

Innovation of Chinese Media's Governance Structure: Based on Stakeholder Theory

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Abstract Taking the Chinese media's governance structure as the research object and the corporate governance theory (especially the stakeholder theory) as the theoretical supports, this paper analyzes the current Chinese media's governance structure, and reveals that the Chinese media's governance structure has essentially followed the logic of "shareholders primacy" and this governance model brings some negative effects. Then, this paper proposes an innovation way of the construction of the Chinese media's governance structure: "the co-governance model of shareholder-dominate and stakeholders-participate".

Key words Media; Corporate governance; Stakeholder theory; Co-governance; Innovation

1 Introduction

Following the economical and political system reforms in China, Chinese media is also in the process of reform. Since the beginning of 2003, Chinese media have entered into the key stage of the media system reform. The proposal of "develop and remodel new market subjects, improve the corporate governance structure" suggested that the reform of property rights system and governance structure became the core content of the media system reform. As a result, the questions of what ideas should the innovation of media's governance structure follow, and what theories and models can be regarded as the reference frame have become the controversial and hot topics in recent years.

Since the beginning of 2003, Chinese media have entered into the key stage of the media system reform. The proposal of "develop and remodel new market subjects, improve the corporate governance structure" suggested that the reform of property rights system and governance structure became the focus of the media system reform.

Some researchers proposed some new governance modes in the last few years. (Li Weian and Chang Yong-xin 2003) brought forward a three-level governance model of media conglomerate in China, which emphasized the importance of organic integration of government governance, external governance and internal governance. (Guo Fu 2004) advocated integrated governance framework which includes legal, regulation, market, social system and other external governance mechanisms besides internal governance. (Zhou Jin 2006) suggested a media governance mode with the main governance subjectivities and the auxiliary governance subjectivities under the "political" and "capital" dual logic. (Kong Xiangjun 2003) believed the credit reconstruction should be the key in media governance construction. (Yin Shichang 2004), (Zhou Jun 2005), (Ding Hegen 2007) all emphasized the capital structure adjustment in the construction of media governance structure.

From a new theoretical perspective, this paper argues that, combined with the particularities of Chinese media reform and development, trying to introduce "stakeholder theory" into the construction of Chinese media's governance structure, which has been taking on a strong administrative color and pursuing the logic of "shareholder primacy" in a long time, will play a positive role for Chinese media to achieve the objectives of the reform.

2 The Current Chinese Media's Governance Structure

2.1 Followed the logic of "shareholders primacy"

In hundreds years of the development of enterprises, shareholder primacy theory has been the main theory of corporate governance. Shareholder primacy theory suggests that shareholders are the true owners of corporate, and shareholders should obtain the residual claim rights and residual control rights. When shareholders pursue the maximum interests, the interests of other interest groups will also be fulfilled, and then the maximization of social efficiency will be achieved.

With the development of modern enterprise theory and practice, especially since 1960's, there was appeared another representative theory: "stakeholder theory", which has gained an increasingly attention and has been applied in some countries and regions.

Generally speaking, stakeholder theory advocates seeking a general balance of interests in a pluralistic society. The theory suggests that because all stakeholders (including shareholders) as

employees, suppliers, creditors, customers, government and community etc., make contributions or pay the price to the survival and development of enterprises, corporate governance goals can not only focus on the maximum benefits for shareholders, but the subjects of corporate governance should be also extended to various stakeholders (including shareholders), and the corporate should aim at achieving the maximum benefits of all stakeholders (M. Blair, 1995).

Reflecting on three decades of Chinese media reform and development, it reveals that the governance structure of Chinese media has essentially followed the logic of “shareholders primacy” until now (Seen as Figure 1).

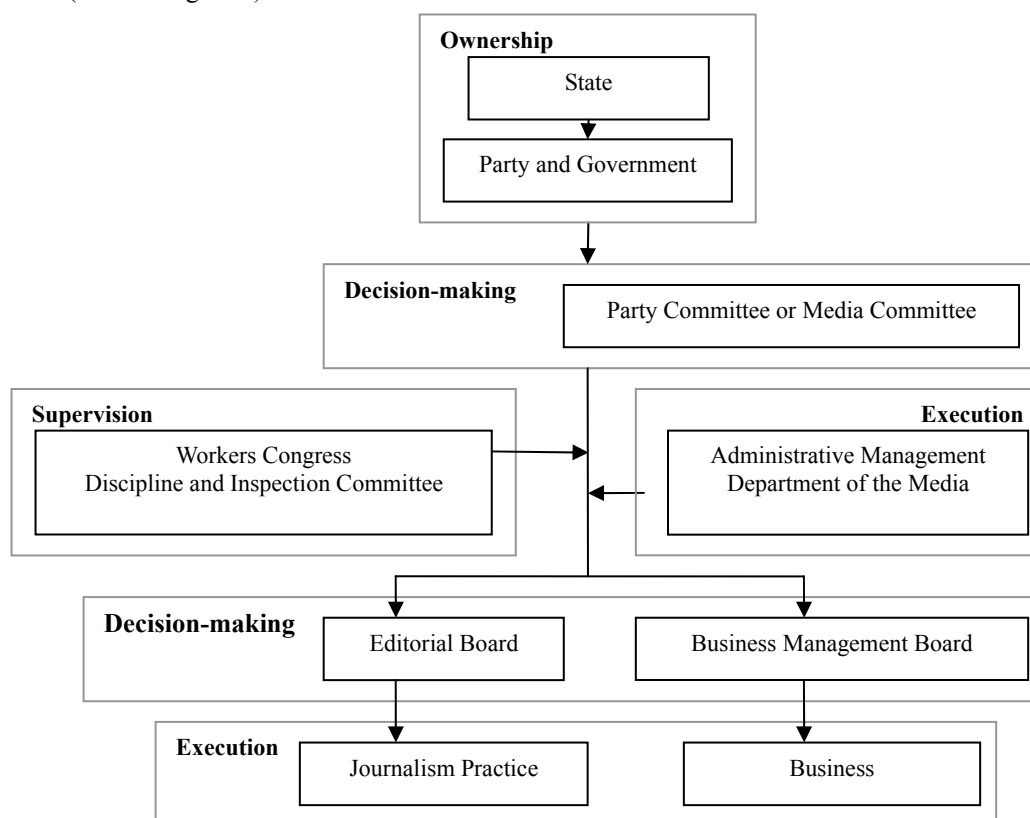


Figure 1 The Current Chinese Media’s Governance Structure.

The formation of the Chinese media’s governance model of “Shareholders primacy” has a profound reason: In China, the standpoint of media functions is the “mouthpiece theory” which believes that media is the mouthpiece of party, government and people, and the state is the representative of people, so media must be owned by the state. It seems that the property rights of the state-owned media are clear, but in fact, the state gives the functions of the state capital owner and socio-economic manager to its representative: Party and Government. As a result, the subject of property right of the state-owned media convert form people to Party and Government, and the media ownership change from the state ownership to the Party and Government ownership. Therefore, Party and Government become to the “biggest shareholder” who has the rights to vote, supervise, make major decision-making and choose managers in the media practice.

2.2 Governance dilemmas of Chinese media

The governance model of “shareholders primacy” has dual influences on Chinese media. On the one hand, it ensures the correct direction of public opinion when media act as the propaganda tools. On the other hand, this governance model brings some negative effects, which make the media fall into a certain dilemma that governance reform has not made substantive progress.

2.2.1 Co-exist of “non separation of government and enterprise” and “internal control”

Chinese state-owned corporations’ governance experience showed that, as the largest shareholder, Government may easily lead corporations into the governance situation of “strong administrative power, weak property rights”. Chinese media that survived and have been developing under the same condition have also shown a considerable degree of such characteristics.

In the governance situation of “strong Administrative Power, weak property rights”, many Chinese media groups and agencies established the organization structure of “the general meeting of shareholders - the board of directors - manager's layer—the board of supervisors” according to the modern enterprise system, but in the practice, it always deviated from the original intention of modern corporate governance.

Firstly, separating Government from media is difficult. In the circumstance that Chinese media belongs to the state and Government which on the behalf of the state to take the rights of owner. So Government should act as a regulation agency as well as media's owner and manager. It dooms that the administrative interference is possibly existed in the media governance. Especially because of the strong ideology and political attribute of media, it enables Government to tighten the political control on media. Consequently, the aim to separate Government from the media is hard to achieve.

Secondly, “internal control” is difficult to be put to an end. As the largest shareholder, Government's main goals of governance must be the administrative goals or political goals rather than business goals. Thus, in the situation that Government firmly controls the ideological context of media, Government doesn't need to pay too much attention to the economic incomes of media if the media completed the political tasks. At the same time, due to the lack of supervision mechanism, managers (“internal person”) always obtain the actual control rights.

2.2.2 Representative of public interest is absent

As is known to all, the Chinese media system is quite unique, that is “one system, binary operation”. “One system” is the state ownership of media, “dual operation” requires that media must earn economic incomes to support the reproduction as well as complete the ideological propaganda task. (Hu, 2003)

Because of this unique media system, the governance goals focus on the political interest and economic interest, but the public interest which should be the most important governance goal has become a subsidiary objective. In addition, Chinese public media is also in an incomplete state from the physical perspective. “Until now, there is a misunderstanding. People regards that the state-owned or Government-owned media is the public media to serve the public interest. But our country has no real public media in reality.” (HU, LI, 2005) Once conflict breaks out between the public interest and political and economic interest, the first sacrifice will be the public interest because of the lack of representatives and public media. As a result, the public interest can only survive in the crevice between the political interest and economic interest, and walk on the periphery of the system of media interest. The marginalization of the public interest reflected in the governance subject is that the representative of the public interest is vacant and its power is not strong enough to resist the political forces and economic strength.

3 Correction Function of Stakeholder Theory

In such circumstance, taking “Stakeholder Theory” into the construction of Chinese media's governance structure and establishing the participation mechanism of stakeholders under the maintenance of “shareholder interest” can be regarded as a realistic and feasible way to improve media governance.

3.1 Realization of surveillance mechanism

As mentioned above, the current dilemma of Chinese media's governance is related to the media's adherence to the governance philosophy of “shareholders primacy”. The fact that Government is the media's “largest shareholder” would inevitably lead to the governance situation of “Strong Administrative Power, weak property rights”, and have been manifested as the absence of owners and supervisors, which result in “non separation of government and enterprise” and “internal control”. So, to identify a real owner of state-owned media is not the only solution way, to find a suitable supervisor is also an option.

In the situation of representative's vacancy of owner of state-owned media, emphasizing stakeholder's governance can revise the vacancy of owner's supervision, and form a multilateral surveillance mechanism of checks and balances.

3.2 Achievement of multiple governance objectives

Media governance objectives are different from other enterprise because of its dual attributes. On the one hand, the economic attribute of media asks media to act according to “economic man”, and realize maintenance and increase of state-owned assets. On the other hand, the political and ideological attribute of media asks media to pay more attention to the public interest rather than to chase the maximization of profit. So, the multiple media governance objectives do not only include the economic objectives, but also include super-economic sociopolitical objectives.

At present, Chinese media is undergoing a process of re-institutionalization whose basic feature is capitalization, and in this process, the economic attribute of media has been increasingly growing up. In this situation, we should be more aware that the media has a broader cultural and political significance besides it exists as an industry, and plays an important and necessary role in the culture and social life. Murdock argued that, a path of communication system's becoming an important part of duties and rights of citizenship is that citizens must be represented to the greatest degree in the main means and channels of communication performed by the mass media, and they must have the power to enrich and expand such representation. (Graham Murdock, 1992)

Introducing the stakeholders into media's governance structure can ensure such power of citizens in the institutional level, and further ensure the realization of multi - governance objectives of media.

4 The Proposal and the Logical Basis of New Model

To the media who transformed to the enterprise, particularly to the media group with dual identity (institutional legal representative and enterprise group), the basic path of building its governance structure is to build the new co-governance model of shareholder-dominate and stakeholders-participate in the governance.

This model not only adheres to the basic principles of "combine the party-lead with corporate governance structure", but also considers the interaction of the system adjustment and the path dependence, and also incorporates the advantages of the two main governance theories as the theoretical support.

4.1 Categories of media's stakeholders

This paper defines and classifies the stakeholders of media with "Mitchell score-based approach" which is regarded as the easiest approach to operate.

According to Mitchell's score-based approach, media's stakeholders can be divided into three types: The first type is Definitive Stakeholders, who invest physical capital, human capital or social capital into the media, so the media need to be very concerned about and make every effort to meet their aspirations and demands, as well as attracts them to participate in the governance. These stakeholders include the relevant government departments, managers, media workers (such as reporters, editors, host, broadcasters, etc.). The second type is Expectant Stakeholders, who are closely linked with the media, and sometimes also are involved in the decision-making process of media. This type of stakeholders includes the relevant comments organizations, the journalists associations, consumers (audience and advertisers), etc. The third type is Latent Stakeholders. Unless they have a certain degree of legitimacy, or obtain a certain power in some cases, the media do not need to pay a special attention to their needs; Latent Stakeholders include environmental protection organizations or other types of enterprises.

In the arrangement of media's governance structure, the governance subject should be Definitive Stakeholders and Expectant Stakeholders who are closely linked with media. In the specific institutional arrangement, Definitive Stakeholders should have the rights of decision-making, supervision and motivation to other stakeholders; Expectant Stakeholders should have the rights of supervision to Definitive Stakeholders. That is, giving the consideration to the interests of Expectant Stakeholders as well as emphasizing the interests of Definitive Stakeholders, in order to achieve the checks and balances of the rights and the balance of interests.

4.2 The specific construction of governance structure

In the specific construction of governance structure, media should establish the internal governance mechanism of cross appointment of "the general meeting of shareholders - the board of directors - manager's layer-the board of supervisors" and "party committee - trade union" according to "Company Law", and has a balanced and effective incentive and restraint mechanism.

In the Chinese media's governance structure, the party committee is the core of political leadership. In order to avoid the conflict among "the party committee and the general meeting of shareholders - the board of directors - manager's layer-the board of supervisors" because of the overlapping of responsibilities, and unclear responsibilities and confused decision-making induced by this conflict, as well as to ensure the Party's leader position in the media, the Party's participation in the media governance should take the principle of "two-way access, cross appointment". (Figure 2)

In addition, market governance, Government governance and social governance constitute the external governance mechanisms of media together. These external governance mechanisms and internal governance mechanisms of governance constitute the basic content of the Chinese media's governance structure.

5 Conclusion

As discussed above, the new co-governance model of shareholder-dominate and stakeholders-participate in the governance is a compromise between “shareholders primacy theory” and “stakeholders theory”. This new model do not only take the changes of Chinese media’s governance structure and the specificity of Chinese media practice into account, but also meets the requirements of the media reform and the development trend of corporate governance, so it is a practical way to construct the Chinese media’s governance structure.

And we should be noted that this new governance mode is also not a perfect mode of governance and we can explore more specific details of arrangements and design of this governance model in the deepening practice of the media system reform, such as how to identify and achieving a comfortable balance among the media governance goals and how to quantitatively allocate rights to different types of stakeholders and some other relevant issues also need to be discussed in the further research.

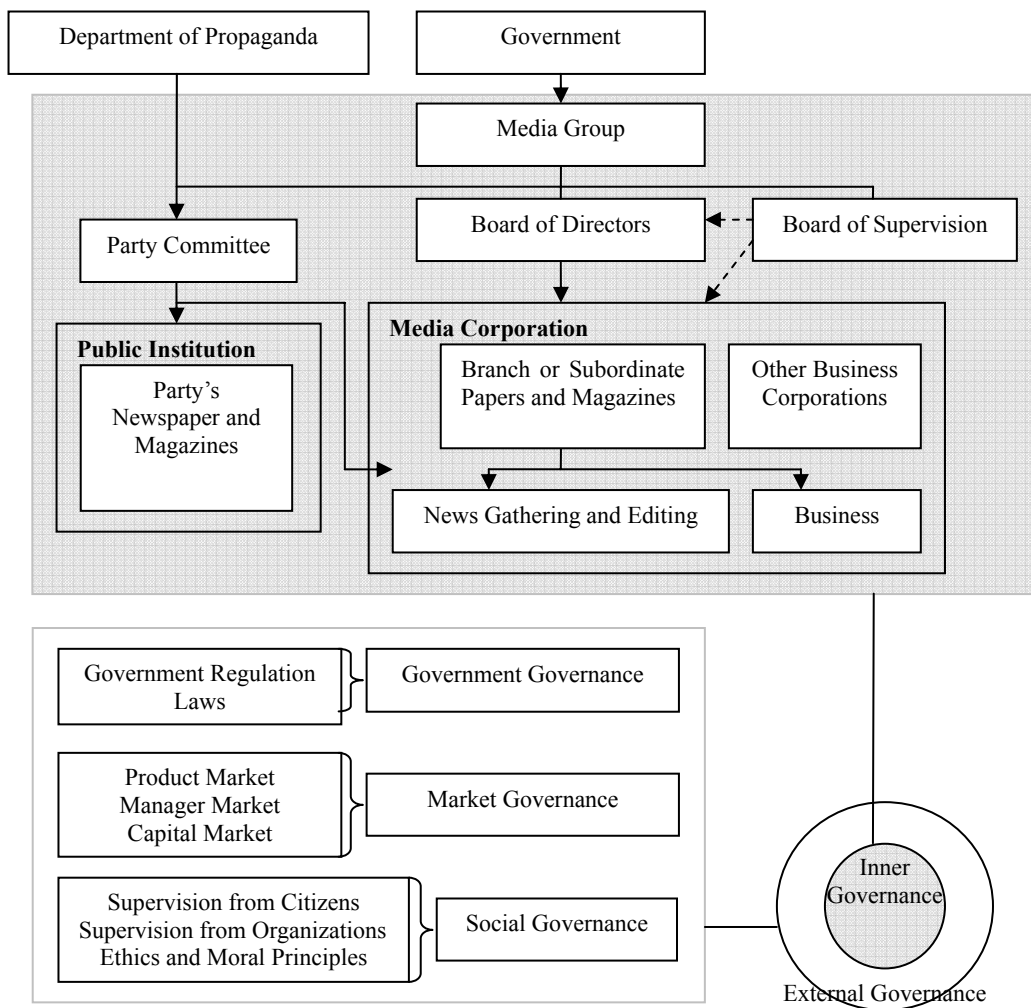


Figure 2 The New Cohovernance Model

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