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UMI
THE CHINESE SCHOOL ENTERPRISE:
AN ORGANIZATIONAL CULTURE STUDY

by

Mufan Wang

A thesis submitted in conformity with the requirements for the degree of Doctor of Philosophy
Department of Theory and Policy Studies in Education
Educational Administration Unit
Ontario Institute for Studies in Education of the
University of Toronto

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ABSTRACT

THE CHINESE SCHOOL ENTERPRISE:
AN ORGANIZATIONAL CULTURE STUDY

by
Mufan Wang

A thesis submitted in conformity with the requirements for the degree of Doctor of Philosophy, Educational Administration Unit, Department of Theory and Policy Studies in Education, The Ontario Institute for Studies in Education of the University of Toronto, 1998

The purpose of this study is, in the Chinese social context, to document the nature of the Chinese school enterprise and to identify the relationships between the enterprise and its social environment and especially the changes in organizational culture.

This study adopts the organizational culture theory of Edgar Schein as its framework in order to examine the organizational culture of the school/enterprise at three levels, those of artifacts, values and assumptions. Six schools were studied which covered different types of schools and various geography areas. Observations, documentation and semi-structured interviews were the major sources of data. A follow-up telephone interview was conducted two years after the data were first gathered in 1995.

The Chinese school enterprise provides a success model which combines business functions with academic achievement within a school. The existence of the enterprise reflects a transition of Chinese society from a highly centralized administrative model to one which features a marketing economy system. Funding from the school enterprises has served to increase the principals' power in decision-making, helped schools to update teaching facilities and to improve teacher and staff
welfare. The enterprise activities have effected changes in school cultures which have been observed in the environmental settings of the schools, the responsibilities of principals and the standards used to evaluate principals and managers. These changes further explore deeper changes in the underlying values and assumptions of the school and enterprise administration. Little change has occurred at the classroom level.

Although there is ongoing world-wide movement toward public school involvement in business activities, very little research has been conducted in this field. This research makes a contribution toward the understanding of the relationships between the business and the academic function of schools and, in addition, provides school principals with an alternative administrative model whose implications extend to public school finance and policy-making in general. Further study is recommended into the area of possible conflict between educational function and business responsibility.
Acknowledgments

I wish to express my deep gratitude to Dr. John Davis for his guidance, encouragement, understanding, and patience during the dissertation process. He was always positive about my efforts and his scholarship, leadership, and warm personality were, and remain, profoundly inspirational.

My sincere thanks also go to Dr. Stephen Lawton who accepted me as a Ph.D. student when he was the chairman of the former Department of Educational Administration. He asked me to promise that I would finish my program of study, and I am very pleased that I have kept that promise. He also contributed his expertise and scholarship in reviewing many drafts of different chapters of the thesis.

I wish to express my gratitude to Dr. Jim Ryan for his instruction in research methodology and for his thoughtful and valuable comments which contributed significantly to the approach of this dissertation.

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I am also grateful to friends and fellow students, Ken Stagg, Ming Fang He, John Brock, George Bedard, Xiaobing Li and for their efforts of my behalf.

I dedicate this work to my mother, Liu Reiyu, who, at a time and in a culture in which women were expected to be subservient, taught me to have confidence as a woman.
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Chapter 1

INTRODUCTION AND PURPOSE

1.1 Introduction

There is a belief that cultures in schools foster particular types of outcomes for students (Rosenholtz, 1989); therefore, organizational cultures in schools have increasingly been studied as key components in educational change. One change facing schools all over the world is that of inadequate government funding.

With "... shrinking budgets, escalating costs and pressure for higher quality education, schools and school authorities in Canada, the United States, England and many other nations have recognized that public monies are insufficient to provide the desired education services and programs" (Allahdini, 1995, p. 2). As a result, many schools have been involved in acquiring other financial resources in order to function effectively.

A special report on education in The Globe and Mail, Toronto, March 27, 1997, focused on the relationship between business and education and declared that, as governments continue to cut funding, educators are looking more and more to the private sector to fill the void. Schools and districts in British Columbia have been reported to be seeking private resources through enterprise activities (Brown, 1994). The changes in financing public school systems have raised
many concerns and suggest they may affect the function of public schools and the quality of education. These concerns have provided the foundations of this research.

1.2. About the Topic

This research is about a commercial venture called an enterprise which is used to raise additional funds for public schools in China. An enterprise is not the same as fund raising which is based on voluntary giving or partnerships in which organizations work together for a common interest. The Chinese school enterprise is part of a school’s function and is dedicated to providing additional resources through exchanging services between schools and their environments and/or gaining profits from a marketplace.

The concept of the school enterprise is not new in Chinese school administration. It was introduced as early as the late 1950s during which time there was a major reform in the education system. The objectives of the school enterprise were to combine production activity with learning in order to educate students as dictated by the Communist Party agenda. However, recently the school enterprise has become driven more by financial needs than by the previous objectives. Financial gain from the school enterprises has been increasing significantly. This is demonstrated in Figure 1.1.
In 1994, more than 90 percent of schools throughout the country were involved in enterprise activities which realized up to 9.7 billion yuan net income (approximately $1.8 billion US) and 6.07 billion yuan was used in educational revenue (School Enterprise Statistics Yearbook of China, 1994). According to school enterprise statistics, 61.7 percent of the money made by the school enterprise is used to improve teaching equipment and to purchase facilities such as internal video systems or language laboratories; 15.6 percent is used for general improvements such as staff holidays or office air-conditioners. and 22.7 percent is used for the welfare of staff members such as providing bonuses for extra responsibilities.
The changes in the function of school enterprises have not only required policies designed by the government to facilitate the growth of those enterprises and to develop multiple models for their functioning. They have also required significant changes in public ideologies and assumptions regarding the responsibilities of government to public schools, the functions of schools themselves and the responsibilities of principals.

This study has investigated the nature of the relationship between the organizational culture of the school and the operation of a school enterprise within six school settings in the People’s Republic of China.
Definition of Terms:

School

In terms of administration, elementary and secondary schools in China may be divided into three categories. The first type refers to the "state-run (gongban)" schools which are basically financed by state educational budgets. Employees of state-run schools receive their salaries from different levels of government. The government also provides funds for school equipment, maintenance and capital construction. The second type is "people-run (minban)" schools which are subsidized by government but funded mainly by local communities. Teachers are paid by their own villages based on the calculation of labour-score\(^1\). The third type is private schools which recently have become very popular in China. Teachers' salaries vary from one type of school to another. In this study, "elementary and secondary schools" refers to the first type of schools, the state-run (gongban) schools.

School enterprise

The concept of the school enterprise is defined as any activity designed to produce goods or services through resource exchanges between the school and its environment for the purpose of generating income to support school activities.

Organizational culture

The culture develops in response to the problems faced by an organization as it copes with internal and external pressures (Schein, 1992). As an organization, a school is a system which has "among other things...a distinct structure or pattern that...governs roles and interrelationships within that setting" (Sarason, 1982, p. 26); the system operated by people with

\(^1\) Each peasant's income calculated by the hours or days they spend in field; the record of their work is their labour-score.
particular values and beliefs. Therefore, this study combines investigations of both the structure of the school and the beliefs and values of the people within that school. A successful school with a functioning enterprise must meet the expectations of certain persons outside the organization, such as those in the Ministry of Education, as well as those school-based personnel who naturally hope that the enterprise will be profitable.

Organizational culture in this particular study is understood as "... a pattern of assumptions which a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members" (Schein, 1984). Schein suggests the culture of an organizational can be studied at three levels. The first is the artifact level. At this level, culture is evidenced in visual qualities, such as architecture, visible behaviour, documents and articles on display. The second level of culture is that of values, seen in the responses which people attach to situations, actions, persons and things. At the third level, the culture consists of often hidden assumptions (Schein, 1992). Successful coping techniques give rise to certain ways of doing things in the organization, and also to patterns of belief held by staff members.

1.3. Background Information of the Research

Funding of public education is a crucial problem in China. The problem has been investigated through examining the Public Expenditure on Education as a percentage of Gross National Products (GNP). When a comparison of the expenditure on education in terms of GNP
was made of several continents and countries. China had the lowest (Statistics 1997. UNESCO).

**Figure 1.3. Public Expenditure on Education as % of GNP**

1994 in United States dollars

(From Statistics 1997. UNESCO)

<table>
<thead>
<tr>
<th>Region</th>
<th>% of GNP</th>
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<tbody>
<tr>
<td>Africa</td>
<td>6.1</td>
</tr>
<tr>
<td>America</td>
<td>5.4</td>
</tr>
<tr>
<td>Asia</td>
<td>4.4</td>
</tr>
<tr>
<td>Europe</td>
<td>5.4</td>
</tr>
<tr>
<td>Oceania</td>
<td>6.1</td>
</tr>
<tr>
<td>Developing</td>
<td>4.2</td>
</tr>
<tr>
<td>Developed</td>
<td>5.4</td>
</tr>
<tr>
<td>P.R. China</td>
<td>2.6</td>
</tr>
<tr>
<td>Least developed</td>
<td>2.8</td>
</tr>
<tr>
<td>World average</td>
<td>5.2</td>
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The low investment in education in China has resulted in some serious barriers to educational development. Low salaries for elementary and secondary teachers provide little incentive for people to join the teaching profession. More than half of the Chinese teachers are unqualified. Many schools, particularly in rural areas, have not attained basic teaching conditions, particularly with respect to student safety: "There should be no dangerous classrooms in a school; every group of students should have a classroom and every student should have a chair and a desk" (Zhou. 1990).
Financing schools in China has never been an easy task for the government. Although the government's education budget has been increased over the last ten years. (in 1988 Chinese government funding for education increased 3.34 times compared with the figures in 1978) it is still insufficient to meet the needs of social development. Therefore, a work-study program was introduced by the government as an additional way to raise money for the schools. Since then, many productive activities have been carried out in schools for purely economic purposes which, in turn, have reaped educational benefits. These activities include school-run industries, school-run agriculture and school-run tertiary sector programs. School enterprises in China have been practised on a large scale since the 1980s.

The problem still remains of providing efficient education services because China has a huge population with a significant proportion of people with limited education. China is a continent land mass with an area of 9.6 million square kilometres. The Chinese population of 1.2 billion (People's Daily, Dec., 23, 1995. p.1) is made up of fifty-six distinct nationalities. Ninety-three percent of these are of the Han lineage. Approximately eighty percent of the population lives in rural areas. Compared to other countries, the Chinese labour force is regarded as poorly qualified. According to a survey, carried out on government employees, 21 percent of those surveyed had a college education; 44 percent completed senior high secondary school and 35 percent finished junior high. The same survey showed that 13.3 percent of workers had less than an elementary school education. The number of people in China aged twenty-five and over who have a college education stands at 0.6 per cent of the total population as compared to 31.9 per cent for the United States, 14.3 per cent for Japan, and 37.4 per cent for Canada. In the newly emerging, industrialized nations, such as South Korea and the Philippines, the percentages
of those with a college education are 8.9 and 15.2 respectively (Zeng. 1989). Thus educational planning in China faces several critical challenges.

There is an enormous school-age population of 450 million which demands a supply of qualified teachers, school buildings, textbooks, and supplies (The State Council of The Peoples Republic of China. The Reference Document of the Problems in Education. 1989). Moreover, there is an urgent task of expanding the provision of education at both elementary and secondary levels, since 23.5 per cent of the population is illiterate or semi-literate while only 0.15 per cent have post secondary and up education (Liao. 1990). As well the huge size of the country and the difference between the poorer, rural western areas and the more affluent eastern urban areas in economic levels result in uneven educational conditions throughout China.

In 1985 the Chinese Communist Party Central Committee adopted a multifaceted policy designed to effect significant changes in the educational system. One provision of the "Reformation Decision of Education" called for a multi-source approach to funding of the public education system instead of one which was the sole responsibility of the central government. To achieve this, a campaign to encourage the operation of businesses by schools was established. More power in decision-making with respect to the establishment of such businesses has been assigned to local governments as well as to the principals in secondary and elementary schools.
1.4. The Significance and the Purposes of the Study

Despite the extensive movement of public school involvement in business activities for the purpose of seeking financial support, very little research has been done in this field. This research makes a contribution toward the understanding of the relationships between the business and academic functions of schools. In addition, the research provides school administration with an alternative model whose implications extend to public school finance and policy-making in general. With respect to policy, it offers insights into the interface of policy making between the schools and central government as well as between schools and their social environments. Since a school enterprise is a social institution, it is expected to reflect values and ideologies of the society in which it exists. The school enterprise has given rise to reforms in government policy at the national level and has influenced local government policy making in the field of school management. It has provided a basis for examining the assumptions and social constructions of some of the existing economic, political and cultural structures in China.

Some Chinese studies of school enterprise activities do exist, but none of these studies provides us with an insightful understanding of the school enterprise from an organizational culture perspective. Firestone and Corbett (1988) state that "... greater emphasis on understanding school culture, its formation, and how to shape it, currently holds the greatest promise for building on the momentum of current educational reforms" (p. 338). The present study, through an investigation of the organizational culture of schools operating enterprises, provides some answers to what really happens in the schools, what caused changes and what these changes mean. This study will contribute to both Chinese and North American scholarship
by providing an organizational culture perspective on school involvement in business for the acquisition of funds. Since the study focuses on the implications of the enterprise in public schools, the results should be valuable to policy makers, school administrators and researchers.

Attention to culture, as part of school reform, is driven by evidence that traditional school cultures, based on norms of autonomy and isolation, create a work context in which realizing the central government's aspirations of school reform is highly unlikely. "To know the culture of a school, or the cultures that operate in and around a school, is a necessary step toward effective change" (Wilson, Corbett, Web. 1994. p. 5210). Within a dominant culture, there are several subcultures, such as cultures of collaboration and of change, cultures of teaching and cultures of resistance (Wyner. 1991). Subcultures may bring conflicts or competitive tensions into a school, resulting in counterproductive behaviour and signalling a problem.

Marsden (in Warwick. 1989. pp 25-35) states that "... at the heart of education/business links lies the need for two different cultures to understand one another". Marsden suggests that school and business are different worlds with separate and conflicting goals which represent totally different cultures. The enterprises are business activities, profit oriented, open to the real world, meeting social needs and involving competition, while the schools are academically oriented and evaluated by students' performance. When different types of organizations attempt to work together in significant and meaningful ways, they tend to underestimate the strength of their respective cultures and the difficulties of cultural incompatibilities which may arise.
There are studies of subcultures, but none of them has studied business behaviour in schools. Examining the phenomenon of the school enterprise through organizational culture theory provides a better understanding of those changes in the school caused by involvement in the enterprise. This study contributes a deeper understanding of multiple cultural contexts within and around a school.

A school with an active enterprise combines two different responsibilities: education and commercialization. The principal is usually in charge of the school enterprise with the assistance of an enterprise manager to carry out the daily duties. Given the above characteristics, schools with enterprise activities may be understood as school organizations with a dual nature.

1.5. Purpose of the study

The purposes of this study are, in the Chinese social context, to document the nature of the Chinese school enterprise and to identify the relationships between the enterprise and the school organizational culture. In particular, the research attempts to provide answers to each of the four research questions derived from the stated purpose of this study. The four research questions are:

1. What is the nature of the Chinese school enterprise?
2. What is the relationship between the school organizational culture and school’s enterprises?
3. What is the relationship between school enterprise and community?
4. What are the relationships between government policy and the school and its enterprises?

In Schein's framework (1992), these four questions encompass concerns about artifacts, about values and about assumptions of people in an organizational context that plays a role in the school enterprise.

1.6. The Limitations of the Study

The study has several limitations. The first limitation is the generalizability of the data. On one hand, culture is never the same from one organization to another, and since China is such a huge country both in geography and population, major cultural differences exist among the indigenous people. On the other hand, since there is a highly centralized administration and political system as well as an adherence to a collective Chinese traditional culture, the study allows one to make reasonable assumptions about the school culture under similar conditions.

A second limitation arises from the nature of the data collected. Much of the data is drawn from, or based upon, the perceptions of members of the population under study. The members of another population would, perhaps, create different research questions. Similarly, an organizational culture perspective which is not anthropologically based, as is that of Schein, might suggest a different research perspective.

Finally, the researcher's bias is recognized as a further limitation of this study. The preparation of questions, the way in which the interviews were conducted and the environment in
which the observations were taken are likely to affect the responses and therefore colour the research into the topic under study.

1.7. The Overview of the Thesis

This thesis contains six chapters. This chapter provides a background of the problems and the purposes of the study. Further objectives of the study are stated. Chapter 2 reviews the literature of school involvement in business in both China and other countries. Organizational culture as the framework of this study is also reviewed.

Chapter 3 describes the design of the research and outlines the framework of the study. the research questions, the research methodology, the research plans and the data gathering and analysis. The study is a multi-case study of six schools. The research framework is developed from Schein's organizational culture theory.

Chapter 4 describes the artifacts which are observed during the research. These artifacts include the appearances of gates and walls, the use of school space, slogans and portraits on display, documents from different levels of administration, structures of the schools, the school enterprise management, and the human resource management.

Chapter 5 examines the values and assumptions underlying each artifact described in Chapter 4 as well as interpreting the interaction between the values and assumptions. Several assumptions are particularly useful to explain the values underlying the operation of the school
enterprise. These assumptions concern the nature of human nature, time, space, human relationships and human actions.

Chapter 6 consists of three parts: summary, conclusions and implications. It first reviews the purpose of this study and the research questions. Secondly, it presents the conclusions of the research and, finally, provides suggestions for further research on the school enterprise system.
Chapter 2

A REVIEW OF RELEVANT LITERATURE

2.1. Introduction

It is a growing trend that public schools are looking for resources other than government funding. The school enterprise, once used for institutional learning has switched its original function to a new one, that of raising additional resources. Even though this new function is growing in popularity, the researchers have paid little attention to it. This chapter reviews both the changes in the nature of the enterprises as well as other relevant literature.

A review of the literature shows that around the world the school enterprise has had many functions. One of these has been to provide students with opportunities for combining productive work with theoretical learning. Another function has been to implement issues of equality in education and to provide experiences in which students may be evaluated, not only on academic work but also on their ability to benefit from work experience. A third function has been to provide economic support for the school’s academic programs. The first and second parts of this chapter examine the nature and history of the enterprise. The third part of the chapter reviews the history of the school enterprise in the Chinese social context with special attention being paid to the political and economic changes which have occurred in connection with that development.
The final section of the chapter examines various organizational culture theories and reviews the factors which are particularly relevant to the interactions of the enterprise with the school, the community and government policy. Special attention is paid to Edgar Schein's definition of organizational culture which is used as the framework upon which this study is constructed. The merits of this framework are discussed in comparison to frameworks proposed by other theorists.

2.2. Development of the Concept of the School Enterprise

The concept "school enterprise" has been used for different purposes in education. One of the most popular has been to provide learning through productive practice. In a comprehensive study, Von Berstel concluded that "the school enterprise has had a long, interesting history with a role in seeking to bridge the gap between theory and practice, to integrate mental and physical work as a means of educating" (Von Berstel, 1982, p. 37). According to his study, the first person responsible for the concept of combining productive work and theoretical learning in the school curriculum was John Amos Comenius, the Czech educator (1592-1670). Comenius's ideas of education, in his work "The Great Didactic", (1657) have been summarized by Keating; "Knowledge is true when things are apprehended as they exist in reality" (Keating, 1967, p. 33). That is, knowledge comes from experiencing it.

Dewey, in 1915, advocated that education should be carried out through industry. He stated that the aim of industrial training was to provide boys and girls with "an intelligent attitude
toward their profession and their community since all work is productive" (Dewey, 1915. p. 191). He believed that "Education is based upon the native capacities", and observed that. "The schools are always proceeding in a direction opposed to this principle" (pp. 2-3). When education is combined with productive activities, the term “school enterprise” has been defined as school-sponsored activity that engages groups of students in producing goods and services for sale or for the use of people other than the students involved” (Stern, 1994. p. 5233).

The ‘school enterprise’ has also been used to refer to equity issues in schools. McKeever declared that "For many years we attempted to build society upon the basis of a selected few, superior individuals. But now we are planning a democracy of the common man..." (1941. p. 3). The same idea was put forward by Dickie who envisioned the purpose of the enterprise in school to be. "To meet not the last, nor the first, but all three of the demands of modern society, providing for the development of individual talents, training in social behavior, in knowledge, and in the acquisition of academic skills" (1941. p. 82). He criticized the formal school as a graded school: that is, where the pupils are classified according to the length of time they have been in attendance: the method used is assignment and recitation, motivation, competition stimulated by places in the class, stars, honor rolls, marks and reports. He also noted that the basis of promotion was the written examination. modified in the junior grades by the fact that the on-coming numbers of students frequently necessitated the promotion of every member of the grade whether he had "passed" or not. and that children of influential citizens occasionally had to be "passed" for diplomatic reasons. As he saw it. the most serious defect of the graded system was its failure to provide for individual differences in children. In the enterprise school, the difficulty of providing for individual differences and also the difficulty of classroom organization
are substantially reduced.

Self-sufficiency to the English philosopher, John Locke, was very close to today's philosophy with respect to school enterprise practice. Although financial benefits have been emphasized, the recipients of the benefits have changed. John Locke's philosophy was focused on students while today's enterprise is centered upon the school administration. Locke used the term "school enterprise" to suggest the idea of combining education and productive work (Axtell, 1968). In his "Plan for working-schools for poor children", Locke was interested in an institution that would train and care for indigent children, supported by the work of the children themselves. Self-sufficiency through the sale of goods produced by the schools was a salient feature of the plan. Stern (1994, pp. 80-102) concluded that the school enterprise is a way to recover the cost of schooling as well as to provide goods and services at less than market price for community economic development. The social benefits of a school-based enterprise would be a concern for quality, community service and student retention. Rosenfeld summarized (1983) the advantages of a school enterprise which combines educational objectives and with local economic and community development goals by noting that school-based enterprises can help rebuild rural economies. Moreover, some of the advantages of vocational programs include leadership training, use of a problem-solving approach in the teaching of sciences and mathematics, and strong community support. However, the school enterprise in the above studies is more related to educational institutions than to the economic concerns.

Recently, "school enterprises" have been developed in order to raise funds. The literature on such types of school enterprises is limited because public schools traditionally are regarded as
being wholly dependent upon government support. Friedman (1962) has argued that although the government should provide resources for schooling because of education's important benefits for the society as a whole, the actual operation of schools should be under private auspices to create choice and competition among schools. The introduction of an enterprise may provide such opportunities, a possibility which is attracting increasing attention because "cost-recovery tends to be a more important objective for school enterprises in situations where there is a resource scarcity" (Stern, 1994, p. 5229). In recent years, educators and school administrators have faced a new set of challenges, arising from new technologies, demands for a higher quality of education, and government cutbacks (Allahdini, 1995). "Schools and districts have responded to financial cutbacks by doing the unthinkable-seeking private resources through enterprise activities. Not the same as school choice, school-based management, or voluntary giving, the enterprise is defined as a set of resource exchanges between schools and their environments" (Brown, 1994, p. v).

Even as the literature review shows that the definitions of the school enterprise are quite different from one to another, so may differences be seen in the terms that various authors have used. Von Berstel (1982) refers to the school enterprise as productive education with the emphasis being upon education rather than on financial benefit. Stern (1994) sees the school enterprise oriented toward financial gain although it still purports to engage students' involvement. For Brown (1994), the school enterprise refers to economic activities primarily, which is the orientation used in this current study related to Chinese context.
The term "school enterprise" in the Chinese context has been used to describe productive activities in schools where it is a part of a program which contains two meanings: work and study. The Chinese school enterprise has played an important role in enabling the government to carry out political and moral missions. As early as in 1949, the aim of the government was, "...... not only to reshape the political structure and economic system, but a new society to be brought about and perpetuated by a 'new type of man''" (Chen, 1974, p. v). For this purpose, "Labor creates man" was a concept taught in primary school textbooks (Chen, 1974, p. 80).

According to a report from the Chinese Ministry of Education, "Many students would not be willing to do laboring work in rural areas. Their goal is only to get into the next level of education after their graduation. The reason for this problem is the ignoring of labor education in our schools...This is a fundamental mistake in our education policy" (Lin, 1990, p. 37). As early as 1959, a government document indicated that:

Our educational enterprise is one of the powerful tools used by the proletariat to remold the old society and build up a new one. As early as 1934, Comrade Mao Tse-tung had pointed out that the general cultural and educational policy of revolutionary cells sought to educate the broad masses of the poverty-stricken people with the communist spirit, to put culture and education in the service of the revolutionary war and class struggle, to unite education with labor and to give civilization and happiness to the people of China (Yang, Minister of Education, 1959, cited in Fraser, 1965, pp. 323-327).

By 1950, the emphasis had begun to move from politics to economics.

Today we must build a modern socialist country. Education must be united with modern productive labor. On the premise that study plays a leading role, we shall arrange for students to participate in necessary productive labor. We shall promote students taking the road together with the workers, peasants and soldiers. For tertiary students, it is important to participate in labor appropriate to their speciality; promoting productive labor with teaching in secondary and primary schools, we must summarize experience and steadily make progress (Liu, 1978: April 22, cited from Price, 1980, p. 303).
The government supports work-study programs. In 1995, when China introduced the first Law for Education, the school enterprise was clearly mentioned as a program supported by the state.

The state shall adopt preferential measures to encourage and support schools in carrying out work-study programs, community services and in setting up school factories, provided that they do not interfere with the normal activities of education and instruction (State Council of China. 1995. p. 25. Education Law).

2.3. Terminology of the School Enterprise

In current studies, a variety of concepts and terms have been used with respect to school involvement in business activities. Such titles as: Education for Work (Corson. 1991); School Industry Links (Price. 1991); Education Business Links (Marsden. in Warwick. 1989) Productive Education (Von Berstel. 1982); School-Based Enterprise (Stern. 1994); School Enterprise (Brown. 1994) are noted. These studies relate to different research areas and therefore employ a variety of definitions. Current studies have focussed on broader areas than in the past. For example. Corson's study provides information about changing educational policies and school curricula in English-speaking countries with the goal of preparing children for the world of work. The study focussed on the issue of work being central to life and suggests that necessary training for work should be integrated into school curricula.

Price (1991) defines the school/industry links program as "any co-operative activities between schools and industry" for a "mutual benefit". The term. "school-industry link". contains a broad notion of establishing connections between schools and industry and relates to "a series of activities. whether they are planned and co-ordinated at the school. the regional. the state or
national level" (Price, 1991). The term "work", in Price's study, "embraces productive effort, whether paid or unpaid, full-time or part-time, in the private or public sector". Similarly, "industry" is a term which includes all aspects of the world of work and is not narrowly confined to the manufacturing sector but includes the entertainment industry, the tourism industry, the agricultural industry and the communications industry, to name but a few (Price, 1991, p. 2). Price's study pays attention to the needs of both schools and industry in order that they may benefit from each other.

Stern and others (1994, p. 3) consider the school-based enterprise a strategy to prepare high school students for college or work. They define the school-based enterprise as any activity producing goods for sale to, or for use by, people other than themselves. Cost recovery is an important objective for a school-based enterprise particularly if the school resources are in short supply. The above noted authors all emphasize the role of the enterprise in directly contributing to the education of students.

In China, many terms relate to today's school enterprise activities, such as: work-study education, the work-study movement, work-study programs, school economy, school enterprise, school industry, and the farm and school services industry. The literature reveals considerable variability in the terminology, with a variety of terms used to describe similar activities, and different meanings attached to the same term. Authors discuss work-study programs, school enterprises, etc., often without definition or without distinguishing among alternative terms. For example, in a collection of research papers on work-study programs, 56 of 77 articles used terms such as school enterprise, school-run industry, school-run farms or school economy instead of
referring to work-study programs. Most articles focussed on the question of how a school-run business can survive in a market environment and how such a business can develop markets. For example, should school-run businesses become public companies with stockholders in the corporate model?

Work-study programs

The definition of the Chinese school enterprise in this study is taken from Chinese government policy concerning work-study programs which were introduced in the late 1950s (Lin. 1990) as a part of a major reform of the education system. The initial objective of the work-study program was to combine productive activity with learning. In addition, it was hoped that the enterprise would earn additional revenue for use by the school. Work-study programs were conceived of as activities related to projects in which students would practise what they had learned in class. Agricultural activities and the provision of social services, such as restaurants and hotels, were not included in the official definition of a school enterprise but came under the heading of work-study programs.

The term "work-study program" (Qin2 Guong1 Jian3 Xue2) is used frequently by Chinese scholars and researchers. In a comprehensive book on the school enterprise, the "work-study program" is defined as being composed of "educational economic activities carried out by individuals or collectives for the purpose of improving study conditions in schools or obtaining results by combining theory and practice and by integrating mental and physical work as a means of educating" (Lin. 1990, p. 4). The program embraces many kinds of activities as identified in

The term "work-study program" is frequently used because many researchers still relate today's work-study program to the work-study education and work-study movement which emerged in the 1920s and became one of the new ideas which reformed the Chinese education system (Xu Di, 1992; Bailey, 1990; Lin Sheng, 1990; Levine, 1986) during the New Culture Movement¹. The movement "... came from the influence of the western world labor movement after World War I and from the fact that in China, more youth from the middle class and the poor began to seek education (Xu Di, 1992, p. 11)". This movement reflected many of the concerns Chinese educators had expressed during the 1950s, the early years of the Republic.

The need is for students to divest themselves of their elitism; the stress on a more practical education that would prepare students for life and contribute to economic development; the hope that education could create social unity; and the demand that labor be endowed with moral worth (Bailey, 1990, p. 227).

One of the biggest work-study experiments dealt with the French language. From 1919 to 1920, about 1600 students participated in the program and studied in France. Many of them, such as Zhou Enlai² and Deng Xiaoping³, became prominent members of the Chinese

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¹ Right after the Democratic Revolution of 1911 (known in China as Xin Hai Revolution) which overthrew the Qing Dynasty and ended the longest sovereignty in the world. Sun Zhongshan established the first contemporary government in Chinese history. The goal of education for the new government was "no longer to pay loyalty to the emperor or respect to Confucius, but to foster citizens' moral development, which should embody the spirits of freedom, equality, and universal fraternity established by the French Revolution". However, this initial reform soon lost power as the result of a group movement back-to-ancient ways. Sun Zhong-shan was forced to resign from the Presidency and Yuan Shi-kai formed another new government in Beijing. Yuan dreamed of restoring the feudal system as well as Confucianism and this became the goal of education.

² Previous Premier of P.R. China.

³ Previous Chairmen of P.R. China and the Communist Party chief of the army.
Communist Party. The work-study education/movement attracted interest because of its political significance.

**School campus economy**

'School campus economy' is another term currently used to identify the school enterprise. "There is no common definition of school campus economy" (Li, 1994, p. 396). However, Li defines the school campus economy as "an activity for the purpose of educating students to combine education with economic success by organizing teachers and students to do productive work such as planting, beautifying, consulting within or out of the campus". As Cheng Zhiming defines it, the school campus economy existed to combine education with labor which involved working together on planting and cultivating programs within the school campus as well as within industry, farming, commercial activities, social services and work-study activities off campus. The significance of operating school campus economic activities is seen in the implementation of a national guiding policy for the educational development of those activities (1994, p. 123). Both Cheng and Li use a different definition from that of Lin by referring to the economy as an umbrella to cover economic activities and practical education.

**School-run industrial enterprises**

Lin defines a school-run industrial enterprise as a kind of productive activity whose characteristics are business units owned by the school but operated separately: business units whose productive activity is directed toward an obligation to support the school financially: business units which are not only for the purpose of generating income but are also responsible
for providing opportunities for students to practise what they have learned in the classroom. and business units which combine financial benefits with those of education (Lin. 1990. p. 129). Major types of school-run industrial enterprises cover the broad production areas of machinery, electronics, electrical equipment, chemistry, food, textiles, sewing and stationary materials.

Regardless of which term is used, these activities in schools should combine economic success with the student's educational improvement (Xu Dong Sheng. 1994; Zhang Jianchi. 1994; Xing Keming. 1994; Zhong Cheng and Huang Jialing 1994). Xing Keming states that "To utilize a school-run enterprise as a training base to implement technological education for students is an important target" (1994. pp. 504-509). Xu Dongsheng points out that "a work-study program responds to two purposes: fund raising for the school and education for the students. But the fundamental purpose of a work-study program is education and fund-raising as methods to ensure success of the education component" (1994. p. 480). Hao Yuongcheng notes that school economy activities should combine the development of education with that of providing financial benefits. The relationship between the school economic activity and education must be as that of roots and trees. Economic activities are the roots. If there are no roots the trees will die (1994. p. 173).

2.4. Chinese Social Context, Education System and the School Enterprise

As some researchers from North American have noted, "The education system of China reflects the culture of the country as well as being a primary agent of cultural transmission" (Hauser. Fawson. and Latham. 1990). Moreover, "Educational development has been closely
linked in China to socio-political changes” (Zhou, 1988). Therefore, it is critical to this paper to provide a context within which readers may understand the current school enterprise movement in China.

The Chinese educational tradition developed in a feudal, agrarian economy that strove for self-sufficiency and consolidation within the ‘central kingdom’. Its origins can be traced back to the Spring and Autumn Period (770-476 B.C.), in which Confucius lived and operated his private academy. The commonly shared characteristics of the official Confucian education of China's middle ages may be summarized as follows.

The training of talent loyal to the government in power was its guiding principle but it always saw the purpose of education in terms of utilitarianism, that is to say, its usefulness to those in power at the time. The main instrument for its utilitarianism was "mastery of the classics", that is, a thorough knowledge of the text and commentaries that had been officially approved. Success was measured by reference to "classical techniques" (jing shu), that is, the power needed by the government of the time to maintain its rule. Finally, its examining standard for whether one had become skilled in classical techniques was the ability to draw analogies from the sacred sayings of the classical texts. These precepts mirror the two important aspects of Chinese culture at the time, that of deference to authority and that of service to society.

Confucius suggested that the curriculum should be oriented toward four aspects: literature (wen), behaviour (xing), loyalty (zhong), and tact (xin). Traditional Chinese education was the product of a society oriented to deference to authority and has been modified only
slightly in the evolution of the society from feudal through semi-feudal and semi-colonial states to the new People’s Republic.

In the early years of the New Republic, two major changes were made in the content of education. One was the heavy emphasis, after the Russian model, on engineering programs in higher education. The other change was increased school time devoted to productive labour, as was stipulated in the Party’s educational policy of 1958 (Zhou, 1988).

In communist China, education was directed by the Communist Party. In some schools, the party secretary had more power than the principal although, in many cases, the two positions were carried out by one person. Principals usually were less concerned about being advisers than being persons who carried out the Party leaders’ instructions.

Even as Confucian education philosophy has been concerned with educating selected individuals to best serve the emperor, so Communist education philosophy decreed that education for all should ensure loyalty to the party and therefore serve the best interests of the state (Priestley, 1971).

In every sense, the end of the Cultural Revolution of 1976 marked a turning point in the history of contemporary China. The comparatively short time since this event has seen drastic and large-scale changes in China. From an economic perspective, five major economic conditions and changes may be identified as the most important factors providing both progress and problems in educational development and structural reforms in present-day China. First,
China has a relatively low economic development level and a low level of government spending on education. The basic economic conditions restrict large-scale educational development both qualitatively and quantitatively. Inadequate funds have become a major reason for the government’s encouragement of the school enterprise movement. Secondly, China has introduced various systems for responsibility for the production of goods, initially in rural areas and then in urban areas beginning in 1978. Resulting from this reform, some people began to accumulate wealth and the government changed its former restrictive slogans, to “it is glorious to become rich” in contrast to the previous policy which was designed to ensure that everyone would become economically well-off at the same time and to the same degree. Thirdly changes from over-centralized economic planning and excessive interference of government agencies in enterprise and economic activities have resulted in increasing systemic flexibility and, therefore, commodity production. Allowing the market mechanisms to play a large role has generally resulted in a better match between supply and demand. Furthermore, a reform in income distribution is taking place and an incentive pay policy has been introduced to improve work efficiency and to replace the practice of “da guo fan” (eating from the big rice bowl of government). This change has challenged the education system as a whole. Finally, the value of education as an investment in human resources has resulted in a shift of focus in schools to economic development from the former emphasis on political stability.

Even as the social contexts within China are shifting with respect to political, economic and cultural dimensions, so the Chinese school enterprise as part of the social system is reflecting those changes. Traditional values and beliefs in Chinese society are shifting from cooperation to competition, from harmony with nature to exploiting it, and from strict obedience to authority to
new, evolving, less strict relationships (Davis, 1995).

Thus it may be seen that China shares many characteristics with other post-communist countries. Pastuovic (1993) conducted a study of educational reform in countries such as the former East Germany, Hungary, USSR and Poland where he discussed the role of education with a special emphasis on economic and political reforms and ideological changes. In these countries, the social environments are less steady than in many other countries, such as the most developed ones. In the economic sphere, there is a transition from state ownership to private ownership; the political monopoly of the former establishment is being abolished; the culture is affected by economic and political perspectives which, in turn, influence economic and political development. “Education in these countries is quite uncertain because of the instability of economic and political processes” (Pastuovic, 1993, p. 416).

Morgan (1990, p. 157) argues that “the networks [in society] are not simply the result of pragmatic adjustments by managers to environmental pressure: rather they reflect and reproduce the underlying basis of power in our society.” One common assumption is that organizational change occurs in response to some external demand and through peoples’ perceptions within the organization (Levin, 1993; Rosenblum & Louis, 1981. Elmore, 1978). This model is defined as a planned change model:

... most of what we know from research about how to change schools falls into a paradigm that might best be called managed change, whether it involves engineering a planning process, an organization chart, or people power. Most critically, the main focus of research is identifying factors that improve the probability that an innovation will be successfully implemented and maintained, more-or-less as intended by its initiators. In most cases, organizational change is defined as a small-to-medium scale program, often imported from a source
outside the organization (Louis. 1994. p. 4).

Within this planned change model, change strategies are based on the following assumptions: organizations operate rationally and are goal directed; they are hierarchically structured; subunits can cooperate to maximize performances; and some form of management by objectives will enhance goal attainment (Elmore. 1978). This model implies that changes are rational procedures, which are guided by goal setting, monitoring and accountability. The responsibilities and procedures are regarded as key in effecting the change in a planned change model.

The planned change model has been challenged by critical theorists because change is usually unpredictable during education reform. Still researchers are paying more attention to how an organization learns to cope with the internal and external requirements and changes (Watkins & Marsick 1993; Levitt. B. & March. J. G.. 1988; Leithwood. Dart. Djinns & Steinbach. 1993; Schein. 1984).

The experiences of Chinese school enterprises indicate that both central planning and organizational motivation are important in fostering change. In the Chinese context, educational reform usually starts with central government policy that attempts to bring about change through legislation and other directives. There has been a long history in Chinese education of being under centralized control with support based upon a basic, traditional assumption that authority must be obeyed.
2.5. The Organizational Culture and Framework of this Study

Organizational behavior may be studied through different perspectives, each of which is related to particular objective. The perspectives listed by Morgan (1997) are those of machines, organisms, brain, political and culture. Organizational culture has been appreciated as a method of examining the motivations for organizational behavior because culture is an instrument serving human biological and psychological needs while organizations are social instruments for task accomplishment (Smircich 1983).

Organizational culture in its simplest derivation is a descriptive term used to explain how things are done and why things are done in a particular way. It provides a basis for describing and explaining not only the observable activities of an organization, but also for the underlying reasons and motives for the activities.

Scholars such as Linda Smircich (1983) and Edgar Schein (1985) emphasize how important it is to view culture as a subtle phenomenon, something that is not really observable. Most of what we really observe ... they argue is in fact an outcome or artifact of culture. Assumptions, below the level of conscious awareness, they point out, are what constitute culture in its true and basic form (Arnold, H., Feldman, D. And Hunt, G. 1992, p. 475).

Various writers on the topic of organizational culture choose to examine it from specific perspectives. Some choose to examine only its visible artifacts and concentrate on describing the features of the organization which appear to reflect its guiding beliefs and practices. Indeed, one
of the strengths of a cultural study of organizational behavior is that it directs attention to the symboli
c signiticance of almost every aspect of organizational life. As Schein suggests (1985), structures, hierarchies, rules, and routines embody social constructions and meanings that are crucial for understanding how organizations function day by day.

But understanding how organizations function is often insufficient. It can also be necessary to understand why they function the way that they do. This is where the work of Schein (1984) makes such an important contribution to organizational culture theory. Schein emphasizes that the operation of organizations reflects the basic assumptions that underlie their way of thinking. In turn, borrowing from the classic work of Kluckhohn and Strodbeck (1961), he emphasizes the relationship between the basic assumptions of the organization and those of society in which the organization operates. No other author deals with this relationship so intensely. Consequently, Schein’s theories of organizational culture have been used as the framework for this study. Schien (1985) suggests that organizational culture can be analyzed at three levels: those of artifacts, values and assumptions. He describes organizational culture as a framework of basic assumptions discovered or developed by a certain group in learning how to deal with internal and external problems. This model indicates that some structure or pattern is central to observe and understand the culture in organizations as well as the culture surrounding them.
**Figure 2.1.** Levels of Organizational Culture (Schein, 1992)

- **Artifacts**: Visible organizational structures and processes (hard to decipher)
- **Values**: Strategies, goals, philosophies (espoused justifications)
- **Basic Assumptions**: Unconscious, taken-for-granted beliefs, thoughts and feelings (ultimate source of values and actions)
Following the work of Kluckhohn & Strodtbeck. (1961) he grounds his theory in basic assumptions which are common to all cultures but differ only in directionality. Kluckhohn & Strodtbeck's research led them to believe that some of the basic assumptions concern the relationship of man to nature, the nature of human nature, the nature of human relationships and the nature of time and space. These four assumptions are particularly important in this study as they appear to have undergone the greatest changes in China over the past three decades.

The type of relationship a group, region, or country holds with respect to each of the above statements, in effect, determines the nature of its culture. In this study, one of the assumptions which is explored, concerns whether people harmonize with nature or exploit it. The second considers whether human activity is cooperative or competitive. The third, and possibly the most important deals with attitudes towards authority which may be seen as traditional and unchanging or evolving and subject to change. The fourth, use of space, explores the values underlying the allocation of the school space for non academic pursuits.

Schein's study of organizational culture also examines the factors which must be present if change is to take place and be stabilized. He first identifies the importance that all who will be affected by the change (in this study, administrators and teachers) share and buy into the vision of what the change may accomplish. Next, he states that the resources needed to bring about the change must be available and, finally, support must be necessary to maintain the adoption of the change.
Schein notes that although organizational culture may be studied at three levels: artifact, value, and assumption, determining basic assumptions is the most difficult task. Expressions of value are somewhat easier to determine while artifacts may be detected through the senses. They are things that may be observed, heard, smelled, tasted, touched! As organization cultural theorist, Smircich, (1983) has declared, artifacts are the culture! Indeed, it is our sensory perceptions which convey the strongest messages about the cultures with which we come in contact.

Davis’s (1995) Chinese organizational research suggests that among teachers at both elementary and secondary levels, the strongest held assumption is that related to authority. Half of the teachers studied embrace the traditional view that authority should not be challenged. However, 50% saw new forms of authority evolving. With respect to human relationships 23% of the Chinese teachers indicated that they felt the nature of human relationship was basically cooperative but an equal percentage felt that it was competitive. There seemed to be a movement towards a more competitive stance. Finally, when deliberating on the relationship of people to nature, 67% believed that it was marked by attempts at harmony, but 18% believed that the relationship was one of dominance as compared to only 4% who felt that it was one of submission. We turn now to a discussion of the basic assumptions which are central to this study.

**Traditional Chinese assumptions about human nature**

Traditional Chinese culture is characterized by dimensions based predominately upon the works of Tao and Confucius. Taoists and Confucians in general held the assumption that human
nature was “born-of-ignorance”. The duty of man was to study to be good and thus win the freedom driven by his own Heaven-born-nature (Day, 1962). On the other hand, another Chinese philosopher, Hsun Tzu, believed that “the nature of man is evil; his goodness is acquired through training” (Feung, 1948, p. 143). Despite these differences about the nature of human nature, it was felt that human nature is changeable and that any man can become a Yao or Shun (two traditional Sages) through education. On the point that human nature can be retrained, these ancient sages agree.

The Confucianist belief that human nature is changeable and may be bettered through training or study provides a philosophic basis for education. All human nature, Confucianists believed, must be “given a criterion of action by which to choose and act aright” (Day, 1962, p. 59). Therefore education in China was traditionally aimed not at developing the natural man, but at changing that person into a good man. In addition to this, thoughtfulness and comprehensiveness in study were stressed. Above all, practice in virtue, in good nature and in ethical growth of character were the aims of all Confucian education.

The traditional Chinese assumptions about the nature of human relationships

Assumptions about the nature of human nature are the starting point of Confucius’ philosophy (Day, 1962, p. 35). Since human nature must be cultivated and good qualities practised, there must be a code of good manners, to include not only rules of personal courtesy, but for all the best social and governmental usages. The standard for this theory is an ethic based on moral order and harmony. When there is harmony within the central self, human beings begin
to move in the orbit of cosmic or universal harmony. Confucius expressed the law of harmony in the words of peace, truth, integrity which he believed to be the essence of the law of man’s moral being (Day, 1962, p. 35).

Confucius said: “Only after having peaceful repose can one begin to think,” and “What you do not wish others should do to you, do not do unto them.” Confucius’s virtues were summarized as uprightness (Junzi), benevolence (ren), conscientiousness (zhong), altruism (xin), righteousness (yi) and filial piety (xiao). Uprightness is described as a characteristic of a superior man or great man. “Great Man cherishes excellence; Petty Man cherishes comfort. Great Man cherishes the rules and regulations: Petty Man, special favours.” The man of Junzi (uprightness) is one who, desiring to maintain himself, sustains others; and who, desiring to develop himself, develops others. To be able, from one’s own self to draw a parallel for the treatment of others may be called the way to practise jun. Conscientiousness and altruism are likewise the practice of benevolence. Righteousness is one of the personal character qualities. To practise righteousness, a person should do a thing because it is right, even though one is well aware that his principle cannot prevail (Day, 1962).

Filial piety (xiao) is regarded as the root of all other virtues. In general, it implies a deferential attitude of an individual toward anyone above him in social position in order to preserve station and rank. It was concretely expressed in five relations: that of subject to emperor; citizen to magistrate; son to father or daughter to mother; younger to elder brother or sister; younger to older friend and wife to husband.
In each of these relationships the subject was expected to defer to and be obedient to the higher authority. Obviously, Confucius's virtues favour supremacy of the common good over the aims of the individual which would appear to bode well for the welfare of the state.

**Other factors affecting organizational culture**

Other factors have been identified as important elements affecting organizational culture. For example, Hargreaves (1994. p. 62) believes that "form" is as important as values and assumptions. He suggests that, in some cases, initial structural changes are required as preconditions for cultural changes. Schlechty, quoted below, holds the opposite view. Similar opinions from Schneuderman suggest that "social change involves not only objective alterations in the social system, but subjective change, as well. These subjective changes depend on how the individual perceives the world around him" (1988. p. 12). Other researchers have also supported the view that there is a close relationship between organizational structure and its culture (Kelsey. 1978. Schlechty: 1990).

To change an organization's structure, therefore, one must attend not only to rules, roles, and relationships but to a system of beliefs, values, and knowledge as well. Structural change requires cultural change (Schlechty. 1990. p. xvii).

The educational system of a given society reflects its social system and, at the same time, is the main force perpetuating it. It may be perceived as the most powerful means of social control to which individuals must submit, and as one of the most universal models of social relationships to which they will refer later (Michil, in Hoy and Miskel. 1991, p. 104).

Davis (1989) sums up the previous views as the "two historical traditions of organizational study: one with an emphasis on rationality, order, technology; the other with a
concern for subjective, value-laden factors” and suggests that policy plays an important role in organizational culture but that change will be slow, possibly painful, and will encounter strong resistance (pp. 116-117).

There are few documented studies of organizational culture in North American literature. This probably results from the common belief that North America exhibits high social freedom. Policy plays an extremely important role in a highly centralized country such as China. This study provides a case to support the Davis argument but also explores the theory that resistance to [government] policy is not as evident in China as it is in North America.

Architecture as the First Level of Organizational Culture in the Chinese Context

According to Schein, the culture of an organization can be studied at three levels. The first of these is the artifact level. At the artifact level, organizational culture may be evidenced from such things as architecture, visible behavior, documents and articles.

In the current study, architecture occupies an especially important role in identifying school culture. Architecture is a product of human activity, a mirror of human life. People inhabiting different areas of the world are influenced by their political, social and cultural environments, as well as by the historical and geographical background of each specific region or nation. These influences emanate from their particular life and culture, which are then translated into specific spatial forms of buildings and communities (Liu, 1989, p. 11). That is why architects always say that “city planning and city image are true reflections of the social system.

Walls and gates have a special meaning in Chinese architecture. During the first dynasty of Chinese history, the Xia, there was a saying: "Build a city to protect the emperor; build a wall to watch the people" (Liu. 1989). In China, if a place was not walled, it was not really considered a city (Liu. 1989. p. 41). Chinese city planning was closely linked with the ideal social order. A wall became the characteristic feature of a Chinese city. Major (1990) provides a similar opinion regarding Chinese architecture:

Chinese buildings are usually surrounded by walls that enclose courtyards. The main gate of a compound always opens to the south, and buildings are built against the northern wall. Towns and cities were built on a grid plan and surrounded by walls. The most important official building in a town or in a capital city was built adjoining the center of the northern wall. From its entrance, a main street ran to the south gate of the city. Another major street intersected it, connecting the east and western gates. The overall impression was of a nest of boxes: houses and courtyards, blocks, quarters, and finally the city itself—their symmetry a reflection of the orderly universe (Major. 1990, p. 186).

Comparing Chinese architectural design to its European counterpart, it is easy to see the differences. In Western cities, "The city center has always contained the agora, a forum or square for the circulation of people and exchange of ideas" (Liu. 1989. p. 53). This was not case in China. Consequently, "China has been regarded as being isolated compared to most other civilized peoples" (Latourette. 1964. p. 22). Currently, even the Chinese themselves have realized that isolation has been a barrier to national development. They are rethinking what today are weaknesses in their country's glorious long history and culture. For example, The Great Wall, of which Chinese are most proud, has been discussed from historic and cultural points of view. The base of the wall is made of huge granite slabs and is 6.5 meters wide while
the width of the top paved with huge bricks is 5.8 meters, capable of accommodating 5-6 horses or 10 persons abreast. The Great Wall originates in Gansu Province in the west and runs to Shanhaiguan in Hebei Province in the east and totals 6,700 kilometres. "The large scale and magnificence of the Great Wall make it one of the seven architectural wonders of the ancient world" (Tourist Atlas of China. 1988. p. 12). However, this symbol of Chinese national pride has now been reconceived as a symbol of the barriers which isolate China from trading with the outside world and from free communication with other people.

The importance of the word "gate" (door) can be seen in Chinese government policy. For example, the most recent and significant reform was introduced as "The open door" policy. Similarly, Chairman Mao's slogan for reform for education was "Open the door and reform the education system". Therefore we can see the importance of the enclosing wall in Chinese culture. It represents not only Chinese ideology in political control and public order but also traditional Chinese philosophy and values which are expressed in the functioning of the state bureaucracy.

2.6. Organizational Bureaucracy and Resource Dependence

Bureaucracy is described by Weber as the division of labor and specialization, impersonality, hierarchy of authority, rules and regulations, and career orientation (Weber. 1947).
Bureaucracy

In general, bureaucracy has been identified as one reason for low efficiency and high costs. It is also viewed as a major problem in school systems by educators (Lawton, 1995) as well as by government agents in some countries such as China. Suggestions as to how to improve the problems caused by bureaucracy include school-based management (Lawton, 1995, 1989) and organizational self-improvement with which the Chinese government is experimenting in order to decentralize power and authority by restructuring the system. Most schools exhibit some of the features of a bureaucracy which may be considered an artifact inasmuch as its procedures are usually codified in some written form. As such it is also an expression of value.

Bureaucratic structure theory has recently been challenged by the notion that the school is an organization with a loosely coupled structure (Deal and Celotti, 1980; Bidwell, 1965; Weick, 1976; Orton and Weick, 1990). Professional autonomy seems to be very strong according to these researchers, because teachers work alone in their classrooms, unobserved by colleagues and administrators. They have broad disciplinary authority over students (Bidwell 1965, pp. 975-976). In these studies, the discussion has focused on the organization itself. Debate about operating a school enterprise centers on the possibility of combining two different functions, teaching and commerce: two different cultures, academic and business. Marsden (in Warwick, 1989, pp. 25-35) states that "At the heart of education/business links lies the need for two different cultures to understand one another." The enterprises are business activities, profit oriented, open to the real world, meeting social needs and involving competition, while the schools are academically oriented and evaluated by the students' performance. When
organizations attempt to work together in significant and meaningful ways. they tend to underestimate the strength of their respective cultures and consequently often fail to anticipate the problems which may arise from cultural incompatibilities. New patterns of bureaucratic management may become necessary when an academically-oriented school decides to incorporate a business enterprise into its structure.

**Resource dependence**

Organizational behavior has been observed as being "externally controlled and constrained to the extent that outcomes are the results of planned, intentional rational actions" (Pfeffer, 1982, p 178). The market is considered to have an important impact on organizations (Von Berstel, 1982; Morgan, 1990; Pfeffer, 1982). Von Borstel also recognized that there is a dependency relationship of schools upon the government that results from the necessity for the school to obtain resources from the central bureaucracy (1982). He further pointed out that the total dependence of the school on financial resources which are in the control of an external bureaucracy, has been one of the key factors in preventing schools from reacting creatively to community needs and opportunities. Von Borstel's study implied that since all funding comes from a central authority, decentralization will be difficult.

Some believe that the involvement of schools in business endeavours is a good thing. G. Sharp and O. Sharp declare that, "a strong business-education partnership is America's only hope for economic survival in the 21st century" (1992, p. 14). Ballhelm and Toml state that, "Education, because of [the] fiscal challenge it now faces, has the opportunity to reform and
restructure by using an entrepreneurial model" (1993, p. 31). Osborne and Gaebler describe the "entrepreneurial model" as pushing school control out of the bureaucracy, into the community: "putting [its] energies into earning money, not simply spending it; decentralizing authority and embracing participatory management" (1992, p. 20).

However, there are both advantages and disadvantages in government financing of education. The advantages are that the government resources can be better used in a coordinated way in order that universities and schools may be relieved from financial burdens and concentrate on their academic mission. The disadvantages of government financing are: first, it limits the possibility of mobilizing other resources, making education less sensitive to the needs of the community; and secondly, it requires more administrative funding and engenders less local autonomy (Cheng, 1984).

Brown's study (1994) pays attention to changes in the nature of public schools caused by modifying the method of funding. He argues that if public dollars were not fully provided, public schools would become captives of their contexts. Environmental factors such as socioeconomic status, jurisdiction, and geographic location would dominate schools' ability and willingness to find private resources. Therefore, the schools would move to a context-based dimension within which their task would become one of passing on the culture of home, the local community, and society to the children (Brown, 1994). He further draws attention to the school enterprise and points out that at the heart of the school enterprise debate are deeply-held value questions of "Can we have it both ways? Is it possible that the pursuit of private resources can permit public goals to be achieved or will it do violence to the chief aim of public schools.
which is educational equity?" (Brown. 1994. p. 7)

Tiemey, on the other hand, argues that "Education organizations are not business organizations, and we ought not to be forced [into] trying to become such. If we do so, we will "lose sight of what education is and insult virtually all of the constituencies involved in the education process" (1993. p. 103). Many articles from Chinese counterparts also highlight the serious contradictions between operating a school and running a business (Guan. 1994. Xiang. 1994. Sun. 1994. and Xu. 1994). For example, Guan concludes that there are five major discrepancies in organizational behaviour between business organizations and school institutions.

Firstly, business is profit oriented and the public school is benefit oriented: secondly, business organization is a part of a social function but public education is a function of the society: thirdly, there is a short term return in business but a long term benefit to education: fourthly, there is instability in business behaviour but the education system is relatively stable: fifth, competition is fundamental to business but fairness in public education obviates competition (Guan. 1994. p. 18). These discrepancies not only indicate the differences between business organizations and school institutions, but also show that there will be possible negative influences from business activity in schools.

Attitudes toward school enterprises differ greatly. Some scholars, such as Xiang (1994) state that "Enterprisation" of the school is a certain result of social and economic reform. School enterprises will not only bring revenue to schools and reduce the government burden, but also make schools more efficient. Enterprise activity is seen as reducing what some may consider the over-emphasis of politics in education in order to bring a more open school system to society.
School-based enterprises may provide some employment opportunities as well as possibilities for teacher development. Administration systems may also be redesigned and decentralized. Evaluation from the society outside the school also becomes possible.

Sun (1994) criticizes "Enterprisation" and argues that the enterprise is not the only way to relieve the financial pressure on the school system. He points out that Pingdu city in Shandong province has established an education fund-raising association. The interest from the fund has become a stable resource for payment of rural teachers' salaries as well as replacement of out-of-date equipment. However, he believes that public schools should continue to be financed by government and worries that the function of education will be changed if the school operates as a business. Furthermore, he believes that the quality of education will be in question since teachers may have to spend class or preparation time on enterprise activities when they should be concentrating on academic pursuits. Brown (1990) has proposed that one of the critical problems faced by school administrators in a centralized system is the lack of flexibility to acquire the resources they want to do their job (p. 3). Enterprises may help produce that necessary degree of flexibility. It is interesting to note that research has not deeply explored enterprises in schools that operate independently of the academic function of school.

2.7. Summary

This review of relevant literature indicates that a new area in school finance is emerging which is specially oriented to the school enterprise. An enterprise is not same as fund raising but is a business endeavour initiated by schools in order to acquire financial resources. To cope with
this change in the way that public schools are financed. both schools and school boards have had to change their functions. There is limited literature available on this topic and the few studies that are available by Chinese and American scholars indicate a concern for the changes in the nature and culture of public schools but fail to recognize that enterprises may function without any direct connection with the academic life of students or the involvement of teachers.

Even though the school enterprise can be studied in several different ways such as from policy analysis or leadership perspectives. only the organizational culture study approach provides the method which explains how and why schools are involved in the enterprise practice. Schein's model is the one of the most comprehensive and leads to a better understanding of this practice.
Chapter 3

DESIGN OF THE STUDY

3.1. Introduction

The purpose of this study is, in the Chinese social context, to document the nature of the Chinese school enterprise and to identify the relationships between the enterprise and the school organizational culture, the community and the government policy. This chapter introduces the framework of the study, research questions, research methodology, and the research plan for data gathering and analysis. The study is a multiple case study of six schools about which the general information is summarized below:

<table>
<thead>
<tr>
<th>Level</th>
<th>Huan</th>
<th>Duoxi</th>
<th>Guangming</th>
<th>Niudon</th>
<th>Zhaoyi</th>
<th>Xinhua</th>
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</thead>
<tbody>
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<table>
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<tr>
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<th>secondary</th>
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</tr>
</thead>
<tbody>
<tr>
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<td>non-key</td>
<td>key</td>
<td>non-key</td>
<td>key</td>
<td></td>
</tr>
<tr>
<td>Location</td>
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<td>Beijing</td>
<td>Hebei</td>
<td>Hebei</td>
<td>Guangdong</td>
<td>Beijing</td>
</tr>
</tbody>
</table>

3.2. Framework of the Study

Conceptual frameworks or models have been proven useful as guides to the gathering and sorting of data. As Allison (1969, p. 690) notes:
Conceptual models both fix the mesh of the nets the analyst drags through the material in order to explain a particular action or decision and direct him to cast his net in select pools, at certain depths, in order to catch the fish he is after.

Organizational culture is a concept which is central of the study of management values. ideas and underlying assumptions. Therefore, the mesh of the conceptual model used in this study is composed of a hierarchy of three aspects of organizational culture: artifacts, values, and assumptions as outlined by Schein (1992, p.17):

3.2.1. Artifacts

Schein (1992, p.17) describes artifacts as "all phenomena that one sees, hears, and feels when one encounters a new group within an unfamiliar culture". Artifacts include the visible products of a group such as the architecture of its physical environment, its language, its technology and products, its artistic creations, and its style as embodied in clothing, manners of address, emotional displays, myths and stories told about the organization and documents. In this study, some of the most important and visible artifacts that were observed were the physical setting of the school campuses, classroom management, school routines, ceremonies, student self-evaluation, teachers' schedules, school management structures, award policies and handbooks outlining staff responsibilities.

Such artifacts can lead to the identification of major images and root metaphors that reflect the deepest level of culture. However, at the artifact level, the culture is easy to observe but very difficult to decipher. Symbols can be ambiguous and insight into meaning may only be
obtained if one has experienced the culture at the level of its values and basic assumptions (Schein, 1992). The underlying meanings of visible artifacts can only be studied from the investigation of values, norms, and rules that provide the day-to-day operating principles by which the members of the group guide their behaviour. This kind of inquiry takes research to the next level of cultural analysis.

3.2.2. Values

Schein (1992, p.19) defines values as "strategies, goals, philosophies" held by members in an organization to deal with a new task, a problem or an issue. When a group faces such a new task or problem, the solution proposed reflects, to some extent, each individual's own assumptions about what is right or wrong, what will work or not work. Schein believes that certain values are confirmed by the shared social experiences of a group. The groups of internal relations typically involve the group's values; these become important factors in the operation of an enterprise for the purpose of fund-raising which is a new endeavour for schools in China. The operation of a school enterprise in this study reflected the attitudes and values of the people involved.

Schein (1992) also mentions the importance of the social validations of aesthetics, religion, and ethics which imply certain values and which involve relationships with the environment. The most important external influences on schools in China are government policy and the recently increased importance of community involvement in educational development, particularly with respect to the school enterprise. Considering that Chinese
education operates under a highly centralized management structure. External pressure upon schools is an extremely important consideration for study in this research. External pressures include political policies, cultural factors and economic reform. In particular, school enterprises have to compete with other businesses which produce similar products for the market. They also have to meet the expectations of administrative personal in the Ministry of Education and the School Board. Expectations also emanate from teachers and from staff in co-operating organizations who naturally hope that the enterprises will be profitable. The conflicts between the academic goals of the school and the pursuit of economic profit are important factors which modify the ways of doing things in the schools. Conflicts have an important impact on the enterprise itself and on its relationship with various aspects of school life. The nature of these conflicts is explored in this study.

However, as Schein (1992) explains, lists of values are often not patterned: sometimes they are even mutually contradictory or inconsistent with the observed behaviours. In order to develop a deeper level of understanding so that it may become possible, to some extent, to predict future behaviour, a study of the assumptions in an organizational culture becomes necessary.

3.2.3. Assumptions

At the third level of culture, Schein (1992, p.19) categorizes assumptions as:

...learned responses that originated as values. But, as a value leads to a behaviour, and as that behaviour begins to solve the problem which prompted it in the first
place, the value is gradually transformed into an assumption about how things really are.

Schein argues that assumptions often deal with fundamental aspects of life, such as the nature of time and space, human nature and human activities, the nature of truth and how one discovers it, the correct way for the individual and the group to relate to each other, the relative importance of work, family, and self-development as well as the roles for men and women and other family members.

Of particular interest to this study are the assumptions and the changes in the assumptions of the people dealing with the task of operating the school enterprise. For example, such assumptions include a consideration of the nature of human nature, the nature of human relationships and the nature of authority. With respect to human nature, this study attempted to explore the assumptions of whether human nature is fundamentally good, evil or neutral. In particular, one tacit assumption focused on who can be trusted as a partner in a business relationship. Assumptions about the nature of authority were investigated to see if there is evidence which indicates that a traditional attitude toward authority is being replaced by an evolving one.

3.3. Research Questions

Organizational culture develops dynamically through adaptation to both external and internal environments in order to ensure the capacity of the organization to continue to survive and change. Successful coping techniques give rise to certain ways of doing things in the
organization and to new patterns of belief held by staff members (Schein. 1992). Following Schein, the internal and external environments of this study may be categorized as those of the school enterprise itself, the school, the community and the government.

Four fundamental research questions guide this study. They concern the nature of the school enterprise, the relationship which exists between the school enterprise and the school and the relationship existing between the school enterprise, the community and the government. These research questions were further developed for interviews and may be found in Appendix 1.

3.4. Research Methodology

A case study approach was used to explore the nature of the school enterprises and their relationship with the school culture. Yin (1994) has defined case study research as an approach that could answer questions of “how” and “why”. In a case study, “researchers are interested in insight, discovery, and interpretation. rather than hypothesis testing” (Merriam. 1988. P. 10). Merriam suggests that by concentrating on the case the “significant factors characteristic of the phenomenon” can be discovered. A case study can include one or more cases. In this case, multiple cases were used. Yin (1994) further identifies three types of ways in which case studies may be used. The first is exploratory. an approach to determine what phenomenon need to be studied. what questions need to be asked or what hypotheses need to be developed. The second is descriptive. an approach that provides a “complete description”. while the third is explanatory. an approach that examines causal relationships.
3.4.1. Research Plan

The research plan for this study contains the following steps:

1) Obtaining access to schools, school boards and government agents

2) Addressing ethical concerns to participants

3) Collecting data from sample schools on two different occasions; the first period was from June to September in 1995 in China and the second part was in August, 1997 from Toronto:

4) Translating data, from September 1995 to May 1996;

5) Data analysis and drawing conclusions about the research results:

Obtaining access:

Formal and informal access to suitable schools was obtained. In most cases, formal access was gained through the school enterprise office and the personnel division of the State Education Commission. A reference letter from the personnel division provided entry to each school. Approval was confirmed by the personnel division through the State Education Commission to the school principal. Informal access to Xinhua S.S. for an in-depth study was obtained through a former graduate student who is a member of the school’s graduate association and also a member of the consultative committee of the school. A previous classmate of the principal of Duoxi S.S. helped the researcher to gain access to the school although a full study was not successfully carried out as the principal said that an official letter from the State Education Commission was required. The study carried out in Zhaoyi S.S. received help from a formal partner of the school enterprise there. No official permission was required. Interviewees
conducted with previous principal and other arrangement was though a fellow student with me in university. Before I went back to China, I had contacted her through mail and asked her to help me to locate a school for my study. The principle for the selection of qualified interviewees was that their information was reliable and that they were willing to tell the truth. Guangming Secondary School and Niudon Secondary School were contacted through a former collage in the State Education Commission. He made a phone call to the director of the school board and requested their support of this study.

**Ethical concerns**

A University of Toronto Ethical Review was conducted before the research was approved. Before the research was undertaken, each school principal was informed that the researcher was a full time doctoral student in the Educational Administration program at the Ontario Institute for Studies in Education of the University of Toronto, Canada, and that the primary focus of the study was to investigate the nature of the Chinese school enterprise and to determine to what extent it affects the culture of the school with which it is associated. Principals were also told that the study makes no attempt to evaluate the school's academic achievements. As well, they were informed that the researcher had worked with the State Education Commission of China for more than five years, during which period she was involved in modifying school enterprise policies, but that work experience and a study of literature on school enterprises in both China and the world- at-large had encouraged the undertaking of the study.
Assurances were given that all information would be kept confidential and written consent was obtained from all participants prior to the interviews and/or the recording of personal observations. People's right to privacy was respected; tape-recorded information and notes were kept in a secure location throughout the study.

**Collecting data**

The first step of collecting data was selecting subjects. To ensure the quality of this study, subjects were chosen carefully since the researcher wanted to find out the essential characteristics of a particular group as well as whether the schools operated enterprises. Therefore, six school enterprises were selected for study, representing a variety of school types and communities, one of which was studied extensively with respect to school culture. These major criteria were considered in the selection process.

1) the school must have a functioning enterprise, the profits of which must provide an above average level of income to the school community;
2) the school principal must be supportive of the study;
3) for practical data gathering purposes the school had to be located in an area which was easily accessible through public transportation.

Of the six schools, one is located in Zhaoqin township, Guangdong province; another two are in Guan township, Hebei province, south of Beijing. The remaining three are all in Beijing, the capital city of the Peoples' Republic of China. The schools were further selected based on:
1. Geographic differences: for example, urban compared to rural areas. Urban schools have the advantage of access to convenient transportation but they usually provide less space for student recreation and there may be less space available for enterprise activities. Selecting schools from different geographic areas allowed a comparison of external influences upon the nature of the school enterprise.

2. The inclusion of both key and non-key schools: The differences in school type provided an opportunity to examine differences in the operation of a school enterprise in the two types of schools.

3. Economic developments in both developed and underdeveloped areas: The southern part of China led the country in the application of economic reforms. As it is a great distance from the central government in Beijing, there is less government control which gave me more flexibility to explore relationships between school enterprise development and the local economy.

Data were collected both in China and from Canada. The first data were collected in two provinces, Guangdong and Hebei, and the capital city, Beijing. From June 3th to August 10th, five of the six schools were studied. Data collection for an in-depth study took place at Xinhua S.S. The school was visited six times during the months of June and July and interviews were carried out at that time. A intensive period of participant observation lasting three days was made of students during their end-of-term evaluation. Another two schools, Huan E.S. and Duoxi S.S. were visited and interviews were conducted early in June. The ninety minute visit to

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1 Key schools are those schools which enrol students with higher academic standards. In key schools a higher percentage of graduates go on to post-secondary education.
Duoxi Secondary School was all the time spent there because of the lack of cooperation from the school principal. Huan E.S. was visited twice because of the different physical locations of the school and its enterprise. Two days were spent in schools located in Hebei province at the end of July. Zhaoyi S.S. was studied from August 12 to September 3. The second collection of data was conducted from Toronto in August 1997. Eight subjects were selected from previous participants and five of them were reached though e-mail and telephone.

**Interpreting and analysing data**

Data analysis is the process of making sense out of the collected data. In the process of analysis, data are consolidated, reduced, and to some extent, interpreted (Merriam. 1988. p. 130). Both data presentation and data analysis are guided by the framework outlined in figure 3.1. earlier in this chapter which outlines Schein's three levels of culture: artifacts, values and assumptions.
Figure 3.1. Framework for Presenting and Analysing Data

Once the data had been collected they were organized into the three categories of artifacts, values and assumptions. Following this organization, relationships were sought among the categories and especially between the cultural assumptions and the operating procedures of the schools. Changes in the cultural assumptions over the decades were traced in the changes of school organization.
Table 3.2. Sources of Data

(N refers to number of peoples being interviewed/documents being collected; H refers to hours sent in gathering data)

<table>
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<tr>
<th></th>
<th>Interview</th>
<th>Observation</th>
<th>Documentation</th>
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<tbody>
<tr>
<td></td>
<td>N</td>
<td>positions of people</td>
<td>H</td>
</tr>
<tr>
<td>Huan E.S.</td>
<td>2</td>
<td>Principal, Manager</td>
<td>3</td>
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<tr>
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<tr>
<td>Xinhua</td>
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<td>State Education Commission</td>
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<tr>
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3.4.2. Observations

Observation is the "most basic technique for gathering data" (Dixon, 1984, p. 69). For a case study, observation provides data about the visible environments in which ongoing activities take place. In this research, data about the physical environment of the school, documents, functions of the school enterprises and the management structure of the school as well as classroom activities were collected.

The time devoted to on site observation varied from thirty minutes to sixteen hours and depended upon the kind of cooperation received from the schools as well as the requirements of the study. On an average, half a day of observation was devoted to each school with the exception of Duoyi Secondary School where the principal was not very co-operative. Sixteen hours were spent at Xinhua Secondary School as it was easily accessible by public transportation and the school management was particularly supportive.

The first of observations were made by walking around the school campus and classrooms in order to see how the space around the school was used and how the classrooms were decorated. Attention was paid to business activities inside the school as well as to pictures and slogans which are a feature of all Chinese schools, although the type of pictorial artifact may vary in different schools. Participant observation was carried out in some classrooms during the final term self-evaluation in Xinhua Secondary School. Particular attention was also paid to the nature and extent of both student and teacher involvement in academic and/or physical labour as well as in self-evaluation activities.
Sitting in student groups and listening also were methods used to gather information. Data from these observations were recorded by note-taking. As well, diagrams and photographs were used to record data.

### 3.4.3. Semi-structured interviews

An extremely important source of data was the interview. Since the interview method relies on the interviewee as a "knowing" being, the mental state of the interviewee, therefore, becomes important. In general, Chinese people are reluctant to discuss the weak points of projects in which they are involved, especially when their opinions are contrary to the official view. Moreover, some information, such as financial data about a school enterprise, is very sensitive. In order to secure reliable data, to the greatest extent possible, interviewees had to be selected carefully. A major concern was that people would tell the truth. Therefore, the people interviewed were either close friends or friends of close friends. Information flows more freely when conversations are between people with similar interests and in informal situations. For example, one interview was conducted over lunch in a restaurant. Since the interviews were semi-structured, they usually began with casual questions about interests and family relationships before focussing on work situations in the school.

Subsequently, questions were asked to determine the individual’s level of job satisfaction or dissatisfaction, and sometimes about the level of satisfaction received from teaching in a particular school. At other times, the questions focussed on comparisons with other schools. Questions about people’s financial position are very sensitive. Individuals who may have had
unhappy experiences as a result of school policies or unsatisfactory environments may provide more details only if they are certain that they, personally, will not be identified. Interviewees in this study were guaranteed anonymity and were also aware that the results of the study would be published only in English and only in North America. As a result, they were more responsive to being interviewed.

Coming from a Chinese cultural background and having familiarity with the educational environment enabled the researcher to select the tone of language used and to be aware of cultural content. An informal situation was created in some situations which enabled the researcher to establish a good rapport with the subjects and effective interviews resulted. Creating informal situations helped develop a positive rapport and an atmosphere conductive to probing deeper meanings and new clues (Burgess, 1982, pp. 107). As West (1987) argued:

...the difficulty faced by an interviewer is developing a warm and trusting relationship with his or her subjects, yet maintaining sufficient distance from them to probe their weaknesses and investigate their mistakes. (p. 336)

The following operational principles were used during interviews:

1) being clear about exactly what is to be found out - designing research questions for this study:

2) providing for the possibility of a wide variety of responses:

3) encouraging the respondents to express themselves freely:

4) being aware of the physical and psychological restrictions of the method: and

5) avoiding influencing the respondents to answer the questions to satisfy the needs of the interviewer.
During the interviews, care was taken to avoid influencing the responses and having ulterior motives for questions, as well as to ensure that interviewee felt comfortable.

### 3.4.4. Documents

Document analysis is useful in establishing background data (Goetz and LeCompte, 1984) and in helping "the researcher uncover meaning, develop understanding, and discover insights relevant to the research problem" (Merriam, 1988, p. 118). Since the purpose of the research has been to explore changes in value, documents are very important in determining the published values in the organization. Documents used in this study include media forms such as television reports, Internet discussions and public records such as discussions of education issues. Documents collected from schools, school boards and the State Education commission included:

1) Chinese leaders' speeches
2) Government policies regarding to the school enterprise
3) School enterprise reports
4) Statistics on school enterprise functions, incomes and distributions
5) School administration handbooks
6) Student handbooks;
7) School policies related to the operation of the school enterprise and
8) Time tables for school staff.

### 3.4.5. Triangulations

Triangulation is a valuable method of increasing the validity of the data by using multiple sources of evidence to support a conclusion (Eisner, 1991; Wolcott, 1988). In this
study. the triangulation approach uses many sources of information and data to study the same subject. For example, in order to discover the degree of school involvement in an enterprise, multiple approaches are used, such as collecting school policy documents, observing a student group's work in self-evaluation, and interviewing with teachers, principals and school administrators. The cross-checked sources provide a high degree of accuracy of information as well as revealing contrary or consistent values and beliefs among different groups or beliefs between the written documents and the actions of individuals and groups. The triangulation method ensures credibility through the cross-checking and verifying of data.

3.5. Summary

This study is broad based case study which used three research methods; observation, interviews and the study of documents. Schein’s theory of studying organizational culture at three levels was employed as a framework for presenting and analysing data. Six schools in which enterprises operate were selected, representing key schools and non-key schools as well as urban and rural schools. Changes in cultural assumptions were related to changes in school policies.
Chapter 4

ARTIFACTS

4.1. Introduction

"Artifacts are visible manifestations of the culture. Their presence is an indication of things that are valued" (Davis, 1995, p. 9). In this research, the most visible artifacts of the culture in the sample schools are the physical features of schools, policy and procedure documents, especially those related to the function and management structures of the school enterprise, as well as the managers themselves. In this chapter, data regarding artifacts are presented; an analysis of values and assumptions will be discussed in Chapter 5.

Among the six schools in this case study, Xinhua Secondary School was selected for an in depth investigation because of the convenience of its location and the support received from the school administration. Data gathered from the other five schools are used to identify the consistency or differences among the school cultures at the artifact level regarding the operation of the school enterprises.

4.2. General Information About Schools

Data regarding the physical environment of the sample schools, that is, artifacts, include information about school location, the size of the campus and space arrangements for enterprise activities, numbers of students and teachers, qualifications of teachers and the academic
achievement of graduates. Also, the data describe the appearance of external features such as the school gates and walls which surround the school properties and, as well, internal artifacts such as the portraits of famous people (usually political figures), and the political slogans displayed in public areas such as hallways, libraries and laboratories. Details of relevant policies and procedures documents are presented. Such information gathered from Xinhua Secondary School exemplifies the traditional school in China and is representative of the other schools in the study. Therefore, it has not been felt necessary to repeat the details of similar observations in the other five schools. However, the types of businesses operated by each school are introduced in this section. The data were collected, primarily, through personal observation.

In China, the education of children in elementary and secondary schools takes 12 years. Provincial and local government policies dictate whether an elementary school education should take five or six years. The secondary school is divided into junior and senior sections. Passage through some junior high schools may take three years, and in others, four years. Regular senior high school education takes three years. The period of compulsory education in elementary and junior high schools is nine years.

The elementary and secondary school year is divided into two terms. The elementary school year is made up of 38 weeks for teaching plus one week reserved for use at the discretion of the school board. Holidays and vacations occupy 13 weeks of the school calendar. The junior high school year is 39 weeks for teaching with one week reserved for other activities. There are 12 weeks of holidays. The senior high school year is of 40 weeks' duration with one or two discretionary weeks. There are 10 to 11 weeks in a year for holidays and vacations.
Education at the elementary and junior high school level is compulsory in China. All children six years or older are required by law to be enrolled in elementary school. In areas where junior high school education has been popularized, children gain access without having to sit an entrance examination: junior high school graduates can only enter senior high schools by passing a standardized examination set by the local education department.

The Teachers' Law in the People's Republic of China requires that elementary, secondary school and kindergarten teachers acquire the appropriate academic degrees. According to this law, an elementary school teacher should possess, at least a diploma from a junior high teacher training school. A junior high school teacher should have, at the minimum, a degree from a three-year university or college. A senior high school teacher must have a degree from a four-year teachers' university or from some other four-year university or college. Teachers' professional categories are related to their education and work experience. There are five professional scales in both elementary and secondary schools: specialist, high school level teacher, level one teacher, level two teacher and level three teacher (the lowest level). Salary and other benefits are related to the professional scales.

Xinhua Secondary School

Xinhua S. S. is a city key school which opened in 1953 in a busy metropolitan area in the western part of Beijing. This area has an excellent reputation as several universities are located there. The school occupies an area of 34,000 square feet and combines teaching, sports and living areas. There are 33 classes in the school which has 1560 students and 190 staff.
members of whom 110 are teachers, two at the specialist level (equivalent to university professor), and 60 of them at the high level (equivalent to associate professor). Most teachers in this school are university graduates and some have masters' degrees. Compared to the 30 percent of teachers in most secondary schools who are unqualified, Xinhua secondary school teachers have very high standards. Some ninety-eight percent of the school's graduates pass rigorous exams and are admitted to universities each year.

As with many other city secondary schools, Xinhua Secondary School is surrounded by a brick wall. At first glance, this is the typical traditional setting for a Chinese school. However, one will notice that this wall is unusual. On its north side is a new two story building which looks like a place for a classroom. The entrance to this building is outside of the school and faces the street. The sign on the building bears the name: 'Jiadun Software Research Institute'. The west side of the school wall is occupied by several stores: "Xinhua Electronic Switch Store", "Linyun Construction Company", and the "Red Light Lamp Store". These are also properties of Xinhua Secondary School. The school also has a store in a rural area some hundred miles distant, which sells fish.

At the entrance to the school by the gate, a plaque carrying the school mission statement displays the message written by a famous calligrapher; "Establish lifelong goals; Study widely; Be honest, open, dependable and friendly toward others" (Duzhi, Buoxuie, Zhipu, Fangzheng). The whole campus is clean and has many trees and plants. The portraits on display in the hallways, library and laboratory are those of heroes such as Lei Feng and Bethune, political leaders such as Chairman Mao and Deng Xiaoping as well as world famous scientists such as
Einstein and Newton. The Chinese philosopher Confucius whose ideology was once criticized as out of date and contrary to socialist values during the Cultural Revolution is on display as well. Classrooms are arranged in the traditional way. The teacher’s lecture desk sits in front of the class and student’s desks are in rows and columns. The interior walls of the classroom are usually decorated by certificates earned by the students for academic, sports or merit achievements. Political slogans such as “Love the motherland”; “Love people and Love the Communist Party”; “United, Friendly, Healthy and Energetic” are seen in many classroom settings.

In Xinhua Secondary School, the student handbook states, for example, that a student is not allowed to enter the school grounds by jumping over the school wall even if it is very low. The time at which the student passes through the school gate determines whether the student is either late or on time for class. All students must vacate the school property before the gate is closed at 6:00 p.m.

Huan Elementary School

Huan Elementary School is a non-key school located in the western part of Beijing. It is in a developed area with a few new buildings for business offices. The school has 2056 students with 119 teachers and 17 other staff. Fifty-one classes cover six grades. All teachers have the qualifications required by the State Education Commission and ninety per cent of them graduated from teachers’ colleges. All graduates of the school are accepted by secondary schools since nine years’ compulsory education for every student in large cities applies. Huan E. S. is surrounded by a new, red brick wall but no signs indicate that there is a business institution
located within the campus. The school owns a printing house located two bus stops away from the school. It was established in the early 1980s with equipment remaining from a previous work-study program. On the east side of the campus, a new four-story teaching building is located. Classrooms are arranged in a traditional manner and the familiar portraits and slogans decorate the walls and hallways.

**Duoxi Secondary School**

Duoxi S. S. is a non-key school located in the same area as Xinhua Secondary School. It was established in 1957 and has been attached to a local university since that time. Because of this, the school is managed by a shared leadership team whose members are provided by both the university and the local school board. There is a total of 1270 students, 85 teachers and 45 other staff. Fifty-one classes cover six grades from junior high to senior high. Of the 85 teachers, 20 percent of them are at the highest teacher scale. The level of student enrolment is always much lower than that of Xinhua S.S.. Only a very small percentage of its senior high school students are admitted to university. Because of this, many of the senior high students do not take their studies very seriously.

Even though the school is located within the university area, it still has walls surrounding it. At the left side of the school gate is a sign bearing the name, “Dongfang Research Institute”, while the Douxi S.S. sign is on the right side of the gate. The Research Institute is inside one of the school buildings in which chemistry and physical education classes are conducted. The classroom setting and artifacts on display are similar to those of Xinhua S.S.
Guangming Secondary School

Guangming S. S is a township key-school located 200 miles south of Beijing. The campus covers 70,000 square feet and contains teaching, sports and student dormitory buildings as well as a factory. There are 25 classes in the school with 1300 students and 123 teachers and 87 staff. Of the 123 teachers, 56 of them are at the first professional level; most of them are college graduates and some are university graduates. The top students of this township’s elementary and junior high schools apply for admission to Guangming S.S. About 72 percent of Guangming S.S. graduates are able to enter college or university. Like the schools already described, Guangming S.S. is surrounded by a brick wall whose gate faces the main road in the town. The campus is more spacious than that of Xinhua S.S. There is no business sign on the gate of the school, but the school factory is attached to the west side of the wall.

This factory was built as an aftermath of a work-study program with money borrowed from teachers and staff who donated 300 yuan each. A bank and the school board also provided some financial support. The factory has been in business for 26 years and produces components for a piano factory located in Beijing. Recently, the business has expanded to include machining and casting. There are at present 88 employees in the factory which occupies 7300 square feet of space. The piano products are sought by consumers and the school enterprise has received several citations from local and provincial governments.

\[1\] Chinese currency, whose approximate exchange rate is six yuan to one Canadian dollar.
Niudon Secondary School

Niudon S.S. is a non-key school established in 1950 in a remote rural area of a township 234 miles south of Beijing. It has 18 classes with 980 students, 72 teachers and 6 staff. Of the 72 teachers, 23 of them are at the first professional level position: 52 per cent of the teachers are college graduates while the remainder have only high school diplomas. Most graduates from Niudon S.S. will participate in farming or work locally. The school gate faces the main street in the town and has two signs: one indicates the school name while the other is the name of the school enterprise. The enterprise, which occupies the north-west corner of campus, produces steel parts for a large factory which makes industrial tools. It was originally established in 1972 but became bankrupt in 1980. In 1987, the school principal decided to restart it in order to compensate for insufficient funding from the government. Initially, the school borrowed 100,000 yuan from the bank and teachers. The school's unused storage rooms were converted into factory space and ten used machines were purchased to start the business. Through a teacher, the school obtained a contract with a big machinery factory in Beijing. Twelve workers were hired and the business begun. After several years of operation, the factory has been expanded and now has 180 employees, occupies 2986 square feet of space, and has 1,250,000 yuan capital.
Zhaoyi Secondary School

Zhaoyi S. S. is a key-school located in a city in Guangdong province, south China. The school has had a long history dating back to before the People’s Republic of China was established. Its founder was a Chinese person who emigrated to The United States in the 1930s. In 1947, he revisited his home town and donated money to rebuild the school from which he graduated. In 1950, the school was renamed as Zhaoyi S.S. It contains 25 classes with 1185 students, 95 teachers and 12 staff. All teachers are graduates from universities. Of the 95 teachers, three are at the specialist level, while 48 of them are at the level one position. In 1993, 90 percent of graduates were admitted to universities.

The school wall and gate were designed by an architect. A school mission statement appears on the bulletin board on the east side of the gate and reads: “Study harder: Think deeply: Establish a high life goal”. The school is very modern and two new buildings are sited on its west side. Teachers reside in staff buildings outside the campus while the students’ dormitory is a three-level brick building. There are two canteens, one for staff and one for students, both located on the south-west corner. Familiar portraits and political slogans, appear on all classroom walls.

The school owns two factories: one is a machinery business and another is a joint-venture operation with a German company. The machinery factory undertakes repairs on behalf of other factories as well as producing kitchen exhaust fans for the local market. The joint-venture factory cleans beer bottles for recycling as well as labelling them. The machinery factory is
located inside the secondary school but has a separate entrance. It was established in 1986 with money borrowed from teachers and the school board. Each teacher loaned the factory 500 yuan and the school board invested 25,000 yuan. Other donations from the community amounted to 10,000 yuan. The joint-venture business is several miles away from the school. It has 80 employees in the factory which earned 160,000 yuan in 1994.

4.3. Policies Related to the School Enterprise

Data presented in this section are summarized from school and government documents collected during the research. These documents present “published lists of values” (Schein, 1997) upon which the organization’s leaders and members have agreed to carry out their day-to-day work. These visible artifacts were important when studying the organizational culture of the schools for they include statements of government policy, statistics of the school enterprise operation, internal documents exchanged among government agencies, school regulations, as well as papers and reports prepared by the schools for government officers and for conferences. Some newsletters relating to school enterprise activities were also collected.

Chinese education has had a long history under a federal government with a highly centralized administration operating at different levels. At the present time, the government continues to play an important role in school management. Therefore, its policies effectively define intergovernmental relationships which have a bearing on the nature of the school enterprise. The speeches of political leaders are also an important data source because, in many cases, they may be interpreted as providing guidance with respect to school policy.
As Chinese government organization is quite different from that of Western nations, a brief introduction to its organizational structure follows. In The People's Republic of China, the source of all executive power is the National People's Congress, or its Standing Committees when the Congress is not in session. The Congress decides what Ministries or Commissions should exist. The State Council, which is responsible for day-to-day administration, is the highest government agency representing the People's Congress. It has the authority to appoint or remove high officials of each Ministry or Commission. Local people's congresses exist at each provincial, municipal, township and district level. Each congress has a local People's Council as its executive body which is under the direction of the State Council. According to Education Law "The State Council and local people's governments at all levels shall guide and administer educational work" (Education Law of the People's Republic of China, 1995, p.7).

There is a close relationship between the Communist Party and Chinese government organization. Priestley (1971) describes this kind of relationship as the state providing the body of the government, while the Communist Party provides the brain. This two-in-one relationship is rooted in the fact that only one party, the Communist Party, has been in power since the People's Republic of China became established. The most important decisions come initially from the Communist Party and are announced by a leader rather than by a government organization. The following case described by Cheng (1986) about a Decision on Education Reform in China may help readers to understand the Chinese administrative system and why some leaders' speeches and party's documents are presented in this section.

In May 1985 the Central Communist Party of China held a national education conference and a decision was made on 27 May to reform the educational
structure. The decision was published as a central Document in Renmin Ribao on 29 May 1985. On 31 May 1985, Renmin Ribao also published the speech which Wan Li, the Vice-premier, made on 17 May 1985 before the decision. The two documents are widely recognised among Chinese educators as the crucial policy documents for structural reforms in education in the coming decade (Cheng, 1986, pp. 255).

In this section, data presentation follows a framework which first details government strategies respecting the development of the school enterprise, then discusses school enterprise management and taxation as well as the schools’ strategies and management policies with respect to the development of the enterprise.

4.3.1. Central government's policies

This section examines school enterprise development, management policy and taxation policy.

School enterprise development

The educational enterprise was originally defined as education with productive labour by the Communist Party as early as in 1934:

It [educational enterprise] is to educate the broad masses of the toiling people in the spirit of communism, to make culture and education combine education with labour, and to enable the broad masses of Chinese peoples to enjoy civilization and happiness (Mao, 1934, cited in Lu's speech in 1958).

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2 People’s Daily, the most influential government newspaper.

3 Central government refers to the State Council, Central Committee of the Communist Party and the State Education commission.
Lu reviewed the history of combining education with productive labour:

In 1954, there was an attempt to add productive labour to the curricula of the schools. However the proposal has encountered obstruction and was not carried through at that time.

The central Committee of the Party repeatedly stressed its policy that education must be combined with productive labour at the national conference on propaganda work in March 1957. It is only now that this policy of the party has been carried out on a nationwide scale (Lu. 1958).

Lu further stated that:

Education must serve politics, must be combined with productive labour, and must be led by the Communist Party. These three things are interrelated.

The principle of combining education with productive labour described in Lu's speech is defined as:

... schools setting up their own factories and farms, and factories and agricultural cooperatives establishing their own schools on a large scale, the phenomenon of students who are at the same time workers and peasants, and workers and peasants who are students at the same time... (Lu. 1958).

School enterprises, as used as a tool in the political system by the Chinese leadership, differ from their counterparts in Europe and North America. These characteristics are identified in the following government document:

Our educational enterprise is one of the powerful tools used by the proletariat to remould the old society and build a new one. As early as 1934, Comrade Mao Tse-tung had pointed out that the foundation of the general cultural and educational policy of the revolution seeks to educate the broad masses of the poverty-stricken people with the communist spirit, to put culture and education in the service of the revolutionary war and class struggle, to unite education with labour and to give civilization and happiness to the people of China. (Yang. Minister of Education. 1959. cited in Fraster. 1965. pp. 323-327)
The moral-political emphasis in Chinese education was replaced by an intellectual one in the late 70s. This is demonstrated in a speech given by the Minister of Education, Liu Xiyao at the National Education Conference in 1978:

The work-study program launched by primary and secondary schools may adopt various forms. It can run in the form of study classes or training courses: as business and production operations intended mainly as labour education for the students and conducted in line with the school syllabus: or as school-operated enterprises, run mainly by technical specialists and a few teachers and staff members, that are geared to market demand (The State Education Commission. The Ministry of Finance. The Ministry of Human Resources. The Taxation Bureau. November 22, 1988).

The fundamental objective for a work-study program in primary and secondary schools is to promote basic education and bring up a new generation who cherish high aspirations. have moral integrity. and are cultured and well disciplined (The State Education Commission. The Ministry of Finance. The Ministry of Human Resources. The Taxation Bureau. November 22, 1988).

Today we must build a modern socialist country. Education must be united with modern productive labour. On the premise that study plays a leading role, we shall arrange for students to participate in necessary productive labour. We shall promote students to take the road together with the workers, peasants and soldiers. For tertiary students, it is important to participate in labour appropriate to their speciality, promoting productive labour with teaching in secondary and primary schools. we must summarize experience and steadily make progress (Liu. 1978. April 22. in Price. 1980. pp. 303).

The government documents state:

For primary and secondary schools. work-study activities are instrumental in carrying out the party line in education. They will help in promoting the advance of educational undertakings and will contribute toward improving the living standards and welfare of teachers and tap into their initiative and ingenuity (The State Council January 15. 1989).

In 1995. China instituted the first Law for Education. and the school enterprise is clearly mentioned as a part of education system supported by the state:
The state shall adopt preferential measures to encourage and support schools in carrying out work-study programs, community services and in setting up school factories, provided that they do not interfere with the normal activities of education and instruction (State Council of China, 1995, p. 25, Education Law).

To raise funding for education, methods of operating the school enterprise were introduced by the central government after launching the economic reform of 1978.

Even though education funding will still be mainly from the central government, it must be combined with other resources from different channels. To encourage schools to operate businesses is one of them (The State Council, 1989 guo fa No.9).

The government expects the school enterprise also to provide an important opportunity for students to carry out labouring education in addition to the function of fund raising.

For primary and secondary schools to involve students in work-study activities is to provide the students with labour education. Activities should be arranged strictly according to the education plan. ...School enterprises should try their best to accommodate as many students as possible for productive labour and supplementary labour with their ability (Further Development of the Work-study Program in Primary and Secondary School, 1989).

Ms. Shi, a senior researcher observes:

To me, the work-study program has multiple characteristics. I can see some things beyond what have been mentioned in these government documents. To encourage schools to develop the school enterprise activities has pushed schools toward the market. As we all know, due to competition, economic development adapts to different rules compared to educational development. To operate a school enterprise will bring competition into the school system. An example is that of an unidentified elementary school in Beijing which has been recognized as providing as high a quality of instruction as a key-school and, therefore, attracts many students. In order to be a success in business, schools have to open their doors to the outside. It may deal a final blow to the "close the door to run a school" idea which has inhibited our education for a thousand years (Qing Wang, 1997).
Management policy

Chinese education has been under Communist Party leadership since the beginning of the foundation of the Republic. There has been no official constitutional link between state and Party but actually the state and Party are one and the Party has absolute power. The relationship between education and central government can be seen clearly though the following speech given by Lu Dingyi, who was the highest party official in charge of formulation of education policy in 1958. This speech also clarifies the role of the school principal with respect to the operation of the enterprise. It should be noted that the central government over the thirty year period covered by the sub-sections of the speech, still maintains a strong control over school procedures.

The Communist Party is the highest form of organization for the working class: it must and can give leadership in everything. From the central committee down to the basic organizations. ... Our educational workers should accept Party leadership not only in politics but also in the sphere of educational ideas, policy, and work. Only in this way will it be possible to keep up with the times and avoid mistakes or make fewer mistakes (Lu. 1958).

The reform of the administrative system is an important part of educational reform. The reform aims at bringing into play the initiative of the central and local governments, various community groups, schools of all kinds and all levels, and teachers, students, administrative personnel and workers so as to vitalize education (The Development and Reform of Education in China: a National Report to the 41st Session of the International Conference on Education by the State Education Commission of China: 1989, p. 9).

We should strengthen leadership over the work-study program launched by primary and secondary schools and devote earnest efforts to its management so that it can progress in sound development.

Activities of the work-study program should be conducted in an organized way. In general, the production and operation of school-run enterprises can be managed under the system of separating ownership from management. A principal should focus his main efforts on the overall education progress of his school, and delegate the work-study program to a capable assistant. Every school-run enterprise should be operated by full-time staff who assume overall responsibility
for its production and operation (Further Development of the Work-study Program in Primary and Secondary School. 1989)

The governments at different levels and relevant departments have the responsibility to:

... formulate policies of preferential treatment and adopt concrete measures to help primary and secondary schools operate effectively a number of bases for work-study programs and incorporate their production and business activities in the domain of relevant economic departments so there can be coordination and support in terms of manpower, funds, and material resources, and also in terms of production, supply, and marketing. It is permissible to transfer or loan education funds, or to establish a unified foundation for work-study programs within the limits of a credit plan for the current year. In areas where conditions permit, the local people's government, upon application by the school, may allocate land (including forest, ponds, or pasture) and transfer it to the school as the base of production and operation (Further Development of the Work-study Program in Primary and Secondary School. 1989).

However, strong central control is still paramount. The recent education reform in China has been very much determined by the country's economic reform strategy. However, this is not a one-way relationship. Educational reform has been regarded as a part of economic reform. Reforms in education are focused on several areas such as decentralization, changes to the situation in which the state is the only sponsor of educational funding, adjustment of the overlap in curriculum design and subject plans, and the provision of a more accountable system in school administration (Education Research Canter Report: 1994). With regard to funding reform, the government promised:

For the foreseeable future, central and local government appropriations for educational purposes will increase at a rate faster than the increase in the State's regular revenues, and the average expenditure on education per student will also increase steadily (Educational Reform: 1985. p. 15).
**Taxation policy**

Since 1989, the central government has implemented a taxation policy favourable to school enterprises in elementary and secondary schools. School enterprises are:

...exempt of income tax on school-operated industry and agriculture, and exemption from the surcharge for key energy and transportation construction projects provided for by previous regulations. ...Income tax and business tax can be exempted from income from classes for various advanced studies and training courses offered by primary and secondary schools (Further Development of the Work-Study Program in Primary and Secondary Schools. 1989).

On the circulation tax, the school enterprises receive reduced or partially-reduced treatment (Ministry of Education, Ministry of Finance: 1980 jiao guong zhi 042: Ministry of Finance. 1984 cai zong zhi 42).

After 1994, a new policy made by the National Taxation Bureau required school enterprises to pay tax on earnings beyond 300,000 yuan. An exempt or partly exempt circulation tax applied only to these school enterprises which are in general debility⁴ (The State Taxation Bureau: 1993. cai sui zhi No. 076; 1994 cai sui zhi No.001; The Ministry of Finance and The National Taxation Bureau: 1994. cai sui zhi No. 003: The State Taxation Bureau: 1994. No.156)

**4.3.2. Local government policies**

Since the central government left space for local governments to make their own regulations on operating the school enterprise, the local governments have provided more flexibility for schools than did the central government. The Municipal city of Beijing has taken several steps to support school enterprise activities. Mr. Shi explained his appreciation for the government support. He is the enterprise officer of the school board in which Huan Elementary

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⁴ loss deficits.
School and Duoxi Secondary School are located. He was a secondary school teacher who was promoted to be the officer in the board because of his successes in teaching for fifteen years. Now he is responsible for directing school enterprises. He acknowledged the city's support for the school enterprise:

The government of Beijing supports the school enterprise. In 1997, the Mayor made a speech and advocated all divisions in government to give their proposal and plan for supporting the school enterprise development. Within three months, almost all divisions submitted their plans in helping the development of the school enterprise. These divisions include the commissions of commerce, economy, construction, science and the office of agriculture. For example, the Commission of Economy requires each factory in Beijing to be paired with a school and give the school technology, training and resource help in order to start its own factory. The office of Agriculture designated lands for schools at low rental. And I know some schools even got land for free.

On July 7th of 1988, a mobilization meeting was organized by Beijing city hall. Both the mayor and assistant mayor attended the meeting. At this meeting, the government passed a policy called "Policy on further helping the school enterprise development". The policy provided a set of regulations to give aid to school enterprises. It was a very important event for us.

When Mr. Shi referred to Huan Elementary School, he acknowledged the success of the school enterprise.

Huan Elementary School is one of our model schools operating an enterprise. In the last five years, the school has successfully conducted an in-house print business and produced a half million yuan profit. Two hundred thousand yuan has been spent to improve school facilities. Some schools in our board know how to run a successful business as well as manage day-to-day school work.

He also indicated pride in the achievements of his school board in support of the school enterprise:

Our board is ahead of other boards in developing the school enterprise. We support schools in various ways. In the meantime we added new standards for the evaluation of a good principal which includes the achievements of the school enterprise. Since 1989, our income has exceeded 10 million yuan, and is increasing every year by five million yuan.
The director of the school board of Guan County where Niudon Secondary School and
Guangming Secondary School are located said:

We are going to have a principal’s meeting soon to discuss the last few months’
work of each school. The board is going to reward the principals who are ahead
of others. This meeting will set a new standard. The evaluation of the
achievement of a principal’s job will be based not only on academic achievement
but also on the principals’ ability in the management of the school enterprise...

School enterprise income has become a very important financial resource for school
boards and even local government. This appears to be recognized by school boards which, in
turn, support school efforts.

4.3.3. School policies

Xinhua Secondary School

Documents collected from Xinhua Secondary School included "The Collections of
Policies in School Administration", "Student Handbook" (see appendix 4), "School Salary
Reform Plan", "Report for Conference of Involving Students in Social Practice Programs",
"Work Schedules for the Late Term (June 21 to July 15). Mention of the school enterprise does
not appear very often in these documents but the following quotations provide guidance for
operating the enterprise.

Since 1982, Xinhua S.S. has established work skills courses for junior high school
students. The courses were carried out through using the school enterprise as a
basis for practical instruction. From 1982 to the 1986 period, schools injected
10,000 yuan in order to establish electrical, plumbing and sewing classes as well as preparing programs of instruction for teachers of these classes. (Report
prepared for a conference concerning the involvement of students in social practice programs, November 1994, Beijing).

In Xinhua S.S., the principal is the person in charge of the enterprise management. A document provides job descriptions for all the Xinhua Secondary School staff including the principal, vice principal, communist party secretary, assistant to the principal, human resource manager, head of student affairs division, security guard, clerk, registrar, lead instructor, lead teacher for course preparation, course teacher, librarian, printing staff, laboratory staff, electricians, home room teacher, superintendent, clinic staff, secretary for the young pioneers, accountant, book keeper, storekeeper, purchaser, environmental staff, driver, plumber, canteen staff, cook, telephone operator, etc. The job description for the principals states:

Implement the education objectives made by state and party; enforce the decisions made by higher level authorities; operate the school according to the regulations and make sure the school staff carries out its responsibilities; plan and arrange the school's day-to-day work and make sure that it is carried out efficiently; approve the functioning of all departments and monitor the results; encourage education reform; promote and transfer the division directors and prepare the human resources plan; recruit staff; monitor the school budget and operate the school enterprise; improve the teachers' and students' welfare. Recruit a manager for the school enterprise and approve enterprise planning and strategy5: Give leadership to the school enterprise through the enterprise manager (Xinhua Secondary School Job Description, 1994, p. 10).

The head of general management of the school also has some responsibilities for the enterprise. Article 3 notes:

Be in charge of school enterprise property: arrange for construction and utilities for the properties: be in charge of all paper work for school enterprise activities: manage repairs and be a book keeper: supervise the use and administration of the school enterprise properties.

5 Italics for emphasis.
There is no evidence in these documents to indicate that other administrative staff and teachers were involved in enterprise activities.

**Huan Elementary School and Duoxi Secondary School**

No written material was collected from these two schools.

**Guangming Secondary School**

Two documents obtained from Guangming S.S. included: "Development of a work-study program: improvement of the teaching condition" and "Statistics of income and expenses for the school enterprise in 1994." The first document states that the purpose of the enterprise is:

... to support the school as well as to assist instruction. This is the requirement to implement the national goal of education. The function of the school enterprise is to provide financial support to the school since the township does not provide sufficient funding. Basic government funding covers teachers' salaries only. Under these circumstances, the school cannot depend on total government funding and the solution is to develop a work-study program to raise money to support school programs. The enterprise may assist student instruction by providing opportunities for students to put into practice what they have learned in the classroom.

Regarding the management structure of the school enterprise, the document indicates that:

Schools should practise the contractor model for operating the business. The school enterprise is under the direct leadership of the principal and the party secretary. Other members and staff are required to concentrate on their day-to-day work of teaching students and improving the quality of classroom instruction.
The school enterprise manager is required to carry out the business plan agreed on between the school administration and the enterprise. The enterprise manager has the authority for the management of human resources, financial and marketing management. The school will assist the enterprise by providing information and support in its contact with the community.

**Niudon Secondary School**

Two documents obtained from Niudon S.S. were: “Development of the school enterprise: improvement in the quality of teaching”. The second document is “Statistics of the school enterprise, income and expenses in 1994.” Regarding the purpose for operating the school enterprise, the document says:

The funding the school received from the government was far less than required to be efficient. As a result, the teaching facilities are old and worn out and the basic supplies were inadequate. Teachers were pessimistic and the quality of students decreased annually.

The school leadership debated the problem and finally realized that to be independent of the vagaries of government funding it was necessary to develop the school enterprise.

**Zhaoyi Secondary School**

Documents collected from Zhaoyi S.S. contained the year-end report to the school board entitled: “To do the research on campus economy; to develop the campus economy”. The stated purpose of the school enterprise is “to make up for the insufficient funding from government”. Furthermore the documents attest that the school should keep in mind the principle that “There are two products from schools. the students and products from the enterprise”. The documents establish that there is a close relationship between these two principles which is expressed as:
"To produce material products is to ensure the quality of education; the output of students". The school administration believes that in order to achieve this goal, the school should:

i) Involve student participation in the school enterprise activities;

ii) Through involvement in productive activities, make students aware of competition, marketing and government economic regulations.

4.4. Function of the School Enterprise

The structure of the school enterprise provides information about its function and the way it operates or, according to Schein, about "the behaviour of the group and the organizational processes into which such behaviour is made routine" (Schein, 1992. p. 17). Data presented in this section were collected from observations and interviews with enterprise managers and community members who are contributors to the administration and operation of the school enterprise. This information illustrates the way in which the enterprise business is carried out, the incomes obtained and the distribution of the profits, as well as describing the power and authority of enterprise managers.

4.4.1. Functions and Incomes

The types of enterprise activities vary from one school to another and the proportions of incomes also vary. The variety of businesses has been described earlier. The sources of school incomes found in this study fall into three categories. One category relates to value-increased activities such as factories or restaurants. In the second category are educational services such as
admitting fee-paying students or organizing after-school tutoring or catering services. In the third category is income from land or school space rental.

Xinhua Secondary School

Rental and tuition fees provide important income for Xinhua Secondary School. In 1994, the school rental income was 1,500,000 yuan and a leasing agreement had been signed on a fifteen year basis. The total tuition fees collected in 1994 were 1,000,000 yuan with a standard charge being levied of 50,000 yuan per student⁶ (about $8,334 CD).

Success in sending a high percentage of graduates to university is the reason why Xinhua S.S. has become very attractive to applicants. Because of the extreme competition, a small difference of one percentage point in the national examination score may decide success or failure to gain admission to university. The vice-principal of the school believes that its high level of academic achievement has put the school at an advantage in attracting students and, therefore, obtaining extra funding.

In the last ten years, students have received seven hundred awards for academic achievement. In addition, 99.25 percent of the graduates were admitted into university programs in 1992 and 100 percent were admitted in 1993. Many parents are willing to pay fees to get their children into this school.

Even through we charge 50,000 yuan per student for admission, the number of applicants is still far more than we can handle. We are very selective with applications because we want to maintain our high reputation. If we are short-

⁶ Xinhua Secondary School accepted only 20 fee paying students per year. Admission for fee paying student is based on both academic achievement and financial support available from the family.
sighted in this, we will not be able to attract students in the future.

Compared with the income from renting and collecting tuition fees, the profit from productive enterprises was not that impressive. Xinhua Secondary School’s businesses include a shop which sells construction materials, a plastics factory, an electronic switch store and a newly started computer software business. Compared with 1,500,000 yuan from renting space and 1,000,000 yuan from tuition fees, the money received from the productive activities of the school enterprises is small. In 1994 the productive activities provided only 394,000 yuan to the school's operating funds. Of the 394,000 yuan, 60,000 yuan came from a small restaurant. 70,000 yuan from a retail store supplying home decoration material and the rest from a computer software business. Table 4.1. contains information about the schools' productive income which was provided by managers of the enterprises.

Table 4.1. School Enterprise Production Incomes

<table>
<thead>
<tr>
<th>Name of school</th>
<th>Year</th>
<th>Income (yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huan E.S.</td>
<td>last five years</td>
<td>500,000</td>
</tr>
<tr>
<td>Duoxi S.S.</td>
<td>no information</td>
<td></td>
</tr>
<tr>
<td>Guangming S.S.</td>
<td>1994</td>
<td>1,010,000</td>
</tr>
<tr>
<td>Niudon S.S.</td>
<td>1994</td>
<td>500,000</td>
</tr>
<tr>
<td>Zhaoyi S.S.</td>
<td>1994</td>
<td>160,000</td>
</tr>
<tr>
<td>Xinhua S.S.</td>
<td>1994</td>
<td>394,000</td>
</tr>
</tbody>
</table>

7 Incomes from space rental and tuition fees are not included in this data.
An interview with the manager of the school enterprise of Xinhua S.S. was conducted in the manager’s office. It was new, modern and tastefully decorated. The manager was cross-appointed as the vice-principal for the school and was also the president of the company. He stated:

We borrowed 500,000 yuan to start the construction business. Less than five staff members are involved in it. Last year we made 50,000 yuan profit and expect it will be increased to 70,000 yuan this year. The electronic switch store business is not very good. We barely covered expenses. The fish store also lost money mainly because it is too far from here. We have to hire local people and most of them are not qualified.

The school enterprise is also the location to place teaching staff whose contracts were not renewed by the school. Such action has been written in the form of a contract policy for teachers in secondary and elementary schools in Beijing city. According to this policy, the school should help those people who did not get contracts by finding them other jobs or by transferring them to the school enterprise.

**Huan Elementary School**

Huan Elementary School’s enterprise funds for the last five years (1989 to 1994) were 500,000 yuan, but school fees reached 800,000 yuan. The previous principal of Huan Elementary School said:

We built a new teaching building and a new school enclosing wall three years ago by using the funds from the printing business. We also updated the facilities for our teaching laboratory. Since we overcame our financial difficulties, I feel that I have had more power and the freedom to choose good teachers for our school. It has resulted in more students from other areas wanting to study here now.
We also provided free breakfasts and lunches for teachers to make their life easier. Many teachers live far away from school and they spend so much time in traffic that they have no time to prepare lunch or have breakfast. A principal in another school criticized our program as buying teachers’ loyalty and said he preferred to starve rather than have to make extra money...

The school started charging fees for non-resident students in 1988. There were an increasing number of non-resident students in the area because of construction projects: among them there was a building of the Bank of China. Employees working for these projects wanted to transfer their children to Huan Elementary school which was near their place of work.

**Duoxi Secondary School**

Duoxi S.S.’s extra funding comes entirely from renting school space, an activity which is not regarded as an enterprise by government policy. The vice-principal, Ms. Rong’s answer to my question: "What kind of school enterprises do you have?" was "We don't have a school enterprise but we rented a part of the school building to a research institute." She didn't give details regarding the rent the school received but said: "I am not in charge of renting so I am not sure of the income." She discouraged me from interviewing the principal or any other person who might have had financial information because she said: "This is the busiest time of the year. We are having the final examinations right now and staff are assigned to monitoring the test. I could try to talk to the principal later". However, I was unable to obtain this information. To explain how renting space would not affect students, Ms. Rong said that “The State Education Commission has a standard space requirement for each school. We still meet this requirement even after renting some space”. 
Mr. Zhang, an English teacher of senior high classes, described the relationship between the institution and the school:

The school has no connection with this institute. We are a totally separate system. They like to be in our school because the location is so convenient and they also can get some tax relief from the government.

Although Duoxi S.S. is a non-key school, there are still demands for non-resident students to be admitted to school. Those students were mostly from other provinces or rural areas and they believe that a secondary school in Beijing would be always better than in other areas. Teachers face similar problems because non-resident students usually need more help from teachers since the teaching standards are different from one place to another. In referring to teaching, Mr. Zhang made this complaint:

It has been a great headache now that the school accepts students from rural areas and other provinces. These students are called "jie du" and usually have lower academic achievement than regular students. The school charges them fees but we have to put up with additional pressures.

**Guangming Secondary School**

Guangming Secondary School has doubled its enterprise revenue since 1992 with 1,070,000 yuan capital and 40 pieces of equipment. In 1992, the gross income was 109 million yuan. (net income 21 million yuan). In 1993, the gross income was 304 million yuan (net 43 million yuan) and in 1994 the gross income was 580 million yuan and the net income was 101

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8 Jie means borrow, du means study. jie du means students go to schools in area in which they do not reside.
million yuan. The factory planned to reach an income of 600 million yuan in 1996 and 1000 million yuan in 1997. The school also gains funds through charging fees to students whose test scores do not meet the normal enrolment requirement. However, the principal hesitated to detail this information.

There is a competitive relationship between school enterprises and other businesses. Usually school enterprises face difficulties in turning profits as they can be in a disadvantageous position when it comes to competing with a company which has been in business many years and has an established reputation. The manager of Guangming Secondary School said:

We lack the experience to operate a factory and the school enterprise employees have usually not had enough training before they are taken on.

Niudon Secondary School

In late 1989, Niudon Secondary School started its enterprise by borrowing money from individuals. By using 100,000 yuan, the school bought ten second-hand machines and used an old factory space left from a previous school business in 1970s. The enterprise manager recruited two assistant managers and twelve workers through newspaper advertisements. The managers explained how the business was developed.

We paid a lot of attention in controlling our products' quality. We also put the customers first and always keep the contract. Because of our good reputation, we finally were considered trustworthy and became a long term partner for a nationally recognized factory. Since then, our business started booming. The profits have increased significantly: from 30,000 yuan in 1988 to 1,000,000 yuan in 1995. You have to obey the market rules if you want a successful business.
Zhaoyi Secondary School

Zhaoyi Secondary School, as was noted earlier, established a connection with a German joint-venture beer company to wash and recycle bottles as well as to undertake repairs to the beer-producing machinery. Before Zhaoyi Secondary School became a partner with the German company, it had a cooperative relationship with a local beer factory. Through the help from this local beer factory, the school enterprise finally developed the joint-venture business with the German company. In 1993, income from production had reached 230,000 yuan but since then it has been decreasing.

Table 4.2. Income from the School Enterprise in Zhaoyi Secondary School

( unit: one thousand yuan)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>yuan</td>
<td>30</td>
<td>90</td>
<td>120</td>
<td>190</td>
<td>200</td>
<td>230</td>
<td>180</td>
<td>160</td>
</tr>
</tbody>
</table>

Partnership between a school enterprise and other businesses is popular. Since there is a tax exemption policy on school enterprise products, many businesses have taken advantage of it. It is common practice for a business to start with an arrangement in which the school provides space and the company provides funding. In addition to getting a tax deduction, most companies feel schools are reliable partners. A manager of a company which is doing business with the school said:
It is safe to deal with schools as the principals and managers are educators not profiteers. First of all, the schools are always there. You don't need to worry that someone will cheat you and escape. We have had some very bad experiences with businessmen...

Parents complained that the high tuition fees charged by school were extra burdens. Mr. Qian, a father of a fifteen-year-old son, told his story:

Schools are charging too much money from parents. My junior high school son graduated last year from a non-key secondary school. He got only a 78% average for the courses he did, therefore he couldn't return to the same school. I was so worried because he is too young to leave school. What can he do without any skills or knowledge? The only way to get him into a school is to pay a large amount of money. I paid 20,000 yuan, but compared to other parents who paid 50,000 yuan, I was lucky. I paid less because the school I got my son in is not on the top of the list. I do not dream that my son will go to university but I do hope to find some place to keep him for two or three years. He is lucky because he has a comparatively "wealthy" parent. Not every one can afford this amount of money.

Schools are doing "chuang shou". To parents, "chuang shou" means "shou fee". Nine years' compulsory education is supposed to be free for students but I have been asked to pay the school at least 500 yuan for various reasons since last September. These fees include school uniforms, after-class tutoring, my child’s snacks, field trips and additional exercise materials in preparation for examinations. I remember that when I was in elementary school, my parents paid only 5 yuan per school year.

4.4.2. Expenditure of profits from school enterprises

Profits from the school enterprises are mainly utilized to further develop the business, to improve teaching facilities and to increase the standard of living for teachers and staff. The State Education Commission and the Ministry of Finance have policies for schools to follow on how to distribute the profits of school enterprises. The principle is:

9 fundraising

10 asking parents to pay various fees
Under the condition of expanding the productive activities, school enterprise incomes should be used primarily to improve teaching conditions and to assist teachers and students who may have financial problems (The State Education Commission and the Ministry of Finance: 1988 Jiao Bei Zhi No. 035).

However, local governments have the authority to make detailed regulations according to local circumstances and acting on the central government's principles. Beijing municipal city has made fee charges permissible. Mr. Shin, a school board officer stated:

Since the last time we met, the Beijing government has made some adjustment to the school enterprise policy. To collect tuition fees is legitimate now but with the limitation of 20,000 yuan per student. Fees are under the control of the district school board and 95 per cent of fees collected will transfer back to the school which admitted the student and 5 per cent will remain with the school board as special funding.

To explained why the local government permitted the levying of fees, he said:

I guess the government realized that schools are collecting fees any way no matter what the government policy. Therefore, it is better to make it into policy but with some kind of control. 20,000 yuan may constrain some schools from charging too much...

In Guangdong province where Zhaoyi Secondary School is located, the distribution of profits from the school enterprise is allocated as follows: thirty percent for the school enterprise and seventy percent for the use of the school. The school enterprise manager and the principal have separate responsibilities for funding. The seventy percent is further divided into two equal amounts. Half of it is used to improve teaching conditions and half is used to improve teachers' pay and to assist students who come from poor families. Conversely, in Guangming Secondary School only thirty percent goes to the school, while thirty percent is used for improving the
factory and the rest for expanding the factory operations.

Teachers' welfare usually receives a portion of school enterprise incomes. A copy of Xinhua Secondary School Salary Reform Plan (see appendix: 2) indicates that teachers who meet certain criteria will be paid more. These criteria include seniority, qualifications, subjects taught, level of students, home teacher positions, and leading instructor positions. Teachers who participate in research or contribute to the preparation of teaching plans are also given financial encouragements by the school (Internal Salary Plan of Xinhua Secondary School. 1995). The vice principal of Xinhua Secondary School said:

Relying on the money from the school enterprise, we have a plan to introduce a new salary policy for teachers and other support staff. According this plan, the teacher whose performance is better than others, will be paid more. For example, for each extra hour on top of his workload, a teacher will be paid 14 yuan. A teacher who works a full load will get a 45 yuan subsidy (see appendix for an example). Teachers of Chinese literature usually work more hours than teachers in other subjects because there are essays to be corrected, homework and tests to be set and marked. In our new policy, teachers are to be paid for this part of the job too.

Our emphasis should not be placed on money alone but we cannot ignore materialism which is an important element in human motivation. Particularly in the current financial situation, it is impossible to operate a school without an adequate budget. Qualified teachers will not stay if the salaries are too low.

Salary increases have been significant in Xinhua Secondary School where the teachers' income has reached an average of 2,000 yuan per month, which is more than three times the 500 yuan to 600 yuan average monthly income of a secondary school teacher. In comparison with salaries of university professors, those of teachers at the Xinhua Secondary School are double and may even be higher than those of Ph.D graduates from overseas who return to China and work in the prestigious Beijing University.
The improvement of school facilities is another priority of enterprise income. The principal of Xinhua Secondary School said:

We recently installed an internal TV/Video system for student use at a cost of 50,000 yuan. This allows students to use a comparatively advanced system for study purposes.

Table 4.3. Distributions of the School Enterprise Income

<table>
<thead>
<tr>
<th>Name of school</th>
<th>Amount of money spent in yuan</th>
<th>Where the money is spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huan E.S.</td>
<td>200,000</td>
<td>school facilities, teachers' welfare</td>
</tr>
<tr>
<td>Duoxi S.S.</td>
<td>No information provided</td>
<td></td>
</tr>
<tr>
<td>Guangming S.S.</td>
<td>900,000 (in the last few years)</td>
<td>school facilities, school gate, road, books, computer, new office building</td>
</tr>
<tr>
<td>Niudon S.S.</td>
<td>a. 130,000 (from 1988-1993)</td>
<td>a. construction on school building, school enclosing wall, books.</td>
</tr>
<tr>
<td></td>
<td>b. 70,000</td>
<td>b. a new experimental classroom, TV, and VCR for students</td>
</tr>
<tr>
<td></td>
<td>c. 10,000</td>
<td>c. teachers' welfare</td>
</tr>
<tr>
<td></td>
<td>d. 5,000</td>
<td>d. bursary for a teacher</td>
</tr>
<tr>
<td>Zhaoyi S.S.</td>
<td>a. 54,000 (In 1994)</td>
<td>a. teachers' welfare</td>
</tr>
<tr>
<td></td>
<td>b. 54,000</td>
<td>b. teaching facilities</td>
</tr>
<tr>
<td>Xinhua S.S.</td>
<td>a. 500,000</td>
<td>a. electronic teaching facilities.</td>
</tr>
<tr>
<td></td>
<td>b. 1,200,000</td>
<td>b. teachers' incentive pay</td>
</tr>
</tbody>
</table>

4.4.3. Administrative structure of the school enterprise

The State Education Commission has an office with specific responsibilities for school enterprises through the Enterprise Office for Elementary and Secondary Schools (EOESS). Mr. Wang, the director, stated:
Our division was established after 1989 to cope with the expansion of school enterprise activities. After that, government bodies at each level also set up similar offices to ensure a continuity of leadership from central administration to local offices. Because of the important role enterprises have played in our education system, they have received more and more attention.

The existence of the enterprise office is a further example of its important attached to the school enterprise.

The School Enterprise Management: niang quan fen li

Contracting between schools and their enterprises is a popular administrative model. Under this model, the school enterprise managers have more power to make decisions. In many cases, the principal is the sole person responsible for the school enterprise. In other cases, such as in Xinhua Secondary School, the vice-principal is cross-appointed as the enterprise manager. In this model, the manager of the enterprise has authority to decide on how the enterprise profits are to be spent after school expenses have been met. He/she has authority to hire and fire the employees, to determine appropriate marketing approaches and to decide upon business strategies. The manager of Niudon Secondary School explained his position:

Since I have become the manager of this enterprise, I have changed the payment policy. The workers' salaries are based on job efficiency and this has motivated most of them. I also pay great attention to the quality of our products. I decided that every one hired must receive training before starting work. We spend quite a lot of money to hire experienced workers and for the training of new ones.

Niang means two, quan means authority, fenli means separate. This is an administrative model in which the principal of the school is not involved in operating the enterprise. The manager is the one who is in charge of the business. The relationship between the school principal and the manager is analogous to that of a client and a contractor. However, the business belongs to the school.
The managers of the school enterprises have the power to make decisions about human resource management as well as about budgeting income. The enterprise manager of Zhaoyi Secondary School described his responsibilities as follows.

I can operate the school enterprise by following the law: I am not restricted by school leadership concerns. Only big decisions, such as strategies for the development of the enterprise, need to be discussed with the school leadership commission. I can make the decisions on the purchase of items costing less than 100,000 yuan (Interview at Zhaoyi Secondary School, 1995).

Three schools are implementing a management structure under which the enterprise manager is also the vice-principal. In the second school enterprise leadership model, the manager has power to make decisions on major activities of the business.

All the principals of the study schools mentioned that they have the authority to hire the manager of the school enterprise. This is clearly written in the statement of the principal's responsibilities in the Xinhua S.S. school:

The principal has a responsibility to operate the school enterprise and provide for the welfare of teachers and students, hire the manager of the school enterprise, approve the development strategies and long term planning and implement leadership through the school enterprise manager (Collection of Administration documents. 1994. pp. 10-11).

A document from Guangming Secondary School explores a horizontal relationship between the school and the enterprise rather than a hierarchical bureaucratic structure.

Within this contractor system, the school enterprise manager has the authority to make decisions independently regarding the operation of the business. The school enterprise will provide financial support to the school according to the contract. The enterprise will not interfere in the school's day-to-day life. The horizontal leadership model means that only the principal and the party secretary will give leadership to the enterprise. Other members of the school will concentrate on the regular school operation. This management structure will ensure that the school enterprise operates smoothly and efficiently (Report of pilot school 3. 1995. p. 2).
The principal hires the enterprise manager who operates the enterprise to provide financial support for the school.

All the managers of the school enterprise who were interviewed have some things in common, such as sensitivity to the social environment and to the economic reform policy. They have special visions of relationships between schools and communities, even those outside of China.

It is easier to start a business which uses existing knowledge and equipment. The printing house was started with equipment which had been abandoned after a work-study program. For the manager of the Xinhua Secondary School, the development of computer software is one of his business strategies:

My strategy is to keep my eyes open to all business possibilities. I try to get help from old friends, the graduates of this school, as well as parents. For example, parents helped us to build connections with a Hong Kong Company. We are now in the process of establishing a joint-venture business. We borrowed some money from the bank, as we have parents who work in the loan office.

He said that he was most interested in the computer software business:

We should operate a business in an area where we have superiority. What superiority? I think the thing we are familiar with is education. I am familiar with mathematics; therefore I am trying to develop mathematics software for elementary schools for teachers to use in their classrooms.

When asked why he selected elementary schools as his software market, the manager gave several reasons:
I know I am more familiar with mathematics teaching and the curriculum material of secondary schools. However, elementary schools are a larger market than secondary schools. Besides, people have not paid enough attention to elementary education, because the emphasis is on the preparation of high school students for the national examination for university. Therefore, there is room to explore elementary school technology and programs.

**Human resource management**

The school enterprise managers in this study have very different backgrounds. Two were hired because of their expertise in management and business knowledge. Three came from teaching positions. Two of the principals/vice principals were automatically placed in manager positions as a result of their initiative and involvement in business and their broad connections with the community.

Possessing a spirit of hard work and selflessness were considered important prerequisites to become a manager. Such a person is regarded as a good leader in traditional Chinese terms (Report of Guangming Secondary School, 1995, p. 2). But it was not always the case. An open mind and business acumen as well as management abilities have become more important. The manager of the Xinhua enterprise has challenged the traditional standards. He feels that to run the business well, the creative aspect is as important as the desire to work hard.

Before I took over my present position of managing the school enterprise, principal Wang was in charge. He was a hard worker and very responsible. But you know, for success in business, you need to have creative ideas and be sensitive to the market.

Mr. Meng, a business manager and former elementary principal, is an example of being open minded and initiative. He established a printing house for Huan Elementary School. He
described himself as "a pioneer in developing the business in school" however he also felt that the position he was in was just like "a small stone on the sea shore which was brought from the sea by a wave".

I was under pressure from teachers who were unhappy with their jobs because the salaries were low. Pay for a teacher is much less than that of a taxi driver. The contribution of intellectuals has no value. Low salaries for intellectuals is not new.

Why were there no complaints in the 1950s? Intellectuals have continued to earn low salaries because no comparisons were made at that time since everyone earned the same. There was no private business and everything was unified. Dramatic changes came with economic reforms. The government allowed some people to become richer than others in the 1980s. People seemed to suddenly realize that to be rich is a good thing. This is an entirely different social value to the one we had. People were reluctant to mention money and even felt shame in doing so. Now it has become shameful if you don’t have money. These are the result of things carried to extremes (Meng. 1997).

He concluded that:

The current characteristics of the work-study program, now defined as the school enterprise, are the results of the economic reforms. In another words, people in our school share social values and, in some cases, are a part of the economic activities. No matter how people criticize it, it will not be changed from the way it is.

In some cases, the school principal faces a difficult decision of where to place teachers who are good at both teaching and also business. Mr. Chen, the manager of one school enterprise was an excellent teacher who had earned the title of specialist through his teaching of mathematics. He is also a member of the Standing Committee of Mathematics Research in Chinese Education: the vice president of the Beijing Mathematics Research Council. Vice-Editor of the Mathematics newspaper for Elementary and Secondary Schools and a specialist in mathematics teaching. The principal of Xinhua Secondary School said:

---

12 the school enterprise.
He has many years' experience in teaching and students like him personally as well as for his teaching ability. Even those who were not good at mathematics, after attending his class, obviously improve. But he also has an open mind and flexibility in dealing with people.

Although, we took one good teacher from the classroom, if the result is more money for school development, we may attract more good teachers to teaching positions throughout the school.

The teacher quoted below is popular in his professional group because of his expertise. People trust him and feel that he could be a success in business. This makes it easier to convince and motivate others to join him, perhaps in a volunteer capacity.

Teachers trust me. I told them that these are the early days of the business and there is no money to pay high wages. It will be successful in the long run. When I organized meetings and research conferences my colleagues all attended. To show my appreciation for their support, I have managed to organize a three-day excursion so that people may get together and relax.

The development of the school enterprise in Xinhua Secondary School is behind that of other schools. This situation is hindering the future development of the school. If a school lacks money, it is very difficult for it to get ahead.

Zhaoyi Secondary School has invested more human resources in the school enterprise than is the case with other schools. The school has taken ten teachers from teaching and transferred them to the school enterprise. All of them are under forty years of age and have a knowledge of chemistry, physics and mathematics. Three of them are level one teachers. The director of the school board has his own opinion on these arrangements:

Since schools have become more involved in business, the principals have become more knowledgeable about local economic situations as well as in China. They have started to understand financial difficulties faced by the central government and realize it is impossible to increase the investment in education too soon.
The values which guided the director’s business efforts are different from traditional ones. He said:

To do business in today’s China is taking a chance. You have to learn how to play "edge ball" just as in a ping pong game... The legal system is not well established and there is always a business opening which is not covered by any regulation or policy.

When you read government policy, you have to pay special attention to what is missed out in the regulation. For example, there is a recent government policy which restricts holding parties using public funding. So we buy gifts instead of having a party. Another policy sets certain standards for a business dinner. Only four courses are allowed to be served. So we provide only four courses but each course combines four different menus. Also we use big dishes rather than small ones. This called “Dao gao yi chi, muo gao yi zhang”\textsuperscript{13}

4.4.4. Student involvement in the school enterprise

Generally, there is no indication that the students are heavily involved in school enterprise activities. With the exception of Niudon Secondary School, all others reported that the students have little or no involvement in the enterprise because of the contradiction between generating profit and educating students. The effects on school curriculum vary from one school to another. In Duosi Secondary School there have been no changes since the school does not have productive activities. The principal of Duosi Secondary School claimed:

The Duosi Secondary School has no factory or other business. We rent part of our school space to a company and the rent is the major income other than that from government. Of course, our school still reaches the government standard of space requirements for students. We also accept students from other cities or provinces and charge them fees. Teachers and students are not involved.

\textsuperscript{13} Dao means taoist priest. Mou means monster. This Chinese phrase tells that no matter what regulation, people always find a way to avoid it.
There is evidence that the school curriculum has been affected by school enterprise activities in both Xinhua Secondary School and Zhaoyi Secondary School. As has been mentioned before, Xinhua Secondary School has reduced the necessity for students to participate in the school enterprise activities and has introduced practical programs for students such as planting trees, technological courses or site visits to nearby factories. Since there is a concern for financial gain, some changes took place in that school with respect to students who were involved in productive activities. The principal of the school said:

The manager (of the school enterprise) is worrying about the quality of products. He doesn’t like students participating in the factory. We used to arrange for 120 students per year to participate in factory work but this program has been cancelled since 1990. Now we organize the students to go to the factory only for sightseeing trips. Some classes, such as machinery classes, may be held in the factory for a few hours. Students can get more practical experience working with the machinery apart from listening to lectures.

Instead of organizing students to participate in productive activities, schools have organized courses for them called "labouring and technology." The Xinhua Secondary School reported:

Our students do not participate in school enterprise activities as much as before. The manager is concerned the students may not meet the high quality requirements of the customers. Students may lack the experience necessary to compete successfully in production.

For the purpose of educating students in our society to love work, we ask them to plant trees and other plants to beautify the environment. Our school has won a competition for a clean and beautiful campus.

Xinhua Secondary School arranges for students to become involved in social events, visit museums, interview senior revolutionary heroes, and other famous people. Students are asked to write reports to tell other students about their experiences.
Productive activities occasionally are arranged in nearby factories or in the school enterprise. Social programs are encouraged for senior high students. Participants are required to present their research findings. Social service activities are organized for students to care for others. For example, students work in public transportation to help maintain social order and also to take care of senior citizens (Report of the conference of involving students in practice programs, 1994, p. 6).

School day-to-day work is concentrated on academic perspectives. A document, the end of term timetable for administrators in Xinhua Secondary School, shows that for the period from the middle of June till the middle of July most activities centred around the final examination. The academic orientation of the school is most evident from the following "Time Table" in Xinhua Secondary School.

\[14\] the whole term ends in the middle of July.
4.5. Summary

This chapter has dealt with artifacts related to the nature of the school enterprises and school practices. "Artifacts are visible manifestations of the culture. Their presence is an indication of things that are valued" (Davis, 1995, p. 9). In this research, the most visible artifacts of the culture in the sample schools are the physical features of schools, policy and procedure documents, especially those related to the function and management structures of the school enterprise, as well as to the managers themselves.
In all six schools, the enterprises have generated additional financial resources. School spaces have been used for productive purposes or to generate rental income. School doors and gates bear signs that businesses are operated inside the school walls. Schools have become heavily dependant on the enterprise incomes which in some schools have reached 60% of the schools’ budgets. Part of the income has been used to improve teachers’ welfare and teaching facilities.

The central government still hopes that the school enterprises could provide students with places to practise the practical knowledge they learned in class as well providing a mechanism for generating additional funds for school administration. However, students have limited experience in the enterprises because they lack the expertise to meet marketplace competition. School principals and enterprise managers have had considerable freedom to make both financial and personnel decisions. For the schools, academic achievement is still the reason for their existence. Such achievement is still a basic assumption of Chinese society.
Chapter 5
VALUES AND ASSUMPTIONS

5.1. Introduction

As has been mentioned in chapter 3, this study adopts Schein’s organizational culture theory as its framework. Schein suggests that organizational culture may be analysed at three levels: those of artifacts, values and assumptions. Culture at the artifacts level is easy to observe but often difficult to decipher since the observer may not be able to reconstruct the meaning of an artifact held by any given group, or predict whether those meanings reflect important underlying values and assumptions.

Schein (1992) suggests that values are the basis of the shared knowledge and practices that exist within an organization. Values lead to certain behaviours. However, they may often be inconsistent with the observed behaviours. For example, schools in this study have committed themselves to enterprise activities. However, the values upon which they may be based may be different than traditional educational values. In order to develop a deeper level of understanding of the current behaviours as well as to predict future behaviour, a study of assumptions is necessary. Assumptions are the taken for granted, implicit beliefs, views and practices that guide behaviours. Drawing on the work of Kluckhohn and Strodtbeck (1961), Schein (1992) lists six fundamental assumptions that can exist in any organization. These basic assumptions are:
The nature of reality and truth: the shared assumptions that define what is real and what is not; how truth is ultimately to be determined, and whether truth is revealed or discovered.

The nature of time: the shared assumptions that define the basic concept of time and the importance of time in the culture.

The nature of space: the shared assumptions about space and its distribution, the role in defending aspects of relationships such as degree of intimacy.

The nature of human nature: the shared assumptions that define what it means to be human and what attributes are defined as intrinsic or ultimate.

The nature of human activity: the shared assumptions that define what human beings do in relation to their environment on the basis of the foregoing assumptions about reality and the nature of human nature.

The nature of human relationships: the shared assumptions that define the ultimate way for people to relate to each other, to distribute power and love. The concept of authority is an aspect of this relationship.

Kluckhohn and Strodtbeck suggest that all cultures can be analysed with regard to these six assumptions. Of the six basic assumptions, three are closely related to this research: the nature of reality and truth, the nature of space and the nature of human relationships. For example, the basic assumption about the nature of space provides a foundation for examining the physical artifacts of this study's schools and their enterprises. Similarly, basic assumptions about the nature of reality and truth suggests a way of analysing the shifting emphasis on the
development of the school enterprise. Finally, the nature of human relationships, especially the
corcepts of power and authority, provide a basis for understanding policy, public school
finance, the management of the school enterprise, and the school's administrative and
enterprise structure.

Attempts to understand these interactions are presented in this chapter. It is organized to
examine the values and assumptions underlying each artifact identified in chapter 4. These
artifacts are: i) physical appearances: the gates and walls of schools, the use of space, the
portraits and slogans on display in classrooms, ii) policies at state level affecting the management
of the school such as guidelines for school enterprise development and school finance, and iii)
finally, the reality of practice of the management structure in relation to the school enterprise,
the management of human resources, and the incomes and expenditures of the enterprise.

5.2. Values and Assumptions Related to the Physical Appearance of the Campus

Schein suggests (1992) that where things are located, how they are built, the kind of
architecture involved, the decorations encouraged or allowed, may well reflect deeper values and
assumptions held in the wider culture by the key leaders. The physical layout not only has this
symbolic function but is often used to guide and channel the behaviour of members of
organization. As a consequence, it becomes a powerful builder and reinforcer of norms.
Physical appearances discussed in this section include gates and walls in the school campus, and the portraits and slogans on display in classrooms and other public places. Basic assumptions such as the nature of space, the nature of human activities, the nature of learning and the nature of human relationships are used to analyse the deeper meanings of the data.

5.2.1. Walls and gates

Data show that the appearance of the school walls and gates is very different from what it was in the 1970s. Today, the use of a school wall as part of the construction of a business facility has become a popular design feature which the Chinese refer to as “puo qiang kai dian”\(^1\). For example, the west enclosing wall of Xinhua Secondary School has been used as the back wall of two retail stores, the fronts of which face the street. Five of the six schools have used some space on their gates to display business signs together with the school identification signs. Three of the six sample schools have used their school enterprise incomes to build or repair walls and gates. To an outsider, the focus on walls and gates may seem exaggerated; however, an analysis of Chinese culture shows that they represent fundamental cultural values.

The wall in Chinese architecture has been the symbol of order since the first dynasty in Chinese history, that of the Xia. According to Chinese tradition, a city must be walled. In this sense, the wall of a city is the symbol of control. Historically, the Great Wall of China was constructed in order to protect the country from the persistent attacks by the Xiongnu (Mongols). It has, therefore, become a symbol for the protection of China from outside (undesirable)

\(^1\)To use school walls as a part of retail store for business activities.
Influences. In school administration, gates and walls are associated with the values of order, obedience and discipline (for detail see Appendix 5. Documents collected from Xinhua Secondary School).

School walls and gates are also valued as indications of wealth. Mr. Meng, the principal of Huan Elementary School, stated that:

The first thing I did after we had money was to build a school wall. We had been too poor to do that before. Without a wall the school doesn’t look like a school and the students are not protected from danger.

Similar views were also obtained from interviews with the principals of Niudon and Guangming secondary schools. Both schools had spent enterprise income to build or rebuild school walls or gates. The principal of Guangming S.S. maintains that “A few years ago, a poor looking gate and wall made me feel that the administration had ‘lost face’. I was ashamed that we had no money to build the school gate and wall.” These statements suggest that wealth is valued over poverty.

A well-built wall presents a traditional appearance and indicates that the community is well off financially. The relative affluence or poverty of schools may, therefore, be assumed from the appearance of the gates and walls.

The appearance of gates and walls may be analysed from a number of different points of view. For example, they display both a physical and a social significance. One conclusion drawn from the above message is that walls and gates are important to schools because they are valued as symbols of order, obedience and discipline as well as dignity (face). However the physical layout may also have an impact on communication. As Schein has observed, with respect to the floor plan of a modern office, “an open layout office is designed to stimulate a high
level of communication (Schein, 1992)." The variety of designs of gates and walls surrounding
Chinese schools serve as indicators of the level of communication between the schools and
society at-large. However, even as the open plan office is designed to foster interdepartmental
communication, school gates and walls in China, while enclosing and protecting a vulnerable
segment of society, have, in the past, served as barriers to communication with the world
outside. The advent of the school enterprise has had the effect of modifying this tradition and, as
a result of shared resources, both physical and financial, schools have closer contact with a
society which has heretofore existed outside the confines of the campus.

With reference to the Kluckhohn - Strodtbeck (1961) classification of basic assumptions,
values flow from deeply held assumptions about the nature of human relationships and about the
nature of authority. Values, such as those of obedience, discipline and order, appear to emanate
from a basic assumption that traditional authority should be obeyed without question, although
the evidence of change shows that the traditional concept may be weakening and that new
attitudes toward authority may be evolving. This was a major finding of Davis's Chinese
organizational culture research (1995). Certainly, school enterprises appear to have contributed to
an assumption that the nature of authority is evolving.

An increasing appreciation of and desire for wealth has been sanctioned by the state and
relates to a basic assumption about the nature of human activity; that the environment must be
exploited for economic gain. The high level of pollution in major Chinese cities attests to this
exploitation. Enterprises are valued for the money they earn, some of which is used for artifacts
such as walls. Other funds are earmarked for improving the quality of education and the lives of
teachers. The changes in the appearance of walls and gates reflect the changes in peoples' thinking regarding appearances. In this case educators are concerned that the outside appearance of the school reflect what is happening inside.

A business sign displayed on a school gate and the use of school walls as a part of a retail store may indicate that the business activities being carried out are openly acceptable in an academic environment. In fact, operating a business enterprise in a school has become more than just acceptable: it has come to be regarded as an important educational function. As Mr. Wang, an officer of the State Education Commission, said: "School principals should use both hands to administer schools: one hand is used to educate students and the other to make money. The purpose of making money is to ensure the quality of education" (3 July. 1995). The fundamental value of business involvement in schools, in Mr. Wang's opinion, is 'Quality in education is the priority, but quality is based on the support schools receive from business'. This is what guides the practical operation of an enterprise.

The above information suggests that a change in values has taken place. There is a long history in Chinese educational tradition that places a high value on transmitted knowledge. This can be seen in a number of common Chinese phrases. For example, "Those who labour with their brains should govern those who labour with their brawn" and "To be a scholar is better than being employed in any other work". The educated formed an elite simply by virtue of their "superior morality" without having to acquire practical knowledge. Business was an activity to be looked down on. "A gentleman looks for virtue, the small man looks for interest" is a saying that reflects the common view of business. The businessman was usually regarded as an
unscrupulous merchant and profiteer. However, school principals are now encouraged to become involved in the kind of business which used to be considered the lowest form of endeavour. From this point of view, business has become culturally valued. This follows from an assumption that human nature is competitive, and is a major change from the traditional Chinese assumption that cooperation is a more important value.

5.2.2. Slogans and pictures

The focus on academic success in schools is reflected in the display of portraits of role models as well as slogans in classrooms. This is a traditional way to inform students about what the administration considers to be important to them. The most popular portraits are those of party leaders such as Chairman Mao, Deng Xioping, Zhou Enlai and Zude. This is a clear indication that the education system in China is under the leadership of the Communist Party. This leadership is valued, and there is a basic assumption of deference to authority.

Another category of portraits on display is that of well-known scientists. Among them, Newton and Einstein are popular. Some portraits of ancient Chinese scientists such as Li Shizhen and Confucius the philosopher are seen in schools. These pictures are used to promote the idea that knowledge is valuable and that students should study hard in order to achieve the highest academic standards. Classrooms are arranged in the traditional way in which the teacher is the focus for learning and students have little actual involvement in the activity. According to the Klukhohn and Strodtbeck scale, the basic assumption underlying the organization of the classroom is that knowledge is passively rather than actively acquired. The picture of Confucius
reiterates the traditional value of respect for tradition. Confucian philosophy may provide the security and stability in which economic development can take place. "Modernization" itself may benefit considerably from the persistence of traditional attitudes. The display of Confucius's portrait may serve to illuminate the value changes which are taking place in the academic field.

The exhibition of portraits of party leaders, scientists and intellectuals as well as the display of exhortatory slogans were features of all the sample schools. These artifacts are employed to inform students that knowledge is valuable and that they should study hard in order to achieve the highest academic standards. It is obvious that the values of role modelling, of hard work and of subservience to authority are present. It would also appear that, underlying these values are basic assumptions: first, that human nature is perfectible, and second, that one of the traditional values, that of deference to authority, may be still strongly held.

5.3. Policies and Regulations

Policies and regulations contain the "published lists of value" (Schein, 1992) upon which the organizational leaders and members have agreed to carry out their day-to-day work. Therefore, an analysis of the policies related to the school enterprise development can provide insights into values on which the policies are based. In this study, the policies for the development of the school enterprise are important because they document the circumstances under which the underlying values and assumptions have been changed. Policies related to school finance are considered as a basis for understanding of the changes in attitudes.
regarding the ways and means of funding public schools. An analysis of these policies provides insight regarding the nature of the public school system.

5.3.1. Government policies and the school enterprise

Data show that the development of the school enterprise in China has received strong support from the central government. The most powerful evidence is in the Law of Chinese Education which states that:

The state shall adopt preferential measures to encourage and support schools in carrying out work-study programs, community services and in setting up school factories, provided that they do not interfere with the normal activities of education and instruction (State Council of China, 1995, p. 25, Law of Chinese Education).

The important position of the school enterprise in the Chinese education system dates back to the early 1950s. However, the emphasis has varied from one historic period to another. In the early 1950s, the school enterprise was seen to be a useful method of educating the Chinese people in the spirit of communism (Liu 1958). During this period, the major concerns of the Communist Party were to stabilize the country and consolidate power. This was to change in 1970s, however, in a speech given by Liu Xiyao, the Minister of Education, who emphasized that education must be united with modern productive labour because economic development has become the central task of the Party (Liu Xiyao, 1978).

Historically, government leaders looked to education to further the aims of society and to teach citizenship. In the early 1950s, the Communist Party defined these goals in the policy statement: "Education must sever proletarian politics and should be combined with productive
labour”. However, education eventually was seen as an investment in human resources: the focus shifted from ideology to economic development (Zhou, 1988). Accordingly, children are seen primarily as competitive individuals whose primary value lies in their future ability to work and generate wealth. The development of an "human infrastructure" serves to complement new investments in the physical infrastructure. Such a perspective, critics argue, is dehumanizing and ignores the need to relate the individual to a broader spiritual and social order.

This move from an emphasis on political issues to one of financial concern followed from the reforms which took place in China in the late 1970s. The reforms, which were not exclusively economic, were the product of changes in peoples’ thinking as they took place during an ideological debate under the heading of: “Where does the truth come from?”.

Soon after the end of the Cultural Revolution, the doctrine of the Communist party enunciated by the party chairman was. “Whatever Chairman Mao says is correct: whatever Chairman Mao asks of us. we should do”. However, this principle was challenged by Dang Xiaoping who argued that. “Truth comes from practice”. This spin on the socialist dogma that the end justifies the means. ended the debate. Deng’s thinking has become a guideline for reform. As Jiang Zemin declared again in reviewing the history of the party achievements on the 70th anniversary of the founding of the Communist Party of China. “We must seek truth from facts... dare to explore new ways. do away with blind faith. proceed from reality in everything we do...” (speech delivered by Jiang Zemin on July 1, 1991).
It is clear from this debate that there have been fundamental differences between the ideology of the party and its underlying assumptions. On the one hand party ideology is based on traditional respect for authority and treated with almost religious fervour. But on the other hand it is also more pragmatic and based on whatever works. This shifting in assumptions about the nature of truth implies that there is a change in an assumption about the nature of truth and the nature of human relationships. Obviously, as evidenced from pictures on display, traditional values toward authority still exist. However, they may be weakening and new attitudes toward authority may be evolving.

In summary, data analysis has provided evidence that changes in assumptions in the ideology debate have resulted in fundamental changes to government policies in the school enterprise which may be seen in the reforms undertaken in China in recent years. Government policy, which is now based upon economic values, provides permission and incentives for the establishment of school enterprises. These changes are displayed in Figure 5.1.
**Figure 5.1. The Changes in the Nature of the Chinese School Enterprise**

<table>
<thead>
<tr>
<th>Historical Period</th>
<th>Political Ideology and Pedagogy</th>
<th>Economic Contribution of the Enterprise</th>
<th>Planning and Administration</th>
</tr>
</thead>
</table>
| work-study program 1957-1966 | * eliminating the conflicts between workers and intellectuals  
* educating the students in the spirit of communism  
* better integration of theory and practice | a little                               | * centralized planning  
* unified ownership and management                                                          |
| work-study program 1966-1976 | * class struggle  
* labour work centre | non profit                             | * demolished structure  
* unified ownership and management                                                           |
| school enterprise 1979-current | * promoting good working habits  
* better integration of theory and practice  
* improving low educational investment | * fund raising,  
* contributing to local development,  
* increasing teachers pay | * combined central planning with market economy  
* separate ownership and management                                                          |

5.3.2. School finance

The term "school finance" refers to "the process by which tax revenues and other resources are derived to establish and operate elementary and secondary schools..." (Levin, 1994, p. 5233). In general, it is argued that "primary and most secondary education provide social benefits of such an important nature that the entire society should support them" (Levin, 1994, p. 5236). Therefore, public schools are usually seen as agents of the state to help children overcome
the deficiencies in their family and community environments (Brown, 1994). In this regard the Chinese school enterprise has played an important role in providing supplementary funding for schools. In this section, policies and regulations such as government strategies in funding public schools, taxation policies and school enterprise incomes and expenditure policies are discussed.

**Multiple channels for funding public schools**

Data show that the Chinese government will continue its financial support of public education, but it will also encourage the development of a variety of additional sources of funding, such as school enterprises.

Even though education funding will still come mainly from the central government, it must be combined with other resources from a variety of channels. To encourage schools to operate businesses is one of them (The State Council. 1989 guo fa No.9).

Meanwhile, the government is exempting school enterprises from paying several taxes (Jiaogongzi No. 042. 1978) which non-school enterprises must pay since the profits from school enterprises are used to support schools. However, because substantial incomes have been generated by some enterprise activities, the government has modified its taxation regulations. In 1994, a new taxation policy introduced regulations under which incomes in excess of 300,000 Yuan will be taxed.

In tax literature, tax forgoing by a government is called a “tax expenditure”; in Canada, forgone taxes on non-profit institutions that are “in the public interest” amount to billions of dollars per year. China’s policy was unusual in that it applied to profit making enterprises that
were owned by schools, which themselves were non-profit agencies which operated in the public
interest. In Canada, these enterprises would be fully taxed or disallowed.

The tax exemption policy in China reflects the government’s intention to encourage
schools to operate enterprises in order to obtain extra funds to support school programs. As
previously mentioned, education has recently been considered an investment in the development
of human resources and, in China, an important step in the process of sustained economic
growth. However, the reality is that the government is unable to support directly an education
system in a country which has a population of 1.2 billion people. The government has, of
necessity, had to encourage the development of alternative sources of revenue for education
rather than having schools rely totally on government financial support.

An alternative way to manage the “tax expenditure” from the school enterprise was
suggested during an interview with Mr. Wang, Director, School Enterprise Division, State
Education Commission. The question asked of Mr. Wang was, “Why doesn’t the government
tax income derived from individual school enterprises and return it to all the schools throughout
the system in order that such revenue may benefit them all?” The answer he gave was that such
a procedure would provide less incentive for individual schools to improve their revenue-
producing capabilities. He also pointed out that China is a huge and diverse territory and
management of such a policy through a central authority would present insurmountable
difficulties.
Data obtained from an interview with an officer of the State Taxation Bureau suggest that the incentive may have proved too strong in some cases. Indeed some businesses have entered arrangements with schools in order to avoid taxes. In fact, the tax exemption policy is not the only reason that businesses wish to enter partnerships with schools. School enterprises are very special business institutions for a number of reasons: i) they are profitable enterprises owned by schools which are non-profit institutions; ii) in addition to tax benefits from government, they enjoy other privileges from higher centralized national planning management. The enterprises receive loans at low or no interest as well as properties at very low rates and materials at reduced prices; iii) some traditional Chinese values play important roles in building these partnerships.

Two managers of the school enterprise partners gave reasons other than tax reductions for becoming partners in a school enterprise. Mr. Dong, partner of Zhaoyi Secondary School, maintained that "Dealing with a school is safe and reliable since the schools are permanent institutions. You don't need to worry that they will disappear with your money like someone from Taiwan or Hong Kong. Besides, teachers are intellectuals who are regarded as having high moral standards and will not cheat you."

There is a belief in North America that when bureaucracy fails, an alternative control mechanism exists, the market. However, in China, higher centralized national planning may combine with a market machinery management structure. The school enterprise is an example of a structure which enjoys benefits provided by a centralized administration together with the possibility of economic gain from the marketplace.
There are reports that some school enterprises are extremely successful and have made considerable financial gains from business activities. An example of this would be the “va ha ha” nutritious drink for children produced by a secondary school enterprise. It has made millions of yuan each year since 1986. However, most schools are still struggling to survive. Technically, the amount of tax exemption on incomes may need further discussion even though the principle held by policy-makers may be maintained.

Several conclusions may be drawn. To begin with, the Chinese education system is being decentralized because there is a belief that incentive rewards are necessary in order to improve effectiveness and efficiency. The desire for efficiency has provided a basis for formulating some taxation policies. The previous reward system in China has been criticized as “da guo fan” (eating from the big rice bowl of government regardless of the individual’s contribution) and was replaced by a production reward system during the economic reform. Moving from “da guo fan” to the new reward policy involves a change from an administrative control model to one of provision of incentives. According to Schein’s organizational theory, this production reward system is based on assumptions about human nature and the relationship of an individual to the group (1992).

The idea that people should be motivated by an incentive policy has been accepted not only at the central government level but also by school administration. The sample schools have made use of his extra funding to create incentives. For example, Xinhua Secondary School has established a new policy on salary reform because “The young today are more realistic as well as materialistic than we were in the 1950s. Teachers are ready to leave their schools if they can
get better paid jobs” (Principal of Xinhua Secondary School). The traditional belief that “A gentleman looks for virtue, a small man looks for interest” has become less credible.

However, there is also evidence of a conflict in values between community and businesses. To select schools as business partners reflects traditional values which place trust in intellectuals rather than businessmen who are still regarded as unscrupulous merchants and profiteers. As noted in previous discussions about the involvement of schools in businesses, the conclusion may be drawn that this attitude toward business may be undergoing a re-evaluation. However, traditional values still exist. People who are interested in developing business relationships with schools, although they say they do not trust those in business, are themselves businessmen. Thus there is evidence of moral conflict between traditional Chinese cultural values and the changes brought about under the economic reforms.

Conditions in China reflect Schein’s (1992) suggestion that human nature is complex, changeable and variable. During the economic reforms, people were encouraged to become rich and they competed with each other in an incentive management model. This is to be contrasted with two thousand years of Chinese history, in which people were told that “harmony between human beings is priceless”. In contemporary China, the collective continues to represent one of the most important communist values. This is reflected in a popular slogan, “Unity is power” and “Solidarity for ever” which has become an international communist hymn. This suggestion seems to confirm Davis’s research (1995) which found that “Chinese teachers hold no definite opinion about whether the nature of human relationships should be cooperative, collateral or competitive”. However, the current economic reform movement continues to exert an important
influence on contemporary thought. Peoples' values fluctuate between the traditional and the contemporary as changes in the basic assumption of human relationships from one of harmony to one of competition provide a basis for changes in school enterprises and administrative procedures. For example, the school enterprise involves market-based competition. Schools now endeavor to use incentives rather than relying on bureaucratic control as in former times. Such incentive policies must be based on the financial support of the school enterprise since the government does not provide sufficient direct funding. Societal changes in China resulting from changes in the nature of human relationships have had the effect of causing people to abandon their former passive attitude to government policy and replacing it with a more assertive one.

Incomes and expenditures

There is great variation in the incomes obtained as a result of the operation of school enterprises. The activities of the various enterprises can be placed in three categories: firstly, productive activities, secondly, educational services and, finally, the rental of school space. Charging students fees and renting school spaces are discouraged by government policy. However, all six schools in this study reported that they obtained additional revenue by enrolling fee-paying students. Interviews with staff members revealed that, despite government regulations to the contrary, none believed that obtaining revenue by this method was inappropriate. Staff members seemed to hold similar views as pointed out by Mr. Meng, the former principal of Huan Secondary School, who said:

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2 Operating stores is not really a productive activity from an economic point of view. However these activities are included in the discussion because they are contained in the definition of the study.
I felt that this (to charge fees for non resident students) was reasonable, because the government's budget covers only those students whose families reside here.... If we were not to do so, our limited budget will be even tighter. There is also limited financial demand on students' families because few parents pay school fees from their own pockets. In most cases the parents will ask a local institute or the company for whom they work to donate money to the school on their behalf. This is a good way to raise funds for our school. I feel that it is a quite reasonable proposition for some institutions, such as banks, which have money to support education...

Although the people interviewed may have held strong views about right or wrong ways of fundraising, they based the decision to obtain funds in this manner on the situation as they saw it, namely that government funding was inadequate and had to be supplemented. Even Mr. Wang, an officer in the State Education Commission, said schools have to raise funds in this way because they have no choice. A telephone interview with a principal in 1997 confirmed that charging 20,000 yuan per student is now local policy.

Incomes from the school enterprise may contribute a substantial proportion of school operating expenses. In some schools, such as Xinhua Secondary school, these contributions have reached 60 per cent of their total income. As an officer of the Huan Elementary School observed, "The school enterprise revenue is not only important to schools, but also to the school board and the local community." The central government has a policy committee which advises schools on the operation and distribution of the profits from their enterprises. The authorities at the local level also provide detailed guidance on the further distribution of the money. Central government policy requires 30% of the enterprise profits to be redirected into the enterprise for the further development of the business, while 70% must be reserved for use by the school. This 70% is further divided into two portions: half of the 70% is used for the purpose of improving teaching conditions and the other half is to be used to augment teachers' pensions.
However, there is considerable variance in the proportion of enterprise income allocated by schools for employee benefits. For example, Xinhua Secondary School spent more than 70% of its income on incentive pay for teachers while the Niudon Secondary School's incentive pay represented only 2% of its enterprise income. Zhaoyi Secondary School's allocation of 50% of its enterprise income for incentive pay was in accordance with government requirements. Collected data indicate that schools which charged fees and rented space were not encouraged to do so by government policies. Furthermore, the product of these activities was a major source of income for some schools. However, major expenditures for most schools were for incentive pay for teachers and for some updated teaching facilities.

Chinese social services have developed through a federal, centralized, social system. In ancient China, people were expected to obey the emperor without question. In the People's Republic of China, a traditional type of authority was also exercised. Even after the Cultural Revolution, some Communist Party leaders insisted on the practice of the "two whatevers" to rule China. Currently, school principals and enterprise managers make decisions based not entirely on government regulations and policies as used to be the case, but on their own judgements about what is right and what is wrong. The way that principals operate the enterprises and manage expenditures shows that in actual practice the traditional attitude toward authority is being challenged and an evolving type of authority appears to be emerging.

\[3\] Whatever Chairman Mao said is correct and whatever Chairman Mao asked of us, we should do.
Finances are important to the operation of China’s education system. In China, there is the question of where the money comes from. In other words, what are the consequences of enterprise funding activities? Are these funds regarded as a government investment in education or is it a self support resource? It is important to clarify the nature of the funding because traditionally, the origin of finances to support public schools has influenced the nature of schools. For example, schools that obtain resources from a central bureaucracy will become dependent on the government (Von Borstel, 1982).

Currently, in the Chinese case, few people think of enterprise incomes as government funding. Schools enjoy the power and freedom they receive from funding support from the school enterprises. However, there are also signs, for example, the charging of fees and renting of school spaces which indicate that schools are not controlled by government policies. It may be concluded that school enterprises have enjoyed benefits from both the government and the market. In addition, they have the freedom to manage school enterprise expenditures. So far, the government is still in a position, through a nation-wide examination, to standardize the curriculum, classroom management, the school year as well as academic standards. However, it is possible that, in the future, the government will have less control over school management.

5.4. Values and Assumptions Related to Enterprise Management

The visible behaviours of groups are important artifacts in the analysis of organizational culture (Schein, 1997). Internal integration issues such as status systems, reward systems, rules for intimacy and for the channelling of aggression, all reflect deeper assumptions about the
nature of human nature, human activity, and human relationships. In this section, the focus is on management structures between schools and enterprises, human resource management and the ways in which the enterprises managers carry out their businesses.

5.4.1. Management structure

The management model between the school and its enterprise is a popular one. It is based on contractual relationships. This model separates the management of the enterprise from its ownership by the school. This means that the selection of businesses is the responsibility of and is operated by, the business managers. The contractual management model as operated in five of the six schools studied for this research is discussed here. Four different schools had enterprises which were overseen by principals who hired a business manager who, in turn, had sole responsibility for the day-to-day management of the enterprise. In five of the six schools, each business manager was selected from industry because of his experience in a similar area to that of the school enterprise. In only one school was a former teacher appointed to a shared vice-principal/business-manager position. Under the contractual model, as previously mentioned, the enterprise is connected to the administration of the school through the leadership of the principal. In every situation studied, it was the principal who had ultimate responsibility for the enterprise. Moreover, in all cases, the advice of the principal was of primary importance to the operation of the enterprise. For example, at Xinhua Secondary School, the application of the contractual model of management allowed teachers and other staff members to concentrate on carrying out their major responsibility, the education of children, while the business manager operated the school’s enterprises. Principals generally have input into decision-making in
important areas such as developing business strategies, the use of school buildings and property as well as in hiring managers for the enterprise.

The Chinese education system has developed from a society which had a feudal system for more than two thousand years. As early as the 1900s, the education system was reported as hierarchical. For example, textbooks used in the primary schools had to be approved by the Ministry of Education in order to secure absolute uniformity in the school curricula. The principal and teachers were not allowed to leave their positions, nor to have any other occupation outside of the school, except by permission of a magistrate. Reports of the schools were to be made at the end of the second term, stating the number of teachers, assistants, students, and graduates, and given to the local magistrate or governor of the province who, in turn, forwarded them to the Ministry of Education (Ho, 1913). This hierarchy is still apparent today.

The operation of school enterprises has affected the school curriculum. Under the original work-study course arrangement, the work-skill course was carried out within the school enterprise. For example, Guangming Secondary School operated classes with an arrangement of one week study in the classrooms and one week work in the factory. In 1982, a new work-skill course was introduced by the Ministry of Education and student participation in school enterprise activities was no longer required in some schools. This may be seen in the example of Zhaoyi Secondary School which before 1990 had 120 students participating each year in the school enterprise as part of the working-skill course. Now students make only occasional field trips to

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4 In 1990, the government introduced a new curriculum course entitled; working-skill course.
the factory. In order to obtain higher profits from the manufacture of products, school enterprises have to face competition with other companies in the marketplace. Employing inexperienced students lowers production efficiency.

Admitting fee-paying students has changed the nature of the classroom as these students often have lower academic achievement than regular students. A teacher said, "I have to spend extra time on these fee paying students, but I don't mind as the schools's income is mainly from their fees. However, the students themselves do not feel comfortable in our class because regular students look down on them and call them 'fee students'". Actually, there are very few fee-paying students in each school. Xinhua Secondary School admitted only 20 in 1995. This is about one percent of the total of 1560 students in the school.

Economic gain as a priority for schools has meant the acceptance of fee-paying students and reduction in the participation of students in the enterprise. There is an old Chinese proverb which says, 'money makes the ghosts work for you'. Although the number of fee-paying students is small, some parents have raised ethical issues. While the admission of fee-paying students has increased the parents' choices in selecting schools for their children, the choice depends on the financial situation of the individuals concerned. Poor families have less ability to compete with those who are wealthy or who have the power or authority to provide services to schools such as bank loans or to supply equipment below market prices. The loosening of party control has meant more freedom in the system, thus allowing principals to select staff on merit and giving teachers opportunities to choose where and what to teach. The schools that are income-producers no longer rely totally on government funding and may, in the long run.
provide greater academic freedom throughout the system. It should be noted that some local businesses feel that the school enterprise puts them in an economically unfavorable situation.

In the early days of the enterprise, there was little emphasis on cost recovery. However, in the current model, financing the Chinese education system has made cost recovery an important consideration. There is a conflict between the financial objectives, under which schools are required to be partially self-sustaining, and educational objectives, under which the role of education is the pursuit of academic excellence. As a result of this conflict and because of the need to maintain production standards, four of the six schools studied reduced student involvement in enterprise activities. As the principal of Xinhua Secondary School admitted, “Managers are concerned that the students may not meet the high quality requirements of the customers and students may lack the experience necessary to compete successfully with others in the field.”

The concerns expressed by school enterprise managers and principals indicate that enterprises are now driven both by the educational bureaucracy and by the power of the marketplace. As a result of the reforms throughout the country, the Chinese school enterprise system has witnessed two different kinds of control, ownership by the state and local ownership, both of which operate at the same time. These developments have resulted in national, centralized planning combined with a market economy. The structure which has emerged has resulted in a system of continuous reform.
5.4.2. Human resource and business management

Other than political loyalty, selfless dedication to hard work was traditionally considered an essential quality for an individual to be selected to hold a leadership position. A person possessing these qualities was regarded as having the potential to be a good leader in the traditional Chinese view (Report of Guangming Secondary School, 1995, p. 2). However, the manager of the Xinhua school enterprise believes that to be successful, a business manager needs to have creative ideas and be sensitive to the market. Therefore, the possession of an open mind, ambition and management experience are more important qualifications for an enterprise manager than the ability to work hard (Mr. Cheng, manager of Xinhua Secondary School).

Since schools have become more involved in business, principals are also now required to have additional skills. They are encouraged to find a market for the goods and services the school produces, either on their own initiative or through their school enterprise manager. All three school boards have added business acumen as an additional standard for a good principal. A representative of Guangming Secondary School Board, for example, stated, “We have developed additional standards for evaluating school principals.”

The changes in selecting business managers and evaluating school principals now emphasize competition. The ability to raise funds for schools is a sign that the age-old “golden mean” doctrine held dear by Confucian scholars has become, increasingly, less important and is giving way to business considerations. The “play safe” principles which once guided people’s lives and were enshrined in popular sayings such as, “the bird that stands out will be shot first”
and "the taller tree will catch the wind first."
no longer have the relevance they once had. The
effect of market rules has been to increasingly introduce competitiveness into human
relationships. This analysis concurs with Davis's (1995) finding that Chinese teachers have
moved away from collective values and toward more competition.

In terms of maximizing the use of human resources, a good teacher may better serve the
community by directing the school enterprise rather than being employed in the regular
classroom with students. This is because the resulting financial profits may allow the school to
upgrade the teacher pool. Mr. Chen is one of the teachers who has been seconded from his
teaching duties. Although he is regarded as an excellent mathematics teacher, he is now
responsible for the management of Xinhua Secondary School enterprise. His principal
maintains that:

Although we take one good teacher from the classroom, if the result is more
money for school development, we may attract more good teachers in teaching
positions and the entire school will benefit.

Schools have given priority to long-term economic gain as opposed to short-term benefits to
students. They also believe that an increase in financial benefits for staff will provide sufficient
job satisfaction. In this regard there are two concerns; i) placing a good teacher in a position to
operate an enterprise does not guarantee business success. Unlike the education system, which is
tightly monitored, the behaviour of the marketplace cannot be similarly controlled; ii) since
teachers' salaries are, generally, lower than the financial rewards which apply in other sectors.
Higher salaries may provide sufficient motivation to retain those currently in the system and
encourage others to become teachers. However, in the long run, higher financial rewards may
not be enough to attract highly qualified and motivated people to the profession or retain those
who may be considering leaving. As Davis (1995) has noted in a Shanghai school similar to Xinhua Secondary School, Chinese teachers experience less job satisfaction than do their counterparts in Canada, primarily, because of unsatisfactory leadership provided by the principal. He found that 72 percent of Chinese teachers felt that improvement in leadership and school management is needed, but only 20 per cent of Canadian teachers held a similar opinion.

Through the experience of operating businesses, many principals and teachers have found that they have developed newly discovered talents in business management and have therefore, made career changes which have resulted in greater opportunities for promotion. Chinese people are usually assigned jobs through government control but the development of the school enterprise has provided opportunities for individuals to hone their skills and talents.

Schools in China today find themselves in the position of having to take financial risks with regard to the way an enterprise may be developed and operated. The manager of Huan Elementary School stated:

When you read government policy, you have to pay special attention to what is left out of the regulations and this means that doing business in today's China is taking a chance. The legal system is not well established and there is always room for something not covered by any regulation or policy.

The business philosophy of risk-taking and circumventing government controls has resulted in a move away from the traditional Chinese respect for authority. Mr. Shi, principal of Huan Elementary School, exhibited obvious pride in the success of the school enterprise:

Huan Elementary School is one of our model schools operating an enterprise. In the last five years, the school has successfully conducted an in-house print business and produced a half million yuan profit. Two hundred thousand yuan has been spent to improve school facilities. Some schools in our board know how
to run a successful business as well as managing day-to-day school work.

The manager of Xinhua Secondary School has a business philosophy which differs from that of the manager of Huan Elementary School. Rather than taking chances with the marketplace and vague government policies, he sees other schools as potential markets. He said, "Since there are 0.23 billion students in elementary and secondary schools, the school system itself has become a big market for goods and services." He is developing educational software for use in elementary schools; in addition, he has instigated a joint-venture arrangement with a company in Hong Kong to produce this material for wider distribution. He believes that success in this business will depended on the market within the school system.

5.5. Summary

To summarize; several assumptions underlie the presence of the artifacts such as walls and gates, slogans and portraits, as well as policies described in chapter 4. These assumptions relate to the nature of space, the nature of human nature, the nature of human relationships, the nature of truth and reality and the nature of human activities. The use of school gates and walls for business purposes indicates that business activities have been accepted in an academic environment. These changes provide signs that the traditional values have been modified and, as a result, schools have closer contact with society. Since there are significant differences in managing a business compared to the management of a school, business managers and principals

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5 As of 1993, China had 697,000 primary schools with an enrolment of 124,213,000 pupils; 83,000 middle schools with 7,319,000 students (Basic Education in China, 1994).
must pay attention to the necessity for economic gain. Although school activities are operating under reduced bureaucratic control, academic achievement is still the centre of school day-to-day life. Government authority is still very much respected in schools as shown by the portraits and slogans on display and adherence adhere to government imposed curriculum. However, the school culture exhibits both traditional values and modern practices which show that the values of Chinese society are in transition.

The incentive principle is seen by the school administration as a strategy to increase teaching efficiency and effectiveness. Financial rewards are based upon the results achieved. The former method of control in the school system was a consequence of the belief that people could not be trusted and that their behavior must be monitored. The provision of incentives, on the other hand, reflects the belief that, given sufficient incentive, people will carry out their responsibilities. Since most Chinese teachers are underpaid, monetary rewards should be a powerful motivator.
Chapter 6

SUMMARY, CONCLUSIONS AND IMPLICATIONS

6.1. Summary

This research is a multi-case study in which observation, documentation and semi-structured interviews were used to gather data related to day-to-day work in the school. Schein’s model in analysing organizational culture was used. The purpose of the study has been to document the nature of the current Chinese school enterprise and to identify the relationships between the enterprise and the school organizational culture. In particular, the research attempted to provide answers to each of the four research questions derived from the stated purpose of this study. The four research questions are:

1) What is the nature of the Chinese school enterprise?
2) What is the relationship between the school’s organizational culture and its enterprises?
3) What impact has the school enterprise had on the school community?
4) What are the relationships between government policy and the school and its enterprises?

6.1.1. Framework of the study

The dissertation employs Schein’s (1992) organizational culture theory as its framework. This study is unique for it attempts to address issues as the three levels of culture identified by Schein, that is, the level of artifacts, values and assumptions. Most research studies are confined to examining data gathered at the artifact level; some look beyond artifacts to the level of values.
Very few studies have actually examined the basic assumptions which give rise to the values and to the artifacts which physically display those underlying assumptions.

The enterprise itself is an artifact, an expression of the changing values and assumptions of society in present day China. It is only because of the changing basic assumptions of that society that the enterprise was at first proposed and then condoned.

Feudal China received its orientation from basic assumptions of obedience to authority, harmony with nature, and cooperation among individuals. Today, these assumptions have been replaced by others which see authority being questioned, nature being exploited and relationships among individuals being fiercely competitive. As a result, a new society has emerged where institutions are prepared to disregard some aspects of government policy; where co-operation has been replaced by competition, and exploitation of resources is an accepted way of life. These conditions have fostered the growth of the school enterprise, an endeavour which has subverted government policies in its failure both to involve students in enterprise activities and to disregard the student fee limits that the government imposed. Harmony with the environment has been replaced by reliance on economic benefits in order to maintain the financial advantages which enterprises have brought to the schools. Finally, in such a profit-oriented economy, the value of co-operation has been outweighed by the emergent value of competition. The significance of this study, to a large extent, rests not on its description of the enterprises but upon the use of organizational culture theory to highlight the cultural conditions which have contributed to their success.
6.1.2. The nature of the Chinese school enterprise

Data from this study show that the types of enterprises vary and that their locations depend on business needs and the convenience of the market. On the basis of their characteristics, the activities of the various enterprises can be placed in three categories: productive activities, educational services such as admitting fee-paying students, and the rental of school space. Productive activities include factory, farming, commercial and restaurant activities with links to other companies operated by the schools.

Although the income realized from productive activities appears to be substantial, there is a great difference in income levels. These vary from 180,000 to 1,010,000 yuan annually. Space rental and enrolment fees provide a large proportion of the total income for some schools. For example, Xinhua Secondary School's income from admission fees is one million yuan, but the income from other business is 0.4 million yuan. Also, the income from renting school space is 1.5 million yuan. A similar situation exists in Duoxi Secondary School which does not have its own business but rents space and charges tuition fees.

Enterprise income has enabled the schools to update teaching facilities and improve teacher and staff benefits. Some schools have become heavily dependent upon enterprise income. For Xinhua Secondary School, 60 percent or more of its operating budget comes from enterprise income. The enterprise income of Huan Elementary School financed a new teaching

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1 Operating stores is not really a productive activity from an economic point of view. However, these activities are included in the discussion because they are contained in the definition of the study.
building. The school enterprise income is an important resource not only for schools but also for school boards as directors of both Zhaoyi School Board and Xinhua School Board indicated.

In addition, extra financial resources from the school enterprises have increased flexibility in decision-making both for school principals and the school enterprise managers. Xinhua Secondary School has applied a new staff salary scale that is based on the financial support from the enterprise. This additional revenue has allowed the school to increase the level of teachers’ salaries, and to implement an incentive principle. In all of this, enterprise managers have considerable freedom in decision-making regarding the management of human resources, financial control and location of the enterprise in the community as well as the potential market for the product.

6.1.3. The relationship between the school organizational culture and its enterprises

The way things are done in a school reflect the school’s culture. The contractor management model applies to five of the six schools studied. Schools own the enterprise property. The principal or vice-principal is usually the only person who, in effect, supervises the enterprise. That person has the authority to hire an individual who will have sole responsibility for the day-to-day management of the enterprise. The enterprises have an obligation to give financial support to the school according to the terms of their contracts. The contract management model separates the management of the enterprise from ownership by the school which means that the enterprise businesses are guided by the market.
Under the contractor model, as previously mentioned, teachers and other staff members can concentrate on carrying out their major responsibility, the education of children. There is little evidence that teachers and staff have been involved in enterprise activities during the time they worked for the school.

The initiation of an enterprise necessitates a change in the requirements for becoming a principal. The ability to raise funds for schools was formerly regarded as inappropriate, but now it has become an advantage for a principal. Also school enterprises will be easier to operate since there is less bureaucratic involvement. Principals are given powers with respect to decision-making in important areas such as developing business strategies and using school buildings and property as well hiring managers for the enterprise. Day to day control, however, rests with the managers.

As a result of the business activities, the physical structure of the school campus in some schools has changed, particularly in city schools. The use of the school wall as part of the construction of a business facility has become a popular design feature. The physical change reflects a radical change in people’s values and beliefs, since the enclosing wall has important meanings both in Chinese culture and for the school administration (Gao and Xu: 1994).

Enterprise revenues enable schools to make changes. Five of the six schools visited reported that they have used enterprise profits to purchase new equipment for students to carry out new construction on school properties. Among the construction projects, replacing walls or building new ones is popular, (three of the six schools have reported that such projects have
been undertaken). Some schools have become so dependent on the financial support of the enterprise that they would be unable to function without it.

To comply with nationwide economic and administrative reform, a contractor management policy has been applied in schools. Teachers are employed under a contract to the school which is renewed each year according to teacher performance. The school enterprise has also played an important role in human resource management reform. A function of the enterprise in some schools is providing employment for former teachers who did not get a teaching contract.

The operation of the enterprise has had an effect on school curriculum, particularly on courses related to students’ participation in the enterprise. This may be seen in the example of Zhaoyi Secondary School which before 1990 had 120 students participating each year in the school enterprise in the working-skill course. Now students make only occasional field trips to the factory. In order to obtain higher profits from the manufacture of products, school enterprises have to be efficient. Employing inexperienced students, however, lowers production efficiency.

The content of the work-skill course has been changing. Originally, it was part of the work-study program and the object of the course was, firstly, to inculcate communist ideology and, secondly, to provide the students with practical experiences to augment what they learned in class. In 1982, a new work-skill course was introduced by the Ministry of Education replacing the previous one. Student participation in school enterprise activities is no longer required in some schools.
In brief, the enterprise has had a positive effect on students and staff since its inception. The major academic benefit to the school has been the improvement in the quality of both teachers' qualification and school facilities. Teaching has now become very attractive compared to a few years ago when it was difficult to hire and retain good teachers. Teaching facilities have also been upgraded in five of the six schools. The school enterprise has engendered increased flexibility in administration and, as a result, the opportunity to obtain additional income has financially benefited both the school system and individuals. In some schools, the enterprise manager is in a position to influence decision-making and school policy. Principals have expressed the opinion that the school's involvement in an enterprise has made teachers more aware of the community outside of the classroom. In some instances, board members have become involved in the enterprise and have passed their suggestions and concerns on to the principal.

6.1.4. The relationship between the school enterprise and the school community

Student admission policies have been unofficially revised. Schools are often willing to enrol more students than government policy allows. Parents and students have more freedom of choice in selecting schools if they can pay the fees. Admission to a key school depends not only on the academic achievement of the students but also upon their parents' financial situation or the support of their parents' companies because, in some cases, school fees are paid by employers. The student fee policy also provides rural students with opportunities to study in the cities. This was not possible before economic reforms were implemented.
School enterprises have become good partners for small businesses. Some small business owners believe that dealing with a school is safe and reliable since the schools are permanent institutions and teachers are regarded as having high moral standards. Enterprises are usually welcomed in communities as they provide goods and services at reasonable prices; moreover, the school enterprises have provided employment opportunities for local people. Niudon Secondary School hired 180 workers from the community using advertisements in the local newspaper. Other schools also employed people from outside the community.

Enterprise schools have forged partnerships with various parties. In some cases, the school enterprises have contracts with other factories such as those with Guangming Secondary school and Zhaoyi Secondary School. Guangming Secondary School’s enterprise is a factory which was initiated as a work-study project with money borrowed from the teaching staff, a bank and members of the school board. Thus, the community was involved through financial investment and its continuing interest.

Schools generally serve a more diversified student population from the community than ever before and now employ more highly qualified and specialist teachers. Moreover, parents are no longer content to remain passive observers. Some parents volunteer to help the schools to establish connections with other companies. Schools are part of a wider social environment that includes parents, taxpayers, professional groups, the business community and industrial and government agencies, all of which affect school life. Although, as Greenfield maintains, "many factors that affect what occurs in schools are beyond the influence of the principal" (1987, p. xii) school leaders have to deal with them. The change in perception of the school leaders'
responsibility is related to the changing nature of the school organization itself, an increasing parental interest in school activities, and a growing need to economize and to efficiently use scarce resources.

Accepting students by charging fees provides a convenient service to parents who may work in remote locations. Workers in China have little freedom to relocate as houses or apartments are assigned by the government or another employer. This situation frequently puts schools in competition with one another because of the increasing numbers of parents and students making their own education choices. School services have, therefore, become price-sensitive. Greater freedom of school principals to recruit staff has resulted in some schools developing a reputation for excellence which attracts parents who are prepared to pay school fees. Such schools may have the finances available to purchase books and equipment which might not otherwise be possible.

Teachers who have interests and abilities in business now have improved career choices as a result of the school enterprise development. As well they have more promotion opportunities within Boards of Education and may have become executives of companies as a direct result of experience gained with school enterprises. Some schools are financially able to successfully attract new college and university graduates to become members of their teaching staffs. Job opportunities in local communities have improved, particularly in rural areas where employment opportunities are more limited.
6.1.5. The relationships between government policy and the school and its enterprises

There is a close relationship between the development of the school enterprise and the support of government policy. Since the 1950s, the Communist Party and the government have established policies to promote the development of the school enterprise. In 1995, the first version of Education Law stated that the State should encourage and support schools in carrying out work-study programmes and in setting up school factories.

Special taxation policies are directed to school enterprises. According to these policies, the enterprises are exempt from paying taxes on income derived from school administered farms, factories, construction projects and from various training programs. Taxes on gasoline and transportation are also excused. These policies enable schools to lower their operating costs and, as a consequence, provide them with an advantage in the competitive market.

In the late 1970s, the government absolved universities, secondary and primary schools from taxes on income generated from work-study programs (Jiaogongzi No. 042, 1978). No industrial and commercial taxes were levied on the products of work-study programmes in schools if they were used to support their own internal teaching, research and production for education purposes. However, taxes would be collected if these activities serviced outside institutions. Since substantial income has been generated by some enterprise activities, the government has recently modified its taxation regulations. New policies now tax income from activities of a purely commercial nature, such as stores and the catering and service trades which have nothing to do with the teaching of specialized subjects.
A further series of modified taxation policies was introduced at the end of 1993 and early in 1994, in order to both control and reduce the high level of inflation, which has been at an annual 15% level, as well as to keep the national debt within the figures set in the government's budget plan. A new taxation policy introduced regulations under which enterprise incomes in excess of 300,000 yuan will be taxed. A commercial tax is also levied by the government on all businesses in addition to income tax. Only those enterprises which lose money are exempt.

The State Education Commission provides supervision through all levels of educational administration. At each educational administration level, an office or division has been established with the responsibility for managing school enterprise activities. In one district of Beijing city, a special research institute has been established to study problems which may emerge from operating school enterprises. Evaluation of the principal's performance in operating a school enterprise has been included in three of the school boards studied.

Local governments at various levels have been advised to provide the schools with properties at lower than market price in order that they may operate enterprises. It was recommended that banks offer schools loans at reasonable rates in order that they might get started in revenue-producing businesses. Different government divisions were requested to provide low cost land as well as additional quotas of equipment and material to such schools. In both Zhaoqi and Guan cities, the school enterprises received such support.

The government approves and encourages school enterprise development and sponsors an annual series of conferences involving administrators from various levels of elementary and
secondary schools. Principals and managers who exhibit outstanding leadership in the educational and business fields are honored at these sessions and leading schools are identified. Three of the six schools in this study, Niudon Secondary School, Xinhua Secondary School and Guangming Secondary School, reported that they were recognized as model schools by the government.

A conclusion from this research indicates that there is a common belief that it is necessary to operate an enterprise in the schools since the funding provided by government is inadequate. The government believes that public education should not rely solely on government funding. Instead support from schools themselves and communities also is very important.

In practice, the government has developed its policies based on the principle of efficiency rather than equity. At the school administration level the emphasis has been placed upon economic benefits from the market rather than obeying government regulations.

Currently, school enterprises have been successful because they have benefited both from central government protection as well as from competition in an incomplete market. Government supports in tax deduction, cheap land and lower interest rates enable school enterprises to produce their products at a low cost. These products compete with similar commercial companies in the market. It may be assumed that a future reform in the economic system will require changes such as decreased centralized planning, an increased systemic flexibility and increased commodity production, allowing the market mechanism to play a large role in order to achieve a better match between supply and demand. All these possible changes
function and the nature of the school enterprise reacts significantly.

**Figure 6.1.** The Nature of the Chinese School Enterprise

6.2. Conclusions

The Chinese School Enterprise

The Chinese School enterprise was originally a means whereby students would have the opportunity to learn work skills, while at the same time, through their labour, produce goods that might be sold in order to provide financial support for the school. However, it soon became
apparent that this concept was not attained. The students did not have the skills to produce goods of a sufficiently high quality to compete in the open market. Moreover, the time spent away from their academic work detracted from that needed to earn the high standing demanded for admission to university. Consequently, student involvement in enterprise activities has virtually disappeared. In effect, it may be concluded that as long as the academic mission of the school is perceived to be the preparation of students for the highly competitive admission examinations for university, the situation will not change. Although the literature suggests that work experience in other settings has enjoyed a degree of success, the present economic and educational climate in China will not support such a system.

One feature of the economic climate in China is the inability of the central government to supply adequate funding for the country's schools. Because it is unlikely that this situation will change, enterprise activities devoted solely to producing financial support for the school will continue to be a feature of the educational system. At the same time, it should be noted that other fund-raising, but non-enterprise, systems will probably become more common. For example, the practice of charging high school fees for non-resident students appears to be becoming increasingly popular and, although the government has sought to legislate a cap for these fees, it does not seem to be capable of monitoring its policies. It seems reasonable to expect that schools will be become increasingly ingenious in devising ways to circumvent the policy.

This study has shown that schools have been very successful in accommodating fund-raising ventures, on one hand, and maintaining their academic emphasis on the other. As long as educational institutions at any level in the system continue to impose extremely high academic
admission standards, those schools providing candidates for admission will be forced to adhere to the traditional practices of preparing students for entrance examinations. It is possible, although hardly probable, that the central government might introduce technical colleges as an alternative to universities. The success of those colleges in graduating students into successful careers could be the motivation for certain students. Indeed, as China’s economy becomes increasingly market driven, technical education may become an important part of the secondary school curriculum. Consequently, the original role of the enterprise in both generating revenue as well as training students may well re-emerge!

Organizational Culture as an Analytic Tool

The decision to use Schein’s organizational culture concept as an analytic tool has been judicious. As noted in the review of the literature, several authors have developed or adopted organizational culture models which usually indicate the dimensions of guiding beliefs and patterns of behavior. Schein’s three level model -- artifacts, values and assumptions -- is much more comprehensive and, by using the Kluckhohn-Strodtbeck schema of basic assumptions, delves into the reasons why certain values have emerged and why specific artifacts are important. Schein’s discussion and elaboration of each of the three levels of organizational culture prompted a more through analysis of the Chinese educational system than otherwise would have occurred. Of particular importance to this study was the discussion of architectural artifacts and assumptions related to attitudes towards authority. Other studies of the educational system using Schein’s model, already discussed in the review of the literature, have also produced rich data.
6.3. Implications for Additional Research

The present research has been descriptive and investigative, rather than prescriptive. Therefore, it is not intended to propose recommendations for future policies or actions. Moreover, because of time limitations, accessibility to schools and other constraints, the study has provided a limited overview. However, it may provide a foundation for the development of further studies focusing on the school enterprise in the education system. The enterprise topic covers a broad area and therefore it would be possible to identify many specific areas for investigation in more detail. Apart from the examination of organizational culture based on the development of the Chinese school enterprise as discussed in this study, additional studies may be carried out from a policy analysis perspective. In addition, a study focused on conflicts between educational functions and business responsibility would be important. Four of six schools in this study seem to have reached the conclusion that it is impossible to integrate education with business if the school has become dependent on the financial support of the school enterprise. A comprehensive study of that issue would be useful to educational policy makers.

The equity issue is another important area of study with respect to school enterprise activities. Since collecting fees from students has become an important type of enterprise income, some equity issues have arisen. Firstly, there is an unfair competition between key-schools and non-key schools. Key-schools, such as Xinhua Secondary School, may enrol students for a higher fee requirement which results in greater revenue than can be obtained by non-key schools. Equity issues also exist with respect to the freedom of students to choose a
better school. The choice is now based on the buying power of parents to purchase a place for their students in prestigious schools.

Does the pursuit of private resources by the school enterprises prevent public schools from carrying out government policies which are in the public interest? This is another potential area of study. Since 1949 the Chinese government has maintained political and moral control over the public through its control of education. School principals in this study have declared that extra financial resources have given them more power in making decisions in areas such as human resources management. Is this in conflict with the government's effort to control the public?

The term school enterprise is not a new one. As early as the fifteenth century, John A. Comenius applied it to a study combining productive work with theoretical learning. However, very few examples of literature are found that explore the school enterprise from a financial point of view. Only very recently has the term, "school enterprise", been used with reference to purely financial activities in schools (Brown, 1994). This, however, not only indicates a renewed interest in the subject but also reflects a world-wide problem faced by school systems: the lack of sufficient support from government. A further study may investigate ways in which that lack of support has been addressed in other countries. A historical review could help readers to understand the differences in the way the phrase is used.

Beyond a concern about terminology, there has been a transformation in the function of schools. Chinese schools are involved in various fund-raising activities even though these
activities are regarded by the government as inappropriate. For centuries, schools have been regarded as places where students acquire knowledge. Even when productive activities were introduced in the early part of the 17th century, they were mainly for the purpose in improving students' learning. Financial benefits to the schools or students were incidental. This traditional view is still widely held. Conflicts are obvious since education and business are based on different values. For business, the goal is to be financially profitable; for schools, the goal is to teach students so that they may become valued members of society. Businesses are evaluated by the market and expect quick financial returns. Education, on the other hand, is a long-term activity with distant goals. The Chinese have a saying, "Ten years for a tree to grow and a hundred years to see the results of education". That the schools involved in business are undergoing change will almost certainly result in the future expansion of such schools since government funding seems to be a common problem in most education systems.

It is hoped that this study will contribute to an increase in research with respect not only to the Chinese experience with enterprise activities, but also to financial endeavors within schools in other parts of the world.
Bibliography


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Decision on Universalizing Primary Education (1980)
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Provisional Code; Finance in Work-study Programs (1982)
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Circular; Enterprises and Schools (1984)
Further Development of Work-Study Programs in Primary and Secondary Schools (1984)
Education Law of the People’s Republic Of China (1995)
Appendix 1

Research Questions

The nature of the school enterprise

* Where is the enterprise located?
* What does the enterprise do?
* What are the markets for the products of the school enterprise, and how does the school find them?
* How much profit did the enterprise make in the last year?
* What percentage of the school budget is provided by the enterprise?
* How is the money distributed?
* Who decides how the distribution will be made?
* What portion of the school space (if any) is used for the enterprise?
* What is the management structure of the enterprise?
* What qualifications do the enterprise managers need to have?
* How is the enterprise manager selected?
* Who has the power to make decisions in the enterprise?
* To what extent does the enterprise management hire people outside of the school?

Relationships with the school

* How many teachers, staff and students are involved in enterprise activities? How are they involved? What is their motivation to become involved?
* What are the rewards for being involved in enterprise activity?
* To what degree do the enterprise activities affect the school curriculum?
* What changes to the school's physical structure does the initiation of a school enterprise require?
* What changes in school policies have been developed because of the operation of the school enterprise?
* Has the enterprise modified the school's requirements for student admissions?
* What are the most successful aspects of the enterprise activities as far as the rest of the school is concerned?
* How does the enterprise effect power or authority structures of the school?
* What is the relationship between the enterprise management and the school administration?

Relationships with the community

* How do the enterprise activities effect the school's relationship with the parents of the students?
* What kind of relationship does the enterprise have with other schools, business, factories, stores, etc?
* What problems are caused by the enterprise to the school and the community?
* What are the most successful aspects of the school enterprise activities as far as the community is concerned?

**Relationship with the government**

* What is the relationship between the enterprise and different levels of government? * How was the enterprise initiated in terms of government policy?
* What kind of supporting policy does the enterprise receive from the government?
* How do government policies exercise control over school enterprises?
Appendix 2

Xinhua Secondary School Salary Reform Plan

Principles of the reform:

1. To apply an incentive to staff members,
2. Encourage employees to work hard,
3. Sensitive to relationships among teachers, support staff, administrative staff, juniors; and seniors.
4. Based on the school’s financial ability
5. Employees who have signed contracts with the school principal are included.

Salary standards:

1). Teachers

   basic pay (government standard) plus.

2) Pay for years of work and teaching experience.

   a. Work experience payment: (x yuan for every year)
   b. Teaching experience Payment: 1.5x for every year

3) Pay for position and amount of responsibility.

   (1) pay for teaching position
   a. Expert level 10x per each class
   b. Level 1 8.5x per each class
   c. Level 2 7.0x per each class
   d. Level 3 5.5x per each class

   (2) pay for workload

   1.5x per each teaching plan and 3.0x per each special teaching plan

   (3) workload,

   Chinese - 2 teaching class groups
   other subjects - 12 classes per week
   Teachers reaching the full workload will be paid 45x each month
(4) Overtime - each class 14x
(5) Chinese and English morning preparation class 2 x per each class;

(6) basic subjects - full work load 3-4 classes each week
    exercise class teacher - monitoring morning exercises - 7 x per week

(7) teaching last grade of junior high school and senior high school to prepare students for
    national examination - each class converted to 1.25 class load

(8) Chinese teacher’s pay - 14 x per month for extra work on student assignments

(9) male teacher aged over 55yrs and female teacher whose age is over 50yrs; each month pay
    additional 4x class load
Appendix 3

Administration Handbook of Xinhua Secondary School,

the teachers responsibilities included:

(1). To be familiar with the context of the unified curriculum, to be familiar with the students needs and to be well prepared for class. To select appropriate example exercises from textbooks and give the students homework

(2). To use each 45 minutes of class time efficiently and make a complete teaching plan.

(3). To check students' homework carefully and timely and give students help outside of class time if it is necessary.

(4). To develop multi-type activities outside class. encourage students to develop an interest in learning, open their minds and improve students ability to be prepared for the championship.

(5). To study the theory of teaching and keep improving teaching methods.

(6). To be well prepared for the mid-term and the final term examinations. analyze the results of these examinations. complete the examination report (The Collections of School Regulations. 1994:18).

(7). To accept the lead instructor's supervision.

The secretary of the Communist Party is the assistant to the principal and helps to make decisions. His/her duties:

prepare propaganda and implement the Communist Party's ideology and policy: organize regular meetings for discussion of important affairs in the school and share in decision-making; guide the Young Pioneers' activities; accept new Party members; work with the principal on promoting directors of divisions (Xinghua Secondary School Job Description. 1994:11-12).

A document collected at one interview indicated that a moral standard for secondary school
teacher should be:

1. Love socialist motherland, protect the leadership of the Communist Party, study Marxism, Mao's ideology, love education.

2. Apply education strategy, following the rule of education, be diligent and cultivate student moral character when teaching.

3. Consistently improve academic knowledge, be hard working and have high standards. be creative and research oriented.

4. Love students. exercise fairness and protect the physical and mental health of students

5. Love school and care for the collective group, be modest and cautious, cooperative, and obey laws and regulations; be honest.

6. Dress properly, be polite and act as a model to students. (Written by the State Education Commission and the teachers' Union)