

Corporate Deliberative Democracy: Case Study of Deliberative Democratic Conversations at the the Longbird Enterprise Group

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The history of industrialization is a history fraught with struggles, and the conflict between labor and management represents a major social contradiction. The labor-management contradiction reflects a fundamental, deep-rooted social ill of the private ownership system: a minority of people holding possession of the wealth of society uses it to control the labor process and obtain even greater wealth; while the majority of laborers only receive labor income and passively accept being managed and controlled. Therefore, the industrialization process has always been accompanied by movements and theoretical explorations to maintain the human rights of laborers and protect labor dignity, and industrial democracy and employee participation have become enduring themes in industrialized society. China now finds itself in a phase of rapid industrialization; in order to explore harmonious enterprise management and coordinate the labor-management relationship, attempts at industrial deliberative democracy and employee participation have cropped up in various locations. The Longbird Group's deliberative democratic conversations are one such example.

14.1 Employee Participation Theory

Employee participation (involvement) generally refers to employee participation in workplace decision-making and management. Employee participation and participative management are two concepts that are frequently used interchangeably to refer to the incorporation of employees into enterprise decision-making, as well as all of the systems that develop the role of employees in enterprise decision-making.¹

There are many treatises concerning the theoretical basis for employee participation, involving such academic disciplines as political science, economics, and management science.² We have classified these treatises as follows: those written from the perspective of the relationship between political democracy and economic democracy, those written from the perspective of human rights, and those written from the perspective of management efficiency.

The first type discusses the necessity of industrial democracy and employee participation from the perspective of the relationship between political democracy and economic democracy. Political democracy and economic equality are the ideals that humankind pursues. The bourgeois revolution and the establishment of capitalist democratic regimes enabled the gradual achievement of political democracy, but inequality in the economic arena continued to grow. Democratic thinkers from John Stuart Mill, G.D.H. Cole, and Robert A. Dahl to Carol Pateman have all proposed that

¹ Stephen M. Bainbridge, "Privately Ordered Participatory Management: An Organizational Failures Analysis," *Delaware Journal of Corporate Law*, 1998 (23): 979.

² [Chinese] [Xie Yuhua, He Baogang, "Review of Western Industrial Democracy and Employee Participation," *Comparative Economic and Social Systems*, 2007 (2): 138-146.]

democracy is not merely a matter for the political arena, but that democracy must also be put into practice in social organizations, advocating that political democracy and political participation be expanded into the fields of economic, industrial, and social affairs. Because people spend most of their lives in the workplace, it is here where the greatest degree of hierarchical, power and subordination relationships exists. And yet millions of people who have the rights of participation and autonomy are trained to submit in their daily work. The industrial system of servility is infallibly reflected in political systems, which enable this quality of servitude to develop.¹ Therefore, the most appropriate arenas for citizen participation are the arenas that are most closely tied to people's lives, such as the community or the workplace.² If democracy is valid and reasonable in the governance of nations, then it is also valid and reasonable in the governance of enterprises; if it is unreasonable in the governance of enterprises, then it is also unreasonable in the governance of nations.³ Cooperation in industrial organizations causes a "moral conversion" to occur in the participants; moreover, cooperation spurs friendly competition among participants, increases respect for labor, and gives workers a sense of security and independence, enabling the daily work of each person to be in greater harmony with society, and fostering their true abilities.⁴ Industrial democracy has an educational role; only by experiencing training in democracy in routine life settings can political democracy be achieved.

The second type discusses employee participation from the perspective of human rights. These theories take the view that employees are human beings, and that the ethical significance of a human being is that he or she is a functional entity with purposes and interests. These characteristics of purposes and interests determine this person has the basic right to exist and "individual autonomy"; if the right to exist is deprived or if extraordinary poverty occurs in a society, then that society must take measures to correct it. This is a view that is advocated unanimously by the traditional philosophers. Therefore, the first right of human beings is freedom—the freedom to exist without physical limitations and without coercion by external forces. The second right is equality. When managers hire employees, they must always remember to treat the employees as human beings and not as tools of the company.⁵ In fact, industrial democracy and employee participation have been consistently promoted from the perspective of governments and international organizations based on the protection of human rights.

The third type studies employee participation from the perspective of management efficiency. Industrial democracy proponents Cole and Dahl both discuss the functions of employee participation, taking the view that in participative systems, there is no group differentiation between "the managers" and "the managed" (those having no voice in the enterprise's affairs); everyone is an equal decision-maker. In such a cooperative organization, workers labor very efficiently, and fully develop their creativity. In the

¹ Cole, G.D.H., *Labour in the Commonwealth* (London: Headley Bros., 1918), 35.

² [Chinese] [(U.S.) Carole Pateman, translated by Chen Yao, *Participation and Democratic Theory* (Shanghai People's Publishing House, 2006), 76.

³ Robert A. Dahl, *A Preface to Economic Democracy* (Los Angeles: University of California Press, 1985), 111.

⁴ J.S. Mill, *Collected Works of John Stuart Mill*, Edited by John M. Robson and Others (Toronto: University of Toronto Press, 1965), 792.

⁵ John R. Rowan, "The Moral Foundation of Employee Rights," *Journal of Business Ethics*, 2000 (24): 355-361.

cooperative enterprise that Dahl envisaged, the fully equal citizen relationship greatly reduces enmity and conflict in privately owned enterprises, and indirectly reduces social and political conflict. Unlike enterprises under the private ownership system, which give priority to the consideration of shareholder interests and may sacrifice employee interests, autonomous enterprise managers who are selected directly or indirectly by workers will give priority to the consideration of the interests of the citizens, thereby arousing employee enthusiasm and achieving enterprise efficiency.¹ Since the 1970s and 1980s, researchers in the fields of industrial democracy and employee participation have attached importance to the analysis of experimental and empirical data. Utilizing large numbers of case studies and enterprises to practically research the management efficiency of participation, they have proposed that industrial democracy increases employee job satisfaction and employee self-actualization, encourages greater employee initiative, and raises work efficiency; that it results in greater job flexibility and adaptability which increase the innovation capabilities of workers and promote technological innovation; and that it reduces work conflicts, is beneficial to teamwork, and increases production efficiency.²

There are many forms of employee participation; the direct form is worker self-rule. This is the form of industrial democracy at the highest level, and is the systemic and organizational form whereby workers jointly own and manage the enterprise. This is the form sought by early industrial democracy thinkers; it is the Marxist ideal for industrial democracy; and it is what scholars who study enterprise democracy theory under contemporary ownership structures yearn for. During the Spanish Civil war from 1936-1939, worker-owned and worker self-ruled enterprises appeared, and the majority of the economy was under the control of workers. In Catalonia, the stronghold of anarchist power, 75% of the economy was under the control of workers.³ Yugoslavia's social ownership and worker self-rule were an embodiment of this form of industrial democracy. Spain's Mondragon Cooperation (MCC) is also a form of worker self-rule.

Indirect forms of employee participation primarily include:

① Participation in decision-making by worker representatives. There are many means by which worker representatives participate in decision-making; the German model of codetermination is the most typical. The Coal and Steel Codetermination Act adopted in 1951 required that coal and steel enterprises having 1,000 or more employees establish supervisory boards consisting of equal numbers of representatives from labor and capital, to serve as top decision-making bodies of the enterprises. A subsequent amendment expanded the scope of labor-management codetermination to all enterprises having 2,000 or more employees.

② Collective bargaining. Collective bargaining usually refers to consultations held between labor unions and employers with respect to such issues as wages, working conditions, and benefits. In 1935, the Norwegian Confederation of Trade Unions and the Norwegian Employers' Confederation jointly signed a Basic Agreement, requiring that negotiations between management and worker delegates be held at all local and factory

¹ Dahl, *A Preface to Economic Democracy*, 108-109.

² G. O'Brien, "The Evidence for Industrial Democracy," *Proceedings of the International Conference on Industrial Democracy*, (Adelaide: CCH Australia Limited, 1978), 187-214.

³ http://en.wikipedia.org/wiki/Economic_democracy.

levels. The labor union is not merely a consulting organization, but is also entitled to participate in production planning, sales planning and personnel policies. Through consultations, the Swedish Employers Association and the Swedish Trade Union Confederation implemented a worker participation system that is acceptable to both parties; collective bargaining unfolds at the national, industry, and enterprise levels, and once labor and management reach an agreement, the two sides urge their members to comply with the contractual terms and conditions.¹ The labor movement's influence is relatively weak in the United States; for a long time, workers and unions have believed that collective bargaining is the only real means of worker participation, and is virtually synonymous with industrial democracy.²

③ Joint consultation. Joint consultation refers to the form of industrial democracy and employee participation in which management and worker delegates jointly discuss company affairs. Joint consultation is typically implemented by means of worker committees or other worker delegate organizations, to arrive at consensus among employees, unions and employers regarding such issues as wages, production conditions, occupational safety, health, and technological innovation. Research indicates that joint consultation is affected by such factors as the consultation committees (whether or not they are truly worker delegates), the frequency of consultations, who initiates the consultation and the consultation agenda, and whether or not the results of consultation are implemented. The more direct, routine, and practical the consultations are, the greater their ability to promote increases in productivity.³ The United Kingdom and Australia most frequently use joint consultation.

Other forms of employee participation include autonomous and semi-autonomous working groups, employee stock ownership, work design, and information sharing. In fact, most enterprises use composite participation forms, i.e., combinations of the various forms of participation.

14.2 Background of the Longbird Enterprise Group's Deliberative Democratic Conversations

The system of ownership of China's state-owned enterprises determines that democratic management is an important component of enterprise management, with such forms of enterprise democracy as trade unions and employee representative councils participating in decision-making and exercising surveillance authorities; democratic discussions of enterprise leaders by employees, etc. In the course of enterprise ownership reform, many contradictions and conflicts emerged, making the democratic management of enterprises and democratic supervision seem particularly important.⁴ In private sector enterprises in

¹ [Chinese] [Jiang Yiwei, Cui Yi, et al., *Dictionary of Employee Democracy* (Beijing: Economy & Management Publishing House, 1993), 534.

² George Strauss, "Workers' Participation in the United States," *Democracy and Control in the Workplace* (Melbourne: Longman Cheshire, 1986), 317.

³ R. Alexander and J. Lewer, *Understanding Australian Industrial Relations*, 3rd eds. (Sydney: Harcourt Brace, 1995), 56-79.

⁴ Jonathan Unger and Anita Chan, "The Internal Politics of an Urban Chinese Work Community: A Case Study of Employee Influence on Decision-making at a State-owned Factory," *The China Journal*, No. 52 (July 2004), 1-24.

China, labor-management relations exhibit features of the early stages of the factory system. As the private sector economy has expanded, coordination of the labor-management relationship has become an issue that is on par with technological innovation in terms of importance. The “migrant worker shortage” is a silent protest of “peasant workers” “voting with their feet” in the contest of power between labor and management. Private sector enterprises have begun to improve, attaching importance to employee interests, enhancing internal communication, and strengthening team-building, in order to ensure “lasting success.”

The Longbird Group is located in Zeguo Township, Wenling, Zhejiang. Founded in April 1999, it is an enterprise group that is primarily engaged in the production of coated aluminum coil building materials, combined with businesses in new construction materials, education, real estate, investment and trade. The group has 26 coated aluminum coil production lines, with annual capacity of 120,000 tons, and realized sales of RMB 150 million in 2003, RMB 430 million in 2004, and RMB 650 million in 2005. By 2005, the group occupied 180,000 square meters of land, with an architectural area of 120,000 square meters, and had assets totaling RMB 480 million. It is the largest leading enterprise in the domestic coated aluminum coil industry. It is among the top ten enterprises in Wenling, and the top 50 private enterprises in Taizhou. The rapid development of the Longbird Group has required the enterprise to break away from the problems of family-style management and move toward standardized, scientific management. The group’s biggest problem at present is the issue of talent; it needs both to resolve the “migrant worker shortage” and to reduce high staff turnover in order to build a high-quality and stable team of employees. Therefore, strengthening internal communication, understanding employee demands, accepting employee participation, and increasing cohesion are all urgent matters for the enterprise.

Wenling has already implemented five years of “democratic conversations,” and has accumulated experience in deliberative democracy in the course of public decision-making. In 2000, after the Wenling Municipal Committee of the CCP issued *Comments Concerning the Launch of “Democratic Conversations” in Non-State-Owned Enterprises*, certain deliberative democracy activities were initiated by non-state-owned enterprises. The Longbird Group’s democratic conversations were a relatively complete deliberative democracy activity carried out with the support of the township government and scholarly participation.¹

14.3 Design of the Longbird Deliberative Democracy Conversations

The Longbird Group’s preparations for and design of the democratic conversations were ample. First, it was determined that the objectives of this round of democratic conversations were as follows: “To point the way for future advancement; to harmonize internal relations; to unite the hearts and minds of employees; to advance the democracy of decision-making and management; to strengthen the development of corporate culture; and to build a harmonious enterprise.” The conversation themes were categorized into the

¹ He Baogang directed this round of deliberative democratic conversations from beginning to end. http://www.zjwldj.gov.cn/shownews.asp?auto_id=1298.

six areas of enterprise decision-making, enterprise management, enterprise innovation, enterprise culture, labor protections, and enterprise internal relations.

Second, an organizational structure for the democratic conversations was established, implementing an operating mechanism in which the enterprise was the working principal, while the township government offered guidance. Longbird’s deliberative democratic conversations group consisted of a guidance group and a working group; members of the guidance group included the township party secretary, while the working group consisted of the group’s chairman, chief executive officer, vice presidents, department managers, and the president’s assistant. Specific implementation was the responsibility of the general manager’s office.

Third, delegates were selected for the democratic conversations. For the selection of delegates, the scientific random sampling method was used to randomly select 89 candidates from among over 700 group company employees (excluding six senior managers who did not participate in the sampling). For the sake of fairness and impartiality, balls in three colors were specially produced as sampling tools, each color having balls bearing ten numbers from 0-9. For each selection, one ball of each of the three different colors was drawn separately to form a three-digit number, this number being the employee ID number of the selected employee. Because twenty of the delegates were unable to leave their posts during their shifts, 69 of the 89 delegates participated in the democratic deliberation meetings on June 30 and completed the two questionnaires before and after the meetings. The number of participants accounted for 77.5% of the number of delegates selected (see Table 14.1).

Table 14.1: Sampling of Conversation delegates

| Composition of Delegates | Number of Delegates | Percentage (%) |
|----------------------------------|---------------------|----------------|
| Sex | | |
| Male | 46 | 66.7 |
| Female | 16 | 23.2 |
| No answer | 7 | 10.1 |
| Education level | | |
| Illiterate | 2 | 2.9 |
| Elementary school | 1 | 1.4 |
| Middle school | 29 | 42.0 |
| High School | 17 | 24.6 |
| Secondary vocational school | 7 | 10.1 |
| Junior college | 8 | 11.6 |
| Undergraduate degree | 2 | 2.9 |
| Master’s degree or higher | 1 | 1.4 |
| No answer | 2 | 3.1 |
| Length of service at the factory | | |
| Less than one year | 21 | 30.4 |
| One to two years | 13 | 18.8 |
| | 13 | 18.9 |

| | | |
|-------------------------------|----|------|
| Two to three years | 10 | 17.4 |
| Over three years | 10 | 14.5 |
| No answer | | |
| Position | | |
| Office of the general manager | 3 | 4.3 |
| Administration | 7 | 10.1 |
| Finance | 4 | 5.8 |
| Marketing/purchasing | 5 | 7.2 |
| Production workers | 34 | 49.3 |
| Production management | 5 | 7.4 |
| No answer | 11 | 15.9 |

As can be seen in Table 1, the gender composition of the conversation delegates is essentially consistent with that of group company employees. The education levels of the conversation delegates were primarily at the middle and high school levels, which approximated the education level composition of group company employees. Conversation delegates with terms of service at the factory of two years or less accounted for 68% of all delegates; in particular, those with less than one year of service accounted for 30.4%, reflecting the reality of the instability of the group's team of employees. Front line production workers accounted for nearly 50% of the conversation delegates, which corresponds to the composition of positions at the enterprise, and ensured that the conversations would reflect the opinions of front line workers.

Finally, moderators were selected and trained. The moderators were ten middle school teachers from outside the group (five moderators and five stenographers, responsible for moderating the discussions of five respective groups). Moderators play an important role in ensuring equal participation and active speech in deliberative democratic conversations. In order to increase the effectiveness of the democratic conversations, He Baogang conducted a half day of training for the moderators, and required that the moderators, in addition to meeting the standard criteria for moderators in general, also successfully "participate in the meeting as third parties and not insert their own viewpoints; guarantee that the group delegates have ample and equal opportunities; encourage group delegates to express their own viewpoints; and channel rational debate."

The democratic conversations were divided into four steps. In the first step, before the democratic conversations, the conversation delegates completed anonymous questionnaires concerning the six areas of enterprise decision-making, enterprise management, enterprise innovation, enterprise culture, labor protections, and enterprise internal relations; each area included a critique of the status quo and suggestions for improvement. In the second step, one week after the first questionnaire, the conversation delegates were divided into five groups to hold discussions of the six major issues. In the third step, all conversation delegates were divided into two groups, each of which then respectively engaged in deliberative dialogue with the company's senior management, including the chairman and chief executive officer, on the afternoon and evening of June 30. Before the dialogues, the delegates drew lots to determine the speaking order.

Dedicated personnel recorded the speeches made throughout the course of the group discussions and the deliberative dialogues. In order to eliminate the concerns of delegates, all records only recorded serial numbers; names of speakers were not recorded. In the fourth step, after the deliberative conversations, the conversation delegates once again completed anonymous questionnaires (identical to the previous questionnaires). Finally, the group chairman and chief executive officer made a summary of the questions and recommendations raised by employees. The group's deliberative democratic conversations group kept statistics and sorted the information concerning the two rounds of conversations, submitted them to the Group's decision-making level, and promised to provide the employees with feedback.

14.4 Summary of the Longbird Deliberative Democratic Conversations

Both the opinion surveys and the deliberative conversations were conducted in the six areas of enterprise decision-making, enterprise management, enterprise innovation, enterprise culture, labor protections, and enterprise internal relations. The author will summarize this information based on the second anonymous questionnaire and the situations at the deliberative deliberation meetings. The design of the questionnaire used scale choice questions; each question lists the ten scaling options from "0" (most negative) to "10" (most positive) and one "do not know" option, and the delegates were to choose the most suitable option.

Regarding enterprise decision-making, 40.6% of respondents said that they fully understood the company's strategic objectives, and 33.2 % said they had a basic understanding. Clearly the company has achieved relatively good results in publicizing its strategic objectives. 32.4% of the conversation delegates felt that the company's decision-making was democratic, and 20.5% felt that it was essentially democratic, but 10.3% of the delegates felt that it was completely undemocratic. In assessing the company's hiring, 30.4% of the delegates felt that the company hired based on merit, while 40.6% of the delegates felt that the company practiced cronyism in its hiring. In the face-to-face conversations, the delegates raised criticisms and suggestions concerning the willful and arbitrary negation of company decisions by individual family members of the company, low implementation rates, and cronyism in hiring at the core level of the company. Regarding the company's proposal to establish a decision-making mechanism of "public participation, study at the decision-making level, and final decisions by the chairman," there was a high level of consensus among the conversation delegates, with 69.6% of delegates feeling that the establishment of such a decision-making mechanism was "very necessary" and 31.8% of delegates feeling that it was "necessary."

With respect to enterprise management, 16.4% of the conversation delegates felt that the company's management was standardized, and 50.8% felt that the company's management was basically standardized, but 30.4% of delegates felt that the company's management was irregular, and 9% felt that it was very irregular. The irregularity of management is manifested in the company's insufficient use of modern enterprise management systems and domination by family management, with 24.6% of delegates feeling that the company uses family management, and 27.3% feeling that it basically uses family management. However, the delegates felt that the company more often used modern management systems in routine management, with 78.1% of delegates feeling

that the company has relatively complete management systems; 79.5% of the delegates felt that the company's rules and systems were basically enforceable; and 86.9% of the delegates felt that the company's oversight of employee enforcement systems was relatively complete, despite the criticisms raised by the delegates regarding the quid pro quo culture [translator's note: the practice of requiring and granting special favors] and nepotism in the implementation of rules and systems. After seven years of development, the Longbird Group is ahead of certain small privately-run enterprises in terms of standardized and scientific management, but severe family management difficulties still remain. During the conversations, the delegates said that the instability of the company's management team, and particularly the middle and grass roots level management team, had brought about serious consequences, affecting the continuity and gravity of the company's enforcement of systems. 21.7% of the delegates felt that they had encountered and 36.1% of the delegates felt that they regularly encountered situations in which the "orders were coming from many different offices," leaving employees unsure about what to do. High management high turnover in some departments (during the conversations, a delegate said that five managers had resigned from a certain management department within a two-month period) has affected the departments' daily operations.

In the area of enterprise innovation, the conversation delegates identified strongly with for the importance attached by the company to independent innovation, with 89.8% of delegates feeling that the company attaches importance to independent innovation, and 94.3% of the delegates feeling that independent innovation is important to the enterprise. The delegates felt that the company attached the most importance to technological innovation; in order, the other areas were management innovation, product innovation, marketing innovation, cultural innovation, and structural innovation. However, the delegates felt that the company faced many difficulties with respect to independent innovation, the greatest difficulty being a lack of talented personnel; in order, the other difficulties were structural impediments, conceptual impediments and inadequate incentives.

Regarding enterprise culture and employee extracurricular life, 94.5% of the conversation delegates felt that the enterprise culture affected the enterprise's development to a great degree. However, 95.7% of the delegates felt that the ideas of the enterprise's boss greatly affected the enterprise culture. The enterprise culture at privately-run enterprises is a "boss" culture. Regarding the group's newsletter, the *Longbird*, the delegates felt that its functions, in order of importance, were to display the Longbird image, to be a window for external publicity, to be a carrier of enterprise culture, to showcase the extracurricular life of employees, and to serve as a platform for communication between management and the grassroots level. 68.1% of the delegates were basically satisfied with Longbird's cultural life, but 11.6% said they were very dissatisfied. 56.4% of the delegates felt that the extracurricular cultural life of Longbird employees was relatively active, but 10.1% of the delegates were very dissatisfied with the extracurricular cultural life of employees.

How do employees spend their leisure time? The delegates' selections (selection of multiple items was permitted) were: reading, 30%; sleeping and resting, 27.5%; exercising, 23.2%; shopping, 20.3%; spontaneously organized activities, 18.8%; other, 10.1%. 14.5% of the delegates said that time was very short, and that they had virtually no leisure time. During the conversations, some delegates said that working hours were

too long, that they had inadequate sleep, that work efficiency was affected, and that they hoped the amount of time off could be increased.

With respect to labor protections, only 5.8% of the delegates were satisfied with their current salary levels; 41.8% of the delegates were dissatisfied or basically dissatisfied; 26.1% were barely satisfied; and 18.8% were basically satisfied. Regarding their own job performance at the company, only 5.7% felt dissatisfied, while 88.3% felt basically satisfied or satisfied. Of course, this reflects the inherent flaw in subjective judgment, but it also offers a glimpse into the mentality of the imbalance between “rewards and input,” which is an important factor impeding the improvement of labor productivity and the stability of the employee team. However, the delegates had the highest level of satisfaction in the company’s ability to pay wages in a timely manner without delay, followed by the company’s policy to “provide free food and accommodations.” 78.2% of the delegates basically approved of the company’s production safety protections, and felt relatively confident in them. Labor protections were the issue that was most discussed during these conversations. The delegates entered into deep discussions with company management concerning such issues as wage increases, improving working conditions, and stabilizing the employee team.

Regarding enterprise internal relations, 82.6% of the conversation delegates felt that their interpersonal relationships at the company were relatively harmonious. Due to high employee turnover, only 26.1% of the delegates were able to call most of the company’s employees by name; 5.8% of the delegates engaged in small talk with their coworkers on a daily basis, and 44.9% of the delegates engaged in small talk with their coworkers frequently. The conversation delegates had a relatively high level of trust in their coworkers and superiors; the proportion of delegates who basically trusted or greatly trusted their coworkers (84%) was slightly higher than the proportion of those who basically trusted or greatly trusted their superiors (75.3%); while the proportions of delegates who had basic respect and great respect for their coworkers (85.4%) and superiors (84%) greatly exceeded the proportion of those who had basic respect and great respect for their subordinates (52.4%); even when the portion of respondents who have no subordinates is eliminated, there remains a definite gap between the two, reflecting to a certain extent the influence of authority culture in the enterprise.

14.5 Significance of the Longbird Deliberative Democratic Conversations

The Longbird deliberative democratic conversations essentially achieved the initially planned objectives, not only having positive significance for the improvement of enterprise management and invigoration of enterprise culture, but also representing an opportunity for education and training in democratic participation, which could also prove to be enlightening for other enterprises and organizations.

(1) For employees, bosses and senior management, the conversations were an opportunity for education and training in democracy

Disharmony in labor-management relations at privately-run enterprises is already a common phenomenon, and has become an important factor that impedes the development and expansion of privately-run enterprises. During the preparation stage for Longbird’s deliberative democracy, scholars participating in the study worried that the family management authority and bureaucracy would limit the enthusiasm of employees to

participate; enterprise management also worried that employees would not raise valuable comments and suggestions, and worried that the conversations would bring up excessive demands, and bring disorder to the hearts and minds of the employees; the employees, on the other hand, expressed doubts and distrust about management's intentions in engaging in deliberative democracy. However, as the conversations gradually proceeded in earnest, employees essentially spoke freely. Both the afternoon and the evening conversation meetings exceeded the originally scheduled times by two to three hours. During the meetings, employees raised many sharp issues, such as wage and benefit compensation and family management, and even directly pointed out the defects and errors of certain managers in certain departments. After the conversations came to a close, most of the delegates said that they hoped that deliberative democracy could continue on a regular basis.

Moderator: "Do you feel that the conversations were meaningful?"

Group 2, number 16: "Exchanges like this are definitely beneficial for us."

Group 2, number 13: "The talks had an effect; I'm confident there will be improvement."

Chairman: "I hope we can continue with the conversations, and I hope everyone offers more opinions and listens to everyone else's opinions, to do a better job."

That the enterprise bosses and management were willing to adopt the deliberative democratic conversations to improve labor-management relations, unify the hearts and minds of the employees, and build the enterprise's culture represents progress in and of itself. During the conversations, the bosses and management did not appear in the guise of instructors or guides, but rather listened patiently; they did not contest the comments raised by the employees, but rather offered explanations or promises.

Group 2, number 58: "I have several questions: First, the odor in the paint workshop is strong during the summer; would it be possible to pay an allowance for the months from July through September? Would it be possible to improve the work environment? Second, hold regular physical examinations for employees, to protect the health of employees. Third, the hours that extracurricular cultural and recreational facilities are open are relatively short; would it be possible to extend them? Fourth, a probation period of three months is required for employees; for ordinary workshops, would it be possible to shorten the probation period to one month?"

Chairman: "Regarding the issue of the summertime allowance, we did that last year; isn't it being done this year? This will be implemented tomorrow. The administration department will implement the allowance from July through October. Regarding the paint odor, it will be a little better after the move into the new factory building, and we will consider improvements. We will consider the issue of physical examinations, but we'd like all employees to report to the designated entity for an exam (physical) before they enter the company. Regarding the extracurricular cultural and leisure facilities, there are subjective and objective reasons for this; things should improve after they are reconfigured in the coming phase. As for probation periods, different individuals are different. One month would appear not to be feasible; we have a system. But team

leaders can move up the probation periods of employees who are intelligent and eager to learn as appropriate.”

(2) The conversations promoted the exchange of information in the enterprise

For management, the conversations first afforded them a great deal of information. Employees proposed wage increases, overtime raises, shortening the probation period (from three months to one month), changing work uniforms to cotton fabrics, yearly physical exams for the paint and other workshops, installation of air conditioning in workshops, installation of televisions in dormitories, extending the operating hours of the library and other cultural facilities, raising standards for meals, improving security systems to reduce the incidence of theft, and expressing appreciation to employees at the lunar new year and other holidays. Employees also exceeded management's expectations by raising many suggestions to improve management, and vehemently demanding that the employee team be stabilized, enforcement of rules and systems be intensified, and the damage to rules and systems caused by arbitrariness and personal relationships in management be reduced. The delegates also raised the issue of how to nurture and promote talent from within the enterprise, and allow people to use their talents fully, in order to provide an incentive to employees. Some delegates proposed the establishment of enterprise employee files in order to reduce management costs and increase management efficiency, improvements to leakage equipment to reduce waste, and strict product inspections to minimize returns of merchandise. Another delegate, when signing the transcript form, suggested that if the chairman were to *“learn from the larger group, employ fewer family members, and engage in less finger-pointing, employees would work more happily.”* Clearly, the conversations enabled the opinions and feelings of the delegates to be expressed honestly, thereby enabling management to understand developments in the thinking of employees; this caused management to recognize that the conversations had value. Second, the democratic conversations enabled the enterprise management to recognize that conversations are one of the best ways to gain information. As managers, the ability to obtain comprehensive and true information about the enterprise is a prerequisite for the implementation of effective management. In the past, Longbird primarily relied on monthly work reports submitted by middle and senior managers to get a handle on enterprise information. This method of gaining information has limitations, and the information received is essentially information seen from a top-down perspective. Moreover, it is not a democratically open method, and has the potential to arouse mutual suspicions among managers. Meanwhile, the conversations offered a method of communicating that was open in all directions, and many existing management issues were discovered during the conversations, issues that would have been invisible and undetectable if the problems had been approached from the top down. Therefore, conversations are an important supplementation of an enterprise's vertical communications.

Through the communications, employees' knowledge of basic enterprise information increased. A comparison of the first and second questionnaires makes it clear that the conversation delegates' understanding of the enterprise's strategy increased. The employees' understanding of the company's principles also deepened. The second questionnaire demonstrates a higher degree of identification with the company's establishment of a decision-making mechanism of “public participation, study at the

decision-making level, and final decisions by the chairman”; as shown in Table 2, Mean2 is 0.62 higher than Mean1, and Std.Dev2 is less than Std.Dev1; these have marked significance. Similarly, in the second questionnaire, the delegates showed a higher degree of support for the company’s culture of “independent innovation”; identification with the enterprise’s independent innovation and understanding the company’s strategies both increased slightly. After the conversations, the employees had gained a greater understanding of the bosses, and their assessment of the company’s democratic decision-making increased markedly (see Table 14.2).

Table 14.2: Analysis of Between First and Second Questionnaire Differences

| | Mean in first questionnaire | Mean in second questionnaire |
|---|-----------------------------|------------------------------|
| Judgment of the company’s democratic decision-making | 5.3253 | 6.5156 |
| Opinion of the decision-making mechanism of “public participation, study at the decision-making level, and final decisions by the chairman” | 8.6153 | 9.2352 |
| Opinion of the enterprise’s independent innovation | 7.7594 | 8.1470 |
| Whether or not the company’s strategy is understood | 7.3164 | 7.5000 |

During the conversation meetings, the employees used role playing to attempt to understand the enterprise’s intentions, and gained an understanding of the enterprise’s challenges and difficulties. It should be noted that the content of the afternoon and evening conversation sessions differed. Delegates at the afternoon conversations focused more on personal interest issues, such as wages and benefits, while the topics of conversation of delegates at the evening conversations concentrated more on the improvement of company systems. Of course, this had something to do with the moderator’s guidance, but the judgment can also be made from this that as the conversations deepened, conversation delegates’ reason made them transcend the limitations of personal interests, and consider problems from the perspective of the interests of the whole.

(3) The conversations strengthened communication between management and employees, coordinating internal relations

During the course of the conversations, the employees went from doubtful participation to speaking freely with a carefree and relaxed state of mind. Conversation delegates were sincerely happy, because they felt that they were being respected and their opinions were being treated with importance. Originally, they thought the conversations would just be an opportunity to whine, but the majority of the comments were accepted. During the summation of the conversation meetings, the senior management of the enterprise, represented by the chairman, promised to assign the human resources department the tasks of proposing a plan to reform wages and implementing a transparent

wage system; to pay overtime pay for overtime work; to install televisions in employee dormitories; to consider restoring the physical examination system; to implement a summertime high temperature allowance for paint workshop employees; to allow workshops to shorten probation periods for excellent employees; to assign the administration department the task of improving the meals in the employee cafeteria; and to expand recreational facilities.

As for management, they gained an understanding of the thoughts and feelings of employees, and, to the extent possible, considered issues from the employees' perspective in order to satisfy employee demands; an environment of open communication took shape, creating a "spiritual home," and truly accomplishing "retention of people through affections." The conversations were also able to resolve internal contradictions in a timely manner, discover problems, coordinate internal relations, and establish a harmonious team. Therefore, after the conversations, conversation delegates, bosses and senior managers all expressed a desire to continue.

(4) The conversations promoted innovation in enterprise management

The conversations did discover problems. For the managers, these problems must be resolved in order to better incentivize employees to raise production efficiency, stabilize the employee team and increase competitiveness. Therefore, understanding public sentiment and satisfying the demands of employees as much as possible are musts for corporate development. This is the motivation for managers to improve management. At the same time, there are external pressures for innovations in management. After the conversations, the problems for which the bosses and management made promises must be gradually resolved, otherwise the support of the people will be lost, and employee trust will be lost.

14.6 Comparison of the Longbird Group Democratic Conversations and the Zeguo Township Democratic Conversations

The Longbird Group democratic conversations were part of a series of democratic conversations in Zeguo Township. In 2005, Zeguo Township held democratic conversations on "decision-making for the use of 2006 township construction funds." In 2006, Bianyu Village, which is under Zeguo Township's jurisdiction, held democratic conversations on "whether or not to build the 'Homes for New People (migrant workers)', village construction planning, public order and environmental sanitation." We performed comprehensive participative and observational research of these three rounds of conversations. All three rounds of conversations shared the following features: First, certain deliberative democratic methods were used to ensure the effectiveness of the democratic conversations; for example, scientific random sampling was used to ensure the representativeness of the personnel participating in the conversations. Other examples included the establishment of equitable discussion systems, drawing lots to determine speaking order and also allowing delegates to speak at random, thus ensuring that speaking and discussions proceeded equitably; and during small group discussions, there was no participation by village cadres or senior enterprise managers, so that the statements of conversation delegates were not subject to interference by authority and other factors. Moderators were selected and trained carefully for all three rounds of conversations. Second, all three rounds of conversations enjoyed governmental support

and expert participation. Governmental support ensured that a high degree of importance was attached to the conversations; expert participation ensured that the design and operating procedures of the conversations were scientific and effective. Third, all three rounds of conversations demonstrated a high level of delegate participation. 275 delegates were initially selected for the Zeguo Township conversations, and 235 participated completely throughout the course of the conversations, for a participation rate of 85.4%; 85 delegates were initially selected for the Bianyu Village conversations, and the number of delegates participating in the four conversation session conversations varied from 60 to 77, for participation rates ranging from 70.6% to 90.6%. Although the participation rate for the Longbird Group conversations was only 77.5%, the reason for this was that twenty of the delegates had to work and could not leave their posts (for which these delegates expressed great regret over missing an excellent opportunity). The delegates randomly selected for the three rounds of conversations were all as happy as if they had won the lottery.

However, the Longbird Group conversations exhibited certain features that were different: First, the delegates who participated were of higher quality and had a higher degree of participation. The employees of the Longbird Group come from all over China, and they have a slightly higher education level in comparison to rural villagers; the differences can be seen in the education levels of the randomly selected delegates. Among the Bianyu Village delegates, 6.6% were illiterate; 4.9% had secondary vocational school educations; there were no delegates with educations at or above the college level; and the majority of delegates had education levels at the elementary school (37.7%) or middle school (39.3%) levels.¹ Among the Zeguo Township delegates, 7.7% were illiterate, and the majority of delegates also had education levels at the elementary school (32.5%) and middle school (36.8%) levels.² Additionally, enterprise employees had migrant worker experience involving extensive travel, which broadened their perspectives and thinking. During the conversations, this was reflected in the fact that virtually none of the Longbird conversation delegates forfeited opportunities to speak or to express their own views. But in the Bianyu Village conversations, there were multiple instances where conversation delegates were too timid to express their views.

Second, the Longbird conversation delegates exhibited greater independence and equality. The viewpoints of the delegates during deliberation discussions were more distinct and sharper, and they had the courage to express their own opinions.

Moderator: "What comments and suggestions do you have regarding the enterprise's decision-making?"

Group 3, number 67: "Decision-making at the enterprise generally lies within the family of the chairman. If someone in the family objects to comments raised by those of us in other departments, then it is certain that they will not be implemented."

¹ [Chinese] He Baogang, Wang Chunguang, "Deliberative Democracy in a Chinese Rural Village: A Case Study," *Sociological Research*, 2007 (3), 56-73.

² [Chinese] Jiang Zhaohua, He Baogang, "Participative Mechanism for Decision-Making in Major Public Matters," *Development of Deliberative Democracy—Compendium of Papers from the International Symposium on Chinese Local Democracy* (Beijing: China Social Sciences Press, 2006), 219-241.

Number 62: "In privately-run enterprises, the final decision-making authority always lies with the chairman; all of our comments from the grassroots level have to make it past the chairman."

Moderator: "What is your assessment of the company's hiring?"

Number 60: "Relationships play a role, but for the most part, hiring is merit-based."

Numbers 61, 64 and 65: "Merit-based hiring."

Number 62: "Cronyism. Some people don't know anything, yet they are directing people."

Moderator: "Are these people in leadership positions?"

Number 62: "Some of them are. They issue commands carelessly."

Number 63: "Both exist, tending more toward cronyism."

Number 66: "Cronyism."

Number 67: "Cronyism. When certain people are promoted by the leadership, we believe that they must have a relationship with the leaders."

But in the conversations on the "Homes for New People" in Bianyu Village, some of the delegates expressed helplessness and humility in the face of authority.

Number 19: "The villagers say no, the production brigade says yes. It's all the same, whether the talks are held or not. The production brigade already made up its mind early on. Our words are utterly useless. The voice of the people carries no weight."

Number 20: "I don't know, it's up to the cadres to decide."

Number 22: "There is nothing to say."¹

Comparing the small group discussions (no participation by senior management, only delegates discussing and speaking freely) and the large group face-to-face exchanges (deliberative discussions between the delegates and senior management) at Longbird, except for certain sensitive issues that were difficult to discuss in person, such as assessments of the bosses' hiring, we discovered no major differences between statements made in the small groups and the large groups concerning other issues, including those regarding wages and benefits, enterprise management, culture and recreation. For example, the request for improvements in wages and benefits was raised directly at the very beginning of the second large group deliberation session.

Group 4, number 76: "The workload in the finished goods warehouse is heavy, and there are no breaks; would it be possible to extend break time? The workshop is too hot; would it be possible to install air conditioning? Meals must be improved. Annual physicals and higher wages for the paint workshop."

Only a portion of the delegates paid more attention to their speaking skills and used clichés when speaking in the large groups. For example,

Group 2, number 56: "The company is developing very quickly; I have full confidence in the company's future, and hope that it will achieve even greater glory going forward. The company needs talented people, but turnover in office personnel and

¹ [Chinese] He Baogang, Wang Chunguang, "Deliberative Democracy in a Chinese Rural Village: A Case Study," *Sociological Research*, 2007 (3).

management personnel is too high, which is detrimental to the company's costs and efficiency. Staff turnover is excessive; the company needs to retain people by advocating for their careers, retain people using compensation, and retain people through affections."

The reason for this is that enterprise employees form a team by contract, and the relationship between employees and an enterprise reflects the contractual spirit of the market. Such relationships are nowhere near as close as relationships in rural society, in which regional relationships, blood ties and family ties overlap. Although these relationships are also influenced by the authority of management, employees enjoy great freedom to "vote with their feet"; if an employee is very dissatisfied with the enterprise, or the enterprise treats the employee very unfairly, the employee is entirely free to leave immediately. This is why the employees demonstrated the courage to speak without fear of attack or retaliation during the conversations.

However, the Longbird democratic conversations also demonstrated the particularities of corporate deliberative democratic conversations. First, the delegates' representation of public sentiment is limited. In privately-run enterprises, decision-making is not determined by the public will. Respect for public sentiment is merely a tool for enterprises to achieve greater profitability, and not the end objective. Thus, enterprises are only willing to acknowledge "conversation delegates," but they do not acknowledge that the "conversation delegates" are "representatives of public sentiment." In the Zeguo Township deliberative democratic conversations, the randomly selected conversation delegates were indeed representatives of public opinion. Second, the outcomes of enterprise conversations do not necessarily turn into decisions. In the democratic conversations in Zeguo Township, the opinions formed through the deliberative discussions of the delegates were submitted for consideration and adoption by the township people's congress, and this then had the force of law, so that public sentiment was converted into public decision-making. But in the enterprise conversations, public sentiment only served as a reference. Hence, the decision-making mechanism at Longbird is "public participation, study at the decision-making level, and final decisions by the chairman." Third, the contents of the enterprise democratic conversations were limited, and the level of information disclosure was not as great as it was in the village and township conversations. For example, certain key issues for the enterprise, including the percentages of distributions to labor and management, were not permitted as content for the conversations; also, the enterprise did not fully disclose and allow employees to understand the details of the enterprise's development strategy. But in government, anything that involves public interests should be allowable as conversation content.

14.7 Revelations of the Longbird Democratic Conversations and Improvement Measures

The Longbird deliberative democratic conversations represent a new form of employee democratic participation. The forms of industrial democracy at privately-run enterprises in China are primarily forms of indirect participation, such as trade unions and worker congresses. In the last several years, deliberative democracy theory has become a popular topic of research in the field of political science in China, and a good many research

findings have already been published.¹ Deliberative democracy has already been initiated at different levels and in different organizations in China, including local and grassroots governments, village autonomous organizations, and schools, and is emerging vigorously.² However, this was the first time that standardized deliberative conversations were applied to the democratic participation of enterprise employees in China. In view of the bureaucratic and administrative nature of trade union organizations, as well as their limited role in achieving democratic management of employees, finding a new form of democratic participation for employees has especially important significance. Compared to indirect forms of employee participation, deliberative talks allow for more direct democratic participation by enterprise employees, with broader representation and greater reflection of public sentiment. After conversations, discussions, and consultations, information can be processed rationally; in comparison with suggestion boxes and opinion surveys, the quality of such information is higher, which aids in improving enterprise management.

The successful implementation of the Longbird deliberative democratic conversations also presented us with a revelation: democracy is also a very good tool for coordinating contradictions in the private sphere, and democracy and economic freedom can be effectively combined. It is the objective of government and other public organizations to satisfy the public to the maximum extent possible; therefore, democracy is an essential requirement. In their pursuit of profit maximization, enterprises are particularly focused on market trading patterns. However, when a power struggle between two trading parties results in a misallocation of resources (such as enterprises having a “migrant worker shortage” on the one hand, and large numbers of peasant workers being idle on the other), efficiency can be better promoted when “capital” and “labor” sit down and consult equitably. In this way, although the objective of deliberative conversations is to create greater profits for the enterprise, at the end of the day, the rights of laborers are advocated and public sentiment is expressed. Thus, while enterprises may approach deliberative democratic conversations with the objectives of harmonizing labor-management relations, coordinating internal contradictions, establishing a harmonious team, and building the corporate culture, such conversations benefit both the laborers and society as a whole.

Deliberative democratic conversations have deep significance for Chinese enterprises, including privately-run enterprises, and it is worthwhile to promote them. However, two problems must be resolved in the course of moving forward: one problem is to increase the representation of public sentiment of the conversation delegates as much as possible; this can be accomplished by combining democratic talks with the worker congress mechanism, using the comments and suggestions raised by delegates to the talks to form proposals that are submitted for adoption by worker congresses. Another problem is how to ensure that the comments and suggestions raised by conversation delegates are implemented, requiring surveillance mechanisms and follow-up tracking, so

¹ Ethan J. Leib and Baogang He, *The Search for Deliberative Democracy in China*, New York: Palgrave Macmillan, 2006.

² See Chen Shengyong, He Baogang, “Development of Deliberative Democracy—Compendium of Papers from the International Symposium on Chinese Local Democracy (Beijing: China Social Sciences Press, 2006).

that promises are implemented, and requiring that the reasons be explained if something cannot be implemented. In this way, the conversations will not become “idle talk,” but will instead have the effect of coordinating internal relations.