

Shame and authority: tracing the cultural antecedents of internal control protocols in China

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Abstract

Purpose

To show how internal controls may be undermined and compromised by unquestioning obedience and accommodation of staff with management.

Design/methodology/approach

The paper makes use of an ethnographic approach based on participant observation. The researcher worked for several years as a trainee manager for a large hotel chain in China. During that time as part of training she kept a record of her experiences in various roles.

Findings

Obedience to authority is a fundamental Confucian ideal that has left its legacy on internal control systems within East Asia. Under the Confucian tradition, superiors are not to be questioned, their accusations establish guilt and the resultant punishment is typically a public ritual that can be mitigated only by confession. Internal control systems in East Asian organisations are shown to carry latent vestiges of these traditions, as illustrated with examples drawn from a micro analysis of a hotel organization.

Originality/value

Internal control is conventionally depicted as comprising technical practices designed to prevent or detect accounting errors and/or the loss of assets. However, high profile corporate collapses in recent years have fostered a recognition that internal control encompasses an organisation's broader cultural milieu. Where unquestioning compliance and obedience predominate, internal control may be ineffective – regardless of the technical routines in place. The paper shows from a micro perspective how internal controls may be compromised. Theoretical guidance is provided by Foucault's concept of subjugated

knowledge: local memories regarded as unqualified or actively disqualified within organisational hierarchies.

Key Words

China, Foucault, internal control, discipline, shame

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1. Introduction

The purpose of this paper is twofold. First, it provides an historical overview of traditional Chinese practices of behavioural control and their origins. Second, it illustrates how these practices continue to exert influence over systems of internal control within Chinese companies today. In particular, and based on a micro-Foucauldian perspective, the paper seeks to demonstrate how these traditional practices may manifest in significant internal control weaknesses.

Traditionally, internal control has been depicted as comprising the technical practices and routines that assist in protecting an organisation's records and the integrity of its accounting records as well as fostering efficient and effective operations and regulatory compliance. For example, Australia's Auditing and Assurance Standards Board (AUASB) provides the following definition of internal control in its *Glossary* (AUASB, 2009: 24):

Internal control means the process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term "controls" refers to any aspects of one or more of the components of internal control.

In this way, internal control is often focussed on technical processes, such as the segregation of incompatible functions, appropriate authorisation of transactions, timely reconciliation of accounts, and such. However, this paper contends that effective internal control is about more than just process. Rather, effective internal control must encompass a broader range of fundamental aspects concerned with how an organisation operates. This has been highlighted by high profile corporate collapses – most notably Enron – where the fundamental weaknesses in internal control did not relate primarily to technical processes, but rather to the broader control milieu of the organisation. In particular, in settings where there is an unquestioning allegiance to senior management or where decisions cannot be challenged and probing questions are discouraged, then internal control may be ineffectual, regardless of the extent and quality of the technical routines in place.

In relation to the governance of behaviour generally, Foucault (1980b: 82) refers to the concept of "subjugated knowledge": "local memories regarded as unqualified or actively

disqualified within the hierarchies of scientificity”. Further, he states that adopting this notion in conducting an analysis at the micro level “allows us to establish a historical knowledge of struggles and to make use of this knowledge today” (p. 82). While there is an extensive literature on internal control systems, and the prevalent weaknesses within such systems, the general approach adopted in identifying control weaknesses is structured from a macro perspective. Consideration of internal control weaknesses from a micro and historical perspective is rarely featured.

A micro perspective can highlight that while accounting provides a structure of financial goals, budgets and performance measures, the implementation of control, as shown by Hopper and Macintosh (1998), becomes the agency of managers. As a consequence, under a culture of obedience, implementation can permit managers to pursue fraudulent or self-advantageous practices and require “people lower in the hierarchy to do whatever it took” (“A Load of Tosh”, 2015: 50). This paper argues that within East Asian Confucian dominated cultures, scant attention has been given to how internal control weaknesses may often be a manifestation of distinctive behavioural and cultural perspectives.

A notable example of this occurred at Toshiba, where a long term fraud that inflated profits by around \$1.2 billion was blamed on top management having “relied on a Japanese culture of obedience” (“A Load of Tosh”, 2015: 50). At Toshiba, as reported in *The Economist*, the long running fraud was perpetrated from the top and was successful because staff at lower levels facilitated the fraud by following a Confucian culture of obedience. This requires obedience to superiors even when they are known to be in the wrong. It is argued that this Confucian legacy is also persistent in China. This ongoing relevance of the Confucian legacy today is identified by Hammond and Richey (2015) in their recent book *The Sage Returns*. However, its influence on – and potential undermining of – internal control systems is unlikely to be pinpointed by macro determinants of probability, such as market capitalisation, firm age, aggregate loss, bankruptcy risk, number of operating divisions, sales growth, restructuring charges and governance. Firms scoring high probabilities of weakness on these variables are deemed to be relatively more distressed and have lower market values, greater complexity of operations, higher incidence of organizational change and greater accounting measurement risk (Doyle, Ge & McVay, 2007).

This paper argues that at the micro level, a determinant of internal control weakness in organisations can be a culture of obedience to authority, coupled with managerial agency. *The Economist* (2014) reports that North American exchanges have de-listed more than 100 Chinese firms in recent years because of accounting problems. This included, in 2010, the

firm Chinese Integrated Energy Ltd – a KPMG audit client which reported that it had a biodiesel factory that was in full production, but which in reality had been dormant for months. Another firm, Sino-Forest, audited by Ernst and Young, claimed to own timber that did not actually exist. In each case, 95 per cent of the value of the companies was fictitious, but this escaped the notice of the auditors. Such level of deceit suggest a strong probability of managerial agency and a culture of obedience.

The remainder of the paper is organised as follows. The next section adopts a Confucian perspective to explain how the East Asian legacy of governance and obedience came about and how accounting may be a mechanism that shapes behaviour. The third section then advances the relevance of Foucault's writings in theorising the role of power and discipline with an East Asian context. Section four provides a case study that demonstrates how obedience is practised within Chinese hotels, first from a general perspective and then by citing a particular incident of accommodation to managerial agency. The fifth and final section then provides concluding and summarising comments.

2. Background and prior Literature

For the historian, what makes East Asian organisations interesting is their long history of operating with Confucian traditions of authority and obedience. How much modern East Asian organisations continue with Confucian traditions is problematic and reflects the forces of revolution (overthrowing the old) and/or evolution (a slow and gradual process of change). The political turmoil of the Cultural Revolution overthrew much of the legacy of Confucianism in China. Huang (2010) points out that during this time women became red guards and adopted male dress and male haircuts. The eradication of female sexual features in photos was aimed at expressing a sense of equal identity between men and women: the point being to deny the separate roles and rules of conduct for women that were prescribed by Confucian tradition (Huang, 2010). However, the revolution did not last and was short lived. In the 1980s, Deng brought about sweeping changes and from 2004 Confucius Institutes were established around the globe by the Chinese government to promote Confucian culture and Chinese language. The sage had returned – if he ever left (Hammond & Richey, 2015).

Accounting is fundamentally about organising business transactions so as to calculate profitability. It provides a means by which owners can measure managerial performance. To please owners by maximising profit, managers will make use of their agency unless regulated by auditing safeguards (Gleenson-White, 2011). Managerial agency may be also limited by

internal controls and staff resistance. Extant literature shows that staff behaviour is shaped by the structure and the extent of managerial agency (Roberts, 2014). An authoritarian structure may weaken staff resistance and encourage staff accommodation, as in the Toshiba case. Chinese business organisations in the larger cities employ many migrant workers from the countryside. These workers have no city labour or civil rights and can be easily dismissed. In particular, labour intensive service organisations such as restaurants and hotels will seek to employ migrant workers as their pay is determined not by city rates but by what the market will bear amidst abundant supply.

Bakan and Achbar (2004) tested the psychological profile of the modern corporation using the American Psychiatric Association's diagnostic manual for mental disorders and found that the corporation to share many characteristics that define psychopaths: they break the law; hide their behaviour; sacrifice long term welfare for short term profit; are aggressively litigious; ignore health and safety codes; and cheat their suppliers and workers without remorse. Migrant workers are vulnerable to employers, as they are without labour rights.

Penfield (2014) points out that the triple panoptic system of "courts-police-prison" performs three political functions in service of social hegemony. With regard to the Chinese working underclass of migrants from the countryside, who without city identity cards suffer a lack of work status, such marginalization conditions their exploitation and produces an underclass of labour: an artificial population of use to industry and formed by the courts-police-prison system. Han and Altman (2009) state that in cultures like China, there is no clear demarcation between personal and organizational life. A culture featuring *guanxi* may have some negative consequences as it can encourage organisational injustice. Chen, Chen and Xin (2004, p. 50) found a negative relationship between unethical *guanxi* practices (unwarranted influence on employees' promotion, bonuses and salary, task allocations and performance appraisal) and employees' trust in management. Similarly, Bozionelo and Wang (2007) found that employees' *guanxi* with their boss, top level managers or even important outsiders is instrumental in engendering performance related pay and positive evaluations, which can result in negative perceptions of distributive injustice. Such findings by Chinese researchers bear out the contention that elements of the pre-1911 justice system remain embedded in Chinese society.

Zhang, Song and Bycio (2006) argue that Chinese employees' impression management is more likely to involve attempts to falsely underscore loyalty, selflessness, respect for authority, a strong work ethic, and concern for the common good. Walder (1983) points out

that employees' loyalty to superiors is based on an "on-going" exchange of loyalty for advantage. For example, when "someone purposely cultivates a relationship with someone in a superior position" (p. 161), through the giving of small gifts and the performance of favours, such as flattery, or submissive behaviour causes their superiors to believe that whatever they want their subordinates will share. Walder (1983) further observes that there operates a distinctive reward system in state-owned enterprises in China, where supervisors have the flexibility to use their discretion in deciding their subordinates' rewards and penalties.

When a superior person makes a wrong accusation, the subordinate can remonstrate but must maintain a meek and mild disposition. However, if the superior does not listen, the subordinate has to continue to serve his superior. A well-quoted passage recorded in the *Book of Rites* states:

If a parent has a fault, the son should quietly, with a gentle voice and a blank expression, point out the problem. If this has no effect, the son should increase his reverence and filial piety. Later the son can repeat his point. If the parents are displeased, the son should strongly state his point, rather than let them do something wrong in the neighbourhood or countryside. If they are even more angry and more displeased, and, even if the parents beat the son till the blood flows, the son should not dare be angry or resentful, but instead should increase his reverence and filial piety (cited in Rainey, 2010, p. 26).

This passage explains that the inferior is bound to obey the superior even if they are at fault and should bear any punishment that is given because of their protest without resentment. These ancient Chinese texts are deeply embedded in the Chinese psyche and have served to create a society that is obedient, hardworking and respectful to superiors. For women in particular, the ideal of harmony implies obeying authority and yielding to others and never calling attention to yourself: "he who speaks out destroys harmony" (Arisaka, 2000, p. 6). These ideals, when combined with a woman's position in Confucian tradition, contribute to the stereotypical East Asian woman being docile, obedient and eager to please. Not to have an independent critical voice is a female virtue (Arisaka, 2000). Moreover, such Confucian virtues are so strongly inculcated that they are "enforced by women themselves" (Arisaka, 2000, p. 7). The Confucian thinker Zhu Xi (1130-1200) observes: "To do wrong is unbecoming in a wife, and to good is also unbecoming to a wife. A woman is only to be obedient to what is proper" (Ebrey, 1991, p. 27).

Another important concept that is embedded Chinese behaviour is *mianzi* (which means *face*), which is translated literally as face. It still shapes behaviour. A recent survey reported that 93 per cent of the 1,150 respondents said that they pay considerable attention to their

mianzi (Shan, 2005). It is hard to define the concept of face precisely (Ho, 1976). A famous Chinese writer, Lin Yu-tang, said that face is “impossible to define” and it is “abstract and intangible, it is yet the most delicate standard by which Chinese social intercourse is regulated” (Ho, 1976, p. 867). *Mianzi* relates to dignity, a sense of honour, personal prestige and status, but is distinguished from them. It has universal applicability, but it is more applicable in China (K. Hwang, 1987). For example, an old Chinese saying spells out the significance of face: “Men Live for face as trees grow for bark” (cited in Shan, 2005). This means *mianzi* for an individual is as important as the person’s life.

According to Ho (1976), because Chinese people live for their face, loss of face is a very serious matter. If face is lost, people feel very embarrassed, humiliated and ashamed. If face is gained, people feel honoured and proud. In a collectivist society, family honour or shame is often attached to an individual gaining or losing face. When face is lost, the inter-harmony of a person is disturbed. When someone causes others to lose face, the harmony of the relationship is interrupted.

The adoption of face-saving behaviour in conflict situations is valued as a means to maintain a sense of harmony. The Chinese view it is shameful to disturb group or interpersonal harmony; a sensitivity that is ensconced in the culture and which is developed and reinforced through childhood rearing practices based upon shaming techniques and group loyalty (Kirkbride, Tang & Westwood, 1991, p. 369).

According to Hwang (1987, p. 962), some common strategies for saving face include: avoiding criticising others, especially superiors; using circumlocution and equivocation when not wanting to answer questions; avoiding public attention and remaining silent. When people save face for others, they also save their own face, especially if their comments are incorrect or if the recipients take them negatively. Therefore Chinese may say “yes” when they actually mean “no”, because saying “no” in some circumstances can be utterly disrespectful, especially to superiors in a workplace. For Chinese people, if lying is necessary to maintain one’s face or save others’ face, it is considered appropriate (Bond, 1991). Face-saving behaviours are considered social norms; it is proper performance of *Li* (Chan, Denton & Tsang, 2003). For example, as required by *wulun*, juniors need to pay respect to seniors and authorities. This is a way of giving others face, or maintaining it, as well as for oneself.

Even though China has established a comprehensive legal system, it may not be effective because of the authoritarian social structure. As Jacob et al. (1995, p. 31) point out:

“Rule by man” is interpreted to mean not merely that top decision makers have the final authority. In China, this has come to mean that decisions should never be questioned. The problem with business management is that top decision makers have unlimited powers. On the other side, there is no mechanism to ensure that these powers are not abused.

This view by Jacob et al. (1995) supports the contention that managers and officials operate within a wider range of sanctions than is common outside China.

Chen (2002) states that another reason for the relevance of impression management and the cultivation of supervisors in a Chinese organizational context is the lack of a grievance system in the Chinese workplace; employees cannot normally voice their concerns to top management if they feel that they were unfairly treated. Accommodation prevails and, as Han and Altman (2009) point out, this can manifest in resentment within the workplace when some staff are given preferential treatment based on their affinity with supervisors.

Bozionelo and Wang (2007) emphasise this aspect of staff accommodation to managers is negatively perceived when it seems to influence rewards.

Hu (2013) maintains that a distinctive feature of Chinese culture throughout the country’s long history is its mechanism of punishment. It is a mechanism directed at creating a behaviour of self-subordination in the labouring classes. Such self-subordination is fostered by sense of “shame” and public humiliation leading to loss of “face”, which is why public punishment of the body was ubiquitous and continued until 1911. To accept inferiority to the superior classes meant accommodation. Such accommodation is evident by the cutting and binding of women’s feet. From an early age females had their feet bound so that they would look attractive to men by their peculiar hobbling walk. It was a badge of gender inferiority. The concept of *Li* sets the standard for conduct, and how individuals’ roles and status is prescribed in the Chinese collectivist society (Lai, 2008; Liu, 2004). For example, according to Yao (2000), to show respect to the older generation, the younger generation was required to bow or kneel down to say “good morning” every day. “If everybody acts in accordance with *Li*, then the world would be peaceful and orderly, ruled without ruling, governed without governing, and ordered without ordering” (Yao, 2000, p. 192). In other words, status should be engrained and internalised.

The purpose of *Li* is to nurture behaviours in accordance with *ren* and *yi*. *Li* needs to be followed as a natural behaviour rather than by conforming to the rules. The performance of rituals also cultivates the understanding of *ren* and *yi*. Fan (2010, p. 177) provides a good example:

if I teach my children that bowing to their uncle is showing respect to him, they will know what to do; but if I only tell them that they should respect to their uncle, they will not know what to do.

In this example, respecting elders is implied in the virtue of *ren* and bowing to elders is the ritual to reflect such respect. Hence, rituals provide clear guidance as to how to behave properly in society (Fan, 2010). Managers may suggest to staff to bow as a behaviour showing respect for senior staff. The ideal is to cultivate self-subordination.

From the last Qing dynasty until 1911, whipping was used to interrogate and punish, the assumption being that the accused were guilty because a superior person was the accuser (Park, 2008). A special bamboo cane was employed that was calculated to maximize pain in the victim and to draw blood with each lash. The resigned acceptance by the accused of punishment by a superior, even when the accusations are false, is a central characteristic of Confucian authoritarian moralism (Hwang, 1999). China did not punish officials, or members of the superior classes, as that would send a dangerous message to the masses who were assumed to look to superiors with respect and for guidance. In any case, those with money could escape physical punishment by paying a fine as shown by the bureaucratic schedules below.

Chī (笞), beating on the buttocks with a Light bamboo cane. There were five degrees of chī:
10 lashes (remitted on payment of 600 wén (文) in copper cash).
20 lashes (remitted on payment of 1 guàn (贯/貫) and 200 wén in copper cash).
30 lashes (remitted on payment of 1 guàn and 800 wén in copper cash).
40 lashes (remitted on payment of 2 guàn and 400 wén in copper cash).
50 lashes (remitted on payment of 3 guàn in copper cash).

Zhàng (杖), beating with a large stick on either the back, buttocks or legs. The five degrees of zhàng were:
60 strokes (remitted on payment of 3 guàn and 600 wén in copper cash).
70 strokes (remitted on payment of 4 guàn and 200 wén in copper cash)
80 strokes (remitted on payment of 4 guàn and 800 wén in copper cash)
90 strokes (remitted on payment of 5 guàn and 400 wén in copper cash)
100 strokes (remitted on payment of 6 guàn of copper cash).

The above schedule shows that the Imperial system of punishment was highly structured. Besides exempting superior classes and those with money, the system relied on public shame and collective denouncement. Thus, it did not matter that the victim might later be found innocent, because by being denounced as having a criminal disposition warranted punishment anyway (Park, 2008). The whippings from 10 to 100 lashes were designed to cover 1,000 crimes and had the added value of exposing the victims to a public sense of shame. Losing “face” in this way would have had “dire social consequences” (Gao, Herbig & Jacobs, 1995, p. 29). Thus, local Chinese magistrates exercised a far greater range of agency than their

European counterparts, as that difference between 10 lashes and 100 was enormous in effect as contemporary photographs reveal.

Behaviour was shaped and bodies were made docile in China until 1911 by physical punishment, but modern internal controls draw on elements of structures from the past. That is why in modern China, disciplinary structures rely on parades, public humiliation, discourse, acceptance of authority and the right to punish. The belief in a superior class has as its corollary the concept of an underclass of *Waidiren* (those lacking a city identity). It can be argued that European disciplinary structures draw on the same legacy, but these can be shown to lack the same Imperial-wide application, concepts of judicial interrogation, guilt by association, collective denouncement and formal exemption of the superior classes and those with money. These latter features may be shown to prevail in the disciplinary structure in modern China, where the civil rights of the *Waidiren* do not apply in a work situation. However, what is more important for this study is to draw from the old judicial system the greater agency that was allowed by local magistrates, which is reflected at the micro level of management by the greater agency available within relatively low level authoritarian structures.

With respect to governance and accounting, Mennicken and Miller (2012, p. 4) state that:

The calculative instruments of accountancy transform not only the possibilities for personhood; they also construct the physical and abstract calculable spaces that individuals inhabit. Whether in the private or the public sector, activities are increasingly structured around calculations of costs and benefits, estimates of financial returns, assessments of performance and risk, and a plethora of other forms of numerical and financial representation. Yet, despite the influence of this vast yet still growing calculative infrastructure, relatively little attention has been given to the ways in which this economizing of the entire social field alters modalities of governing and forms of personhood and power.

The Mennicken and Miller (2012) contribution highlights the way the structure of quantification alters behaviours, governance and power relations. This is because, as they observe, accounting is both inherently administrative and political. It is at the heart of what Foucault so aptly called the calculated management of life (Foucault, 1980a). Not only does it depend on administrative practices of recording and bookkeeping, but also acknowledges that calculative technologies of accounting are mobilized by a variety of political programmes for intervening in economic and social life (Rose & Miller, 1992). By employing Foucault's concepts, it is possible to see the conjoint disciplining effects of accounting numbers, and their involvement in the production of neo-liberal subjectivities. Mennicken and Miller (2012) consider that accounting numbers have a distinctive capacity for acting on the actions of others, a circumstance that goes far beyond the abstract

injunctions of economic theory. By linking decisions to supposedly configure persons, domains and actions as objective and comparable, accounting, in turn, renders them governable.

Mennicken and Miller (2012) stress that accounting numbers are not only involved in the ‘making up’ of economic entities, they also help construct the type of persons or identities that inhabit these entities. It is this construction of identities within a larger tradition that is of historical interest as to how much such traditions impact on behaviour. Miller and O’Leary (1987) explain how the rise of standard costing and budgeting in the 1930s, for instance, provided a new way of thinking and intervening that promised to render visible the inefficiencies of the individual within the enterprise, supplementing traditional concerns with the fidelity or honesty of the person.

Macintosh (2002) states that in disciplinary organizations, there are three categories underlying the principle of disciplinary practice: the principle of enclosure; the principle of the efficient body; and the principle of disciplinary power. Accounting is a form of surveillance, which provides measures and structures to enable knowledge (Hopper & Macintosh, 1998). By recording outputs, managers can know if staff are achieving the metrics demanded as a performance measure. In Chinese electronic component factories, workers are dressed alike and assume a place on a production line where they may not talk, nor leave. Their target output is calculated to allow no break in attention. Failure to achieve the necessary target metrics can mean dismissal – not so much as at the manager’s arbitrary discretion, but as a result of objectives embedded in a structure which demands that certain metrics be achieved.

3. Theoretical Foundations

The central Foucauldian perspective used in the accounting literature is the nature of discipline and how power produces the subject (Honderich, 1995). Thus, although Foucault did not write directly about management accounting, he has been seen as a major influence on research in the field (Hoskin, 1998). Berente, Gal and Yoo (2010) state that like the prisoners in the Panopticon system of surveillance, human behaviour is regulated by the disciplinary practice of management accounting practice. The relationships of observer and the person who is observed are transformed in this practice. Foucault (1977, p. 202) states that every person who is subject to disciplinary power and control is “seen without ever being seen”. For example, in schools or prisons each person is seen when they are in classes or

cells. Those people who are observed become disciplined by specific regulations and rules, which are from specific disciplinary practices. These disciplinary practices are contained in administrative procedures. Similarly, workers and even managers in a company will become disciplined through different rules, regulations and procedures, especially by the accounting numbers, management accounting controls therefore play pivotal roles in organizations. Foucault recognizes that an effect of power is to induce self-subordination. As Foucault (1980b, p. 119) observes: “it [power] doesn’t only weigh on us as a force that says no, but ... it traverses and produces things, it induces pleasure, forms knowledge, and produces discourse”. That is, the exercise of power may not necessarily produce resistance but its opposite: accommodation. While, self-subordination may come about as a result of quantification, in a relational society such as China there is less need for managerial agency to be backed by the power of numbers (Hu, 2013). According to Hu (2013), what is distinctive about Chinese culture is how power and punishment have over the centuries been designed to engender accommodation and shame. The latter sense is etched into the Chinese psyche, where, as Hu (2013) observes, the loss of face and public shame are to be avoided whatever the price in self-subordination. In order to understand how managers can exercise this mechanism of power, it is necessary to have a background understanding of Chinese self-subordination and how it has come to be such a strong behavioural response. Some ethnographic illustrations of this are provided in the following, case study section drawn from the journal of the first author, who for a time was employed as a trainee manager in a Chinese hotel chain.

Foucault (1980b) argues that the techniques of power operate through infinitesimal mechanisms in daily life. The appearance of different organizations, such as the clinic, the insane asylum, the military academy, the factory, and the prison, are a consequence of human power struggles; these organizations have not always existed, but are constructions so that particular elements of human society can progress. Foucault (1980b) argues that power/knowledge relations were implicated in various disciplinary practices and in many different organizations, this and gives rise to modern strategies of discipline and surveillance – strategies, which normalize behaviour.

Foucault begins his most famous book, *Discipline and Punish: The Birth of the Prison*, with a vivid description of judicial torture. His detailed description of torture reveals the legacy of physical punishment in terms of public humiliation, examination, measurement and calculation, which is embedded in disciplinary practices. The legacy of the old punishment

system serves to influence characteristics of new disciplinary practices. This paper adopts this disciplinary link of accounting with power and governance to show how accounting becomes a necessary part of a structure of examination, measurement, and calculation that disciplines and changes behaviour. This theme of control is considered in a Chinese context and draws from the literature to show a greater range of managerial agency than that reported in the West, and some empirical examples illustrate such agency.

Discipline and Punish: The Birth of the Prison (Foucault, 1979) devotes several pages to describing in brutal detail the punishments that would render bodies docile. This paper mirrors Foucault by its description of the Chinese Imperial punishment system, which prevailed up until 1911. In many ways, physical punishment in medieval France paralleled the system of punishment in China, but there were important differences. Punishment in China followed a more prescribed and bureaucratic structure, characterised by distinguishing authority and inducing shame. While sharing the same features of examination, measurement and calculation, there was a presumption of guilt in China. Trial, interrogation and punishment were combined as one procedure (Park, 2008). Furthermore, at a local level, district magistrates in China exercised greater agency (Park, 2008).

Foucault's (1979) theory concerning the "docile" body plays an important part in our understanding of how the body is created to conform, and also "the disciplinary technology of power to produce docile, useful bodies" (p. 160). Hopper and Macintosh (1993, p. 193) argue that "enclosure, confinement and partitioning were the necessary first steps for turning a heterogeneous mass of humans into a homogeneous social order". Such theories have relevance to China where the supply of migrant labour without labour rights is relatively plentiful and the structure reflects the authoritarian and hierarchical culture observed by Hofstede (1986).

4. Method

Ethno-methodology has a firm status as a contribution to sociological inquiry Atkinson (1988). Podsakoff (1987) makes the point regarding ethno-methodological approaches that: "there are any number of advantages to be gained by such direct techniques" (p. 443). Ethnography methodology is adopted as action research by a former hotel staff. My role approximated to what Sherman (2007) calls the ethnographer as a hotel staff member. The researcher acted as a hotel staff member and was allowed access to subsidiary hotels on the assumption that the involvement would "add value" to the hotel (p. 146).

Sherman (2007) explains that the ethnographic researcher is expected to take initiative and be self-sufficient in terms of gaining access to employees and building their own networks in hotels as sources of data. The researcher is asked to provide not only data describing what is found but also recommendations for action based on the findings.

Given the importance of researcher reflexivity in ethnographic research, the researcher must carefully preserve her relationship with the biggest hotel chains, and subsidiary hotels, and use her observations as data that could be used to further understand the hotel industry in China.

In the context of her ethnography research method Sherman (2007) reports:

I heard these stories from luxury hotel managers I interviewed in the late 1990s as part of my preliminary research on this book. I talked with mid- and upper-level managers in all different kinds of urban hotels-economy, mid-price, convention, and so on-about the challenges of running the hotel, the service they offered, the types of guests they catered to, changes in the economic climate and the structure of the industry, and their views about unions. But managers in luxury hotels recounted especially captivating anecdotes these tales described hotel staff going to great lengths to observe guests' preferences, recognize each guest's individuality, and meet-even anticipate- the guest's wishes.(p. 2)

Using ethnographic methodology to analyse power relationships in hotel organizations is to link Foucault's concepts with present reality in China. The study draws on the researcher's observations of hotel organizations and utilizes these observations within a Foucauldian framework. Such observations were at the time recorded in a daily journal that the researcher was in the habit of keeping. Ethnographies make it possible to become sensitive to the power relationships between staff and managers in many ways. In reality, some of the front line staff are prospective department managers, even hotel managers. For staff to be considered "good staff" depends to a large part on the staff's social relations with senior managers or his/her family background. Ethnographic methodology is also quite beneficial as it will help to refine future questionnaires, observation techniques, and focus.

There are important benefits from doing even an admittedly limited ethnography. Detailed guidelines, in part, in the form of observations, are offered, which help to focus on observations and common concerns. Selected features to investigate include: 1) location, internal history, discipline, architecture and facilities of the hotel; 2) ages of staff and managers; 3) different departments' staff behaviour and verbal and nonverbal interactions

with others (staff, managers and guests); 4) staff members' attitudes about their work; 5) the relationships between front line staff and managers; 6) the staff responses to guests' problems; 7) the whole "atmosphere" in the hotel; and 8) the feedback from guests. The ethnography constitutes a finished study at the conclusion of the observation period. However, any follow up observations and conclusions about significant findings will highlight areas needed to be further explored as well as the implications for the power relationships existing in hotel organizations.

The value of this paper does not lie so much in the particular findings or in the sophistication of techniques as much as in the engaging of ethnographic observations. In other words, it is by examining closely the nature of power relationships in particular situations and critiquing the practice of hotel organizations. Specifically, one of the primary benefits of utilizing an ethnographic study in the hotel industry lies in its attempt to link Foucault's theory with hotel organizations, in particular, to certain situations that exist in the hotel industry in China.

Ethnography is a tool to actively investigate and become more aware of the hotel's culture. Four staff behaviour patterns are often expected: good manners, effort, helping others and friendly competition. In certain situations, staff may be praised for helping others, while on the other hand punished for "not doing better" than others.

The first step of ethnography is to observe the hotel organizations then step back to analyse the result of observations, including its disciplinary implications. A further step is to become more aware of the complex and often "hidden" nature of the hotel industry in China.

Ethnographies also make it possible to examine more closely the perceived limits of the power relationship in the hotel industry and to make some judgements about their legitimacy. These limits are often seen problematically and are important in determining the power relationships that impact on hotel organizations. Because change can only occur when the limits of what is considered possible becomes an important prerequisite for promoting change in the hotel industry system.

This paper details how ethnography can be utilized in the hotel industry, so that better understanding of power relationships in hotel organizations may be achieved, and potential benefits may result from such understanding.

5. Case Study

From the beginning of the first author's time as a trainee hotel manager, she was required to keep a journal of practices and reflect on her experiences. Most managers insist cleaning staff be trained to greet passing guests by saying "*ni hao*" [hello] and to bow. Such greetings have a symbolic function rather than productive function, but they are important in training staff to self-subjugate and make the guests feel important. Apart from having to greet all guests they encounter, housemaids must also look tidy and their overall appearance must be neat and identical. Many Chinese restaurants and hotels train junior female staff to bow as a symbolic function displaying the hotel's hospitality and willingness to meet the guests' wishes. Such activities as bowing become so engrained as to be a natural behavioural reaction. In other words, discipline focuses on both the "body" and the "soul" (Foucault, 1980b). Bowing and greeting are important to create a sense of superiority in others and may be seen a legacy of the pre-1911 society.

Shame and subjugation is reinforced in many Chinese organisations by way of parades. Morning parades of staff are a common feature of Chinese organisations. A ritual of who may speak and who remains silent is played out. The ritual prescribes a pattern of subjugation. It begins at 8:00am with staff lining up in readiness for the manager's inspection. In the hotel where the first-named author was employed, the Manager would stand in front of the uniformed receptionists and shout at them. He would be proud of the way he shouts. The secret, he acknowledged, is to shame individuals by shouting at them in front of a group. Apart from the opportunity to identify performance metrics, the parade is about inspection and motivation. Identical uniforms and hair styles are required for staff to fulfil their productive and symbolic functions and become efficient docile bodies. The receptionists stand like soldiers, and are not allowed to move around or adopt different postures. Compared to them, managers with greater power and authority possess a distinct lack of enclosure, in the sense not being allocated a particular site to occupy.

Staff may be sanctioned for minor acts of resistance, such as poor time keeping, talking, going slow, or by conveying to guests the wrong sense of their symbolic function. Normally, such rewards and punishments are specified within a narrow range. At this time, the manager determines who will be rewarded and who will be punished. Being criticised can mean lost job opportunities, fines, or in some situations being dismissed. Young migrant female staff

were particularly at risk of dismissal as the supply of migrant labour exceeds demand. To avoid critical attention, most of the staff chose to stand in the middle of the parade hoping to be part of the “herd” and be passed over. By being as inconspicuous as possible, staff may hope to avoid attention. Junior staff, therefore, act carefully in the morning parade, and try to avoid speech and eye contact. As in the ITT case study (Hopper and Macintosh (1993), meetings were an opportunity for invective. The journal kept by the first-named author records that managers often behaved in a manner similar to that outlined in the ITT study. As reported, the manager shouts at staff, who in some respects may have not fulfilled their productive function. However, unlike the ITT case, female staff in China tend not to exhibit the “sang-froid” that the managers at ITT were at pains to demonstrate, but were inclined to dissolve into tears – with the result that those staff subjected regularly to verbal invective subsequently resigned of their own volition. What may be regarded as constructive dismissal does not apply in China, as invective can be used by managers to force resignations.

The result of a creating culture of obedience as exemplified above is to create a culture of gift giving. Chinese organisations are rife with small gift giving to supervisors and managers. Ostensibly denied by managers, it is an expectation. As one manager observed: “I do not remember who gave me what gifts but I remember who does not give me gifts”. For migrant housemaids on very low wages, the gift may be cooking a weekly lunch for the supervisor. It is seen as necessary to gain favours, or preferential floors to clean or to make the supervisor’s room inspections less demanding. But, such practices necessarily undermine internal controls.

Front Line staff in hotels are expected to appear smiling, courteous, and display humility. Receptionists are expected to wear a professional uniform, which shows and shapes them to the hotel ethic. Dress represents an expression of discipline. Uniforms are designed to give a “smart, professional” look. Uniforms also act as a means of suppressing individuality and are a form of enclosure. By their distinctive uniforms, staff are identified as belonging to a certain work area within the hotel. Dress and stylised appearance serve to make sure they play their role and fulfil their responsibilities (Freeman, 1993).

One morning when the weather had suddenly turned colder with the approach of winter, the researcher entered the reception area of a hotel to which, only a few days before, she had been sent as a trainee manager to gain wider experience. The temperature in the reception area was around 17 degrees Celsius and one of the receptionists was wearing a fur coat. It was very unexpected. There were four receptionists on duty standing in position, immaculate in their uniforms and standardised appearance, except for one. The contrast of

the one with the others was so apparent as to be remarkable. Surely, I thought, this breach of hotel policy could not be ignored. It also advertised the fact that the hotel foyer was poorly heated. I sought the reception department manager and pointed out to him the obvious inconsistency. He just shrugged and said the Manager allows it and offered no further explanation. In due course, from the other receptionists I learned the full story. There was not much to tell, except as they explained, “she is his friend”. In other words, the hotel policy of enclosure by uniform had been resisted by the receptionist’s accommodation with the hotel manager. The symbolic function of uniforms was being undermined and the end result was divisive, as one receptionist had gained a concession not open to the others. Such accommodation is an act of resistance that undermines the symbolic function of the job, especially in regard to the other receptionists. In this case, the breach of symbolic function illustrates behavioural a behavioural internal control weakness (ICW). That is, performance requires uniformity of dress and behaviour, but standards require monitoring to avoid exceptions. The acceptance of contrary behaviour weakens governance.

Managers determine the uniforms, the way of speaking to guests, and other aspects of staff appearance are also determined, such as hairstyle, nails, body posture and heels. Some female staff resist such determinations in minor ways but most seek to accommodate to the manager’s requirements even if there is no explicit instruction. To illustrate female accommodation coupled to implicit management policy, is exemplified by the refurbishing a hotel night bar. At the top of this Chinese hotel on Level 29 was an all-night bar, which served the needs of mostly male guests, usually lone businessmen or officials or sometimes small business groups. The night bar was under-utilised and after visiting other large hotels the manger came back with ideas for change. He decided to re-decorate the bar and re-deploy the barmaid who had been with the hotel for several years and was in her fifties. It is an example of ageism in the Chinese hotel industry as the manager perceived that the symbolic functions of this bar would be better served by younger more attractive barmaid. The plan was to make the bar more appealing to guests by intimate seating, softer lighting, a greater range of drinks and a “happy hour” starting at 10:00pm. It was felt that many more guests could be persuaded to use the bar as drinks were mainly charged to rooms and, thus to business accounts. The target was especially businessmen, conference attendees and government officials who made up a good proportion of the hotels clientele.

The central feature of the plan was to employ two young female staff, one to serve as the bar manager and the other to act as a waitress. The redeployment of the older woman involved promoting her as an assistant manager in the hotel restaurant, where her new function was to watch the waitresses and, for fewer hours, receive more pay. However, after three months she was told that the restaurant was not achieving its targets and was made redundant.

Meanwhile, by hiring migrants at very low rates, a new bar manager and a barmaid were chosen. There were many applicants but appearance and attitude were the criteria that the human resources manager was told to look for. The young woman that got the bar manager job stood out from the others when it came to a question of uniform. Those short listed were asked to comment on a possible choice of uniform a short, tight fitting black dress or longer more elegant evening dress. The successful applicant picked the long, low cut dress for herself and a short black dress for the waitress who would report to her. It emerged in subsequent conversations with the human resource manager that the chosen candidates showed a good understanding of the need to make the bar “customer friendly” and willingness to accommodate to the hotel managers unspoken wishes. So much so that the short, black dress to be worn by the waitress was made even shorter at the further suggestion of the new bar manageress. As there were a number of employable applicants for the waitress role, two were finally chosen to share the job on a part time basis and, as is not unusual in China, they were required to work the first month unpaid as they were “training”.

The manager likes to recount this story because the result of these changes were as envisaged: more guests used the facility and guests increasingly frequented the bar with its intimate alcove seating, where they were served by a welcoming and friendly waitresses. The waitresses became in their very short dresses, in Foucauldian terms, docile, efficient bodes. What is more apposite, the waitresses seemed happy, (though as migrant females probably most delighted to get work) even eager, conspire in their own subjugation. Competition existed between them and encouraged by the bar manageress, their heels got higher as the dresses shorter. The changes worked as the bar revenues were quadrupled within a year.

5. Conclusion

The paper argues that one aspect of ICW may arise from obedience to authority. The first part of the case study shows how obedience is cultivated by parades, inspections and by the

shaming of staff in public. By cultivating obedience, managerial agency is less hindered by concerns over staff criticism or protest at their actions. It does not imply there will be ICW but it does mean, as in the Toshiba case, that whatever management wants management gets. Likewise, pleasing superiors by gift giving undermines governance because the purpose of gifts is to gain preferences and often to evade standards. The fact that gift giving is so ubiquitous and yet consistently denied indicates the illicit nature of the practice. Finally, the case study illustrates another form of accommodation to management. The receptionist was allowed to wear what she wanted. Maybe, it is only her symbolic function that is impaired, but symbolic functions in service industries help to maintain revenues, and departures from the norm should be seen as ICW.

Cultural, social and organisational practices may have many origins for historians to trace. This paper advances an argument that a culture of obedience obtains in East Asia and its roots lie in centuries of Confucian tradition. Some historians may dispute this argument. Some, such as Valutanu (2012), may argue that Chinese women especially have escaped from Confucian subordination. To some extent this is true, but not for the millions of unskilled migrant women desperate for jobs in the cities to support families in the countryside. The paper also contends that social change is more evolutionary rather than revolutionary, notwithstanding the Communist revolution. The spread of government-sponsored Confucius Institutes upholds the legacy of the past, and the rules of conduct are proudly seen as differentiating China from the West (The Economist, 2015).

The legacy of a cultural history and the buried memories that are carried should be of interest to accounting historians seeking to explain how an ostensibly objective mechanism as accounting may be employed subjectively. The drive behind this paper is to forge a circular link between, Foucauldian concepts, and the Confucian legacy with aspects of ICW in East Asia. Power/knowledge is a central Foucauldian concept and knowledge comes from privileged access to information mechanisms, such as accounting – a mechanism which serves to make costs and revenues visible and in doing so enable discipline. Access to information allows power to be exercised and permits managerial agency. Confucian rules of conduct stress harmony and obedience to superiors. The aim of *junzi* (means the ideal man) is ideal of self-cultivation and knowledge is possible for all and, in theory, leadership and governance is open to all aspirants, but Confucius never speaks of *junzi* among the ranks of farmers, artisans and the common people (Brindley, 2009). The reason for this is that the path of *junzi* is incompatible with manual occupations where workers (and women) must labour all day. Without knowledge, *junzi* and leadership is not possible. Migrant female

workers in Chinese cities work long hours for low pay. In theory, they could at the end of a long day acquire qualifications through tertiary institutions, but that is costly as well as time consuming and most have dependents to support. Moreover, for migrants with only temporary contacts (as most have) to obtain preferences and continuity of work they must give gifts to supervisors, etc., or risk being different. Such accommodation and *guanxi* to superiors may, arguably, undermine discipline, performance standards, and give rise to ICWs. In this way, the paper contributes to the literature of ICW by introducing a historical perspective that adopts a micro approach of researching “unqualified knowledges” within a cultural context.

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