organizational buffer, and (4) the network facilitator. Each of these roles is instrumental in providing power, information, and resources at different stages of the innovation process.
Typologies of Innovation

Becker and Whisler (1967) differentiated inventions — creative acts of individuals — from innovations, the latter defined as collective actions of groups. Daft and Becker (1978) distinguished between early adoption, innovation and imitation. Mohr (1969) also made a distinction between innovation and invention, invention being a new creation and innovation a new application. Others extended the definition of innovation to new skills (Nilsson, 1995), unique corporate strategies (O’Neill, Popper, and Buchholtz, 1998), and end products of an organizational learning process (Watkins and Marsick, 1993). Kanter (1984) went even farther:

Innovation refers to the process of bringing any new, problem-solving idea into use. Ideas for reorganizing, cutting costs, putting in new budgeting systems, improving communication, or assembling products in teams are also innovations. Innovation is the generation, acceptance and implementation of new ideas, processes, products, or services (p. 20).

Innovation is classified by type of product (Kleinknecht, 1987), degree of system complexity (Chesbrough and Teese, 1996), degree of innovation complexity (Fleck, 2000), degree of inventiveness (Altschuller, 1984), degree of radicalism (Henderson and Clark, 1990), and according to product, service, and delivery categories (Kim and Mauborgne, 1997). Altschuller (1984), Haveman (1992) and Ziman (2000) characterized innovation as an evolutionary process analogous in many ways to Darwinian and Larmarkian biological evolution models, driven by natural selection, random variation and inheritable traits.

Van de Ven (1986), argued strongly against any inappropriately fragmented classification of the innovation process. Drazin and Schoonhoven (1996) pointed to a lack of consensus among scholars, commenting that researchers generally agree on the benefits of innovation, but not on definitions or classifications of innovation. They commended Daft (1986) for his innovation typology, which included technological, administrative, human-resources, and product/service innovations. Technological innovations are defined as those that would increase production or quality of products or services. Administrative innovations concern organizational structures, goals, or performance systems. Human-resources innovations would improve or change employee attitudes or behaviors including communication, group interaction and problem solving. Product/service innovations are changes in the organizational output to customers, involving new products or new markets. I use Daft’s (1986) scheme to classify narrative reports of innovation adoption in hospitals.

Summary of Literature

Clearly, the literatures of trust and innovation overlap, in western literature as well as some references to China. But both subjects suffer from the lack of precise definitions and consistent, clear typologies. Nevertheless, if organizational climate factors are viewed as attempts by management to create atmospheres of trust, then perhaps a way opens to more clearly connect trust with innovation in organizations. The remainder of this paper will explore ways that trust/innovation relationships can be empirically demonstrated.

Methodology

To provide a working example of how factors of trust can be related to innovation, I draw on a consulting project that I helped to conduct. The findings are limited in scope and precision, but the methodological and analytical approaches seem promising for implementation of future studies, either in the United States or China.

The study itself was sponsored by the Center for Health Services Management Research (CHSMR) and the University of La Verne, surveying ten Southern California hospitals (n=870) (Herting, 2000). The “Environment for Innovation” instrument developed by Badger (1992) was used to measure perceptions of organizational climate factors, along with collected narratives of observed innovations from the respective hospitals. 1,782 narrative responses were classified.
using Daft's (1986) framework. The innovation reports were classified into 606 technical, 374 administrative, 426 human-resources, and 440 product/service innovations, using pattern matching as prescribed by Yin (1994). All reports of innovation were weighed equally and were not evaluated for originality or importance. I reframed the innovation factors from the Badger (1992) instrument into a theoretical construct based on the three stages of trust from Shapiro, et al. (1992).

**Calculus-Based Trust**

Calculus based trust questions included management incentives, deterrents, policies, formalities or organizational structural features that would suggest increasing (or decreasing) predictability of actions, including questions that suggested removal of direct management intervention, management risk acceptance, formal suggestion programs, formal training, formal recognition processes, allowed time, rules suspension and the flattening of organizational structures. These items were categorized as such for their deterrent characteristics, based on characteristics of formality, policy implementation or direct management intervention.

**Knowledge-Based Trust**

Questions were categorized as evidence of knowledge-based trust depending on their information and networking content, suggesting evidence of management activities to encourage (or inhibit) the flow of information and perceptions. Factors in this category included routine information gathering, product evaluation processes, environmental scanning, strategic planning, perceptions of hospital stability, communications of hospital expectations, use of attitude surveys, promotion of networking, frequency of meetings, frequency of workshops, and other information-loaded climate factors.

**Identity-Based Trust**

Identity-based trust questions were selected for their teamwork and organizational affinity characteristics. Items selected included evidence of vision sharing, values sharing, attitudes of commitment, interest in innovation, excitement in the workplace, feelings of job security, a sense of community contribution, and inclusion of stakeholders. These suggested actions or behaviors that furthered a sense of organization affinity within the hospitals.

**Dependent Variables: Reported Instances of Innovation**

Innovations were counted from narrative descriptions and classified into one of Daft’s four categories by pattern matching. Reported innovations were classified as follows:

**Technical Innovations**

Technical innovations were classified as those innovations that render the production process more efficient or productive. These were selected as they related to procedures, processes, equipment, techniques, or technology. In hospitals, these included such items as new computer systems, new medical procedures, new record-keeping methods, process improvement initiatives, new equipment, etc. The selection criteria was process or technology-focused.

**Administrative Innovations**

Administrative innovations involve the management processes of the organization, including examples of innovation that relate to organizational structures, organizational relationships, hospital membership, and administrative policies. Innovative items that fell into this category included reorganizations, mergers, organization restructuring, hospital partnerships, hospital board changes, staffing plans, strategic plans, etc. The classification criteria focused on various aspects of the organizational infrastructure.

**Human Resource Innovations**

Human resource innovations were defined as those innovations that influence changes in the attitudes, skills, beliefs, expectations, or behavior of employees.
Table 1: Correlation Coefficients among Variables of Trust and Innovation (n = 42)

<table>
<thead>
<tr>
<th>Innovation Types</th>
<th>Calculus-Based Trust</th>
<th>Knowledge-Based Trust</th>
<th>Identification-Based Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technological</td>
<td>.156</td>
<td>.205</td>
<td>.082</td>
</tr>
<tr>
<td>Administrative</td>
<td>.457**</td>
<td>.480**</td>
<td>.385*</td>
</tr>
<tr>
<td>Human Resource</td>
<td>.155</td>
<td>.187</td>
<td>.126</td>
</tr>
<tr>
<td>Product/Service</td>
<td>-.379*</td>
<td>-.232</td>
<td>-.220</td>
</tr>
</tbody>
</table>

(**p<.01, *p<.05)

including items that relate to human-resources policies, teamwork, motivation, leadership, team membership, and employee relations. Examples selected included new training events, promotional possibilities, recognition systems, cross-training programs, gain-sharing programs, equal opportunity programs, etc. Items were classified in this category based on their leadership, motivational or educational content.

Product/Service Innovations

Product/service innovations were outputs of the hospital organizations—related to new products, services, or new features that were made available to customers and end users. Examples of these were new hospital services, community outreach programs, hospital events, shifts to out-patient care, treatment programs, marketing campaigns, care units, etc. The emphasis for this category is on the customer. In general, innovations in the other three categories involve processes or structures internal to hospital organizations; product/service innovations are outputs of the hospital.

Findings of the Consulting Project

Trust and Innovation Correlate: Evidence of a Linear Relationship

The table of correlations (Table 1) suggests that the stages of trust (calculus, knowledge and identity-based trust) appear to positively correlate with administrative innovations only. Calculus-based trust was negatively associated with product/service innovations. No significant association is found with either technical or human-resource innovations. It should also be cautioned that, because of the unknown degree of randomness in selection of respondents from the hospital populations, that the confidence values (p) must be considered illustrative.

The association of trust with administrative innovations tends to confirm some of the literature, if narrowly applied to administrative innovations. Socialization determinants of innovations seem apparent in these findings. Connections of innovation with group cohesion and trust, as proposed by Rogers and Shoemaker (1971), Lewis and Seibold (1993), and Tsai and Ghoshal (1998) are also corroborated.

The correlation between the trust stages and administrative innovations may be partly explained by the selection of the survey items themselves. These items tend to refer to administrative types of initiatives such as management actions, goals, objectives, policies, processes, assessments, reviews, meetings, and plan

![Figure 3: Yerkes-Dodson Curve (1908) Adapted to Show a Theoretical Relationship between Trust and Innovation](image-url)
formations. These factors could be considered administrative innovations in and of themselves. It may be that past administrative innovations are good predictors of future administrative innovations. Amburgey, Kelly, and Barnett (1993) suggested that organizations with a history of change and innovation can be expected to continue to innovate and, conversely, those with a history of inertia are likely to cling to the status quo. O'Neill, Poudre, and Buchholtz (1998) discussed the idea of “organizational memory,” in which past experiments precondition future innovation activities. Lewis and Seibold (1993) viewed innovation as habitual within organizations.

However, the three-stage trust construct does not correlate as well to the other three types of innovations. Some of this effect can be attributed to the design of the survey instrument, the relatively small population or the limitations of the study. The significant negative association between calculus-based trust and product/service innovations raises serious questions. Could it be that too much trust and openness would work against the discipline needed to bring a new product to market or to establish a new service? It may be that organizational-climate factors commonly associated with trust only enable certain types of innovation and are inert, or even obstructive, toward other types. In any case, the correlative approach still does not appear to yield satisfactory results. Perhaps the error is in assuming a linear relationship, where maximum trust is associated with maximum innovation. An alternative model may explain the relationship better — a curvilinear model.

A Nonlinear Association between Trust and Innovation

A curvilinear relationship between trust and innovation, depicted in Figure 3, is
suggestive of the classic Yerkes-Dodson curve (1908) from psychology, where performance increases with increased stimuli but reaches an optimum point, there-after decreasing, even though stimuli continue to increase. I theorize that innovation similarly increases with organizational trust to an optimal point, after which innovation levels off and decreases even as trust continues to increase. With extreme trust, roles and rules may become so ambiguous that rigor and discipline would be diminished, and new ideas would never be realized or implemented.

For instance, Coyne (2001) reported that 3M Corporation’s employees are entrusted with 15 percent of their work time to be devoted to individual projects of their choice, a successful policy to encourage innovations. This would be an example of organizational trust, evidenced by the removal of restrictive work rules, resulting in innovation. However, would entrusting employees with more work time result in even more innovation? Would 30 percent work time result in double the production of innovations? If employees were allowed 100 percent of their work time for nothing but self-directed innovative projects, would innovative products go up 600 percent? Or could it be that 3M Corporation has discovered that 15 percent is the optimum amount of work time to be allocated to employees, to enable the maximum number of innovative products?

Evidence of a Trust-Innovation Curvilinear Relationship

The CHSMR study described above provides some scattered evidence for a Yerkes-Dodson effect in regards to a trust and innovation relationship. Flatness of organization, (which I classified as a calculus-based trust element) appeared to relate in this way to numbers of product/service innovations. Although the fit of the quadratic equation is significant only at $p = .19$, Figure 4 pictorially illustrates the possible curvilinear relationship.

As depicted in Figure 4, if the organization is perceived (“strongly disagree”) not to be flat, then there are also few reports of innovation. Conversely, if the organization is emphatically (“strongly agree”) perceived to be flat, there also appear to be few innovations reported. However, at some point in the middle of the continuum, where the data imply there may be either disagreement or lack of knowledge about the flatness of the organization, maximum product/service innovations are reported. As is apparent, the $R^2$ for the model is not significant, partly because of the small population and a few extreme values of innovation reports.

Similarly, Figure 5 displays a non-linear relationship between involvement of midmanagers in innovation and reports of all types of innovation in hospitals. The quadratic equation suggested by these data is significant at $p < .01$. Interpreting this figure, when midmanagers are uninvolved with innovation, few innovations are reported by organization members. However, perhaps when midmanagers become intrusively involved, also few innovations are reported. In between is the “Golden Mean,” where there is an optimum involvement by midmanagers, resulting in the greatest number of innovations reported. Similar non-linear relationships are displayed between midmanager involvement and technical innovations (Figure 6) and with human resource innovations (Figure 7).

An interesting variation on the curvilinear theme may be its inverse. Consider Figure 6 below, showing a non-linear relationship ($R^2 = .341, p < .01$) between employee risk taking and reports of human resource innovations. In this case, the equation predicts two optimum levels of innovation occurring at both ends of the trust continuum, while the mid-point in the continuum shows fewer reports of innovation. The curve appears to be the inverse of the Yerkes-Dodson model. Perhaps the interpretation in this case could be that risk encouragement distinctly spelled out results in innovation. Employees know how much or how little risk is tolerated, and act accordingly. However, if a risk tolerance policy is ambiguous or uncertain, employees would assume the worst and therefore be less innovative. Similarly, figure 7 may imply that clear perceptions of financial stability (or the lack thereof) may be more associated with innovations than mixed perceptions.

Conclusions

Empirical findings from the consulting project data suggest the possibility that organizational trust may
correlate linearly with innovation among the study’s California hospitals, particularly with administrative innovation, depending upon the degree and categories of trust. The findings also suggested the possibility that different types of innovation may be encouraged by very different climates of organizational trust. Product/service innovations especially seem to be found in distinctly different trust climates from technical, administrative or human resource innovations. Some of the product/service innovation findings suggest limitations to a linear relationship model. These findings, of course, were very preliminary and subject to the limitations of the study. Whether they would be replicated in other situations, either in the United States or China, is a matter of conjecture. However, future studies in broader settings, applying a similar methodological approach and using well-controlled primary data would likely uncover clearer relationships. In China, where a pressing need is apparent to identify determinants of innovation, application of this approach may prove to be especially fruitful in the identification of optimum organizational climates of trust and control in various settings.

The visual patterns formed by some data suggest that a nonlinear model may also be useful for examining trust and innovation. The Yerkes-Dodson curve may be a good starting point for future research. Intuitively, there could be too much trust in an organization, inappropriate to the degree of trustworthiness of members or the necessity for control, as suggested by Hardin (1993) and Tushman and O’Reilly (1999). When the trust levels exceed appropriate levels, then side effects could overcome innovative benefits, in the same way that excessive doses of vitamins could be detrimental to health. Much of the innovation literature

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**Figure 6: Nonlinear Regression Model Depicting Relationship between Perceptions of Midmanager Innovative Involvement and Reports of Technical Innovations**

<table>
<thead>
<tr>
<th>Dependent</th>
<th>Mth</th>
<th>Rsq</th>
<th>d.f.</th>
<th>F</th>
<th>Sigm</th>
<th>b0</th>
<th>b1</th>
<th>b2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Innovations</td>
<td>QUA</td>
<td>.167</td>
<td>36</td>
<td>3.60</td>
<td>.038</td>
<td>-.635</td>
<td>2.264</td>
<td>-.817</td>
</tr>
</tbody>
</table>

**Figure 7: Nonlinear Regression Model Depicting Relationship between Perceptions of Midmanager Innovative Involvement and Reports of Human Resource Innovations**

<table>
<thead>
<tr>
<th>Dependent</th>
<th>Mth</th>
<th>Rsq</th>
<th>d.f.</th>
<th>F</th>
<th>Sigm</th>
<th>b0</th>
<th>b1</th>
<th>b2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resource Innovations</td>
<td>QUA</td>
<td>.194</td>
<td>36</td>
<td>4.33</td>
<td>.021</td>
<td>-.547</td>
<td>1.869</td>
<td>-.661</td>
</tr>
</tbody>
</table>
implies a linear regression model with a regression line vectoring toward infinity. From a practitioner's point of view, it would be more useful to know the optimum balance between organizational trust and management control that would produce the maximum benefits of innovation, perhaps empirically operationalizing Fairtlough's (2000) loose-tight organization or Tushman and O'Reilly's (1999) ambidextrous organizations. It may be useful in pinpointing the "causal linkages between the structure of enterprise governance and the mode of technological learning and innovation," suggested by Lu (2000, p. 190).

The use of a nonlinear regression model to study the trust/innovation relationship shows promise. Taking into account the limitations of the data, the feasibility of identifying a quadratic regression model similar to the Yerkes-Dodson curve is clear from the few examples shown above (Figures 2-5). The inverse model (suggested in Figures 6 and 7) is intriguing and merits more examination. Larger populations and better control of data could demonstrate the benefits of this approach more clearly.

The relationship between organizational trust and innovation adoption can be a fruitful way of viewing organizations as they adapt to survive. Many organizations desire or require more innovation and change. With a revised survey instrument, a randomized survey, a larger study population, and development of hypotheses based upon nonlinear models, much more could be learned about the trust/innovation connection. A great improvement would be in the observation of innovations. Evidence of innovations themselves should be more closely examined and more carefully classified, not only according to type of innovation, but also by degree of "innovativeness," perhaps

**Figure 8: Nonlinear Regression Model Depicting Relationship between Perceptions of Employee Risk Encouragement and Reports of Human Resource Innovations**

![Nonlinear Regression Model](image1.png)

<table>
<thead>
<tr>
<th>Dependent</th>
<th>Mth</th>
<th>Rsq</th>
<th>d.f.</th>
<th>F</th>
<th>Sigf</th>
<th>b0</th>
<th>b1</th>
<th>b2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resource Innovations</td>
<td>QUA</td>
<td>.341</td>
<td>36</td>
<td>9.32</td>
<td>.001</td>
<td>.398</td>
<td>.074</td>
<td>.487</td>
</tr>
</tbody>
</table>

**Figure 9: Nonlinear Regression Model Depicting Relationship between Perceptions of Hospital Financial Security and Reports of Administrative Innovations**

![Nonlinear Regression Model](image2.png)

<table>
<thead>
<tr>
<th>Dependent</th>
<th>Mth</th>
<th>Rsq</th>
<th>d.f.</th>
<th>F</th>
<th>Sigf</th>
<th>b0</th>
<th>b1</th>
<th>b2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Innovations</td>
<td>QUA</td>
<td>.173</td>
<td>36</td>
<td>3.77</td>
<td>.033</td>
<td>.474</td>
<td>-.104</td>
<td>.228</td>
</tr>
</tbody>
</table>

Herting / A Curvilinear Model of Trust and Innovation

305
following Altschuller’s (1984) levels of solution approach. This paper drew from a study on hospitals, but I recommend that future research could be applied to industries beyond health care and in cross-cultural settings.

As for China’s transformation, the curvilinear model may be helpful in research concerning the relationship between trust and innovation, in identifying optimal organizational settings for necessary innovation adoption. In this writer’s opinion, there is a Western selection preference for linear regression models to analyze and explain organizational phenomena (like trust and innovation), as evidenced by the very common use of linear models in Western social science literature and analysis (especially since the introduction of easy-to-use PC statistics programs). Preference for a linear regression model, I feel, reflects a Western preference for maximization (“the bigger, the better”) that may not be applicable to the association of trust and innovation. Optimization rather than maximization of organizational climate attributes, implied by the curvilinear examples shown above, has more of an Eastern flavor. It suggests parallels with Golden Mean of Confucius and other ancient philosophers, in their advocacy of a harmonious middle way, with avoidance of extremes at either end of a continuum. Indeed, neither an extreme release of organizational restraints (total trust) nor a draconian imposition of controls (total distrust) would seem at all reasonable in an Eastern setting. Perhaps the notion of an optimal balance between constraint and trust, as well as between conformity and innovation, with all producing a maximum net benefit, would be not only more compatible with a Chinese cultural paradigm, but it would also be more useful in understanding innovation adoption behavior, even in the West. The analysis should be appropriate to the phenomena being examined; the phenomena should not be distorted to fit the analysis. I am reminded of the Chinese proverb: “[Don’t] trim the toes to fit the shoes (????)” (Chen, 1981, p. 467).

Limitations

The value of this paper is in its methodological approach rather than in its empirical findings. The latter should be viewed illustrative. The research design and data collection instrument were developed for different purposes than that of this paper. The example consulting project involved essentially secondary data, aggregated to the group level with no assumption about randomness or control of the survey responses. The population was substantial, but membership in the population was probably arbitrarily determined by the participating member hospitals. Each innovation report was classified at face value with no attempt at verification. Taken together, the empirical findings cannot be generalized, although the general methodological approach, with refinements, holds promise for future research.

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References


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Index
Chinese Public Administration Review

Volume 1 (2002)

Index by Author

C

Public Administration in China’s Transitional Period and the Analysis of Its Reform
Lihui Cai, pp. 101-100

On the Reform of Local Government Organizations in China
Qingyun Chen, Ji Chen, Qingdong Zhang, pp. 91-100

Administrative Reform in Guangdong of PRC and Its Characteristics
Ruilian Chen, pp. 17-24

F

Transforming Administration and Governance by Creating Associations: An Evaluation of China’s Experience
Kenneth W. Foster, pp. 43-54

G

The Development of Chinese Public Administration Society
Ji Guo, pp. 9-16

H

Mary R. Hamilton, pp. 189-198

The Institutional Balance and Political Stability of the Chinese Government in the Transitional Period
Jinghua He and Jianjun Li, pp. 101-111

A Curvilinear Model of Trust and Innovation: with Implications for China’s Transition
Stephen R. Herting, pp. 291-310

Chinese Public Administration Review: An Introduction
Marc Holzer and Mengzhong Zhang, pp. 5-8

Understanding the Difficulties in Building Intersubjectivity among Members of an Organization
Donna Hom, pp. 253-260

The Management Competency of Senior Public Executives in Taiwan
Chaomeng James Huang, Chilk Yu, pp. 137-148

On the Nature of Public Policy
Renzong Huang, pp. 275-282
J

E-Government and Public Affairs Education
Edward T. Jennings, Jr., pp. 230-238

The Construction of an Institutionalized Relationship of Chinese Central and Local Government in the New Century
Taijun Jin and Zaijian Qian, pp. 37-42

L

Local Government Reform in the People’s Republic of China: Stipulations, Impact, Cases and Assessment
Zhiyong Lan, pp. 200-209

Thoughts on the Enhancement of China’s Governmental Administrative Efficiency After the Entrance into WTO, With Views on Reform in China’s Government Leadership System
Ping Li, pp. 25-30

Reflections on the Developing Civil Service System in China
Ruhai Li and Ning Gai, pp. 128-136

M

Numerical Games and Officials’ Achievements
Qingyu Ma, pp. 149-156

Aspects of Citizen-Public Services Relationships: The Case of Greece
Nikos Michalopoulos, pp. 177-184

R

Costs, Benefits, and Motivations for ISO 14001 Adoption in China and Around the World
Susan Summers Raines, Rong Tan, Fei Xu, pp. 239-252

S

The Lack of Government Support for CEUSRI and Measures to Promote It
Huoxue Shi, pp. 157-164

Development and Management of Government Human Resources: A Shortcut to Economic Development
Bin Song, Jing Bao, pp. 266-274

W

Three Paradigms of Public Administration: An Analysis of the Current Status of Public Administration of China
Bing Wang, Yuanfei Gu, pp. 199-208

A Important Book in the Study of Chinese Politics and Administration (book review essay)
Huiyan Wang, pp. 83-85

A Probe into China’s Public Administration Education and the Construction of the Subject of Public Administration
Lefu Wang, pp. 31-36

Estimation Models of Extreme Behavior: A Monte Carlo Comparison Between SWAT and Quantile Regression
Jiannan Wu, Stuart Bretschneider, Frederick Marc-Aurele, Jr., pp. 165-176

Identifying Best-Practices: A Monte Carlo Evaluation of Quantile Regression
Jiannan Wu, Stuart Bretschneider, pp. 283-290

X

On MPA Education Engineering in China
Xiaolin Xu, pp. 261-265
From "Danwei" Society to New Community Building: Opportunities and Challenges for Citizen Participation in Chinese Cities
Kaifeng Yang, pp. 65-82

Guoqing Zhang, pp. 221-229

Ethics-Driven vs. Institutionalized Self-Discipline: A Study of Project Hope's Public Accountability and Supervision Mechanisms
Zhiren Zhou and Qingyun Chen, pp. 55-64

**Annual Index by Subject**

*Preface*

Chinese Public Administration Review: An Introduction
Marc Holzer and Mengzhong Zhang, pp. 5-8

*Administrative Culture*

A Curvilinear Model of Trust and Innovation: with Implications for China's Transition
Stephen R. Herting, pp. 291-310

*Administrative Reforms*

Administrative Reform in Guangdong of PRC and Its Characteristics
Ruilian Chen, pp. 17-24

Thoughts on the Enhancement of China’s Governmental Administrative Efficiency After the Entrance into WTO, With Views on Reform in China's Government Leadership System
Ping Li, pp. 25-30

On the Reform of Local Government Organizations in China
Qingyun Chen, Ji Chen, Qingdong Zhang, pp. 91-100

Public Administration in China's Transitional Period and the Analysis of Its Reform
Lihui Cai, pp. 101-100

The Institutional Balance and Political Stability of the Chinese Government in the Transitional Period
Jinghua He and Jianjun Li, pp. 101-111

Local Government Reform in the People's Republic of China: Stipulations, Impact, Cases and Assessment
Zhiyong Lan, pp. 200-209

Guoqing Zhang, pp. 221-229

*Book Review*

Thoughts on the Enhancement of China’s Governmental Administrative Efficiency: An Important Book in the Study of Chinese Politics and Administration
Comparative Public Administration

Aspects of Citizen-Public Services Relationships: The Case of Greece
Nikos Michalopoulos, pp. 177-184

Civil Service System

Reflections on the Developing Civil Service System in China
Ruhai Li and Ning Gai, pp. 128-136

The Management Competency of Senior Public Executives in Taiwan
Chaomeng James Huang, Chilk Yu, pp. 131-148

Democratic Participation in China

From “Danwei” Society to New Community Building: Opportunities and Challenges for Citizen Participation in Chinese Cities
Kaifeng Yang, pp. 65-82

E-Government

E-Government and Public Affairs Education
Edward T. Jennings, Jr., pp. 230-238

Human Behavior

Costs, Benefits, and Motivations for ISO 14001 Adoption in China and Around the World
Susan Summers Raines, Rong Tan, Fei Xu, pp. 239-252

Understanding the Difficulties in Building Intersubjectivity among Members of an Organization
DonnaHom, pp. 253-260

Intergovernmental Relations

The Construction of an Institutionalized Relationship of Chinese Central and Local Government in the New Century
Taijun Jin and Zaijian Qian, pp. 37-42

Intellectual History of Public Administration

The Development of Chinese Public Administration Society
Ji Guo, pp. 9-16

Mary R. Hamilton, pp. 189-198

Three Paradigms of Public Administration: An Analysis of the Current Status of Public Administration of China
Bing Wang, Yuanfei Gu, pp. 199-208

MPA Education

A Probe into China’s Public Administration Education and the Construction of the Subject of Public Administration
Lefu Wang, pp. 31-36

On MPA Education Engineering in China
Xiaolin Xu, pp. 261-265

Public Accountability

Numerical Games and Officials’ Achievements
Qingyu Ma, pp. 149-156

Public Personnel Management

Development and Management of Government Human Resources: A Shortcut to Economic Development
Bin Song, Jing Bao, pp. 266-274
Public Policy

The Lack of Government Support for CEUSRI and Measures to Promote It
Huoxue Shi, pp. 157-164

On the Nature of Public Policy
Ren-zong Huang, pp. 275-282

Research Methodology

Estimation Models of Extreme Behavior: A Monte Carlo Comparison Between SWAT and Quantile Regression
Jiannan Wu, Stuart Bretschneider, Frederick Marc-Aurele, Jr., pp. 165-176

Identifying Best-Practices: A Monte Carlo Evaluation of Quantile Regression
Jiannan Wu, Stuart Bretschneider, pp. 283-290

The Third Sector in China

Transforming Administration and Governance by Creating Associations: An Evaluation of China's Experience
Kenneth W. Foster, pp. 43-54

Ethics-Driven vs. Institutionalized Self-Discipline: A Study of Project Hope's Public Accountability and Supervision Mechanisms
Zhiren Zhou and Qingyun Chen, pp. 55-64
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