

Shame and authority; tracing the origins of internal control practices in China

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Abstract

Internal control weaknesses have been a lively topic of discussion since the passing of the Sarbanes-Oxley Act (2002). The discussion has resulted in employing macro methods to identify weaknesses among listed companies. More recently an investigation into the accounts of Toshiba has revealed extensive fraud facilitated by a culture of obedience. Like Japan, China has a long tradition of obedience to authority supported by Confucian ideals. The paper sets out to show how the long-lasting disciplinary structure of Imperial China has left its legacy on the internal control systems of East Asia with respect to its business organizations. By mirroring Foucault's illustration of punishment and control in medieval French, the paper shows how a similar structure operated in China until 1911. Except there were differences: in the Confucian tradition superiors could not be questioned even when wrong, guilt was always presumed and, with punishment, confession was expected. Performed in public the effect was to shame the individual and reinforce authority. Internal control systems in East Asian organizations echo these mechanisms. The paper considers these mechanisms with regard to how they can create internal control weaknesses. The method adopted is a micro analysis of hotel organizations in line with what Foucault (1980) refers to as subjugated knowledges - local memories regarded as unqualified or actively disqualified with the hierarchies of scientificity. The paper shows how East Asia's Confucian traditions may impact on the application of internal control in business organizations. The recent Toshiba case is advanced by way of an example.

Key Words: China, Foucault, Internal Control, Discipline, Shame.

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The goal of this paper is twofold: historical - to trace the origins of Chinese practice in behavioral control and to illustrate how internal control weaknesses (ICW) may be understood from a micro-Foucauldian perspective. In this respect, Foucault (1980) refers to the “” – “local memories regarded as unqualified or actively disqualified within the hierarchies of scientificity” (p.82). He goes on to say that such an approach at the micro level “allows us to establish a historical knowledge of struggles and to make use of this knowledge today” (p. 82). While the literature on ICW is extensive, the general approach to identify weakness is structured from a macro perspective. To consider ICW from a micro and cultural perspective is not featured.

What is interesting from a micro perspective is that while accounting provides a structure of financial goals, budgets and performance measures, as Hopper and Mackintosh (1998) found the implementation of control becomes the agency of managers. Such implementation can under a culture of obedience permits managers to pursue fraudulent or self-advantageous practices and require “people lower in the hierarchy to do whatever it took” (A load of tosh, Economist, 25 July, 2015, p. 50). The paper argues that accounting within Confucian dominated cultures receives scant attention as to how ICW may occur from a behavioral perspective. For example, at Toshiba where longitudinal fraud amounted to inflated profits of around \$1.2 billion, top management “relied on a Japanese culture of obedience” (Economist, 25 July 2015, p. 50). This sort of ICW is not likely to be identified 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 et al, 2007).

However, the paper argues that at the micro level, a determinant ICW in organizations can be 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. In 2010, the Economist (2014) reports that a firm called Chinese Integrated Energy, a KPMG client, had a biodiesel factory that reportedly was in full production but in reality had been dormant for months. Another firm Sino-Forest audited by EY, claimed to own timber that did not exist. Both companies lost 95% of their value, but these shortcomings escaped the notice of the auditors. For the auditors to be deceived in these cases, there is a strong probability of managerial agency and a culture of obedience.

For the historian, what makes East Asian organisations interesting is their long history of operating Confucian traditions of authority and obedience. How much modern East Asian organisations continue the Confucian tradition is a question of revolution (throwing over the old) or evolution – a very slow and gradual process of change?

Accounting is 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 there are auditing safeguards (Gleeson-White, 2011). Managerial agency may be also limited by internal controls and staff resistance. The literature (Roberts, 2014) shows that staff behaviour is shaped by the structure and the extent of managerial agency. 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 easily dismissed. Organisations such as hotels will seek to employ migrant workers as their pay is determined not by city rates but by what the market will bear.

Bakan et al (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 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.

Foucault recognizes that an effect of power is to induce self-subordination. Foucault (1980b) observes: “it (power) doesn’t only weigh on us as a force that says no, but that it traverses and produces things, it induces pleasure, forms knowledge, and produces discourse” (p. 119). 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 being 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. It is argued that to understand how managers can exercise the 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 are provided 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 as a consequence of human power struggles; these organizations have not always existed but are constructions so that human society can progress. Foucault (1980b) argues that the power/knowledge relations were implicated in various disciplinary practices and in many different organizations, and gives rise to modern strategies of discipline and surveillance. Strategies, which normalize behavior.

Foucault begins his book *Discipline and Punish* 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. The paper establishes the disciplinary link of accounting with power and governance and shows how accounting becomes a necessary part of a structure of examination, measurement, and calculation that disciplines and changes behavior. The 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.

Foucault (1979)'s most famous book *“Discipline and Punish: The Birth of the Prison”* occupies some pages describing in brutal detail the punishments that would render bodies docile. This paper mirrors Foucault by beginning with a 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 characterized 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).

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 calculated to maximize pain in the victim and with each lash to draw blood. 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).

Zhòng (杖), beating with a large stick on either the back, buttocks or legs. The five degrees of zhòng 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)

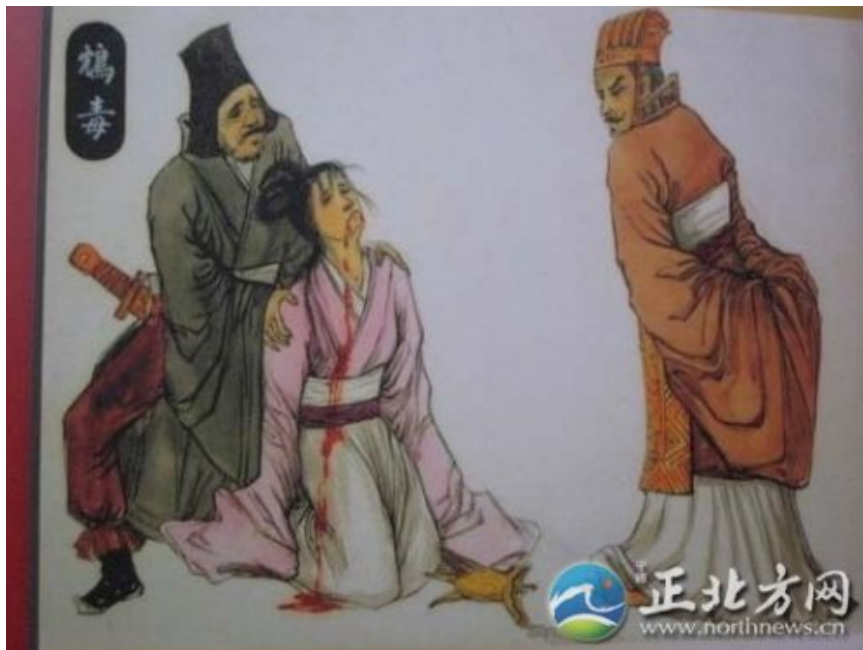
The above list shows that the Imperial system of punishment was highly structured. Besides exempting superior classes and those with money, the system relied on public shame and collective denouncement. Thus, it did not matter that the victim might later be found innocent because by being denounced as 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 show but many are too graphic to be included in this study. The contemporary illustrations that are depicted below show that besides setting an example of what could be expected, they conveyed to the public the severity of the punishment, by the humiliation and the marking of the body.

Picture 1:



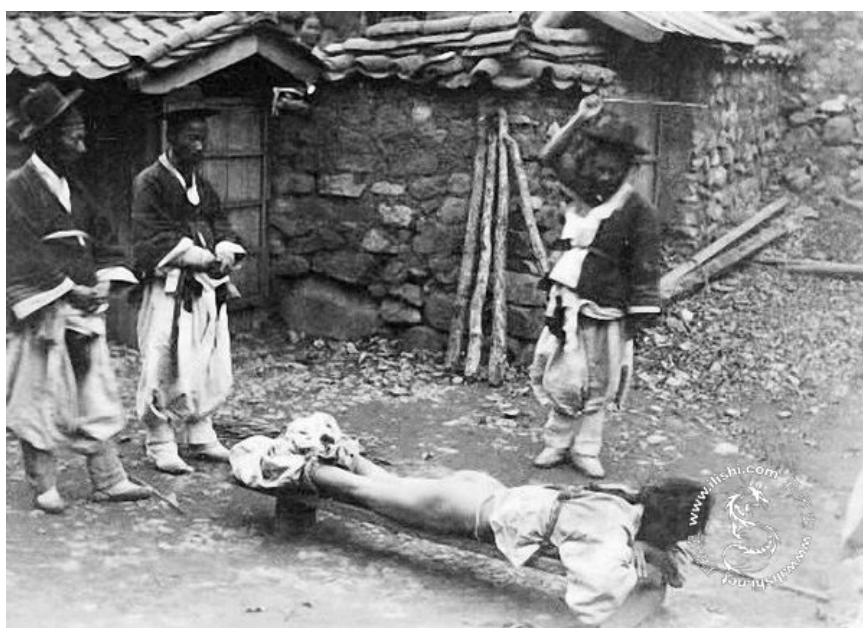
Illustrates the violence upon the body of those undergoing interrogation and punishment.

Picture 2:



Above the docile female body is being judged by an official resplendent in the robes of office. Under Confucian tradition even if innocent, the authority and decisions of superiors should not be questioned (Gao et al., 1995). Such traditions follow Foucault's observations of discourse as to who may speak and who may not speak.

Picture 3:



Above is a woman being publicly whipped in a village while officials audit the examination in terms of the exact number and force of the lashes delivered. Hu (2013) considers that much of Chinese culture is about shame and maintaining the authority of government officials. Even today, government officials are regarded with huge respect in China and their power and wealth is widely acknowledged (Yao, 2014).

Behavior 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, how in modern China, disciplinary structures rely on parades, public humiliation, discourse, acceptance of authority and their 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. 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.

Mennicken and Miller (2012) 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.” (p.4)

The Mennicken and Miller (2012) contribution is to highlight 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 because the 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 neoliberal subjectivities. Mennicken and Miller (2012) consider that accounting numbers have a distinctive capacity for acting on the actions of others, one that goes far beyond the abstract injunctions of economic theory. By linking decisions to supposedly configure persons, domains and actions as objective and comparable, in turn, renders them governable.

Mennicken and Miller (2012) stress that: "in so doing, 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.

With reference to Foucault, Rose and Miller (1992) argue that it is more important than just a quest to faithfully replicate a particular concept or method rather it is a quest to something more elusive, a mode of analysis, an ethos of investigation that was opened up by his writings – the who and what one should study in the critical investigation of the relations of knowledge, authority and subjectivity in our present. The, who and what of authority and subjugation at the micro level of organisations is the concern of this paper.

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 does not write about management accounting, he has been seen as a major influence (Hoskin, 1998). Berente, Gal, and Yoo (2010) state that like the prisoners in the Panopticon system of surveillance, human behavior 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) states that every person who is subject to disciplinary power and control is "seen without ever being seen" (p. 202). 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 were 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, therefore, management accounting controls play pivotal roles in organizations.

Macintosh (2002) states that in disciplinary organizations, there are three categories underlying the principle of disciplinary practice: the principle of enclosure; the principle of 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 line in which they may not talk or 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.

Bernauer and Carrette (2004) observe that "power/knowledge is always a relationship between structures of "sayable" ability and "unsayable" ability" (p. 160). With regard to what is sayable: an example would be a discourse taking the form of instructions from managers; records kept and key performance indicators. With regard to what is unsayable, that is to challenge a structure that regulates by, uniform, dress, body postures, and speech tone. Foucault's concept of the "docile" body contributes to the concept of the unsayable. Foucault (1979) states that docile bodies are made by organizations through discipline by means of enclosure, examination, hierarchical surveillance and normalizing sanctions (Foucault, 1979). Confucian based morality emphasises the necessity for obedience before superiors and their right to punish; even when superiors are in the wrong, punishment must be borne without protest.

Foucault (1979)'s 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) argue that "enclosure, confinement and partitioning were the necessary first steps for turning a heterogeneous mass of humans into a homogeneous social order" (p. 193). 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).

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 formed by means of the courts-police-prison system into artificial populations of use to industry. In such a manner, migrants become partitioned and controlled by the dividing practices instituted through the panoptic system of political power to secure the social hegemony of the state. 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. Guanxi can encourage organisational injustice. Chen, Chen, and Xin (2004) 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. Bozionelo and Wang (2007) find 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, D, 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 “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, for the flattering, exaggerating or condescending behaviour to feed their superiors that whatever they believe the latter might wish. 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’ reward and penalty.

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 as Han and Altman (2009) point out, to build workplace resentment when some staff are preferred (based on their affinity with supervisors). Again 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 what is distinctive about Chinese culture throughout China's long history is its mechanism of punishment. It is a mechanism directed at creating a behavior of self-subordination in the laboring 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 be 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" (p. 192). In other words, status should be engrained and internalised.

The purpose of *li* is to nurture behaviours in accordance with of *ren* and *yi*. *Li* needs to be followed as a natural behaviour rather than by conforming to the rules. The performances of rituals also cultivate the understanding of *ren* and *yi*. Fan (2010) 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 (p. 177).

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 author's time as a trainee hotel manager, I made the observations that Manager Y insisted 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 guest 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. Foucault (1980) in his analysis as to how power operates explains the techniques of bodily control: such as insisting on junior staff bowing to managers or guests. 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, surveillance focuses on both the "body" and the "soul" (Foucault, 1980b). Bowing and greeting are important to create a sense of superiority in others and are a legacy of the pre 1911 society.

Shame and subjugation is reinforced in many Chinese organisations by way of parades. The traditional morning parade is a legacy of the past, where a ritual of who may speak and who remains silent is played out. The ritual always follows the same pattern of subjugation. It begins at 8:00am with staff lining up in readiness for the manager's inspection. In the hotel, with which I am familiar, Manager X stands in front of the uniformed receptionists and shouts at them. He is proud of the way he shouts. The secret, he acknowledges, is to shame individuals by shouting at them in a group. For Manager Y the parade is more about inspection and motivation. Identical uniforms and hair styles are required for staff to fulfil their productive and symbolic functions and by way of subjugation produce, what Foucault calls, efficient docile bodies. Throughout the normal morning parade of receptionists, they 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.

At the morning parade, staff may be punished due to 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, managers determine who will be rewarded and who will be punished. Being criticised can mean lost job opportunities, fines, or in some situations being dismissed.

It is my observation that young female staff are at risk of dismissal as the supply of hotel labour for Chinese hotels exceeds demand. Therefore, to avoid critical attention, most of the staff choose to stand in the middle of the parade hoping to be part of the “herd” and to be passed over. By being as inconspicuous as possible staff may hope to avoid attention. So junior staff act carefully in the morning parade, and try to avoid speech and eye contact. As in the ITT case study (Hopper and Macintosh, 1993), such parades and meetings are an opportunity for invective. My journal records show that managers often behaved in a manner similar to that outlined in the ITT study. As reported, Manager X shouts at staff who in some respect 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 to this kind of regular 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.

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 show 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 for 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, hard-working and respectful to superiors.

Another important concept that is embedded Chinese behaviour is *mianzi* in Chinese and is translated literally as face. It still shapes behaviour. A recent survey reported that 93% of the 1,150 sampled 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 Yutang*, 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), some common strategies for saving face include: avoiding criticising others, especially superiors; using circumlocution and equivocation when they do not want to answer questions; avoiding public attention and remaining silent (p. 962). 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 or maintaining others' face 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) 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 (p. 31).

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.

Conclusion

Accounting historians may debate whether change is revolutionary or evolutionary. The contribution of this paper is to present the case for slow evolutionary societal change, notwithstanding the Communist revolution. It is argued that slow societal change rather than political change is more likely to apply in accounting and accountability. Accounting historians may also be concerned with what Foucault (1980) refers to as subjugated knowledges - local memories regarded as unqualified or actively disqualified with the hierarchies of scientificity. While the recent accounting literature demonstrates ICW as series of probabilities according to the variables the researcher adopts, there is no attempt to investigate local memories such as in East Asia with its distinctive Confucian culture of self-subordination before authority and what impact that may have on ICW. The argument adopted in this paper is that respect for superiors and fear of being shamed remain powerful influences. How staff are assessed and driven are, as Hopper and Mackintosh (1998) demonstrate, part of the culture of an organisation, which necessary reflects the wider societal culture. Culture as Hofstede (1986) found varies according to history, tradition and practice. The legacy of the Confucian tradition is that superiors should be obeyed but not be questioned. Managers at all levels of organisations in East Asian countries support a Confucian legacy of rewards and punishments based on imposing a sense of shame and self-subordination. By such agency, managers may raise productivity without having to

necessarily divulge the numbers or reveal pre-prescribed targets. That is, the numbers may drive the managers but they may see no need to divulge targets if they can achieve results by driving staff performance to over-achieve. The recent Toshiba fraud case demonstrates how culture of obedience to authority may cloak ICW, which defy an international audit firm to uncover. 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.

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