Chinese Corporate Space

In search of Chinese corporate identity

Working paper – please do not quote

Peter J. Peverelli
Faculty of Economics & Business Administration
Vrije Universiteit Amsterdam
Research Memorandum
August, 2004

Introduction

This research memorandum is a first publication of what is to be a monograph on a general theory of corporate identity, applied to Chinese case studies. The main objective of this project is to show that corporate identity can only be properly understood within the framework of a more comprehensive theory of organising. This research memorandum is an abbreviate version of the first three chapters, presenting the basic theoretical framework and one practical case.

0 Introduction

Identity
	Corporate Identity
		Chinese Corporate Identity

0.1 Rethinking identity

This is not a psychological study, but as one of the key terms, identity, of my subject matter is derived from psychology, I want to make a very short walk through the definitions of this term in mainstream social psychological literature.
According to my dictionary of psychology (Bergsma, A. & K. van Petersen: 2000), identity is the perception of personal unity, the conviction to remain unchanged and essentially the same. This definition depicts the formation of identity as one way traffic. Identity seems to originate from within the person. This strikes me as highly unsatisfactory, as it would only make sense for us to construct an identity to distinguish us from 'the others.' In other words, identity should have three aspects: how I perceive myself, how others perceive me and the interaction between those two. Social psychology includes studies into the formation of identity of persons vis a vis social groups. These studies are generally referred to as 'social identity theory.' (Hogg & Vaughn: 1995, 328 ff.). Such groups can be large groups such as nations or religions, or smaller groups like associations. Such groups provide members with a social identity:

...a definition of who one is and a description and evaluation of what this entails. Social identities not only describe members but prescribe appropriate behaviour (that is, norms) for members. (Hogg & Vaughn, 329)

This definition seems to approach identity from exactly the opposite direction as my dictionary of psychology. Hogg & Vaughn seem to understand identity as bestowed onto the individual by the social group. It is one way traffic once more.
Haslam's approach seems to make a serious effort in defining social identity in terms of two way traffic (Haslam: 2001, 27). According to Haslam,

'Social identity theory was originally developed in an attempt to understand the psychological basis of intergroup discrimination. Why do group members malign other groups and what makes people so often believe that their own group is better than others? ' (p.27)

However, in the remainder of his chapter, Haslam does not go beyond describing how the identity formation of one group is dependent on the perception of the relation between the own group and other groups. That process is still understood as taking place with that particular group. The 'others' are part of the sensemaking process, but in the end it is still one way traffic.
I believe that the main problem causing this one way traffic type of definitions is that psychologists have so far regarded identity as an entity, some that exists out there. It seems that we can obtain a much richer definition of identity, if we start perceiving it as a process, i.e., identity as the construction of identity by the holder of the identity

and the social-cognitive environment of which the holder is a member. Such a definition is richer in two directions:

- it comprises the three aspects of identity: the holder of the identify, the environment in which the identity is constructed and the construction process;

- it allows for a multiple definition of identity: an individual can be perceived has having multiple identities in multiple contexts.

Such a theoretical framework exists and I will introduce further in this chapter. We first have to deal with one more core topic: 'corporate identity.'

0.2 Rethinking corporate identity

Mainstream thinking on the subject of corporate identity seems to approximate the definition of identity as presented in my dictionary of psychology: the presumptions of an enterprise on what it is and how it wishes to be perceived by others. It is one way traffic once more: the enterprise first constructs an 'identity' and then devises a strategy to promote it to its stakeholders. Moreover, a considerable part of the corporate identity writings is devoted to the material part of the identity like designing logos, writing promotional publications, etc.
The most frequently quoted definition of corporate identity is that proposed by Birkigt and Stadler in 1986:

Corporate Identity ist die strategisch geplante und operativ eingesetzte Selbstdarstellung und Verhaltensweise eines Unternehmens nach innen und nach aussen auf Basis einer festgelegten Unternehmensphilosophie, einer langfristigen Unternehmenszielsetzung und eines definierten (Soll)-Images - mit dem Willen, alle Handlungsinstrumente des Unternehmens in einheitlichem Rahmen nach innen und aussen zur Darstellung zu bringen.
(Leu, 14; Van Riel, 41)

All core terms in this definition evoke one way traffic thinking: Selbstdarstellung, Unternehmensphilosophie, Unternehmenszielsetzung: it is the company that devises its identity. Moreover, it is a singular definition (in einheitlichem Rahmen) in the sense that it presumes that an enterprise has one identity that it wishes to promote in all contexts. Finally, it is a static definition. Once the identity of a company has been conceived, it exists and is promoted as an unchanging fact.
This definition does not work for me. Referring to my tentative definition of identity above, I miss two aspects in the definition by Birkigt and Stadler: the environment in which the identity is constructed and the process by which the identity is constructed by the enterprise in its interaction with the environment.
Albert & Whetten (1988) are often regarded as the founders of modern theory of organisational identity. The define it as 'a classification that identifies.' The distinguish between private and public identity, where the former is the 'private perception of the self' and the latter 'the presentation of self to outsiders.' (Albert & Whetten (1988), in: Hatch & Schulz, 2004: 94). This definition still perceives organisational identity as being determined by the organisation, after which the organisation will present it to parties in its environment. This is a still a one way

traffic perception. Albert & Whetten do recognise dual and even multiple identities, but in a way that makes the different identities part of one overall singular identity. The first approach defining organisational identity as a process is that of Hatch & Schultz (2002). They start out by explaining 'how organizational identity is simultaneously linked with images held by the organization's 'others' and with cultural understandings' (Hatch & Schultz (2002), in: Hatch & Schultz, 2004: 384 - 386). They use Dutton & Dukerich (1999) study of the Port Authority of New York and point out that the problem of the homeless people using the Port's facilities became the Port Authority's problem, when the community and the local media started perceiving it as the Port's problem. In Hatch & Schultz' terms: the Port Authority left a certain impression on the media and the media held up a mirror for the Port Authority to observe itself. In other words, the identity of the Port Authority was a product of the interaction between the Port Authority and parties in its environment. This is definitely a two way traffic approach to corporate identity. However, Hatch & Schultz still seem to assume that the Port Authority has one single identity and that it is primarily the Port Authority that creates that identity. While creating its identity, the Port Authority is open for feedback from the environment. At the end of the day, this still is one way traffic, as the authors fail to discuss the identity construction of the 'the media,' nor the role of the Port Authority in the that process. It would be interesting to investigate how the Port Authority is holding up a mirror to the media. I believe that this failure corroborates my presumption that we can only start investigation the construction of (corporate) identity in the context of a comprehensive theory of organising.

0.3 Corporate identity in a theory of organising

I believe that the main reason why the context of identity construction has been slighted in the mainstream literature on corporate identity is that corporate identity has been approached as a separate problem, as a field of academic research by itself. In this study I propose to study corporate identity as part of a comprehensive theory of organising. I have already used the term (social-cognitive) context a number of times in this introduction. Chapter 1 of this study will be devoted to the introduction a theory of organising in which this term is one of the core concepts.
It is the aim of this study to formulate an entirely novel way of looking at the identity of enterprises, based on such a comprehensive organisation model. Within the framework of that model, I intend to formulate a definition of corporate identity as a process of identity construction during the continuous interaction between the (actors involved in a) company and its social-cognitive context. I will show how corporate identity emerges from what the (actors involved in a) company wished to be and what its environment wishes it to be. Moreover, I will demonstrate that an enterprise develops multiple identities in multiple social-cognitive contexts.
Enterprises are organisations, they are constructed and continuously re-constructed in ongoing social interaction. In this sense, enterprises have no special status compared to other types of organisations. Instead of corporate identity, we may very well speak of organisational identity. Such a term would comprise corporate identity. However, we might even take this line of thinking one step further and presume that the identity is the organisation. Organisations can be regarded as social-cognitive structures that only exist in that they are perceived as existing by a group of actors. However this introduction is not the proper place to go into this matter in detail. The main point I wish to state here is that we would be able to obtain a much more useful definition of

corporate identity, if we would cease to regard corporate identity as a separate field of study and would instead consider it part of a more general study of human organising processes.

0.4 Chinese corporate identity

If we wish to study corporate identity, we need something to study. We need a corpus of enterprises and observe the processes that construct their identities. I have chosen Chinese enterprises as the sources for my cases in this study. This decision can be motivated in two ways. One is a very obvious one. I have been advising Western companies in their co-operation with Chinese counterparts for almost two decades and have therefore accumulated a huge knowledge base regarding Chinese enterprises. I have described Chinese organising processes before in previous publications (Peverelli, 2000).
A more convincing reason for selecting Chinese corporate identity construction is that the concept of corporate identity has only been recently discovered in China. A number of developments in the Chinese economy of the past two decades have led to the 'discovery' of the notion of corporate identity:

- As part of the gradual transition from a planned economy to a market economy, the large State Owned Enterprises (SOEs), still the backbone of the economy, were gradually made responsible for their own profit and loss. The role of the State and its local representative organisations was changed from manager to owner. The leaders of SOEs were upgraded from agents of the State to real managers.

- The smaller collective enterprises, enterprises established by local governments, underwent a similar change.

- Several new types of enterprises appeared, including privately owned ones. Because of the recent establishment, these enterprises were managed in a more 'managerial' way than the older types from the start (for an thorough introduction of the current situation in this respect see (Tang & Ward, 2003: 132 ff.)).

One consequence of these developments, that was especially hard to cope with by the leaders of the SOEs, was competition. Formerly, the economic planners of a city like Beijing would estimate the number of shoes needed annually in their own region and make sure that sufficient shoe making capacity was available. Suppose that at the beginning of the planned economy three standard shoe factories were deemed necessary for meeting the shoe demand in Beijing, these would be spread evenly over the urban area and name Beijing Nr 1 Shoe Factory, Beijing Nr 2 Shoe Factory and Beijing Nr 3 Shoe Factory. With the increase of the population, another factory would be needed at a certain moment. This would be built and named..... All shoes would be purchased by a state trading company, which took care of the distribution of the products to the state owned retailers.
In the new competitive environment, the leaders, now managers, of these enterprises suddenly realised that they needed to attract buyers, now referred to as consumers, to their particular shoes. The director of the Beijing Nr 1 Shoe Factory faced the

problem of having to persuade those consumers to buy their shoes, rather than those of Nr. 2.

While this problem involved a number of realms, e.g. marketing, strategy, that were all rather new for the managers from the planned economy era, one aspect that is especially interesting is the discovery of corporate image as means to distinguish, not only the products, but the entire enterprise, from its competitors. Not only the bureaucrats turned managers, but also the new generation of managers of companies established after the beginning of the economic reforms felt that 'selecting' (sic) a corporate identity was the foundation for long term survival.

By the mid nineteen nineties, the interest in corporate identity had grown into a genuine corporate identity vogue. Companies would use their identity in advertisements; national newspapers carried columns in which major corporations explained their CI (these Latin letters appeared in Chinese texts), etc.

Many of these stories seem quite similar at first sight, but closer inspection reveals a broad variety in cues, occasions, symbols, etc., that are used as building blocks of Chinese corporate sensemaking. To mention only a few examples: some enterprises select features of the region in which they are situated, thus profiling themselves as being part of the local culture. Other companies use the story of the enterprise's establishment as the main constituent of its culture. Yet others try to derive their identity from the type of technology used by the company.

A major impediment for Chinese companies trying to make sense of their identity, as well as for Western researchers attempting the same, is that they all try to craft singular, one way traffic type, definitions of those identities. In imitation of mainstream Western corporate identity thinking, Chinese companies are trying to 'design,' by themselves or with the aid of corporate identity specialists, identities of their own, spending considerable effort on the material corporate image, including logo, corporate colours, etc.

However, this type of identity does not provide information as to what the company is for its home region, its employees, its clients, etc. I contend that what a company believes itself to be is equally important for a complete understanding as what the company's environment believes it to be. They company('s management) may wish to profile itself in a certain way in a certain context, but other parties in that context also hold certain beliefs as to what the company is to them. I argue that neither is the identity of that company, but that the interaction between those two sets of beliefs constructs the interaction. I would like to take this even one step further and propose that the interaction itself is part the identity. Corporate identity is a process that constructing and continuously re-constructing the identity of an enterprise in a specific social-cognitive context.

In order to work out this tentative definition into a model of corporate identity, I will first introduce the more comprehensive organising model in which this corporate identity definition should become an inextricable part.

1 Corporate Identity in a theory of organising

1.1 Identity in context

This text intends to study the identity of enterprises from an organising perspective. In this chapter, I intend to show how a more useful definition of corporate identity can be reached by trying to craft such a definition as an organic part of a comprehensive model of human organising processes. This model is based on social integration theory as formulated in Peverelli(2000) and regards an enterprise as a social-cognitive structure, produced and continuously reproduced in ongoing social interaction. It has a social element, the actors connected to the enterprise, and a cognitive element, the ideas, perceptions, causal models, ways of doing things, etc., shared by those actors in relation to the enterprise. This coarse formulation will probably be more confusing than clarifying, but I will introduce the model in more detail further in this chapter. The gist in this paragraph is to clarify that I regard an enterprise as a product, a construct, of social interaction. The enterprise is a story, told and continuously retold by the actors involved. These actors include people working for the enterprise, but also comprise other actors, usually referred to as stakeholders in mainstream management literature. The analysis of such stories will therefore be an important methodology employed in this study.

There are more of such social-cognitive structures than enterprises. The city of London is one and so is the province of Limburg in the Netherlands. FIFA is yet another example, but also a street gang making a certain neighbourhood of Chicago unsafe for a nocturnal stroll. Even your family is one. To summarise, all our social institutions, organisations, etc., can be regarded as stories

that are continuous narrated by a certain group of actors.

Those stories consist of a main theme, a plot, various sub-themes, a certain perception of reality, particular symbols, etc. The actors pertaining to the structure tell their story to give themselves a place to exist, to specify the role they play, recognisable for actors not belonging to that particular structure. I have coined the term cognitive space to refer to such structures. This term is inspired by the dual meaning of the notion of space. On one hand it provides a location, and on the other hand it puts a fence around that location, indication what does and what does not belong to the location. In other words, the term space simultaneously refers to the location and its limits.

Now I am already coming closer to the link between my model of organising and the topic of this study: corporate identity. I propose that the identity of a social-cognitive structure like an enterprise, is the whole of the cognitive element. It is the cognitive element that creates coherence in the social element and at the same time makes the structure recognisable for actors not belonging to it.

If this was it, discussing corporate identity would be a simple matter. We actually may conclude that we do not need to discern a separate notion of corporate identity, as we already can refer to it as the cognitive element of the enterprise as a social-cognitive structure. However, the attempt to arrive at a definition of corporate identity we have initiated above already reveals that the identity of an enterprise is not only embedded in the cognitive element of that enterprise. It is also part of the cognitive elements of other social-cognitive structures. If we observe that the identity of an enterprise is not only recognised by its own actors, but also by those belonging to other such structures, we to conclude that the identity is co-constructed by the latter. Identity is a

bi-directional thing. Identity is apparently something that exceeds the limits of its owner. Your identity is useless unless it is also recognised by me and vice versa. Your identity is also part of mine and mine of yours. Apparently, identities of social-cognitive structures are created in a social-cognitive structure that is higher, or broader, than the individual structures. For the time being, I will refer to such a higher structure as a 'context.' The identity of a social-cognitive structure, in our case an enterprise, is constructed in a certain context, which is itself also social-cognitive structure, of which the enterprise acts as if it were an individual actor.

Adding the notion of context greatly enhances the descriptive power of the definition of corporate identity. We can now envision a particular enterprise as being part of a number of different contexts. In each context a different identity will be constructed. In other words, enterprises develop multiple identities in multiple contexts. Such differences do not have to be large, but even subtle differences can create confusion, or even conflicts, if the nature of the differences is not recognised by the actors involved. For example, Philips is based in Eindhoven, the capital of the province of Noord-Brabant of the Netherlands. When the company published its intent to move the corporate head office to Amsterdam, this met with severe resistance, from the staff as well as other parties in Eindhoven, including the municipal government. The identities of Philips and Eindhoven were apparently so intertwined, that moving the head office to Amsterdam was almost regarded as treason. The Board of Philips, however, consisting of people from various regions of the Netherlands or even beyond, failed to recognise this identity construct. In my model of organising the Board is a social-cognitive structure of its own, referred to as social-cognitive configuration of simply: configuration (see section 1.2 below). Apparently, the regional aspect of the corporate identity of Philips as constructed by the Board was 'The Netherlands' rather than 'Eindhoven.' The Board therefore wished to move the head office to Amsterdam, the nation's capital that is better known internationally than Eindhoven.

Summarising, enterprises are social-cognitive constructs consisting of a social element and a cognitive element. The identity of an enterprise is the whole of the cognitive element with which the actors give themselves a place in society. It is also part of the cognitive element of other enterprises that are part of the same higher social-cognitive structure, called context. An individual enterprise can have multiple identities in multiple contexts. These are not yet hypotheses. In order to formulate hypotheses, I first need to formalise the above casual introduction of the organising theory that I will use in the remainder of this text to study the various aspects of corporate identity.

1.2 A theory of social integration

Social Integration Theory draws heavily from the organizing theory of K.E. Weick (Weick, 1979, 1995 and 2001). The central theme in Weick's theory is that of sensemaking. Actors constantly encounter situations that are multiply interpretable. They try to make sense of such situations by reducing the equivocality to one single interpretation. This reduction process takes place in social interaction between several actors. Actors will exchange information regarding a specific topic until they have reached a certain level of agreement. The achievement of this purpose is reflected by the degree to which the actors' behaviour becomes interlocked. The interlocking of behaviour of actors in continuous social interaction is the basic definition of organising in Weick's theory.

Weick further observes that actors perform this interpretation retroactively. Actors first act [enactment] on previous experience, until they encounter an equivocal situation. At that moment, the process to reduce equivocality starts until a sufficient degree of non-equivocality has been attained. Moreover, actors do no search for the best (most realistic, most true, etc.) interpretation of that situation, but for the most plausible interpretation, i.e., the interpretation that suits the current context (the moment the interpretation takes place) of the actors best, is selected [selection]. As a result of the reduction, some possible meanings of the equivocal data will be rejected and some will be retained [retention]. The actors will than continue to act based on that interpretation, until more equivocality is met. This cycle of enactment -> selection -> retention is repeated endlessly. Actors build up a certain view of what the world is like based on the continuous process of sensemaking. Weick refers to these views as cause maps. In the course of his sensemaking, actor A may observe event Y and judge that it has been caused by event X. The next time event X occurs, A will presume (retroactive sensemaking) that Y will follow. Consequently, if A wants to prevent Y from happening, A will try to avoid X. This will continue until something happens that runs counter to this part of A's cause map (e.g., an event X happens without causing an event Y), at which moment A will revise this map.

Another key theme in Weick's thinking is the notion of double interact, which was proposed to describe the sensemaking process by actors in ongoing interaction. Actors who have to co-operate in performing a certain task will at first hold different interpretations of various aspects related to that task (equivocality). This equivocality will impede them to interlock their behaviour. During their initial interaction, the actors will exchange these interpretations and mutually adapt them until a common interpretation (regarding aspects essential to successfully perform the task) has been attained. If we wish to understand such interaction, it is insufficient to observe how B reacts to A. We also have to observe A's reaction to B's reaction to A. When actor A makes a statement to actor B, B can either affirm or deny A's statement. Simple interacts are insufficient to assess the relation between A and B. If we know that B rejects A, we only know exactly that. However, if we also know that A in turn rejects B's rejection, we know that the relation between A and B on that particular issue is one of independence. If A would have accepted B's rejection, the relation would have been one of conformity. Different outcomes of the double interact have different consequences for the continuation of the interaction between A and B. Moreover, the double interact is also indispensable for the construction of identity of both A and B, i.e. what A is to B and B to A.

Social interaction is an endless repetition of double interacts between actors. In the course of social interaction, actors will adjust their behaviour to their fellow actors, resulting in interlocked behaviour. Several consecutive cycles of interlocked behaviour constitute a collective structure, a pattern of collective behaviour, like regularly repeated activities in a company.

The last key notion from Weick's theory to be mentioned is 'partial inclusion.' Each actor will be part of several groups of actors with interlocked behaviours. The formation of such groups is a continuous process; groups form and disband. Actors enter groups, while others leave them. During an effort to stabilise his inclusion in a certain group, an individual actor may force to integrate more of himself into that group. This notion of inclusion seems to bear great importance to organising processes, however is not very well elaborated by Weick.

It was especially this aspect that H.J. van Dongen and his associates have used as a starting point to enrich Weick's theory. The most complete theoretical statement of

their framework can be found in Van Dongen et. al (1995). The core theoretical notion of Van Dongen et. al. is that of configuration. Configurations are groups of actors who, during continuous social interaction, have attained a similar interpretation of reality (compare Weick's interlocked behaviour). This definition reflects the two aspects of configurations:

- a social aspect: frequent, organised, social interaction (e.g., work related meetings)

- a cognitive aspect: similar interpretation of reality.

Reality is understood as having a constructed nature. Actors construct their (version of) reality via an ongoing process of social interaction. These definitions of reality are never comprehensive theories comprising all aspects of reality. Actors only possess a limited span of attention. They will use this span to cover that part of reality that is essential; that which comes to the fore in the present context. Complex phenomena are reduced to simple, comprehensible, treatable, facts (compare Weick's reduction of equivocality). Reality is constructed using a set of construction rules. Actors apply these rules in a continuous process of re-construction of reality.
Following Weick, Van Dongen et. al. recognise that actors are simultaneously included in several configurations. However, they replace Weick's term of 'partial inclusion' with the notion of 'multiple inclusion.' They regard Weick's double interact as a useful tool in describing the interaction between two actors. However, its shortcoming is that it presupposes a dyadic relationship. This may explain why Weick has problems in elaborating his concept of partial inclusion. Van Dongen et. al. introduce a third party into the relationship between two actors. Instead of dyadic relationships, they look at the relationship between actors as being tertial. This third refers to other inclusions of actors. During social interaction within a certain configuration, actors can bring elements of their other inclusions into that interaction. A particular actor can use a certain definition of reality in one context (configuration), but use another one in another context (configuration). Actors can draw from a multitude of inclusions and the nature of their relationship is different for each different third party.
The framework of Van Dongen et. al. has a number of shortcomings. The main issue could be called the macro-micro problem. A configuration is defined as a relatively small number of actors who frequently interact on a very specific subject. The problem is that it is virtually impossible (and probably undesirable) to define a set of criteria to determine when a group of actors is too large to be called a configuration. Actors for groups in various ways and of various sizes. Some of these groups, for example a national political party, can be quite large. Such a national political party consists of a relatively large number of people who do not all frequently interact. There are conventions, but these tend to be large and not all conventions are attended by all members. However, they are bound together by cognitive matter comparable to the cognitive element of a configuration. That cognitive matter is constructed in more or less the same fashion as is the case in a configuration. E.g., a political party usually has its own magazine in which members exchange ideas. One possible solution would be to expand the definition of configuration, but that would lead to such a broad definition, that its explanatory power to clarify organising processes would be harmed. We would like to have a notion akin to that of configuration, that could be applied to the social aggregates described above.

Another conceptual flaw the Van Dongen et. al model that is revealed in the political party example is that cognitive matter is not only constructed by actors in social interaction, but that social interaction between actors can also be stimulated by cognitive matter. To use an American example: Democrats from New York and those from San Francisco share some cognitive matter related to being Democrats, but may (and will) differ in the way New Yorkers differ in their world outlook from San Franciscans. New York Democrats may convene because they are Democrats, but seen from another perspective (third party) such a convention is also one of New Yorkers. To solve this problem I proposed the concept of cognitive space defined as: an association of any number of actors bound by a certain shared cognitive element. This definition may seem excessively complicated, as it could be simplified to: any number of actors bound by a certain shared cognitive element. However, such a definition seems to state that a cognitive space is `a number of actors' with a certain attribute: `with a shared cognitive element.' By defining it as an association of a social element and a cognitive element the equal importance of both is better expressed.

As indicated in the introductory section of this chapter, I like the term space, because it refers to something that confines, but is broader than the notion of configuration. space touches upon time as well as place, it refers to space in which interaction can take place, but simultaneously to the socially constructed limitations (impediments) of the interaction. Within a certain space, activities proceed according to the rules that hold in that space. It is like Weick's bracketing: actors are unable to comprehend all cues that come to them from their environment and construct their version of reality using a selection of cues (Weick, 1979: 113). Actors give meaning to their activities and agree on rules prescribing the ways how to act or not to act during interaction and consequently start regarding those meanings and rules as existing confinements of their actions (reification). However, contrary to the framework of van Dongen et. al. we believe that this not only holds for social cognitive configurations, but also for larger groups of actors, which we are now referring to as spaces. The cognitive element (cause maps, construction rules, etc.) of such spaces are less specific than within configurations. Moreover, spaces differ in their degree of specificity. Larger, more diffuse, spaces can comprise smaller, more specific, spaces, which will inherit the traits of the larger space, while adding some specific traits of their own. California is a space. San Francisco is a more specific version of the California space. In this framework, configurations are in fact very similar to spaces. The could be defined as small group of actors with frequent social interaction evolving around a strong specific cognitive element. As a special type of sub-space, configurations will inherit the cognitive and social traits of the Space in which they are constructed and will add more specific ones pertaining to their particular configurations.

Spaces can also be regarded as potential triggers of organising processes. We can not only observe ongoing social interaction within a space, but once we understand the cognitive element of a particular space, we may attempt to predict possible social interaction that may take place, or could have taken place, as a consequence of the cognitive element of that space, including the way(s) such interaction could be initiated and developed. Such insight will be valuable for an in-depth understanding of organising processes by organisation theorists, social psychologists, sociologists, etc., but will also serve a number of practical purposes, such as: analysis of and intervention in organisational problems, marketing research, feasibility studies, etc. We will not elaborate this topic here, but will illustrate several uses of spaces as potentialities at several places in this study. My notion of space is also an excellent tool for tackling one of the core unsolved problems in the theory of Social Integration:

the nature of what are called 'organisations' in every day parlance (enterprises, associations, government institutions, etc.). Following Weick, van Dongen et. al. are weary of using nouns like 'enterprise,' 'association,' etc., because they refer to entities and easily lead to reification, the belief that enterprises, associations, etc., exist. They prefer the use of verbs, like 'organising,' which refer to processes. However, human language is not that well suited for 'reification-free' discourse. We are not only used to speak of 'enterprises' as if they exist, the structure of the Western languages forces us to refer to such products of social cognitive interaction with nouns.

With our methodological tool of space, we now have an simple and elegant solution for this problem. Enterprises, associations, institutions, unions, clubs, etc., are spaces. An enterprise comprises a number of actors (the employees) who continuously reconstruct the enterprise in their (work) daily routines. An enterprise also has a distinct cognitive aspect. Through the frequent social interaction employees of an enterprise share a certain cause map. Employees do certain activities in certain prescribed ways (construction rules). An important activity in enterprise spaces is the production of texts (brochures of the enterprise itself, or its products, magazines, annual reports, advertisements, etc.). Such texts serve a dual purpose: they present the space to the outside world and provide instructional material for the socialisation of new employees.

Although we have described a space as having both a cognitive and a social element and have stated that those elements are mutually influencing, the cognitive element is stronger in a space than the social element. As sensemaking, the reduction of equivocality, is the basic motor for human organising processes, the influence of the cognitive element on the social element is stronger than the opposite. Once social activity has been set off, it can in turn influence cognitive activity, which can again affect social activity, in a continuous double-helix-like process. Moreover, when we observe structures of large spaces comprising one or more sub-spaces, the former seem to have a strong cognitive element, while the social element is quite weak. Information, meanings, etc., are easy to spread to a high number of people through the various means of communication. However, within a large space like, e.g., a province, opportunities for common intensive social activities diminish. Seen from this angle, we could put space and Configuration on a gliding scale. On one end of that scale there are very large spaces, which are almost purely cognitive spaces (nation spaces may be tentatively taken examples of such spaces). When we proceed from to the other end of the scale, spaces get smaller in terms of numbers of actors and the social element becomes more elaborate. At a certain moment, not too far from the other end, we encounter spaces like enterprise spaces. Arrived at the opposite end, we find the social cognitive configurations, or shortly, configurations. There, the cognitive and the social element are equally strong.

The notion of (multiple) inclusion can be applied to cognitive space as it was applied to configurations by Van Dongen et. al. A particular instance of social interaction will always take place in a specific social cognitive context (space), but actors can access the cognitive elements of other spaces through their multiple inclusions (a graphic convention for clarifying spaces and multiple inclusions of actors in those spaces can be found in Peverelli(2000)). Organisational researchers can employ a number of methods to detect cognitive spaces. Some of them will be introduced in the case analysis in chapter 3 of this article and chapter 4 will be entirely dedicated to one method: narrative analysis.

1.3 Back to contexts of identity

Armed with the social integration model I can now try to formulate the main hypotheses this study will attempt to prove:

- Identity indicates the unicity of an actor or aggregate of actors as constructed by the actors themselves in ongoing social interaction with other actors.

- As a social construct, the identity of an actor or aggregate of actors will be different in each different social-cognitive context.

- As an aggregate of actors, an enterprise will obtain a different identity in each different social-cognitive context.

In the remainder of this study I will examine the social-cognitive contexts, the cognitive spaces, in which enterprises operate and observe the different processes of identity construction in those contexts. Such research can be initiated from two points:

- individual enterprises;

- types of contexts.

We can take an individual enterprise and look at the different identities it obtains in various contexts and we can take one type of context and observe the recurring aspects of corporate identity construction within that particular context. In this study I will do both, often used combination to emphasise the matrix nature of corporate identity.

2. Creative Conflict Solving at Lukang

2.1 Lukang – past and present

Establishment
Lukang was first established as the Third Branch (a number again) of the Shandong Xinhua Pharmaceutical Factory (Zibo, Shandong) in 1966. The link with its parent was severed in 1970 and the factory was reformed into an independent enterprise under the Ji'ning Chemical Industry Bureau. At that time, the pharmaceutical industry was still regarded as part of the chemical industry in the Chinese division of industrial sectors. The company was renamed: Shandong Ji'ning Xinhua Pharmaceutical Factory.
The enterprise grew steadily and the ownership was transferred to the provincial authorities in 1980, when it was attached to the Shandong Provincial Pharmaceutical Co. (the pharmaceutical industry had already been separated off as an independent industrial sector). Along with this change, the company was renamed once more into: Ji'ning Antibiotics Factory. In 1984, the current CEO, Mr. Zhang Jianhui, was appointed as Director and the enterprise was included in an experimental programme placing the main responsibility for enterprise management at the CEO. The factory was given the designation 'National Second Class Enterprise' in 1989. The basic requirement to attain that status was an annual turnover exceeding RMB 50 mio.

From factory to company
Ji'ning Antibiotics Factory established the Shandong Lukang Pharmaceutical Group Co., Ltd. In 1992, a conglomerate with itself as the core enterprise. Lu is the literary designation of Shandong and kang is an abbreviation of the Chinese word for antibiotics (*kangjunsu*) . This move enabled the company to raise capital from a number of private and institutional investors. Two years later, Lukang changed its name to current one: Shandong Lukang Pharmaceutical Co., Ltd. During the first half of the nineteen nineties Lukang accomplished a number of provincial key products, all in the field of antibiotics, firmly establishing Lukang as one of China's foremost manufacturers of antibiotics.
During that period, Lukang also started expanding through strategic alliances and acquisitions, then newly emerging business opportunities in China. It established a joint venture company with the State Raw Materials Investment Co. in 1992, called: Lukang Bulk Pharmaceutical Co.
Lukang further acquired the bankrupt Ji'ning Nr.1 and Nr.2 Pharmaceutical Factories in 1994, by taking over all their debts. Although no details regarding these acquisition have been published, the little information we do have already suffices to analyse the situation. These two enterprises were designated as 'factories' which indicates that they were state owned enterprises managed by a municipal administrative organisation. They still were named with numbers rather than individual names, even in 1994, which is a sign that they had not been able to establish more individual identifies as separate independent commercial enterprises. We may then presume that the Ji'ning authorities have approached Ji'ning Antibiotics, a successful local state owned enterprise, to 'take care' of these fledgling sister enterprises.
Lukang was approached by the government of Heze, a city in West Shandong, and the leadership of the local pharmaceutical factory with the request to take over that factory in 1997. Once more, these few details are more than sufficient to see another

state owned pharmaceutical enterprise looking for support from a large company in its vicinity.

An important milestone in Lukang's history was its listing on the Shanghai Stock Exchange on January 23, 1997, again utilising new possibilities to expand and diversify its business activities. Lukang attracted RMB 488 mio with this first emission.

CEO

The CEO of Lukang, Mr. Zhang Jianhui, was born in Zhejiang province in 1945. He studied Chemistry at Zhejiang University, where he graduated in 1968. After working at the North-China Pharmaceutical Factory (Shijiazhuang, Hebei; now called North-China Pharmaceutical Co.) for 6 years, he was transferred to the Ji'ning in 1974. His star rose rapidly and he was appointed Director of what was then called the Ji'ning Antibiotics Factory in 1984. Mr. Zhang received a Provincial Advanced Manager award in 1988 and a Provincial Excellent Manager award in 1990. After the establishment of Lukang, Mr. Zhang retained the position of CEO. After the listing of Lukang on the Shanghai Stock Exchange, as a result of which the top managers have to be elected by the owners, Mr. Zhang was still voted Chairman of the Board. A report dating September 2001 states that Mr. Zhang then owned 13 000 shares of Lukang with a value of RMB 104 260.

From the day he was made Director of the Ji'ning Antibiotics Factory up to the present date, Mr. Zhang combines the function of CEO with that of Party Secretary, the most senior rank in the Party organisation within Lukang.

The case: Fraud or no fraud

So far, Lukang's story has been one of success and gradual expansion. However, the company experienced a serious set back in December 2002 and the first months of 2003, when it was accused of falsifying documents in order to obtain permission for a second emission of shares.

The beginning of these problems date back to August 2000. At that moment the national government started a campaign to remove the direct links between administrative bodies and commercial enterprises. The Shandong Pharmaceutical Administration Bureau operated a pharmaceutical trading company called Lingzhi Pharmaceutical Co., Ltd. This company has been established in 1953 as the Shandong Ji'ning Pharmaceutical Purchasing & Sales Station and was reorganised as a limited stock company named Lingzhi in 1993. The State has a 61% share in the company. Lingzhi was a highly successful company, fully licensed to trade in all types of pharmaceuticals. When the Bureau had to sever its direct links with Lingzhi, it moved the ownership of the state assets in Lingzhi to Lukang. This decision made sense, as Lukang was a pharmaceutical manufacturer with no license to engage in trading. Lukang and Lingzhi's respective businesses were therefore complementary. However, instead of treating Lingzhi as one of its daughter companies, Lukang started to gradually move the businesses of Lingzhi to other companies within the Lukang group, eventually leaving Lingzhi as an empty shell.

This enraged the original leaders of Lingzhi. When a Lukang delegation was in Beijing to handle the application procedure for a second emission in December 2002, two of Lingzhi's top managers, the CEO Mr. Wu and a manager originally hired for preparing Lingzhi for listing on the Shanghai Stock Exchange, turned to the National Securities Supervisory Commission (also in Beijing) accusing Lukang of having exaggerated financial figures. Lukang's application procedure was immediately

frozen, to give the Securities Supervisory Commission time to investigate the accusation. Mr. Wu returned to Ji'ning and the other manager to his own home town Wuhan. Mr. Wu was arrested by the Ji'ning procurator general for questioning on January 15, 2003. He was locked up in a hotel room by the procurator and questioned for several days by the Lukang Party Commission. He was finally transported to jail on January 22, to be released shortly before Chinese New Year. During the period of his imprisonment, Mr. Wu's wife received threatening telephone calls and windows of their apartments were smashed by stones.

Officials from the State Securities Supervisory Commission came from Beijing to visit their branch in Ji'ning, but had to return to Beijing without being able to do any investigation, as they were not allowed to have contact with their main witness, Mr. Wu, who was then already in jail.

Although the top management of Lukang have done the utmost to deny the accusations, this entire issue, including the treatment of Mr. Wu, has been elaborately reported in the national press. In March 2003 the State Securities Supervisory Commission came out with the verdict that it had not found any evidence to sustain the accusations against Lukang, hence the company could start the procedure for a second emission once more.

2.2 The Communist Party Organisation

Political parties are a sensitive subject in China. There is THE party, the Communist Party of China (CPC) and that party does not tolerate any other party besides itself. Remnants of a small number of political parties established in the first half of the twentieth century still exist under the, ominous, name of 'democratic parties,' but the first rule of their articles of association is that they support the leading role of the CPC. The CPC is the ideological motor of the People's Republic of China.. All units comprise a number of party members, who constitute that unit's Party Group. The leadership of the Party Group is called the Party Committee, which is headed by the Party Secretary. The latter is such an import function in the unit, that this person is usually simply referred to as the unit's Secretary.

CPC membership is an important source of multiple inclusions in China. Important decisions in a Chinese enterprise need to be stamped by that enterprise's Party Group. If the Party Group has a problem with the plan, it has the power to order changes or to discard it altogether. Moreover, in case the Party Group suspects that a certain plan is ideologically incorrect, it can consult other Party Groups, in particular the Party Group of the mother organisation of the own organisation. If, for example, a shoe factory in Suzhou, Jiangsu province, which is owned by the Suzhou Light industry Bureau, intends to apply for a large bank loan to invest in new equipment and the Party Group of the factory is in doubt whether such a huge investment is appropriate, it can contact the Party Group of the Suzhou Light Industry Bureau, without notifying the factory's leadership. This situation has led to an interesting practice in a large number of state owned enterprises: the administrative CEO is very often simultaneously the Party Secretary. The multiple inclusion of that person is believed to facilitate decision making.

An important practice in the CPC space is secrecy. Although CPC membership is not an official secret, party members are not supposed to publicly exhibit their membership status. Chinese also rarely inquire after each others party membership status. It is a question that can easily lead to loss of face, when a party member is put in the embarrassing position to be circumspective about it. Party Group meetings are also supposed to be a secret. Such meetings are held irregularly, when deemed

necessary by the Party Committee. The date for the meeting is conveyed word of mouth, or on memory pad-like scraps of paper that would not easily arouse suspicion of non-members.

The role of the Party cell in a Chinese enterprise has been affected by the economic reforms of past decades. In the past one of their tasks was to carry out the political battles between Party factions at the grass root levels. While such battles continue, as they are an inherent part of the Party space, the daily operations of enterprises are no longer affected by 'struggle meetings' to expose the followers of 'erroneous Party lines' (Tang & Ward, 2003: 68-69). However, the Party organisation within a Chinese enterprise continues to be a major base for organisations in the external environment of the enterprise to control that enterprise's activities. Tang & Ward (Tang & Ward, 2003: 68 – 75) offer an interesting account of the way the Party organisations function in present day Chinese enterprises, but their description concentrates on the internal affairs of enterprises. In this section, I will analyse a number of instances in which the CPC organisation outside the company, has affected Lukang.

Before turning my attention to those events, I need to stress a very peculiar aspect of the Party organisation. The main theme of this chapter is to analyse the identity construction processes of a state owned enterprise like Lukang through its interactions with its various mothers-in-law, a widely used nickname of administrative organisations in charge of an enterprise. However, the CPC is strictly speaking itself not a mother-in-law. All mothers-in-law of Lukang, as Lukang itself, have a Party group of their own. A mother-in-law like the municipal government of Ji'ning can interfere directly into the operations of Lukang, e.g., by issuing new enterprise safety regulations. Ji'ning Municipality, as a unit, will have a Party group of its own. This party group has the authority to interfere with the internal affairs of Lukang through Lukang's party group, whenever the former feels there is need to do so. In such a case, the municipal party group will usually contact its sister organisation within Lukang. However, most members of both Party groups will also hold administrative functions in their respective units. E.g., the Party Secretary of Lukang, Mr. Zhang Jianhui, is also its Chairman of the Board. This means that for each instance of interaction between a Chinese enterprise and one of its mothers-in-law, it could be a contact between an enterprise and an administrative organisation, or between the party groups of both units. Such information is often lacking, however sometimes it is possible to find cues that may point at possible party involvement. One of the more conspicuous cues is the way actors are named. Mr. Zhang Jianhui can be referred to as Chairman Zhang (*Zhang dongshizhang*) which would refer to his identity as Chairman of the Board. He can also be introduced as Secretary Zhang (*Zhang shuji*), a designation pointing at his identity as Party Secretary. Interesting evidence for the importance of titles is that the corpus of texts on Lukang used for this case study includes one reference to the same person as 'Mr. Zhang' (*Zhang xiansheng*). The word xiansheng used to be the regular form of address for male persons, before the Communists replaced it with the gender neutral terms comrade (*tongzhi*). Its use was then restrict to foreign men. The word has returned in every day parlance during the years of reforms and is especially preferred in a business context. This designation for Mr. Zhang was used in a report on the official presentation of the annual account of Lukang during a shareholder meeting. The stock market and everything that has to do with it is perceived as something that is not really a part of socialism, even though it is sanctioned by the CPC. It is rather a concept imported from abroad. In this context, dongshizhang as a form of address seems to carry a slightly old fashioned feeling. Mr. Zhang is therefore introduced as 'the Chairman of Lukang, Mr. Zhang

Jianhui.' Dongshizhang is then used as in most Western languages, as the designation of a profession, while the person himself is politely addressed with xiansheng.

2.2.1 Lukang and the national party organisation
Scanning the corpus of narratives on Lukang for direct influences from the national party organisation on the operation of Lukang, there is hardly anything worth mentioning. The only event that may be interpreted as such is the fact that second level party leaders received training at the Central Party School in Beijing. However, this can hardly be called 'influence' on Lukang's management.

The Lukang party organisation regularly organises political study meetings to discuss important national political events like party congresses. The national party leadership may, e.g., launch a campaign against corruption (it regularly does). Corruption, however, is an extremely broad concept and the party group of each individual unit needs to study its own particular situation and try to find out if, and how, the current national anti-corruption campaign applies to the local situation. This may lead to a number of people within the unit to be accused of corruption or behaviour that verges on corruption. This in turn may lead to warnings, or even stronger penalties, meted out to the culprits.

However, even if the outcomes of such study meetings would have certain repercussions on the management of Lukang, e.g., if top managers would be accused of corruption, it would still be an indirect type of influence, as it would be the result of the localised interpretation of the national policy. It would not a deliberate act of THE national party organisation to penalise that particular manager of that particular company.

2.2.2 Lukang and the provincial party organisation
The corpus contains three instances of direct interactions between the provincial party organisation and Lukang. Two of the are related to the same topic: the promotion of fair government (*lianzheng*); the third one concerns a subsidiary of Lukang in Heze, a city in the most Western part of Shandong.

The fair government campaigns that are regularly launched by the CPC seem to be yet another example of national political ukases that have to be localised by the party committees in individual units. However, the sources clearly state that the notion of fair government is simply discussed by the enterprise party organisation, not that there are actual interactions between provincial party organisations and that of Lukang. The study meetings are held on the premises of Lukang. Lukang party sections mentioned are the party committee itself and the Company Disciplinary Department on the province's side we find the Disciplinary Department, the Organisation Department and the Propaganda Department. The Disciplinary Department is the section of a party group that has the authority to mete out punishments to party members. Occasions for doing so can be violations of national laws, or behaviour not becoming a party member.

The Organisation Department is more or less the general management department of a party group. It co-ordinates the way the party organisation is embedded in the host organisation and is in charge of the interaction between party groups of different units. The tasks of the Propaganda Department are more obvious. However, the sense of the term 'propaganda' in this case is broader than that of the English term. It can comprise virtually all forms of publication of unit, including press releases, internal news bulletins, the nomination of model employees, etc.

Each of these party departments can interact with a sister department in a related unit. For example, the Organisation Department of a municipal police can interact with that of the municipal government to co-ordinate regular communication between the two units. In a similar way, the Propaganda Department of the same police unit can interact with that of the local daily newspaper to ensure that the paper reports on local police activities in a proper fashion. Such interactions can run parallel with interaction on the same topics between the leaders of the units involved. To stick to the same examples, the Chief of Police of our police unit can discuss the matter of regular communication between their units at the same moment that their respective party organisations discussing the same matter. In such a situation, the Chief of Police and the Mayor would decide on the matter, with their party organisations making sure that the decision would not violate the current party line. However, it can, and frequently does, happen that the decision makers first check with the party people, before making their final decision.

The occasion of interaction between Lukang and the party organisation at the provincial level that is not related to the fair government issue is the acquisition by Lukang of the Heze Nr. 2 Pharmaceutical Factory. According to the official news report, the Heze municipal government and the Heze Nr. 2 Pharmaceutical Factory approached Lukang in April 1997 with the request that Lukang take over the fledgling Heze Nr.2. The acquisition agreement was signed in August of the same year. The factory was incorporated in the Lukang Group as its Heze Branch. Four years later, the provincial party secretary paid the Heze Branch an official visit. During that visit he was accompanied by Lukang's vice-party secretary, who was also the company's General Manager, the party secretary of Heze Municipality and the Mayor of Heze. When we try to analyse the case of Lukang's Heze Branch using the cues in the texts, the first thing that attracts attention is the enterprise's original name: Heze Nr. 2 Pharmaceutical Factory. Exactly like the two Ji'ning pharmaceutical factories acquired by Lukang, this name is composed in the command economic way of the geographic name followed by a number. This indicates that it was an enterprise established and owned by the Heze government. Moreover, the enterprise had still not been given a more modern designation as late as 1997. Apparently the enterprise and its owner organisation have failed to make sense of the new competitive environment. Closing it down was not an option. It was still extremely hard, in spite of the parlance of the national government, to actually let enterprises go bankrupt. Moreover, such a shut down would generate a number of unemployed people in the Heze region, for which the Heze government would be held responsible. The step to find a healthy company to take over Heze Nr.2 was a logical decision and Lukang was the nearest candidate. The fact that the parties involved were represented by their leading party members (secretaries and vice-secretaries) indicates that the party organisations in the units involved (Heze Nr.2, Heze Municipality, Lukang, Shandong Province) have at least been instrumental in cooking up this deal.

The conclusion of the section is then that the provincial party organisation can be exercise considerable influence on a large enterprise like Lukang. In terms of identity, the identity the Lukang in terms of the fair government campaign is that of a one of the larger units of Shandong, which implicates that Lukang's party organisation is also one of the province's largest single party organisations. This makes it an important vehicle for the propagation of party policies. In the case of the Heze Branch, the identity of Lukang is that of a major local enterprise in the same industrial sector as that of the fledgling Heze Nr.2. The leaders of the respective party organisations will simultaneously hold leading positions in their own organisations. Heze Nr.2, with the

aid of their municipal government, can access the leadership of Lukang through its party apparatus.

2.2.3 Lukang and the municipal party organisation

My corpus of texts contains five instances of interactions between the party organisation of Lukang and its sister organisation of Ji'ning Municipality. Apparently, the interactions between an enterprise and the party organisation are more frequent with those of lower level units. The national party organisation does not really interact with Lukang. The provincial party organisation occasionally exercises influence. Interaction on the municipal level are much more frequent and concern a wide range of activities. In this paper, I will treat three of these instances in detail.

General inspection of Lukang

A delegation from Ji'ning Municipality visited Lukang for a general inspection of the status quo, demonstrating the government's concern for the local industry, etc. This type of visits take place regularly. The delegation consisted of the following persons:

- Ji'ning Municipality's vice-party secretary;
- The deputy mayor;
- A vice-mayor;
- A vice-secretary of Ji'ning Municipality;
- The director of the municipal economic committee.

Let's look at the symbolism in this list. The first thing to observe here is the order in which the visitors are listed. Such a order is never incidental in China. The dignitaries will always be listed in order of importance, as perceived by the narrator. In this case the party organisation of Ji'ning Municipality appears to be more important that the Municipality itself. Phrased differently: in this visit, the unity seems to be less important that its party organisation. The Deputy Mayor is the Mayor's direct representative, while the Vice-Mayor is one of several (a large Chinese city always has a number of Vice-Mayors). The Municipality's Vice-Secretary should not be confused its Vice-Party Secretary. The Director of the Economic Committee ranks last. Conclusion: this is before all a party delegation.

Another aspect that immediately attracts attention is the fact that almost all organisations are represented by the seconds in command: vice-this, deputy that, etc. Lukang is an important enterprise, but a generic type of activity like a general inspection does not require the Mayor or the party secretary to appear. Such leaders can be represented by the seconds in command. The Municipal Economic Committee, however, is represented by its Director. Lukang is an enterprise, an economic unit. This visit therefore calls for the number one leader to appear.

Lukang's internal bulletin

Lukang publishes a news bulletin that has recently also been added to the company's web site. Texts of this bulletin constitute an important segment of my corpus of Lukang related narratives.

A meeting was organised by Lukang to celebrate the first anniversary of this publication. The ceremony was attended by the following persons:

- Lukang 2nd level Party Committee;
- The News Section of the Propaganda Dept. of the Municipal Party Committee;

- Ji'ning Daily.

The 2nd level Party Committee refers to the party leaders of divisions of the Lukang Group. This term is always used in the corpus as opposed to the Group Party Committee. It is interesting to see that the compilation and publication of news is not a Group level matter within Lukang, but is delegated to the divisional level. Apparently the production of news is perceived as a function of the working divisions, where the economic activities take place. On the other hand, this may also be regarded as a less important activity of Lukang and therefore not worth the limited time of the Group's leadership.

The second organisation provides valuable insight in the general function of the party apparatus on news production in China. News is a matter of the Propaganda Department, which has a special section for it. News and propaganda have always been highly overlapping notions for in the CPC context. In the Marxist view of the world, there is no such thing as 'news' that happens out there. News has a class character and is always the product of a certain class, published with a specific political motive. The production of news has therefore to be scrutinised by the party, through the propaganda departments of the party groups in each unit.

The appearance of the Ji'ning Daily is therefore not surprising. The title of this newspaper already indicates that it is the publication of the Ji'ning Municipal Party Committee. A newspaper whose title is derived from its geographic name + the word 'daily' (ribao) is always produced under the auspices of the party committee of that location (usually a province or a municipality). Although the Ji'ning Daily is a separate legal person in economic terms, its contents are the responsibility of the News Section appearing in second rank in the above list. This is exactly the reason why the News Section ranks second, while the Ji'ning Daily ranks third; the News Section is more important.

This item shows that publications by an influential economic unit like Lukang are closely monitored by the Party Committee of the local government. Lukang's bulletin should tell the outside world of the company's great achievements. Lukang's success will add to the success of Ji'ning Municipality's economic policies.

In terms of identity, Lukang is part of the identity of Ji'ning and its success adds to the perception of Ji'ning as a successful economic region. This is a good example of a bidirectional identity construction process. Lukang and Ji'ning Municipality are two separate units. One of the social-economic contexts they share is Ji'ning, i.e. the administrative region as opposed to Ji'ning Municipality as a social-economic unit. Ji'ning Municipality is strongly included in the Ji'ning space and if Ji'ning would disappear for whatever reason, Ji'ning Municipality would disappear with it. Lukang is located in Ji'ning and is therefore also included in that regional space. However, Lukang is less strongly included in the Ji'ning space, as it also has reasonably strong inclusions in the Shandong space and the Pharmaceutical Industry space. As one of the major enterprises in Ji'ning, it is important for Ji'ning Municipality to actively work on its relations with Lukang and in the profiling of Lukang as a successful Ji'ning enterprise. Lukang, on the other hand, needs the support of Ji'ing Municipality in a wide range of matters. Lukang therefore can be seen as trading its success for the support from Ji'ning Municipality.

Shandong Outstanding Management Enterprise award

Lukang received an award as a Shandong Outstanding Management Enterprise in 2002. At an official ceremony to celebrate that honour, the following party representative were present.

- Vice-Secretary of Lukang's party committee;
- Lukang Political Study Association;
- Vice-Chief of the Propaganda Dept. of the Municipal Party Committee.

The very first thing that should strike the reader is that representatives of any provincial organisation were lacking, in spite of the fact that the title seemed to indicate that it concerned a provincial award. Apparently the title contained the word 'Shandong,' but the award was not granted by provincial authorities.
Lukang was first of all represented by its Vice-Secretary. This indicates that is was not a major issue for Lukang to receive this award. The Political Study Association is a group of political activists who study policy statements of the government and the CPC and how they can be understood in such a way, that they can made applicable to the own organisation. All larger units have such a group. It is not directly part of the party organisation, but its activities are closely monitored by it.
Ji'ning Municipality was represented through its Propaganda Department. Apparently, granting such an award is again something that simultaneously adds to the honour of Ji'ning Municipality. In terms of identity construction this event therefore shows close similarities to the event introduced in the previous section.

2.3 Fraud
The last, but probably most illuminating, example of how the Party organisation affects Lukang on the municipal level has already been introduced in the historical section of this chapter: the Lingzhi fraud case. Mr. Wu, the former CEO of Lingzhi accused the management of Lukang of having tampered with the Group's financial figures to facilitate a second emission of shares. Soon after his return home to Ji'ning, Mr. Wu was arrested and interrogated. The most salient detail was that he was not formally booked in prison, but first locked up an a hotel room. Moreover, he was not so much interrogated by the Prosecutor, but by the representatives of Lukang's Party organisation. He spent almost a week in that hotel room, kept incommunicado from the outside world.
This situation is referred to in Chinese 'double fixed' (*shuanggui*), i.e., the Party organisation is allowed to detain a member for interrogation in a fixed location for fixed period of time. This power is only granted to Party organisations of large units. Lukang certainly suits that condition.
Mr. Wu's treatment is an almost perfect illustration of complexity caused by multiple inclusions. The direct motive to contact the National Securities Supervisory Commission to blow the whistle was his conflict with Lukang's top management regarding the way Lingzhi was stripped after being taken over by Lukang; he wanted to get even. In terms of cognitive space, this conflict was constructed in the Lukang space. However, the particular way Mr. Wu was treated afterwards in Ji'ning took place in the CPC space. Mr. Wu's conflict with the Lukang management directly involve Lukang's CEO, Mr. Zhang Jianhui. Although the reports on Mr. Wu's interrogation do not reveal names of Lukang officials present, we can presume that the operation was at least sanctioned by Mr. Zhang, as this is probably the most severe form of punishment a party organisation in a unit can decide to. Presuming that these observations are correct, this means that the procurator who arrested Mr. Wu

was also acting in the Party space. Lukang's party commission and the local procurate entered into a configuration to neutralise the source of the problem that interfered with Lukang's smooth second emission. Not all procurators involved need to be party members to qualify as members of such a configuration. The initial contact will have taken place between the party secretaries of Lukang and the Ji'ning Procurate, who will then have mapped out the proper way to proceed.

How then can we explain this severe reaction from the Ji'ning party space to what seems to be an internal conflict of Lukang? I believe that the answer should be found in the identity of enterprise, in particular large enterprises like Lukang, as local units, i.e. providers of subsistence to a large number of people. Already in 3.2.1.3 above I pointed out that at the Ji'ning level Lukang's foremost identity is that of major employer. Through the social role of provider of subsistence, Lukang contributes to the maintenance of social order; belonging to Lukang is not only a source of income, but of almost any resource a person needs to lead a quality life. Besides such material aspects as salary and housing, being a Lukang person also is a source of pride, earning the person respect from those who belong to lesser units. Endangering the position of Lukang therefore amounts to jeopardising the livelihood of a large number of people. As social order is the main concern of a Chinese municipal government, that same government will be aroused by the news that Lukang's second emission procedure was stopped. This news immediately caused the appearance of speculative articles in the financial media, which further endangered the position of the company, as rumours about problems lowered the price of Lukang stock. Financial problems may result in lay off, which would increase the number of unemployed people in the Ji'ning region. Unemployment is a breeding ground for social unrest, hence Lukang's problems must have been a cause of concern on the part of Ji'ning Municipality. The short period between Mr. Wu's return to Ji'ning and his arrest indicates that the parties involved did not need much time to agree on measures to be taken to neutralise the source of the problem. Ji'ning Municipality must have been involved in this 'double fixed' treatment of Mr. Wu, even though it was hiding behind the procurator's office. When the officials of the National Securities Inspection Commission arrived in Ji'ning to further investigate the accusations, the first contacted their local daughter organisation. This is regular procedure, as they belong to the same cognitive space. However, they received little assistance there. Apparently the inclusion of the local Securities Supervisory Commission in the Ji'ning space was stronger than the one in the Securities Supervision space.

Finally, the family of Mr. Wu had to endure threatening telephone calls and had their windows smashed by stones. None of the press reports of this commotion mentioned police inquiry or any other signs of official concern. This harassment must have been caused by local people, while the local public security organisation either ignored the case, or Mr. Wu's family did not report the harassment because they did not expect any action anyway.

Summarising, the detention of Mr. Wu and the commotion around the event demonstrate the extreme power of Lukang in its identity as a local party organisation. The task of the CPC organisation is to maintain the conditions in which that same organisation can continue to retain power over all aspects of Chinese society. The party organisations of individual units are the lowest level in the CPC hierarchy, but also the most essential ones in terms of context construction. The people belonging to a certain unit are almost completely dependent on their unit for their day to day existence. The Central Committee may be the most powerful CPC organ on the national level, but without the continuous self sustaining efforts of the lowest level

party organisations, those of the individual units, the Central Committee would be a construction built on quicksand. The party organisation of a large unit like Lukang, or formulated in terms of identity, Lukang in its identity as party organisation, can therefore exercise powerful influence in the level of the party organisation above its own level, which is the party organisation of Ji'ning Municipality.

It is here that Lukang in its CPC identity and Lukang in its Ji'ning identity meet. To fully understand the mechanism in which these multiple identities are constructed and interact I will analyse the Lukang-Wu conflict more formally than the previous sections of this chapter, in a separate section. The following section will then simultaneously function as a formalisation of the main theme of this chapter: the identity construction of Chinese enterprises and their mothers-in-low.

2.4 Conclusions

Having described the major cognitive spaces and the inclusions of the main actors in those spaces, I can now attempt to re-interpret these processes in a more comprehensive way.

Mr. Wu and Mr. Zhang developed a conflict within the Lukang space. As CEO of Lingzhi, Mr. Wu had to report his activities to the management of the Lukang Group. From the day that Lingzhi was added to Lukang, Lukang started to disassemble Lingzhi, apparently according to a premeditated plan. Here once more, some observers may presume that Mr. Wu was not interacting with the Lukang management, as he opposed the measures that would lead to Lingzhi's de facto disappearance. However, I would like to differentiate between negative interacting and not interacting. Two or more actors who have no social relation whatsoever and do not couple their behaviour in any way are not interacting. However, actors who are deliberately not co-operating with other actors because they disagree are still interacting. In terms of Weick's theory of double interact, it is an instance of independence, but there is still interaction.

In my model of cognitive space each instance of social interaction takes place in a specific space. This means that, when we observe that Mr. Wu and the management of Lukang, in particular Mr. Zhang, are interacting, we have to link that interaction to an appropriate context shared by the actors involved. Lukang then seems to be the obvious choice. Other spaces are available. All actors involved, e.g., are also inhabitants of Ji'ning, but the nature of the interaction, the position of Lingzhi within the Lukang Group, seems to be more closely connected with 'Lukang' than with 'Ji'ning.'
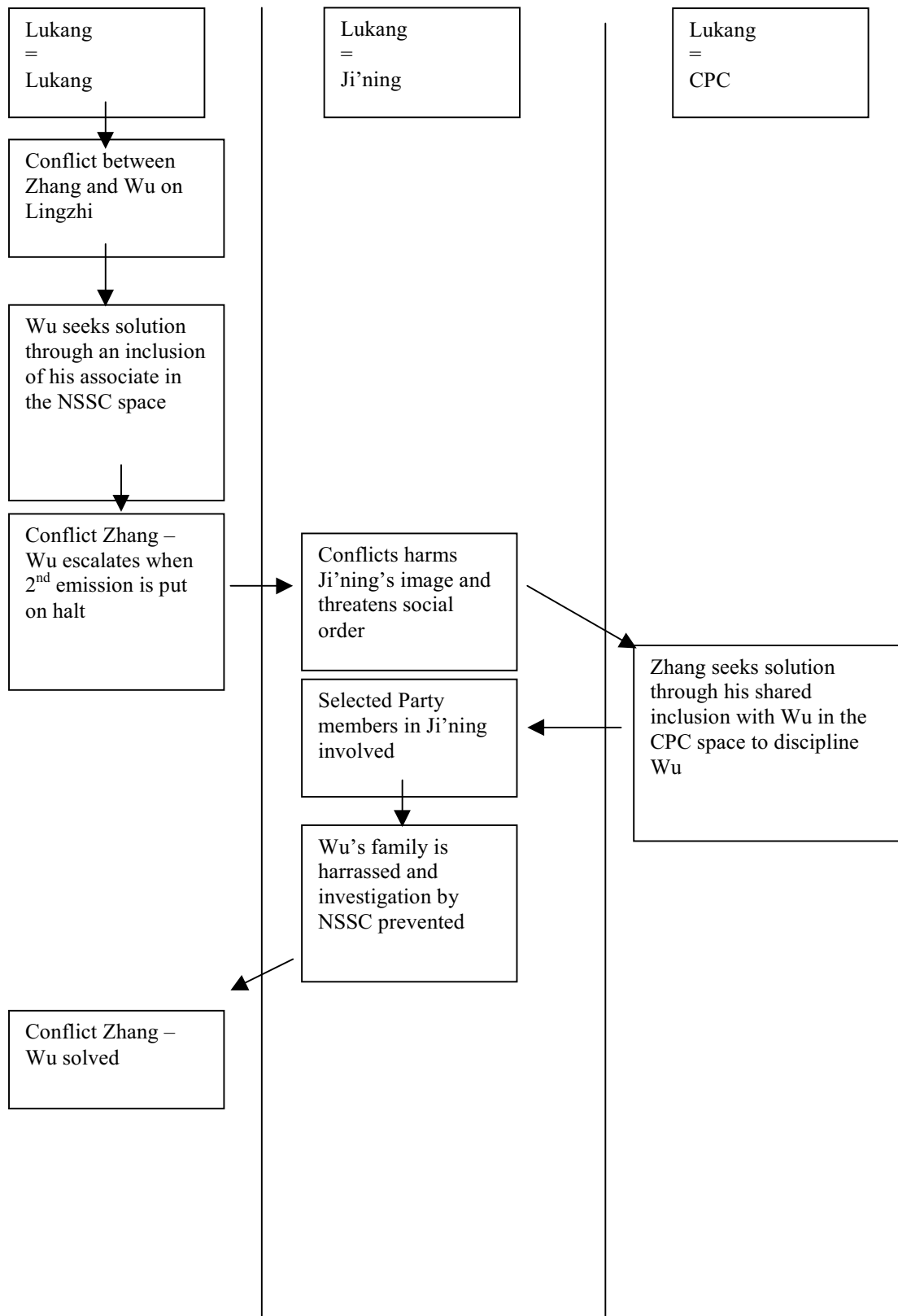
Mr. Wu apparently was unable to find a way to solve the conflict to his advantage within the Lukang space itself. He then started seeking useful cognitive matter in other inclusions. One of his other inclusions was in a configuration with his colleague, a securities specialist specifically hired to prepare Lingzhi's listing on the Shanghai Stock Exchange. This configuration was constructed within the Lingzhi space, which means that it also became part of the Lukang space after the management of Lingzhi was transferred to Lukang. However, exactly because it is a configuration, a cognitive space with a small group of actors who are frequently interacting on very specific matter, the inclusion of Mr. Wu in this configuration is stronger than that in Lukang. His colleague was well included in the securities space, a rather broad national space of actors dealing with the securities trade in China. Through this inclusion Mr. Wu found his way to the National Securities Supervisory Commission.

After the initial success in delaying Lukang's second emission, Mr. Wu returned to his home town, Ji'ning. His associate did the same to his own home town, Wuhan.

This seems to indicate that they were well aware of their personal danger. However, Mr. Wu's home town happened to be the same as that of his fellow actors in the conflict with Lukang. Moreover, he also had to consider yet another inclusion: that in his family space. In China, close relatives of criminals, traitors, etc., are also regarded as such by society. Mr. Wu would no doubt have felt safer in joining his colleague to hide in Wuhan, but he had the obligation to return home to protect his family as much as possible.

Because of Mr. Wu's accusations in Beijing, his conflict within the Lukang space had intensified considerably. The conflict was even perceived as threatening the smooth continuation of Lukang as an enterprise. This affected the identity of Lukang as a major unit (= employer) in Ji'ning. Lukang's demise would threaten the livelihood a thousands of Ji'ning citizens, which would then become a problem for Ji'ning Municipality. More formally stated in terms of corporate identity, the conflict within Lukang = Lukang was transferred to Lukang = Ji'ning. Meanwhile, the decision by the National Securities Supervisory Commission to put Lukang's second emission on hold was reported in the national press. This also not only affected Lukang = Lukang, but also Lukang = Ji'ning, as it decreased Lukang as a source of pride for Ji'ning. The conflicted was now escalated to such a proportion, that severe measures were in order. Mr. Zhang, as the CEO of Lukang, has to search through his inclusions to find a workable solution. He was also the party secretary of Lukang. Moreover, Mr. Wu was a party member as well. This means that Mr. Wu and Mr. Zhang also shared inclusions in the CPC space. As the party secretary of a major unit, Mr. Zhang opted for a rarely used privilege: the double fixed measure. This measure was controversial even in party circles, but apparently the situation was so grave, that he preferred to take the risked of being criticised for using such a heavy measure, over the risk of losing his position in Lukang. Through his CPC inclusion, which, as I demonstrated earlier in this chapter, was strongest on the Ji'ning level, Mr. Zhang could easily invoke assistance from leaders of various municipal organisations, most of whom would be CPC members. It was in the CPC space that he configured with the Ji'ning Procurate to organise them arresting Mr. Wu, a party member himself, and locking him up in a local hotel. From there on, he let Lukang party officials interrogate Mr. Wu. It was also in that space that the Ji'ning branch of the Securities Supervisory Commission decide to side with Lukang rather than protecting the main witness of the National Securities Supervisory Commission in their case against Lukang.

In plain English we would say that Mr. Zhang 'had Ji'ning in his pocket.' However, with the Social Integration model we have strong tool to explain how he had Ji'ning in his pocket in terms of social cognitive contexts and the various inclusions of the actors involved, in particular Mr. Zhang himself, in those contexts. We can describe how actors interact within a certain context, but simultaneous can access other contexts through their inclusions to search for cognitive matter that can be beneficial to that interaction. Moreover, with this model we can explain how interactions in one context can affect other contexts.

Graphic Representation of the Lukang Fraud Case

Lukang = Lukang	Lukang = Ji'ning	Lukang = CPC

Conflict between Zhang and Wu on Lingzhi

Wu seeks solution through an inclusion of his associate in the NSSC space

Conflict Zhang – Wu escalates when 2nd emission is put on halt

Conflicts harms Ji'ning's image and threatens social order

Zhang seeks solution through his shared inclusion with Wu in the CPC space to discipline Wu

Selected Party members in Ji'ning involved

Wu's family is harrassed and investigation by NSSC prevented

Conflict Zhang – Wu solved

References

Albert, S. & D.A. Whetten, 1985, Organizational Identiy, in: *Research in Organizational Behavior*, vol. 7, pp. 263-295.

Bergsma, A. & K. van Petersen, 2000, *Psychologie*, Spectrum, Utrecht.

Birkigt, K. & M.M. Stadler, 1986, *Corporate Identity, Grundlagen, Funktionen, Fallspielen*, Verlag Moderne Industrie, Landsberg am Lech.

Dongen, H.J. Van, W.A.M. de Laat & A.J.J.A. Maas, 1996, *Een kwestie van verschil* (A matter of difference), Eburon, Delft.

Dutton, J.E. & J.M. Dukerich, 1991, Keeping an Eye on the Mirror: Image and Identity in Organizational Adaption, *Academy of Management Journal*, vol. 34, pp. 517 - 554.

Haslam, S.A., 2001, *Psychology in Organizations – The Social Identity Approach*, Sage, London.

Hatch, M.J. & M. Schultz, 2002, The Dynamics of Organizational Identity, in: *Human Relations,* vol. 55, pp.989 - 1018.

Hatch, M.J. & M. Schultz ed., 2004, *Organizational Identity - a Reader*, Oxford University Press, Oxford.

Hogg, M.A. & G.M. Vaughn, 1995, *Social Psychology – an introduction*, Prentice Hall, London.

Leu, O., 1994, *Corporate Design, Corporate Identity*, Bruchman, Muenchen.

Peverelli, P, 2002, *Cognitive Space – A social cognitive approach to Sino-Western cooperation*, Eburon, Delft.
Tang & Ward

Riel, C.B.M. van, 1996, *Identiteit en imago – grondslagen van corporate communication* (Identity and image – foundations of corporate communication), Academic Service, Schoonhoven.

Tang J. & A. Ward, 2003, *The Changing Face of Chinese Management*, Routledge, London.

Weick, K., 1979, *The Social Psychology of Organizing*, McGraw Hill, New York.

Weick, K., 1995, *Sensemaking in Organizations*, Sage, London.

Weick, K., 2000, *Making Sense of the Organization*, Blackwell, Oxford.