A REVIEW OF RECENT CHINESE LITERATURE ON
PUBLIC ADMINISTRATION

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Economic Management (EM), the journal published by the Institute of Industrial Economics of the Academy of Social Sciences in Peking, continues to carry articles of interest to scholars and practitioners of public administration. Specialization and co-ordination in enterprise management, personnel management, and the role of government in industrial modernization have received particular attention in recent issues.

The Chinese Enterprise Management Association, established in Peking on March 3, 1979 (EM 3/79, pp. 39-41), is indicative of the growing professionalism of management studies in China. The association seeks to combine the talents of “scholars and those with real work experience in industry, mining, and research on management questions” to do research on domestic and foreign enterprise management theories, systems, technologies, methods, and experience, “with the view to raising the level of China’s enterprise management and speeding up the four modernizations”. The association sees integrating research findings with real work situations as a primary function.

A section of Economic Management on ‘enterprise management’ was established to facilitate publication of the results of these studies. The journal has begun to solicit short articles, dealing with single specific problems, narrowly focused on management questions. Finally, to popularize the work of the association, branches will be established in major industrial centres throughout China.

These moves indicate that the professional study of management techniques and problems is being officially promoted in China, and gradually institutionalized. The opportunities for research on real management problems in real organizations, and for experimentation with and implementation of new management practices should be very great in China, where enterprise management is mostly controlled by the State. Once the various Ministries have been convinced of the worth of professional management studies, implementation of research projects and management experiments should follow fairly quickly. The establishment of the association is one indication of this official approval.

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Specialization and Co-ordination Revisited

The benefits of increased specialization for enterprise management continued to be discussed in recent issues of *Economic Management*. Those particular technologies which increase co-ordinated specialization, such as the organization of horizontal and vertical "trusts", and the experience of Japanese industry in specialized production received special attention.

Han Xiu Lan in "Several Questions on Specialization and Co-ordination", (EM 3/79 pp. 29-31), warns scholars and practitioners of the view that "the more detailed the specialization of labour, product differentiation, and technological compartmentalization, the better" for industrial enterprises. Increased specialization must depend on the needs of technology, product, and economic efficiency, with economic efficiency as the ultimate test of whether specialization of any kind should be extended. Specialization, then, is a method, or a technique, not a goal to be pursued for its own sake.

Three myths about specialized enterprises need to be exploded. First, specialization is not necessarily decentralization, because modern enterprises must at the same time be unified, taking advantage of economies of scale. Secondly, specialization does not mean producing only one kind of product (the experience of five large American agricultural manufactureres is cited to show that wide product ranges are compatible with increased specialization). Increasing specialization depends on social needs, enterprises goals and capabilities, the level of technology and experience, and the strength of the product market. Specialization can be increased if there are many enterprises producing the same product and if product capability is high. Finally, specialization cannot be separated from co-ordination — indeed, co-ordination is a pre-condition for increased specialization. Co-ordination is affected by the availability of raw materials, distance from markets, and transport costs. Co-ordination is reduced, for example, by physical separation from raw materials.

This cautious approach acknowledges some of the problems associated with most general discussions of specialization. A situational approach is required, and while not stating this explicitly, the author's analysis tends in this direction. Different kinds of specialization are not, however, discussed. The generality and vagueness of this and other discussions of specialization in *Economic Management* needs to be replaced with detailed and specific case studies of successful and unsuccessful attempts to increase specific kinds of specialization. The effects on hierarchy of the co-ordination here recognized as essential for increased specialization also need to be examined closely.

One particularly form of specialization, vertical and horizontal "trusts", is examined by Xiao Liang in "Why Must Socialism Organize Trusts?" (EM
Continuing a debate halted in 1965 by the Cultural Revolution when trusts came under severe attack, it is noted that trust forms of organization have been attempted in public utilities companies and in the pharmaceutical industry where they proved to be effective. They concentrated production, permitted co-ordinated management and research and development activities, as well as conserving manpower, materials, and finance, and reducing production costs, while at the same time labour productivity increased. The real issue, however, is whether socialist countries should or can use this manifestly "capitalist" technique? The answer is a resounding yes. China must study capitalist management methods, of which this is one. The trust represents the superiority of technique in organization.

The author becomes almost lyrical in his discussion of this form of organization, discussed here abstractly as including unified and independent leadership and accounting, and general responsibility for its own results. It is seen to have strong advantages in its ability to reduce its own administrative structure and ranks and to flexibly adjust scheduling. The analysis, however, completely ignores the environment of the organization. Can the independence and flexibility seen here as essential features of trusts be achieved in a centrally planned "command" economy? The question is not even addressed, although the author somewhat lamely concludes that where trusts have been introduced they have sometimes encountered problems, such as insufficiently independent accounting responsibilities. Organizational analysis that ignores the effects of environment is necessarily incomplete. What is needed here is some discussion of the relationship between the organizational structure (which is "independent" and "flexible"), and the centrally planned economy. Failure of organizations which have adopted "trust" characteristics because they lack independent accounting or "complete responsibility for their own operations" is an organization-environment problem which must be explicitly addressed.

Government v. Enterprise Management or Public v. Private Administration

The theme of economic efficiency as the sole criterion of specialization is again forcefully emphasized in Wu Jia Jun's article, "Organize Specialized and Unified Companies Paying Attention to Economic Efficiency", (EM 3/79 pp. 32-34), which takes the form of a report on the Japanese industry. It also calls for "relatively great independence" for managers, who should have legal and economic responsibility for using state production materials and capital. This article is particularly interesting, however, for its look at enterprise internal authority and responsibility systems, again in the context of a discussion of specialization. Managers must have "the ability and power to manage production well, from top to bottom". Managers now have too
many duties and responsibilities, extraneous to production. First, endless meetings and investigations consume too much time (these are necessary, however, in so far as specifically economic criteria are not used to measure performance, as has largely been the case up until recently). Second, the government, not enterprise management, should assume responsibility for roads, social services, parks, and housing as does the Japanese government.

This theme is developed by Li Ying Zheng in "Several Points On the Improvement of Industrial Management" (EM 3/79 pp. 42-44). Workshop management can be improved by "releasing workshop cadres and workers for real production". Management of dining rooms, education, etc., should, then, not be the responsibility of the workshop. "In some enterprises", the author reports with disapproval, "workshops have eight large functional groups, and in one workshop of 600 people, 100 people were employed in management positions". Extraneous functions must be moved out of the workshops.

The role of the party in enterprise management is discussed as well. In the past, party secretaries directed production. Administrative work was undermined by combining issues such as the allocation of housing with production issues to be considered by party committees. "There must be a division of labour between the party and enterprise heads". Party committees should be responsible for "political" work — discussing overall enterprise policy, while factory managers "under party leadership" should be responsible for production and factory administration. The party's chief function is seen as control, guaranteeing that production responsibilities, set by management, are fulfilled by the workers.

The debate between "public and private" administration in the West, is being carried out in China in terms of "government and enterprise" management. Many of the same issues are involved, although because all administration in China is "public" the terms of the debate differ. The Chinese writers, however, have noted that the goals of government (or party) and enterprise management differ, that the means for evaluating enterprise and governmental products differ, and that enterprise management must be more flexible, all reasons for advocating greater independence for enterprise managers. Traditional social welfare functions undertaken by post-1949 factory managers should be returned to government. While in the West the trend is to recognize the similarities between public and private administration, the trend in China is toward highlighting the differences. Enterprise managers have profit goals, and their performance should be evaluated in terms of economic indicators.
Qiu Jing Ji in "Why Are Personnel So Many Times More Numerous Here Than Abroad?" (EM 2/79 pp. 34-35) examines the personnel numbers of a large petro-chemical enterprise. While labour productivity in this complex is high relative to Chinese enterprises, it is below that found in foreign countries. The chief reason is because the petro-chemical factory employs many more workers than would an enterprise abroad. Why?

It takes four workers in this Chinese enterprise to do what one can do abroad, a result commonly analyzed in terms of the Chinese workers' "low technical level". This explanation is unsatisfactory, for the problem lies in the organization of the enterprise. "Although there are so many personnel, effective working time is short", and, thus, productivity is low. One employee works, while several others just watch. The incentive system also does not reward workers for work done (performance). And "factory cadres admit they could reduce the work force by 20 per cent" (implying that there is state pressure to add workers beyond what is required). The organization has, thus, not been successful at developing its own personnel recruitment policies, including setting personnel numbers.

Secondly, maintenance departments are over-staffed, and because each workshop has its own maintenance group, there is considerable overlapping of functions and waste of materials. This is largely a technological problem, and results from chronic shortages of interchangeable spare parts. Factory cadres admit that this is the result of failure to specialize and co-ordinate functions, in particular to unify maintenance functions, but they point to the spare parts problem as the real cause.

Thirdly, there are three times as many management and service personnel as called for in the factory's plan, principally because these personnel are also responsible for social overheads (which the government should provide). Because of the failure of local government to provide education, health, and other public facilities, managers must do this, and up to one-third of managements' time is spent on these matters.

Finally, there are too many "political officers" in this enterprise. Twenty-three were called for in the plan, but there are now 100. "Of course, capitalist enterprises do not have these personnel, but we should study the problem of just how many are appropriate for socialist enterprises".

This analysis, by focusing on a single problem, personnel management, in a single enterprise, is both sophisticated and critical. It takes organization as the key to the analysis. The relationship of personnel management to the level of technology (here, the technology of maintenance) and to the organizational environment is clear. The analysis also seeks to draw a clear distinction between enterprise and government management, which we saw above was a continuing issue.
Government and Industrialization in Japan

"The Effect of the Japanese Government on Industrial Modernization" by Zhang Xuan San and Qian Jia Jun (EM 2/79 pp. 62-64), focuses on an experience which again seems to suggest limits on the role of the Chinese government in industrial enterprise management. The Japanese government has influenced industrialization by drawing up plans and guiding economic development since 1955 ("even under capitalism the government has many methods of regulating economic development"), and by approving economic policies and industrial progress using the mechanisms of credit supply, taxation, investment approval, and trade protectionism. The government also has encouraged the spread and development of technology by collecting technical data from abroad and by supporting local research and development efforts. Finally, the Japanese government has used "administrative guidance" to carry out economic policies, not through coercion or issuing orders, but through persuasion, indirect influence and economic levers. These methods have most often been used to influence the investment policies of key industrial sectors, and to reduce and regulate competition.

"Japan is a good example of following economic laws", a situation, however, that emerged in a particular context. Nonetheless, Japan has used an effective mix of economic and administrative measures to promote industrial modernization.

While the author does acknowledge the importance of context (he does not mention the post-War American military occupation, however), one is left with the distinct impression that China could learn from Japan's experience. The emphasis on indirect measures to influence industrialization, and on a massive effort to develop and spread technology appear to be messages aimed at the Chinese government. Implicit in this discussion is the view that Chinese government intervention should be reduced, and the managers of industrial enterprises should be allowed to get on with the job.