



Theorizing Chinese Employment Relations Comparatively: Exchange, Reciprocity and the Moral Economy

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Abstract. This paper contrasts the socio-cultural systems underpinning employment relations in the West and in the Overseas Chinese case. The analysis centres on the norm of reciprocity which, whilst taken as a universal phenomena, exhibits significant cross-cultural variation. Western employment relations are characterised by a model of impersonal rational economic exchange in which individuals engage in a utility calculus. Chinese employment relations remain more fully embedded in the wider socio-cultural system of which reciprocity is a vital and integral part. Employment relations are sustained by a personalistic tacit moral order. The implications for managing employment relations in changing and multi-cultural situations are discussed. The sustainability of the different employment relations systems are also discussed.

Keywords: reciprocity, employment relations, moral order, exchange, Overseas Chinese

Management and organization theory has been a Western, not to say predominantly North American, preoccupation (Jamieson, 1980; Westwood, 2001a). Interest in the management and organization system of others really began in the Post World War II period, coinciding with the rapid expansion of the US economy through increased international trade and direct foreign investment. The early writers on international management, particularly Harbison and colleagues at the Inter-University Study of Labor Problems in Economic Development¹ (e.g. Harbison and Myers, 1959; Kerr et al., 1960), were interested in the development of other economies and involved in the intense debates about modernization, development and industrialisation. The interests driving this research were twofold. Firstly, there was an attempt to understand modernization, development and industrialisation processes since it was in US interests to have economies around the world at a capacity conducive to its production, trade and marketing strategies. Secondly, given increased engagement with other business and management systems, there was a need to apprehend the workings of

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those other systems. In many respects early international and comparative management and organization studies had much affinity with the colonial project and the processes of representing and appropriating the Other so as to facilitate apprehension and control (Prasad, 2003; Westwood, 2001a).

Given this trajectory, international and comparative management has tended to produce research designed to represent others' management systems in ways meaningful to the West. This can involve a postcolonial misrepresentation of the Other and a tendency to engage in universalistic pronouncements. Western theories and models are presumed to have extensionality outside of the West and be capable of capturing phenomena from other cultural contexts. The net result of these research/theory practices is the production of representations of others' management and organization systems as only refracted through the Western conceptual lens. Another result is the marginalisation or even silencing of alternative representations or auto-representations of indigenous management/organization practices.

To use a more conventional language, international or comparative management research has tended to engage in research that is based on either an imposed etic (Berry, 1990) or a pseudo-etic (Triandis, 1972). This has at best been premature. There is a dearth of truly emic research and conceptualisation in the field.

This paper seeks to address those problematics. It develops an account of employment relations in East Asia² that is grounded in the specificities of that socio-cultural context and contrasts this with a Western³ perspective. To do so it provides an analysis of the fundamental embeddedness of employment relations within the wider socio-cultural context and shows how this is differently constituted and enacted in different cultural contexts. Within this wider frame the specific focus of attention is on the different cultural meanings of the concept/phenomena of reciprocity and its relation to employment relations.

Key to our argument is the axiomatic proposition that employment relations are not merely a set of impersonal and abstracted conventions applied to the workplace, but are irrevocably embedded in the wider socio-cultural value systems of the locations in which they are constituted. This is not to argue that socio-cultural factors are the only ones having a determining effect, there are clearly political, economic, institutional factors at work, but cultural values are clearly of significance (Frenkel and Peetz, 1998; Pot, 2000). This socio-cultural context informs perceptions of, attitudes towards, and responses to the employment relationship, giving rise to cross-cultural differences. Culturally informed values and norms with respect, for example, to the form and nature of interpersonal and exchange relationships help constitute the perceptions and expectations people hold regarding the employment relationship. These vary across cultures along with often long-standing historical traditions that have shaped social relationships in general and employment relationships in particular (Baldry, 1994; Bamber and Lansbury, 1998; Pot, 2000).

Also central to our thesis is the view that a particularly salient set of values highly pertinent to employment relations revolves around the norms of reciprocity. Reciprocity norms are present in most societies, but differ in terms of their constitution, location in the value system, mode of manifestation and impact on relationships and behaviour (Gouldner, 1960; Hayashi et al., 1999; Smith, 1998).

We argue that in the West employment relations have tended to become detached from the wider social context and rather decontextualized. There is also a tendency to conceive of and construct employment relations in an abstract, impersonal and legalistically contractual manner. In East Asia there is some retention of personalistic, less formalised employment relations systems. Employment relations remain more fully embedded in a wider social ethic and reciprocity represents a key component of that ethic. In the West, reciprocity has undergone a functionalist appropriation, atomisation, abstraction and decontextualization since Gouldner's (1960) influential account. This, together with inclinations towards impersonality, has meant that reciprocity has either been neglected or considered only in strictly functional terms in employment relations. The moral quality of reciprocity, and its part in an ethical system, is downplayed in the Western context where more utilitarian perspectives prevail.

This paper considers these issues from the perspective of the Overseas Chinese.⁴ It has been argued that Chinese culture has shown remarkable persistence and resilience across time and across place. This is not to argue that it has been unchanging or invariant—clearly untenable—but rather that there is a distinctive cultural core that continues to inform all Chinese communities. This cultural legacy is inculcated into the population through socialisation practices and frames their perception and expectations with respect to relationships, including workplace relationships. However, in places like Hong Kong, Singapore and Taiwan there has been sustained and penetrating engagement with the West and western business practices. Furthermore, there is a pervasive trend of the importation of Western management ideas and practices into Asian locations. The extent to which employment relations are informed by traditional and indigenous values or imported Western values is a moot point and one needing empirical investigation.

In the first part of the paper we consider alternate conceptualisations of reciprocity, firstly within a Western functionalist tradition and then within the Chinese context where it is embedded in a wider social ethic. In the second part of the paper the implications of these varying conceptions of reciprocity for employment relations are explored. Finally the paper reflects on the sustainability and coherence of these systems under the pressures of globalisation and economic turbulence. It also reflects on the shifts in the moral context for organizations and for employment relations.

1. Theorizing reciprocity: Alternate conceptualisations

Reciprocity is a universal social phenomenon, but is subject to cultural variation in its manifestation in actual social relationships and exchanges (Gouldner, 1960; Smith, 1998). In both Asia and the West, treatment of the concept goes back to antiquity. In China, as we shall see, Confucian scholars have significantly incorporated the concept into the dominant social ethic. The Western tradition has been developed contemporarily through the work of Becker (1956, 1986), Firth (1950), Gouldner, (1960), Lévi-Strauss (1949), Malinowski (1932), Mauss (1950), Simmel (1950) and within exchange theory (Blau, 1964; Gergen, Greenberg and Willis, 1980; Homans, 1958). We will consider this Western treatment first and then examine the embeddedness of the reciprocity norm within the Chinese social ethic.

1.1. *Western disembodied and functionalist conceptions of reciprocity*

Reciprocity has been noted as a core process in social relations and the constitution of social order. It has even been conceived as the defining aspect of human sociability and the distinguishing feature of human behaviour (Leakey and Lewin, 1978; Ridley, 1997). As Smith (1998, p. 3) has it, 'Reciprocity in human nature . . . is the foundation of our uniqueness as creatures of social exchange, which we extended to include trade with nonkin (*sic*) and nontribal members long, long before we adopted herder and farmer lifestyles.' The concept was of particular interest to those trying to explain co-operative behaviour and exchange relationships. Early conceptions were formed by anthropologists looking at reciprocal relations in societies that had not developed the protocols of exchange found in a money economies (Lévi-Strauss, 1949; Malinowski, 1932; Mauss, 1950). It is abundantly clear, however, that reciprocity is still a vital social process in modern societies around the world (Czarko and Sik, 1988; Kranton, 1996; Lazerson, 1993; Yao, 1987).

At its most general and universal the reciprocity norm implies two minimal demands: (i) people should help those who have helped them, and (ii) people should not harm those who have helped them (Gouldner, 1960, p. 171). This is already a contraction of Mauss' (1950) formulation that includes the additional moral obligation to simply give and to receive when an offer is made (Befu, 1980, pp. 201–202). The difference lies in Gouldner's functionalist interpretation in which giving is motivated by anticipated reciprocation. Indeed, Gouldner's treatment is expressly driven by his desire to see the construct fully retrieved for functionalist analysis.

The functionality of reciprocity, as distinct from its virtue, has been repeatedly expressed in the Western tradition. Parsons (1951) saw reciprocity as 'inherent in the nature of social interaction' and essential to social stability. Malinowski (1932) argues that social conformity rests not on a psychological disposition but upon a 'definite social machinery' of which the principle of reciprocity is the key. Reciprocity coheres in the interdependent status duties that people owe one another. Reciprocity is also functionally necessary under conditions of mutual dependence and becomes implicated in the division of labour, which creates situations of mutual dependence. Recent commentators have also offered functionalist, evolutionary (even evolutionary psychological) explanations for reciprocity (Güth, 1995; Hoffman, McCabe and Smith, 1998; Ridley, 1997; Wright, 1994). Indeed, Darwin himself makes reference to the importance of reciprocation for human's survival capacity.

A functionalist account of reciprocity has always been apparent, but it is not unreasonable to see Gouldner's (1960) formulation as most influential latterly and as promoting a clearly functionalist interpretation to dominance. Although recognizing that Merton, Parsons and Simmel all, in their different ways, noted the centrality of reciprocity for effective social system maintenance, he felt that they only loosely explicated the mechanisms. He sees this as unfortunate since functional theory requires an adequate treatment of reciprocity (Gouldner, 1960, p. 164).

Gouldner wants to demonstrate the functionality of reciprocity and its role in sustaining social systems. This includes demonstrating its function in solving the social problem of starting an exchange (Cialdini, 1993). Without the social rule of reciprocity parties to a potential exchange may be unwilling to make an initial move since, if others are primarily

motivated by self-interest, a loss may be incurred by those making the first offer. Reciprocity, as an internalised norm, obliges the benefit recipient to repay—this provides the mutual confidence for people to start an exchange. The reciprocity norm in general generates a sense of obligation to return (Gouldner, 1960; Cialdini, 1993). An additional psychological mechanism is to suggest that people feel psychological discomfort at being in another's debt and are thus motivated to reciprocate and restore their psychic equilibrium (Eisenberger, Cotterell and Marvel, 1987).

Gouldner seeks conceptual clarification through distinguishing reciprocity from the mere complementarity of rights and duties—which he argues Parsons and others conflate. He identifies four 'meanings' of complementarity only two of which should be considered as instances of reciprocity (*ibid.*, p. 168). Excluded are situations where rights and duties between interacting parties are not transitive. That is, situations where rights of Ego⁵ against Alter implies an obligation on the part of Alter to Ego—but Alter does not have rights and Ego does not have a duty. For reciprocity, obligations and rights are mutually contingent (*ibid.*, p. 169). It is not, for example, simply the case of the rights of the employer being complemented by the duties of the subordinate—there are reciprocal rights and duties incumbent on both parties.

Complementary relationships contain no inherent brake on the egoistic pursuit of self-interest and the possibility of exploitation. This would lead to unstable relationships and thus dysfunctionality. Given this logic, Gouldner needs to go beyond the formalities and inequalities of complementarity. He does so by invoking a value element, a general norm of reciprocity. So reciprocity helps to delimit egoistic self-interest by invoking a moral obligation to recognise the mutuality of relationships. Gouldner recognises that the fulfilment of duties and obligations can be accounted for in terms of pure expediency, but that expediency does not explain the maintenance of relationships or the long-term stability of the social system. It is only when the higher level moral norm—'that one should give benefits to those who give you benefits'—is included that the maintenance of such relationships has a deeper basis for stability.

With this distinction Gouldner partially detaches reciprocity from the role systems and the structures of rights and duties. It is an exercise in abstractive atomisation typical of functionalist analysis and a decomposition that we feel does not pertain in the Chinese context where the moral imperative is inherent in all relationships and where rights and obligations are always mutually constituted. Gouldner is logically required to invoke the moral dimension so as to provide a functionalist answer to the issue of destabilizing exploitation. This is again typical functionalism whereby values and morality are invoked instrumentally and are voided of independent impact other than a functional one. We argue that a moral imperative is of the highest significance: critical in the structuring of relationships in the East Asian and Chinese context.

There is ambiguity in Gouldner since he accounts for reciprocity in functionalist terms of patterns of exchange over time, but is also compelled to consider it as a moral belief (Uehara, 1995). The moral argument is invoked to salvage the functionalist proposition. It is, however, the functionalist account, in terms of patterns of exchange that has been most influential, particularly in terms of social exchange theory. Importantly, it is via social exchange theory that reciprocity has been applied to organizations and employment relations

(Blau, 1964; Homans, 1958; Gergen, Greenberg and Willis, 1980). Before we examine reciprocity in those contexts we need to further explicate reciprocity, particularly from Gouldner's perspective.

Gouldner's functionalist inclinations also lead to an under-theorisation of power with respect to reciprocity. The notion of reciprocity naturally raises the question of unequal or unbalanced exchanges. Such situations have been termed conditions of exploitation, but Gouldner is highly circumspect about using such a tainted and neglected construct and argues, that 'reciprocity imbalance' is a better term to use. In the end Gouldner avoids theorizing power by dismissing a Marxist structural analysis of inequality and exploitation out of hand and by transducing Durkheim's concerns to a question of values transgression. Durkheim (1957) had argued that significant power inequalities—such as exist in organizations—make it unlikely that a just contract can exist between parties, engender unequal exchange relationships, and open up the ground for exploitation and socially destabilizing consequences. Gouldner says that such situations are destabilizing and at that point he invokes the 'moral' requirement of reciprocation so as to ameliorate the exploitative potential of power inequalities and sustain social stability.

Nevertheless, reciprocity does not level the playing field and in reality obligations and returns are more often than not unbalanced, partly because society cannot be reduced to a series of dyads. Ideology, for critical theorists in particular, functions to either occlude these imbalances (especially long-term or hegemonic ones) or to provide a justification for them. Gouldner decontextualizes and engages in a reductionist argument by which the power dynamic is located in individual value judgements.

The unequal power issue raises a related question: how are reciprocations balanced? From a functionalist point of view this is vexatious since expediency would suggest that unless people receive benefits broadly equivalent to those provided they are unlikely to sustain the relationship. However, it is clear that in the type of complex social relationships we are dealing with in employment relations it is likely that reciprocation is not going to be homeomorphic (concretely alike). This leaves open the question of whether they could be heteromorphic (of equivalent value). The problem here is that (a) specific and detailed accounting is untenable in the type of complex, symbolic and ongoing exchanges at issue, and (b) the issue of 'value' is open to variable interpretation. It is also possible for recipients to seek or accept substantially deferred reciprocation, for example, when an individual works late without pay in the hope of an eventual promotion.

Western writers have tended to settle for the vague notion of 'rough equivalence'. However, empirical ethnographic evidence revealed significant disparities in actual exchange balances, even taking intangibles into account (Pryor and Graburn, 1980). Such a disparity does not invalidate the reciprocity norm, but indicates that the moral force of the norm is of more significance than actual calculations of exchanges. The point being that contracting parties will make their own judgements as to whether the return matches the provision and equivalence is satisfied. In the generalised reciprocation that tends to hold in employment relations there is little prospect of careful accounting, but this does not prevent participants subjectively applying the reciprocation norm and making judgements about equivalence and balance.

Related to the issue of equivalence is the time scale of reciprocation episodes. Gouldner tends to emphasise direct and immediate reciprocation. However, whilst in some specific situations there may exist implied time scales and norms about promptness, when we have complex sets of relationships and vague equivalences, as in employment relations, then any clear time scale is unlikely. Malinowski (1932) notes this indeterminacy, but suggests that reciprocities will balance out in the 'long run'. This depends upon whether the imbalance is attended to or not. Clearly if an imbalance persists, people are aware of it, and the reciprocity norm has valence, then the relationship will likely be viewed as inappropriate and may decay or collapse completely. Others have noted considerable time delays in reciprocation, especially in family or kinship relationships (Antonucci and Jackson, 1989).

The force of the reciprocity norm is that it generates a material or symbolic obligation. The recipient remains indebted until a return is made. Again, seeking a functionalist rationale, Gouldner (1960) maintains that outstanding obligations are just as important for social stability as debts already reciprocated. It would be inexpedient to break off a relationship with a party who still owes you something. This debt might be material, but there is a symbolic or social aspect because of the requirement to allow the other to restore their 'face'. It would also, however, be morally inappropriate, given reciprocity norms, to break off relations with those to whom you are still indebted. As Mauss (1950) puts it 'the obligation of worthy return is imperative. Face is lost forever if it is not made'. The use of the term 'face' is significant and relates directly to the Chinese context, as we shall see.

1.2. Reciprocity within a Chinese social ethic

Whilst showing variability, the Western conceptualisation of reciprocity has been heavily influenced by Gouldner and, in the organizational context, by exchange theory. Gouldner's is a distinctively functionalist account, one in which morality, as it were, creeps in the back door, invoked as a functional requirement. Whilst asserting the universality of the reciprocity norm, Gouldner concedes there is cultural variance. Having explored some of the broad parameters of this Western view of reciprocity we now turn to consider its roots and functioning within the Chinese socio-cultural system. To do so it is necessary to examine the wider socio-cultural context within which reciprocity is embedded. Following that overview we will consider the implications of these alternate views of reciprocity for organizations and employment relations.

Yang (1995) has specified the basic 'rules' of reciprocity in the Chinese case:

- (i) when a person offers a favour it should be accepted,
- (ii) when a favour is given one is obligated to return it,
- (iii) one should attempt to return the favour promptly,
- (iv) when asked for a favour, one should comply (at least in part),
- (v) one should wait for the favour to be returned, not request its return.

In these simple terms this is not dissimilar to the Western formulation presented by Gouldner and others. We suggest, however, that these rules are more fundamentally embedded in a coherent and widely shared social ethic and relationship structuring in the Chinese

case. Indeed, *bao* (or *pao*)—which has been loosely translated as reciprocation—is cited as the ‘basis for social relations in China’ (Yang, 1957, p. 291). *Bao* has complex and multiple meanings in Chinese, but centres on notions of response and return. It is further argued that *bao* refers not only to interpersonal exchange, but to the ‘restoration of moral and ritual equilibrium.’ (Company, 1996). Yang (1957, p. 291) states that the Chinese believe that ‘the reciprocity of actions . . . should be as certain as a cause-effect relationship, and, therefore, when a Chinese acts, he normally anticipates a response or return.’ He also notes that whilst the notion of reciprocity is evident in all societies, in Chinese society it has particularly ‘wide application and tremendous influence in social institutions.’ (*ibid*). In the Confucian *Book of Rites*, reciprocity is an integral part of propriety (*li*).

At the heart of Chinese culture is a concern for harmony⁶ and a fundamental relationship orientation. Harmony is present in the leading philosophical and religious traditions that have influenced Chinese culture. It is a key feature of Taoism (Hansen, 1992; Kohn, 1999; Kohn and LaFargue, 1998), Buddhism (Dumoulin, 1994), and critical to both the philosophy of mind of neo-Confucianism and the social ethic of pragmatic Confucianism (Allinson, 1989; Graham, 1990; Ivanhoe, 1993; Lao, 1988; Nivison, 1996). The social values and mindsets of contemporary Chinese are still informed by these traditions through continuing socialisation practices (Allinson, 1989; Bond and Hwang, 1986; Lau and Kuan, 1988).

The value of harmony is pervasive at a number of levels. Most elementally it is part of Chinese holistic cosmology wherein all elements in the system are balanced and interdependent. In terms of Kroeber and Kluckhohn’s (1952) classic cultural dimensions, humankind should be in harmony with the environment—not a position of dominance as in the modern Western purview. At a more micro level there are traditions of striving for inner harmony and balance. This is present in both Buddhism and Taoism, but also in the Confucian ethos where its essence is captured by the Doctrine of the Golden Mean or *chung yung*. People are to pursue the ‘middle way’, to avoid extremes and to find a place within the collective system.

It is harmony at the social level that has been of most significance for Chinese social practice and organization. Even the notion of a harmonious inner-self has a social function. The individual is not valued, as in the West, ‘in his or her own merit, but in his or her ability to develop and bring out the in-born social nature, to love other people and to live with them harmoniously.’ (Yang, 1995, p. 5). This is consistent with Confucian assumptions of the inherent nature of compassion, righteousness and humanity which Confucian self-development is to resurface. The defining quality of the moral person is to be fully aware of their compassionate responsibility to humanity and to behave appropriately in the light of that. This is encapsulated in the Chinese concept of *ren*—which loosely means people/person but is better understood as ‘personhood’ (Hsu, 1971). The point is that one’s very claim to proper personhood depends upon the capacity to identify with one’s fundamental relationship to others and connection with humanity. Morally, to behave towards others without regard for their personhood is to disavow one’s own personhood. The prominence of social harmony occurred as Confucianism was adopted as the state ideology and as a reaction against historical turbulence (Lao, 1988). Indeed, the value on harmony needs to be seen in relation to a deep fear of disorder and chaos and pervasive mistrust prevalent within Chinese society⁷ (Allinson, 1988; Lau, 1984; Redding, 1990).

Social harmony is basically maintained in two ways. Firstly, by people adhering to their social roles, performing them to the best of their ability, and not challenging or disturbing the 'natural order of things'. There is an assumed natural status hierarchy into which people must fit. This is captured in the Confucian notion of the *wu lun*, which originally expressed the structured hierarchic relationships between key parties in society.⁸ Such relationships are ineluctably characterised by obvious power inequalities, but also very clearly by *mutual rights and obligations*. The last point is of the utmost significance since, whilst the authority of the super-ordinate person is absolute and must be respected and deferred to by the subordinate, the superior has a moral imperative to take care of, nurture and protect the subordinate. To behave otherwise is an abuse of power and a violation of the spirit of *ren* and the essential qualities of the moral person. This is in essence a form of reciprocity. Secondly, harmony is sustained by careful adherence to the rules of propriety; that is, to the implicit but forceful guidelines for proper behaviour inherent to any social situation. Both these social mechanisms are incorporated in the concepts of *yi* and *li* (Cua, 1989; Fang, 1980; Lao, 1988).

Li denotes the 'order of life' (Lao, 1988, p. 190), but pragmatically is a social complex whereby society's members should strive to act with propriety. Behaving with propriety means, in part, conforming to the mutual requirements of respective status positions and roles. *Yi* (rightness) denotes the reasoned determination of what is right and proper, and is necessary to guide the application of *li* in specific contexts. *Li* must be interpreted in the light of practical reason and a determination of what is right for the prevailing conditions: 'The *li* are the embodied expression of what is right (*yi*)' (Legge, 1966). This makes *li* somewhat situationally contingent and not an edict to be complied with regardless. This is important since it takes behaving with propriety beyond unreasoned conformance, indicates the mutuality of obligations, and provides for resistance to unreasonable demands or threats to overall harmony. A third key element in the Chinese ethical system is *jen*. This is often translated as 'benevolence' or 'humanity', but is perhaps better seen as selflessness or the 'will-to-right' (Lao, 1988, p. 193): the quality by which a person determines the right and proper way to behave.

Preserving social harmony is a core consideration of this social ethic and the primary role of *li* is to prevent human conflict. *Li* has three roles to fulfil: a delimiting, a supportive and an ennobling role (Cua, 1989, pp. 214–220). The first two are of most relevance to this paper. The delimiting role confronts the problem of controlling people's selfish pursuit of their own interests and desires. Left untrammelled this naturally leads to contention and ultimately social disorder. Thus, the *li* are a 'set of formal prescriptions, delineating the boundaries of pursuit of self-regarding needs and interests.' (Cua, 1989, p. 215) with the aim of sustaining a stable social order and harmony. Indeed the *Analects* state that the most essential contribution of *li* is the preservation of harmony. That is why they prescribe a hierarchical order of roles and statuses as well as specific behavioural guidance for conduct and relationship maintenance within that structure. The delimiting role is the negative one of proscribing inappropriate behaviours in a moral code. This is supplemented by the supporting role which, whilst not concerned with the appropriateness of people's desires and goals, does offer guidance on how they should be pursued. The ennobling function concerns the aesthetic of cultural refinement.

What is constituted here is a complex and interrelated Confucian social ethic. It is a system that provides clear behaviour guidelines and ethical principles, which help ensure that harmonious relationships are sustained and instability and disorder staved off. It is also a system that structures and orders relationships and behaviours within them.

Although Chinese social systems are sharply hierarchical and characterised by a large power distance (Hofstede, 1980), there are reciprocal obligations on *both* the power holder and subordinate, and both are required to behave appropriately within their respective role positions so as to maintain social harmony. If power holders do not act within the framework of such obligations, and do not reciprocate the mutual obligations inherent in the role, the subtle balance of harmony is destabilised. It is clear that reciprocity is embedded in this social ethic. It is also clear that the social requirements go beyond mere role complementarity as specified by Gouldner since Chinese role relationships imply rights and duties from both sides of the relationship. Here reciprocity is embedded in a complex, holistic social ethical system. It does not make sense to isolate and atomize particular dyadic relationships. In this system the reciprocity norm ameliorates the opportunity for exploitation in situations of power inequality and constitute a more stable social order, but it does so within the context of a moral order based on a profound sense of relationship and not on the basis of rational exchange calculations.

Chinese culture is indeed characterised by a fundamental social orientation (Yang, 1993) and by a conception of 'self' that is interdependent (Markus and Kitayama, 1991) and relational (Marsella, De Vos and Hsu, 1985). Indeed, a relationship orientation is a necessary corollary of the system of social harmony outlined above. The maintenance of harmonious relationships within the social collectivity is the prime mover and people must subjugate their individual desires and interests to that end. Contemporary psychology supports this orientation with research showing dominant psychological attributes of 'social harmoniousness' and 'relationship centredness' in studies with Chinese subjects (Yang, 1986). Chinese cultures are collectivist (Hofstede, 1980), bearing in mind the variants in collectivism which in the Chinese case is familistic. Such collectivism is contrasted with the individualism and egocentrism of Western culture.

As Yang (1993) suggests, the Chinese social orientation is constituted by four 'key modalities': a *familistic* orientation, a *relationship* orientation, an *authoritarian* orientation and an *'other'* orientation. With respect to these, it is the family that is the defining focus of Chinese collectivism. The family has continued high centrality in Chinese society such that 'a special kind of strong familism has been formed, stressing the undeniable predominance of a family over its members in almost all domains of life.' (Yang, 1993, p. 25). Such familistic ideology is so pronounced that it forms a paradigmatic model for other types of social relationships and structures, including organizations (Bond and Hwang, 1986; Chen, 1995; Redding, 1990; Westwood, 1997b; Wong, 1989). We will turn to this issue in a later section.

The relationship orientation also provides the bases for situational contingencies surrounding reciprocity in the Chinese case. The parameters of reciprocity are guided by the nature and quality of the relationship pertaining between parties (Yang, 1995). In general, the closer and more significant the relationship, the greater the moral imperative attaching to 'rule' compliance. Exchanges between lesser acquaintances may be subject to tighter

controls and finer accounting, expectations of value equivalence, and deferrals of shorter duration. Yang (1957) also notes the contingency of family and that reciprocations may be more 'liberal', and less carefully accounted or immediate. The same may apply in close or liberal friendships where the meaning of the Chinese term for such relationships is 'there is enough reciprocity passing between us to allow some liberty' (Yang, 1957, p. 292). The rule of promptness is not always invoked; again it depends on the nature and quality of the relationship. It is also quite clear that *bao* refers to both negative and positive reciprocity—to revenge as well as to return.

It is apparent that reciprocity is deeply embedded in Chinese social relations and the constituted moral order. It is central to *li* and so to the key tenet of proper and effective behaviour. It is inherent to all relationships and is not just a calculated expedient but a moral imperative governing proper behaviour in all situations and relationships. Chinese elemental relationship-orientation entails that there is mutual interdependence in all relationships, even in unequal relationships where the more powerful not only has rights, but also obligations. The rules of propriety, and particularly of *bao*, demand and ensure this mutuality of obligation—they are a moral imperative in a complex social ethic. This is in contrast to the Western, and particularly Gouldner's, more circumscribed and decontextualized representation. In particular, it is not compatible with Gouldner's functionalist separation of complementarity rules from reciprocity rules.

We have presented an admittedly idealised, classic expression of a Chinese, mainly Confucian, social ethic; however, its broad aspects have become entrenched, albeit in a mundane form, in the social expectations of contemporary Chinese culture via socialisation practices. Company (1996, p. 367) maintains that *bao* 'and its surrounding complex of compounds . . . developed into formal moral and legal concepts that persisted until the present century.' Further, as Redding (1990, p. 44) has pointed out, a society, from the Chinese perspective, should be seen as 'constructed of morally binding relationships connecting all' and 'fulfilment comes from the very structure and dynamics of the relationships and emphasis on belonging.' As intimated earlier, this extends into organizational relationships to which we now turn.

2. Reciprocity and the employment relationship

We now examine the implications of these contrasting conceptualisations of reciprocity for organizations, and for employment relations specifically.

2.1. *Western impersonal contractualism and the effacement of reciprocity*

Since its functionalist appropriation, the Western view of reciprocity has taken on a particular and limited trajectory. In organizations studies the biggest influence has been via social exchange theory which provides a model for organizational relationships (Blau, 1964). In terms of reciprocity—and the related issue of trust—social exchange theory provides one type of explanation that is functionalist and depends upon notions of interaction across time. It tends towards a view of exchange that rests upon rational calculations of cost and benefit to the interactants. People consider exchanges in the light of rational assessments

of risk. It is suggested that there are two types of trust, rational and psychological and that Blau and exchange theory focuses only on rational trust (Aguilar, 1984). It is further suggested that the only personality variable exchange theorists include in their model is the drive to maximise personal utility (Aguilar, 1984). Social exchange theory pursues a form of rational calculus and deploys the Rational Economic Man model. As Cancian (1974) argues, however, even Rational Economic Man inhabits a previously existing cultural and psychological world, and indeed that socio-psychological framework defines the values in terms of which his rational calculations are made. This is part of the decontextualizing critique made in this paper and is in contrast to the relational embeddedness of the Chinese social ethic.

Exchange models have been influential in orthodox economics where again there is a focus on individual actors making rational utility calculations. There has been an overwhelming focus on market-based transactions where values are concretely and precisely determined; nonmarket transactions are largely ignored (Stanfield and Stanfield, 1997). Exchange economics tends to dominate all other aspects of culture resulting in a narrow, distorting focus. The model is fed, at least in the US, by an ideology of the individual such that the pursuit of self-interest is the main legitimated motivating mechanism (Fehr, Gächter and Kirchsteiger, 1997). Indeed recent experimental or game theory simulation⁹ research has focused on the role of reciprocity in rational decision making (Boyd and Richerson, 1989; Fehr, Gächter and Kirchsteiger, 1997; Hoffman, McCabe and Smith, 1998; Kirchner, Fehr and Evans, 1996). Whilst these studies support the existence of reciprocity—including indirect reciprocity—in individual decision making in exchange situations, and explain cooperative behaviour even when technically it is less efficient, they continue the functionalist path of decontextualization, individuation and atomisation and the effacement of moral choices as a prime mover.

In the management literature social exchange has been considered either globally to describe the relationship between employees and the organization, or dyadically to cover the superior-subordinate relationship (Settoon, Bennett and Liden, 1996). With respect to the former, interest in exchange and reciprocity has centred latterly on attempts to manipulate the calculus that employees make about the employment relationship so as to induce behaviours that deliver positive organisational outcomes. It is argued that employees can be made to feel obligated to make positive returns when they are the recipients of positive, beneficial actions from the organization (Eisenberger et al., 1986; Greenberg, 1980; Konovsky and Pugh, 1994; Shore and Wayne, 1993). More specifically, exchange and reciprocation are used to explain motivation and positive member attitudes (Etzioni, 1961; Levinson, 1965), organizational loyalty and commitment (Eisenberger et al., 1986; Robinson, Kraatz and Rousseau, 1994; Scholl, 1981), and non-role behaviours (Moorman, 1991; Rousseau, 1989). There are those who maintain employment relations should be considered more broadly than merely structural, economic and psychological factors to include moral beliefs (Uehara, 1995). Even when notions of organizational fairness are taken into account they tend to be reduced to a rational calculus as in equity or expectancy theory. Evidence suggests, in contrast, that people are as much motivated by their moral beliefs as they are by selfish ego-fulfilment or equity calculus, and that they are averse to situations of over-benefiting (Uehara, 1995).

The Western individualised and disembodied view of social exchange results in it being handled with formality and contractualism. Indeed, it can be argued that the exactitude of formalised economic exchange mechanisms and contracts are there precisely: (a) because the trust of reciprocation is not presumed to be reliable; (b) to depersonalise the exchange and extract it from ongoing social relationships thus ensuring that social obligations are not invoked. Contemporary Western employment relations have primarily been constructed on this type of rationale. They are primarily founded upon the formal contractualism and traditions of Weberian bureaucratic impersonality. Indeed, in standard economic theory employees are considered as rational egoistic individuals who strive to maximise returns (Kirchler, Fehr and Evans, 1996). The engagement of the employee with the organization is governed by the specificities of the contractual relationship, which explicitly circumscribes entitlements and obligations between parties. These formalities are either enshrined in national legislation—and in the US employment relations legislation is extensive—or documented in specific employment agreements.

The individual's employment orientation is seen as predominantly instrumental: based on a rational-calculative orientation centred on legalistic exchange (Kirchler, Fehr and Evans, 1996). The organization itself is conceived of as an impersonal, legal entity with juridical rights and obligations. Organizational relationships are also impersonal with the control and involvement of the organization in the employee's life-world strictly delimited. Organizational order is sustained through the imposition of the bureaucratic rule system or via the mechanisms of an impersonal market. The inherent power inequalities are masked and managed through the construction of a legitimised hierarchy in which power is depersonalised and transduced to the limitations of positional authority. Adversarial relations are customary and expected, and conflicts surfaced and managed through institutionalised industrial relations processes explicitly oriented towards legalistic rights (Blyton and Turnbull, 1994; Bridgford and Stirling, 1994).

This view of employee relations has been influential in the West, both theoretically and in terms of practice. However, its dominance has always been contested and never assured. Western management discourse contains enough space for variant or even oppositional conceptualisations. At various times alternatives have been proposed that suggest a more normative form of order. Indeed, early discourse about management (Barnard, 1938) emphasised the mutual obligations inherent in social exchanges as essential to organizational membership. Etzioni's more recent normative conception has already been noted. Contemporarily, the corporate culture and transformational leadership perspectives have attempted to reinvest organizational relationships with a more normative/moral tone. More recently still¹⁰ the notion of the 'psychological contract' has suggested that Western employment relationships are based on more than mere formal, legalistic, contractual rights and obligations. A nuanced set of mutual expectations between employer and employee are proposed over and above what is laid-out in any formal agreement. However, in the US treatment there is a tendency towards a purely individualistic, de-socialised reading which emphasises individual calculation of personal utility (Morrison, 1994; Rousseau, 1989, 1995).

Even in the more recent explicit concern with trust among Western organization studies theorists there is a failure to fully integrate reciprocity. At best it is mentioned in passing. Trust itself cannot escape being discussed in rational, functionalist terms. Some discuss the

manipulation of trust in organizations so as to induce organizationally desirable behaviours (Gambetta, 1988; Lane and Backman, 1998; Shurtleff, 1998). In a recent review Kramer (2003) notes that in modern organizations the personal knowledge required to establish trust is absent or hard to obtain, therefore trust has to be individually negotiated or substitutes found. Substitutes take the form of formalities and legalities. In large, differentiated organizations proxies for trust are required. These take the form of category-based trust,¹¹ role-based trust¹² and rule-based trust (Kramer, 2003, pp. 346–348).

The more dominant discourse, then, of individualistic, adversarial, rational-calculative employment relations has periodically cohabited with a subtext of unitarism, collaboration and normative/moral engagement. Asserting the former as *de facto* a dominant model does not imply that other variants have not had a place or impact on contemporary employment relations. Rather we give expression to a dominant ideology that has most typically governed the perception and enactment of employment relationships. More importantly for the concerns of this paper, the functionalism that has informed the dominant perspective has led to reciprocity itself being conceived of primarily in narrow functionalist terms and for it too being de-coupled from its full social embeddedness.

We are going to present the case for a different model of employment relations, one embedded in the deeply relational, social ethic of Chinese culture, incorporating the alternative conception of reciprocity that we have articulated above.

2.2. *The Asian moral economy*

It has been argued that in Southeast and East Asia, and particularly where Chinese business systems are pervasive¹³ the Western impersonal contractual model of employment relationships is inappropriate (Kao and Ng, 1992; Redding, 1990). As Kao and Ng (1992, p. 175) suggest, ‘...in Southeast Asia the move to impersonal, bureaucratic organizational relationships has been much less pronounced than in the West. Many relationships remain at a personalistic level, and loyalty and commitment is still more to the individual employer (and his family) than it is to the abstract organizational entity.’

The distinctive features of an idealised Overseas Chinese business organization have been well documented. Whilst not denying the influence of non-cultural factors on the development of specific Chinese organizational forms (Whitley, 1992; Wilkinson, 1996), cultural values have had a strong shaping impact (Chen, 1995; Redding, 1990; Westwood, 1992). Following the logic of the Weberian thesis (Weber, 1951), Redding (1990) argues that Chinese organizations are characterised by patrimonialism, personalism, obligation bonding and limited and bounded trust. There is persistent resistance to the elaboration of impersonal, bureaucratic, formally legalistic systems. Organizational forms in Chinese contexts are naturally varied, but there is a model of the traditional Chinese business that has been frequently articulated: one based primarily on family-ownership.

Although the transference of familistic ideology to the organizational realm has not been as thorough as in the Japanese case, it is a significant feature of Chinese enterprise culture—especially in those more traditional, small, owner-managed enterprises so numerically dominant in the Chinese business scene (Gatfield and Youseff, 2001; Weidenbaum, 1996; Whitley, 1992; Wong, 1989; Zang, 1999). Chinese familism is characterised by

patrimonialism, and the patriarch has clear and strong authority to which others are obliged to accede and defer; a power relationship legitimised by the Confucian social ethic. However, it also involves mutual obligations and thus the patriarch, though invested with such power, is obliged to exercise it on behalf of the family: morally obligated to maintain and extend family interests. He is also obligated to protect and take care of the family and ensure the wellbeing of all its members. At the individual level too, although the norm of filial piety demands compliance, obedience and loyalty from the son, the father must reciprocate with nurturance, protection and care.

Structurally such firms are typified by firm status hierarchies with high levels of centralisation, low levels of specialisation and standardisation, diffuse and flexible horizontal differentiation, minimal structural complexity with a small administrative component, lower or selective formalisation, and a tendency to remain small or to achieve scale through personally controlled but loosely bonded molecular networks (Hamilton, 1997; Redding, 1990; Westwood, 1992, 1997b; Whitley, 1992). Organizational leadership is benevolently autocratic or like a paternalistic headship (Farh and Cheng, 2000; Westwood, 1997a), with managerial control and ownership linked through the organizational head and his family.

The guiding rationale of this orientation and mode of organizing is, once again, the maintenance of social order and harmony. Indeed, the Confucian ethic described is necessary in Chinese organizational contexts to sustain order in the absence of the impersonal, legalistic, bureaucratic formations adopted in the West (Redding, 1990, 1995; Westwood, 1997b). The imperative to maintain harmonious organizational relationships is sustained by a combination of compliance to authority structures and role requirements, and a tacit set of personalistic mutual obligations. Overt conflicts are studiously avoided. It is precisely this morally underpinned web of personalistic relationships of mutual obligation and reciprocity that gives order to the Chinese organization. We contend that this model still informs Chinese expectations in employment relations in contemporary organizational contexts.

In terms of employment relationships, the general features of this organizational form and the values underpinning it have important implications. Employment relations are themselves not structured through bureaucratic rule system imposition or contractually mediated exchange mechanisms, but rather through a subtle and complex personalistic web of mutual obligations and rights that are reciprocal in nature. Commenting on the pervasive impersonality and lack of formalisation Whitley (1992, pp. 206–207) argues: ‘...employment practices are not governed by standardised rules but rather are highly personal and idiosyncratic to the particular relationship between the owner and individual employees.’

There is a normative quality to this order since the mutual obligations and reciprocities are not formally contracted rights and duties, but are governed by a moral imperative embedded in the fabric of the social system. As such it is an enacted and tacit rather than a procedural and explicit form of governance. In other words, it is an employment system firmly embedded in the moral order instantiated in the wider socio-cultural fabric of society.

Employees, consequently, have expectations of the employment relationship that often extends beyond the instrumental and immediate.¹⁴ In return for their labour and willing compliance to the authority structure, they expect the organization to offer them a degree of security and treat them in a reasonable manner. Just as they are expected to protect and

enhance the 'face' of organization leaders, they also expect leaders to remain cognisant of their 'face'. To the extent that they are expected to consider their organization membership as being family-like, then the mutual obligations of familistic relationships should pertain.

As we have seen, reciprocity is central to the social ethic within Chinese contexts. It is a vital component of social order and the maintenance of all types of social relationship including those within organizational contexts. When an employee has formed a relationship within an organization of the type described above, the complex social ethic is enacted and reciprocal relations are forged. It should be noted that, as with all Chinese social relations, it all depends upon the nature and the quality of the relationship that is established. This will vary from tight family bonds, extended family relationships, kinship bonds, common name and language groups, to more distant types of relationship.¹⁵ However, since the organization comes to be perceived and function in quasi- or proxy-familistic modes, mere membership imparts a quasi or proxy familistic relationship. This is not to deny that in some instances employees will not be able to form personalistic bonds with the organization and thus relationship rules are weakened and the member can find reciprocity and other social niceties absent or minimal.

This system has brought cohesion and stability to employment relationships and industrial relations. Even when the system breaks down, employees are more likely to express their dissatisfaction with exit rather than voice (Hirschman, 1971). However, when the requirements of this finely balanced system are transgressed, the subtle and tacit social fabric sustaining harmonious order can be frayed and even dissolved.

3. Implications: Globalisation, the moral economy and transgression

We have demonstrated that although reciprocity is a universal social process it manifests in different ways across cultures. The Western social science/organization studies conceptualisation of reciprocity has taken a distinctive trajectory since its functionalist appropriation by Gouldner and others. Reciprocity is conceived of as a desocialised, disembedded phenomena involving individual, rational economic calculus. It has not featured prominently in discussions of employment relations, which themselves have tended to be considered in terms of impersonal, formalistic, individualised and instrumental contractual relations. This has a counterpoint in the tacit normative order in the Chinese context. We have argued that in the Chinese context reciprocity remains deeply embedded in a complex and inter-related social ethic. Further, such a relationship-driven social ethic still has resonance with employment relations systems in at least the large number of family-owned and managed Chinese businesses.

The first obvious implication is the need to recognise that the management of employees and of the employment relationship under the two systems is different. Aspects of the Overseas Chinese employment system have been described and do exhibit differences from the idealised Western model (Chan, 2000; Chen, 1995; Gatfield and Youseff, 2001; Redding, 1990; Weidenbaum, 1996; Westwood, 1992, 1997b; Whitley, 1992). The corollary implication concerns the management of employment relations in organizations that in some form represent a meeting of Western and Chinese practices—joint ventures, franchises,

direct foreign investment operations and so on. Senior managers in such situations must be mindful of the different socio-cultural constitution of employment relations and be prepared to manage in a modified manner. Managers cannot assume universality for their own styles and systems and must remain sensitive to the cultural specifics of the arena in which they are functioning.

The second set of implications concerns the stability and sustainability of the systems described. There are indications that the system is showing signs of strain in East Asia. This is in part because of the effects of globalisation. There is a continuing and intensified inter-penetration of Western management ideas and practices into Asia, plus the logic of international capitalism is becoming all-encompassing and bringing with it the types of economic rationalism and individualism that have pervaded the West's socio-economic systems. There has also been direct economic pressure more recently following the Asian economic crisis. We have already seen the partial erosion of aspects of the Japanese system of employment relations under that kind of pressure.

During the 1990's and particularly post-1997 there was something of a change in employment relations in East Asia. The economic crisis compelled many organizations to re-examine their staffing arrangements and there was a spate of restructuring and down-sizing that were, in a sense, new to the region (Godement, 1999). As reported in the International Labour Review (1999), during 1998, 5% of the Korean Republic's workforce lost their jobs, whilst in Indonesia's modern sector it was closer to 20%. Unemployment in Hong Kong rose from below 2% to around 5% in the first three-quarters of 1998 and in Malaysia and Thailand similar rises were witnessed. Even by 2002 a PricewaterhouseCoopers survey of 160 Hong Kong companies showed that 43% intended laying-off staff that year (Business Asia, 2002). Prior to 1997 even economic downturn within a company was met with strategies that did not alter the basic parameters of traditional employment practices. For example, Nissan's heavy losses in 1994 resulted in a plant closure, but staff were relocated rather than laid off (Cannon, 1996).

One case of restructuring and downsizing in Hong Kong (HK) is illustrative of the new trends and is pertinent to the themes of this paper. Hong Kong Telecom (HKTC),¹⁶ through two of its subsidiaries provided all domestic and international telephone services in HK. In a virtual government-granted monopoly position the company made significant profits. Although most of upper management were expatriates, the vast majority of employees were local Chinese. It functioned like a 'hong'—a foreign-owned trading house, but one that had become part of the scene and partly acculturated to the local context. It was widely perceived by employees and those in the business community to be a hybrid of western and local organizational and management styles. More importantly, we would argue, the predominantly Chinese workforce were imbued with an ethos about proper employment relations and associated values that are common in the more numerous and traditional family owned businesses that prevail in Asia. The values relating to employment are pervasive among the Chinese community and are not dispensed with just because people are employed in a 'hong' rather than a fully fledged Chinese family business.

In the early 1990s the company employed close to 17,000 people, by 1999 this was reduced to around 13,500 following a long, tortuous, multi-phased restructuring program. Prior to these events in the 1990s it had a reputation as a good employer with a highly

secure and stable workplace. Thus, like many other companies throughout Asia, there is a partial erosion of the expectancies that pervaded such traditionally run organizations under the exigencies of economic rationalism.

Significant changes in the business environment resulted in the company merging and restructuring its two subsidiaries. In early 1991, 1,100 workers received dismissal notices without any formal prior warning. This was the single most dramatic event and had reverberations throughout the territory. The company continued its restructuring activities over the next decade further shedding 2,500 employees between 1996 and 1998. In 1996 the company sacked 45 managerial and professional staff and July 1998 issued lay-off notices to a further 270 middle managers and technical staff. Also in 1996 it announced a 10% across the board pay cut for its 13,800. In 1998 there was a dispute over a pay package and on in January 1999, 100 staff were sacked for not accepting the package. In April 1999 the company offered voluntary redundancies to 4,000 workers.

We maintain that the manner in which the restructuring and related matters were handled constituted a significant breach of socio-cultural values and norms; an affront to the tacit understandings that are the very basis for a personalistic, informal, relationship-driven employment relations system. They were an affront to valued norms of propriety, 'face' and reciprocity and suggested that the company was incapable of functioning within the moral framework informed by the Confucian social ethic.

It was primarily senior Western managers who formulated and drove the restructuring and rationalisation strategies, and they could, and did, provide a justification and that their actions did not breach the framework of employment relations from a Western standpoint. The justification was presented in terms of the economic rationality of Western business planning, an analysis of technological change and of economic and business conditions. Furthermore, the justification was legalistic in that the company acted within the law and the parameters of the formal contractual conditions. The combination of rational economic analysis and adherence to the formalities of law and contract was taken as sufficient ground to justify both the substance and manner of the change process.

However, the Chinese model of employment relations does not match this Western interpretation. It incorporates a more nuanced and tacit normative system centred on norms of reciprocity, mutual obligation and propriety. The company's top management took a course of action that flouted the values and ethics of the employees. The change was handled without regard to the essentially reciprocal nature of command and consent, and management exploited the asymmetries of power without regard to the mutuality of obligation resting upon the power holder.

The employment relationship extends beyond the formal and impersonal parameters of a legal contract. When employees offer their compliance and deference to an authority hierarchy and behave appropriately within their role positions, when they offer loyalty and commitment, make investments of time, self and emotion, and give the gift of their labour, they do not expect their treatment to be guided solely by the arid calculations of economic rationality nor the impersonalities of formal contract. The gifts of time, effort, self, emotion, caring, and of a portion of life demands a response that reflects its importance, that is adequate and that is just, because 'only this form of reciprocation . . . can give individual actions both measure and meaning' (Mauss, 1950). They expect to be taken account of as

persons with due recognition given to their human dignity (within the spirit of *ren*). They expect a reciprocation that considers their interests, protects them from the vicissitudes of economic life, and treats them in an appropriate and reasonable fashion.

When uneven power relationships are not accompanied by mutual obligation, they are delegitimised, the subtle balance of tacit understanding is broken, and the system of order is under threat. A negative reciprocation can be brought into play with significant adverse consequences for the company, even if the drive for reversal is deferred and retaliation not open and overt. The real consequences are not manifest in any measure of immediate and overt acts of resistance at the surface, but rather at a deeper level and in the longer term. Problems experienced during and in the aftermath of radical change are not merely technical-structural ones, simply ones of behaviour modification and realignment, nor ones of psychological adjustment. They also involve moral principles of reciprocation and return. In so far as ethical and ontological principles are invoked, rather than technical-logical procedures, behavioural or emotional responses alone, then the problems are potentially of a more profound and penetrating nature.

In the HKTC case, Western management invokes a rationale based upon the impersonal, de-socialised, and amoral calculations of a rational exchange model. This confronts the more nuanced model of employment relations embedded in a wider social ethic prevalent in the perceptions and expectations of much of the Chinese community. There has been some concern expressed in the US and elsewhere in the West about the limitations of this rational-economic exchange model. The recent accounting and governance scandals have precipitated a more general concern about the ethic of business.

A critique of the orthodox view of exchange relations, and of the amoral stance that it perpetuates, has been present as a minority perspective in the West for some time. Some of this critique has more resonance with the Chinese social ethic that we have articulated in this paper. Polanyi (1944) mounted a significant critique in the form of institutional economics (see also North, 1990), picked up more recently by Stanfield (1986, 1995). The critique is partly aimed at the exclusive focus on the individual agent and the neglect of social context, which resonates with Granovetter's (1985) notions of the social embeddedness of economic action. A critique by extension is that orthodox economic exchange models neglect the moral dimension: that people's choices are influenced by the moral universe they inhabit and that sheer utility has insufficient explanatory power (Etzioni, 1988; Lane, 1991). The notion of a 'moral economy' has had its advocates in the West in which a distinction is made between purely rational and moral economic action (e.g. Booth, 1994; Granovetter, 1994; Scott, 1976). A moral economy depends upon the existence of a comprehensive network of close relationship ties (Kent, 1993; Stone, 1996). Again this notion resonates with our depiction of the Chinese social ethic. Arguing from the other direction Alexander (1987) sees moral systems as at root reciprocity systems. However, these alternates to economic exchange thinking cannot be said to have occupied the orthodox ground.

There is even experimental work showing that a model in which interactants are reciprocally motivated produces different exchange outcomes than one based purely on self-interest (Rabin, 1993). Fukuyama (1995) makes a similar case in his comparative analysis of trust and its economic contribution. The drive to reciprocate is not only the result of a calculus about likely derived utility, but is driven by a moral requirement informed by

some important internalised values. Such values are developed in and help constitute the socio-cultural context in which the transactions take place. Polanyi (1944) suggests that the contemporary capitalist economy becomes increasingly disembodied, exchange is de-personalised, and economic action becomes detached from the moral realm. Stanfield and Stanfield (1997) argue that this leads to a kind of social pathology in which the grounds for nurturance¹⁷ are retarded. They also agree with Lowe's (1988) notion of the loss of 'spontaneous conformity'—the self-discipline society's members have when there is a consensual internalisation of moral principles and well understood social sanctions accompanying their breach. Such decline, it is argued, puts the very fabric of social order under threat. At the least it raises the costs of social control of a more formalised type and increases transactions costs since they can no longer be based on trust and informal understanding.

Contrary to most contemporary models of exchange and motivated behaviour, these alternatives argue that people are motivated by their moral beliefs over and above any utility calculation (Etzioni, 1988). This articulates a neglected, deontological perspective on motivated action (Uehara, 1995; Westwood, 2001b). These writers argue for the inclusion of reciprocity, obligation, commitment and expectation as important *economic* relations. This seems to be a lesson well understood in the Chinese context. Witness the apparent economic value attributed to *guanxi* (Chan, 2000; Redding, 1990, 1995). Reciprocity is not merely a matter of exchange or reallocation of goods and services, it is part of the social fabric by which relations and bonds are formed and maintained (Price, 1978), an integral part of moral order of society. This is clearly apparent in the account of the Chinese social ethic that we have articulated. It might be that the moral vacuum in Western business practice is only now being recognised under the glare of adverse media scrutiny. There are intimations that the rational economic model extending into employment relations is creeping into Chinese and Asian business systems and that this may undermine the subtle, embedded social ethic that has been integral to their systems. There is perhaps an urgent need for reflexive examination in both contexts to properly analyse the trajectory that has been taken.

Notes

1. The universities of Harvard and Princeton were the major protagonists.
2. Geo-political labels are always difficult. Our main focus is on those cultures in which there is a significant overseas Chinese presence, but aspects of the analysis may apply to other part of Asia where similar socio-cultural systems are present.
3. This is another problematical label, given the geo-politics of international academia and its publishing apparatus this is primarily an Euro-American designation, and in reality is more American than European.
4. By Overseas Chinese we mean those ethnic Chinese in the Diaspora around Asia where they are economically dominant in many countries. Excluded are the mainland Chinese of the People's Republic since employment relations there have been subject to a radically different ideological model.
5. Alter and Ego are the terminological preferences adopted by Gouldner.
6. Harmony might be considered as the idealised state, order, especially social order, becomes the more pragmatic aspiration.
7. It is also vital to recognise that a value on harmony does not mean that it is always accomplished or that tension and conflict are absent from the culture (Allinson, 1988).
8. Literally meaning 'five relationships', *wu lun* classically captures the relationships between emperor and official, husband and wife, father and son, elder brother and younger brother, and friend to friend.

9. Typically variants of Prisoner's Dilemma are used.
10. There has been a resurgence of interest in the psychological contract through the 1990s following an earlier articulation in the 1960s and 70s.
11. Depersonalised trust conferred because of the parties assumed membership of a category of persons that leads to a trusting presumption.
12. For example, we trust engineers because of the role they fulfil and because we believe they have undergone professional training and socialisation—which includes notions of professional integrity.
13. Given the Diaspora this would include, naturally, Hong Kong, Singapore, Macau and Taiwan, but also the Philippines, Thailand and to a degree Malaysia and Indonesia too.
14. Even in Mainland China under the formalities of the socialist economy, the *danwei* (or work unit to which all workers are allocated) functioned almost like a mini-welfare state, providing all manner of services to employees. The engagement went well beyond a narrow instrumental one.
15. These fan out, as it were, in concentric circles from the core of immediate and extended family relations.
16. HKTC was part of the British giant, Cable and Wireless, which had had a majority equity share of the company before the company was sold to Richard T.K. Li in 2000 and was subsequently known as Pacific Century Cyber Works.
17. Considered itself as an essential economic activity.

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