The Formation and Impact of Isomorphic Pressures:

Extravagant Position-related Consumption in China*

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Abstract

In this article, we examine the impact of isomorphic pressures on institutional practices, a field that has not been adequately explored and explained. A critical issue, on which this article focuses, is the process by which isomorphic pressures translate into homogenous institutional practices across organizations. Drawing on the case of extravagant position-related consumption in local governments in China, we identify the sources of isomorphic pressures, how they come to have an impact, in what ways they are manifested and how they are sustained. We find that institutionalized isomorphic pressures may create informal institutional practices in contradiction to formal legal norms. We further analyze the endogenous dynamics behind the formation of isomorphic pressures, which are deeply embedded in the complex web of Chinese bureaucratic relationships. This study is based on 65 in-depth interviews with government officials as well as relevant government documents and media accounts.

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Introduction

Why do certain behavioral patterns become prevalent across institutions? Weberian scholars contend that institutional behavior is mainly driven by the use of rationality to achieve greater efficiency and effectiveness (Brewer and Selden 2000; Ashworth, Boyne, and Delbridge 2007). This view is challenged by other scholars who argue that the prevalence of an institutional practice is determined by its legitimacy and appropriateness in a given environment (DiMaggio 1988; Frumkin and Galaskiewicz 2004; Lodge and Wegrich 2005). Although the importance of compatibility between institutional practices and their external environment has gone uncontested in the literature, the question remains why some behavioral patterns, including misconduct, are able to prevail in unfavorable environments. Drawing on the case of prevalent extravagant position-related consumption in Chinese government organizations, we argue that the endogenous dynamics of some institutional practices may be strong enough to allow them to prevail in contradiction to the established legal and social norms in the larger environment. This is because institutional practice is driven by isomorphic pressures derived from a shared understanding among the actors involved of the appropriateness and acceptability of the practice in a given organizational field. Specifically, in the light of new institutionalism, we consider extravagant position-related consumption as a problem embedded in the complex institutional web of the Chinese bureaucracy, which we define as an "organizational field" (DiMaggio and Powell 1983, 148; Ashworth, Boyne and Delbridge 2007; Andrews 2009). This field engenders endogenous isomorphic pressures, manifested as a number of push and pull factors, compelling individual or organizational actors to move towards institutional conformity. Our findings indicate that government officials in China, especially lower-level ones, are faced with an

intricate weave of inter-institutional and interpersonal relationships to which they must respond interactively and reciprocally in order to survive. Asymmetrical power relationships and centralized resource distribution place lower-level officials in an inferior and dependent situation (Walder 1983; Zhou 2009), so that they are anxious to seek and receive high-level endorsement by any possible means, including offering extravagant hospitality to please supervisors. Horizontal competition with peer organizations for preferential policies and favorable performance evaluation further pushes them to act in accordance with shared expectations about what local officials elsewhere may do. The isomorphic pull and push factors interact and reinforce each other, creating an "amplified" effect on officials' extravagant behavior.

Our study makes two contributions. First, it offers a nuanced picture of how an institutional malpractice could become a distinctive bureaucratic feature that survives the very negative legal and social environment surrounding it. We provide a theoretical explanation for this paradox by identifying the endogenous conditions under which the Chinese bureaucracy creates isomorphic pressures for behavioral conformity. We deconstruct these endogenous dynamics into a number of institutional push and pull factors which have formed the "constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (DiMaggio and Powell 1983, 149). Second, our study will shed light on anti-corruption strategies by emphasizing the importance of in-depth institutional reforms rather than formal sanctions and monitoring measures. In societies where corruption is not only a fact of life but also a way of living, combatting corruption requires changes in people's understandings of, and attitudes towards, corruption as well as those necessary institutional reforms.

The empirical data of this study are based on 65 in-depth interviews we conducted in China between 2012 and 2014. Our interviews took place in several major Chinese cities. Among the interviewees were governmental officials working at different levels – central, provincial, municipal or county, and township governments. Our data were also drawn from government reports and media accounts.

Empirical background

Position-related consumption refers to public expenses on food, lodging, or transport incurred when government officials carry out their duties. Such spending is a natural and indispensable part of government but, if it reaches excessive levels, it may raise serious governance issues, draining state coffers, causing strong public resentment and damaging political legitimacy. Although official extravagance is a common problem confronting governments, China's situation is particularly noteworthy in that lavish spending has continued unabated despite a very unfavorable environment in which recurrent and vigorous crackdowns have been launched to curb it. Opposition to official extravagance has been an important component of anti-corruption campaigns and an integral part of the endeavor to enhance governance in China. No government in the world has ever conducted so many political campaigns and enacted so many rules and regulations against official extravagance as the Chinese government. However, it has not been able to effectively prevent the problem. The paradoxical co-existence of prevalent lavish position-related consumption and frequent anti-extravagance campaigns requires explanation.

Extravagant position-related consumption of public money has been identified as a form of corruption in China because it involves abusing public power for personal benefits, which is

the common definition of corruption (World Bank 1997).[1] These consumption activities often took place during local visits of senior officials, top-down work inspections, official celebrations and ceremonies, conferences and training workshops. In recent years, Chinese central authorities have made threefold efforts to combat official extravagance. First, various *ad hoc* measures in response to recurring extravagant spending activities were taken to call for an immediate stop to these malpractices. In particular, three types of position-related consumption are targeted – lavish drinking and dining, misuse of government vehicles for private purposes, and sightseeing trips in the guise of study tours – which are commonly referred to as "three public expenditures" or *sangong xiaofei* in Chinese. The central government prohibited its officials from engaging in lavish dining and drinking when carrying out official duties and imposed austere catering standards for government hospitality events. Repeated official warnings were made against the abuse of government vehicles. Management of official vehicles was also inspected from time to time in order to ensure there was no private use of government automobiles.

Furthermore, the central authorities promulgated numerous formal anti-extravagance regulations. While the *ad hoc* measures aimed to put an immediate stop to various ongoing extravagant spending activities, the purpose of these formal regulations was to prevent them from happening in the first place. A total of 82 government decrees were enacted in the period from 1979 to 2012 and, in addition, 64 more special circulars were issued from 1985 to 2013, all of which concerned position-related consumption. The Regulations of the State Council, for example, prohibited its officials from accepting expensive receptions and gifts during their local visits. The central government also made detailed regulations on how government vehicles should be purchased, used, and maintained as well as some other rules about officials' overseas duty trips and training programs. The central authorities repeatedly warned that violation of these

rules and regulations was a serious matter subject to disciplinary penalties such as dismissal from government posts and removal from party membership.

A third type of effort to combat official extravagance was to tighten fiscal management. Financial guidelines were issued, for example, to limit a local government unit's annual spending on hospitality events to less than 2% of its total operational expenditure, while for central government units, the ceiling was set at 1%. Similar fiscal measures were introduced to stop public organizations from purchasing luxury vehicles by, for instance, setting a maximum budget allowance for purchasing new government vehicles. Fiscal controls over official duty trips also became more stringent. The Ministry of Finance (MOF) established a set of guidelines for overseas trips, specifying the maximum allowances for airfare and hotel accommodations. The MOF also worked together with the Civil Aviation Administration of China to stipulate financial regulations on passenger tickets for officials who were taking overseas trips. The central government further introduced two drastic financial measures in 2010 to exercise financial control. One was to freeze the budget for the three public expenditures at the level of the previous fiscal year. The other was to require central ministries and local governments to make their accounts for these public expenditures transparent to the public. Both measures aimed to discipline the spending behavior of government organizations and to reduce extravagant consumption.

Intensified anti-extravagance efforts nonetheless failed to rein in excessive position-related consumption. Government organizations continued to use high-end restaurants and 5-star hotels as venues for official receptions. It was reported that in many restaurants, nearly 70-80% of clients were government officials.[2] The total spending on official receptions was estimated at over RMB 100 billion in 1994, doubled by 2002, and exceeded RMB 300 billion in 2005.[3] The

expenditure on official vehicles also climbed quickly due to two factors. One was the increased number of vehicles, especially luxury cars, owned by government units. It was reported that about 3.5-4 million vehicles were owned by various government organizations in the country, costing the state coffers RMB 300-400 billion a year (Zhu 2004).[4] The second factor was the abuse of government vehicles for private purposes. It was reported that roughly only one-third of government vehicles were actually used for official duties, another third was for the personal use of senior officials and their relatives, and the final third was used by drivers for themselves (Zhang 2011). The spending on official trips also remained high despite various efforts to reduce it. The total cost was believed to stay at somewhere between RMB 200-300 billion a year in the 1990s and 2000s.[5] Cases of overseas sightseeing in the guise of duty trips were frequently reported by the media.

Official extravagance developed into a nationwide problem rather than a local phenomenon confined to a few geographical areas or some particular government institutions. Lavish position-related spending took place in both poor and rich regions, irrespective of their economic situation and budget size (Wang and Zhong 2003). State-owned enterprises were also parties to excessive consumption because they were often expected to provide luxurious treatment for their guests, especially government officials, in order to obtain approval for investment and contracts. For instance, China Life and China Railway Construction Corporation Limited, two giant state corporations, reportedly spent RMB 1.4 billion and RMB 0.8 billion respectively on hospitality activities in 2012 (Liu 2013).

Extravagant position-related consumption constituted a massive drain on the state coffers, with the often-cited total figure being approximately RMB 900 billion a year (Zhu 2004). Even the government's official mouthpiece, *People's Daily*, admitted that every year hundreds of

billions were spent on official banquets, which accounted for 20-30% of the total administrative expenditure of the government.[6] The former director of the Supervision Ministry openly admitted that though the government made extensive anti-extravagance endeavors, the overall result was unsatisfactory.[7]

Theoretical Foundations

The persistence of extravagant position-related consumption across various locations and at different levels of the Chinese government defies simple explanation. The puzzle is not so much how public funds have been ill-spent but why the malpractice has become prevalent so that government organizations bear strong similarity in the ways of extravagant spending. Some scholars attribute the problem of extravagant consumption to cultural factors. It has been suggested, for example, that Chinese culture emphasizes the importance of hospitality and the primacy of personal relationships in satisfying the needs and desires of everyday life is the driving factor behind lavish consumption (Yang 1994). In a society that puts much emphasis on personal connections or *guanxi*, gift-giving and banqueting are both common and necessary because they have strong binding power in cultivating and sustaining interpersonal relations (Hwang 1987). Thus, it is not surprising to see government officials hosting their guests with expensive food and wine in high-end restaurants and with luxury accommodation in 5-star hotels. Furthermore, position-related consumption in officialdom is thought to reflect hierarchical bureaucratic values, which attach great importance to political power and the superior and privileged status of higher-level government officials (Guo 2010; Jin 2007). Luxury banquets, name brand vehicles, and spacious well-decorated offices are often sought-after as symbols of a senior administrative status. Finally, position-related consumption has been reckoned from an economic perspective with some scholars developing a need-based explanation (Gupta 2001;

Pilapitaya 2005). According to this view, it is necessary or at least understandable that government officials try to obtain additional benefits, such as privileged consumption related to their official duties, because in many developing countries civil servants receive low salaries, especially in comparison with those working for the private sector (He 2000).

Contrary to the views above, which treat official extravagance largely as an individual behavioral problem attributable to the influence of cultural values or financial needs, we take the Chinese bureaucracy as an organizational field which government officials appertain to. The most salient feature of such a field is that organizations or individuals within it face the same regulations and environmental conditions and hence isomorphic pressures (Quirke 2013). Three types of pressure are identified by isomorphic theory: coercive, mimetic, and normative. Coercive pressures highlight asymmetric relationships between superior and subordinate institutions (Tuttle and Dillard 2007, 393; Venard 2009; Farquharson 2013) and they result from powerful institutions exerting influence over more dependent or political vulnerable ones to force the adoption of preferred practices (Andrews 2009). Mimetic isomorphism refers to the process in which one organization emulates the actions, systems, or structures of another organization (DiMaggio and Powell 1983; Ashworth, Boyne, and Delbridge 2007; Venard 2009) and mimetic pressures stem from the situation of uncertainty that drives institutions or individuals to imitate others to increase legitimacy and appropriateness of their own actions (Haunschild and Miner 1997; DiMaggio and Powell 1983; Tolbert and Zucker 1983). Normative pressures come from organizational norms which have a prescriptive, evaluative, and obligatory dimension in guiding individual behavior and reflect subjective perceptions of organizational actors (Scott 1995) and they become particularly strong where a professional group accredits certain practices as norms (Andrews 2009). Working together, these three types of pressure compel people to act in ways

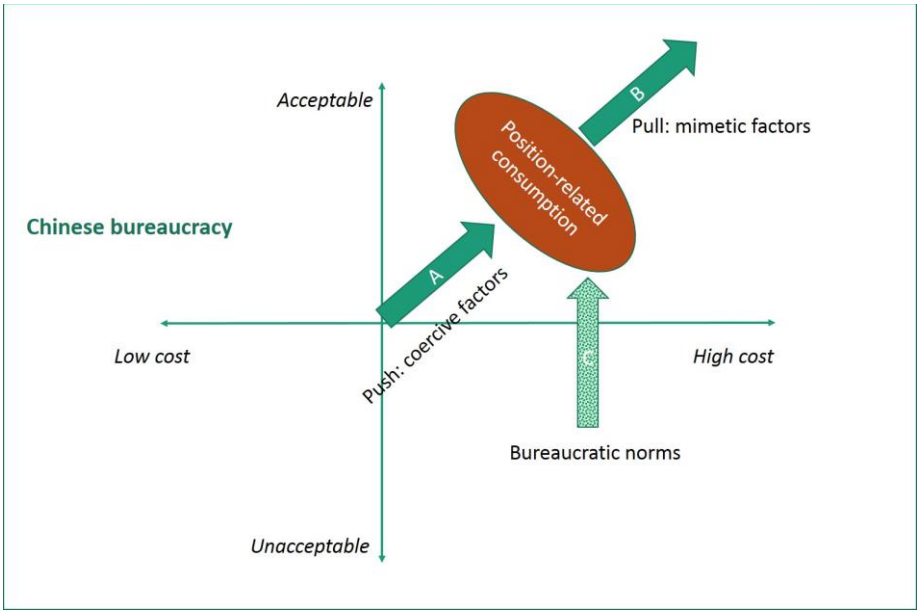
that others do, as they are afraid that their action may lose legitimacy and external support (Ashworth, Boyne, and Delbridge 2007, 167). The logic for organizational behavior is, thus, appropriateness (Lodge and Wegrich 2005); namely, to act in compliance with what is taken as the way of routine performance (Child, Lu, and Tsai 2007).

Following the logic of isomorphic theory that institutional practices prevail because they are taken as conventional, appropriate or necessary in a particular organizational field, we envision the Chinese bureaucracy as such a field. We further identify the driving forces behind lavish spending to explain how official extravagance has been nurtured and sanctioned by intricate institutional relations within the field. We operationalize isomorphic pressure into *push factors* and *pull factors* and examine how they exert an impact on organizations or individuals for behavioral conformity. Specifically, coercive pressures are transformed into *push factors*, which compel subordinate organizations and actors to seek ways to alleviate disadvantages caused by their inferior and dependent status, while mimetic pressures work as *pull factors*, encouraging and motivating organizations to look at each other to determine what is appropriate. Whereas push factors force organizations, especially the vulnerable and dependent ones, to take action under coercive conditions, pull factors leave them no much choice but to follow what is thought to be acceptable or proper in the field. Finally, normative pressures reflect the interaction between push factors and pull factors, through which the preferred institutions or practices are sustained as norms. A dynamic process that translates isomorphic pressures into homogenous organizational practices is thus formed.

Our analytical framework is illustrated in Figure 1. The surge in position-related consumption is measured on two dimensions: X-axis denotes the consumption level (from low to high), while Y-axis indicates the acceptance level by government officials (from unacceptable to

acceptable). As a result of the joint effect of push factors (arrow A), pull factors (arrow B) and embedded norms (arrow C), position-related consumption (small red oval) prevails in the quadrant with higher cost and acceptance levels.

Figure 1. Endogenous Dynamics of Extravagant Position-related Consumption



The Chinese bureaucracy as an organizational field

The Chinese bureaucracy can be regarded as an organizational field for two reasons. First, as a critical component of a still largely centralized authoritarian state, the Chinese bureaucracy demonstrates a high level of structural and functional homogeneity. Due to top-down control, it has developed the fundamental feature of an organization field where homogeneity of beliefs among actors encourages members to "interpret environments in similar ways, to identify similar

issues as strategic, and so to adopt similar competitive positions" (Abrahamson and Fombrun 1994, 729). Second, in this organizational field, resources and authority are highly concentrated in the hands of upper-level government organizations. The lower ones are held responsible and accountable to them, while relying on them for resource distribution, administrative approval and political support. Under this highly hierarchical bureaucratic structure, radical reforms deviating from the established norms are not tolerated. This further strengthens the homogeneity of rules, regulations and processes within the field. Such centralized fields are particularly vulnerable to isomorphic pressures (Ashworth, Boyne, and Delbridge 2007) and generate push and pull factors for conformity.

Push factors

Pull factors are coercing conditions that force actors to behave in certain ways. Official extravagance as an institutionalized phenomenon is driven by some compelling factors embedded in the hierarchical and asymmetrical relationships between government organizations. Under the Chinese bureaucratic structure, typically, lower-level government units are financially dependent and politically vulnerable in resource allocation, personnel management, project approval, and top-down inspection (Zhou 2009; Huang 2002; Ai 2011; Zhao 2005). The dependence of local governments on fiscal transfer from the central government has significantly deepened since the tax reform in 1994, which has successfully extracted considerable revenues from localities to the central coffers. To meet local economic needs, a system of fiscal transfers has been adopted to distribute funds from the central government through intermediate ones (e.g., provincial governments) to the lower levels (e.g., counties). The approval power nevertheless resides with central government agencies, which enjoy discretional power to decide to whom and how much funds to transfer downwards. Consequently, local governments have often had to

lobby Beijing for financial support.[8] In addition, the authority to examine and approve major construction projects also rests with upper-level governments. Lower ones cannot launch significant projects unless they have obtained administrative endorsement from the higher-ups, and this usually means going through complex procedures, exhausting evaluations, and cumbersome paperwork. Furthermore, personnel management in the Chinese bureaucratic system is highly centralized. The principle of "the Party manages cadres" (*dang guan gan bu*) has subjected the appointment and promotion of mid- or lower-level officials to higher-level government agencies (Pieke 2009; Lee 2013). Last but not least, top-down control has been further enhanced by frequent inspections and audits of higher-level government officials over lower-level units and the results of these inspections can have a decisive impact on the career path and political future of local officials.

The centralized allocation of resources and the concentration of approval authority in the hands of upper-level governments have caused strong coercive pressures that push local officials to search anxiously for ways to obtain top-down support. For example, many local governments established their liaison offices in Beijing and in their provincial capitals in order to build up connections or *guanxi* networks through which they could promote local interests and obtain more resources.[9] An even more common practice was to please upper-level officials during their local visits by providing extraordinary accommodation and services, including extravagant meals and sightseeing arrangements. Our interviews reveal that because resources were distributed in a top-down manner and because local governments often fell short of funds for various construction projects and local public services, they had to employ various methods, formal and informal, to make higher-level officials happy so as to obtain much needed resources. Meanwhile, as numerous inspections

were imposed by upper-level governments to check the performance of local organizations, the latter had to treat inspectors extraordinarily well in order to pass these inspections. A county-level official put it explicitly:

> We have spent a lot of money hosting upper-level officials. This includes receiving various inspection teams sent by, for example, the provincial discipline inspection committee, provincial supervision department, and provincial audit office. We have to treat them nicely and provide the best dining services we can when they come … Roughly, we receive one team each week, and the spending varies from RMB 10,000 to more than RMB100,000 on one reception. These people come to inspect our work and hold approval authority over us. Therefore, we have to take care of them very carefully.[10]

According to a township official, the inspectors from the county, the next higher level of government, tended to approve applications submitted by local-level units at the dinner table after they ate and drank and only in that way, his town could expect to get quick approval for its project budgets.[11]

Coercive pressure became even more obvious in the fact that the actual spending on hosting upper-level officials was often beyond the control of host institutions. The hosts were only responsible for paying bills for food, hotel accommodation, or entertainment service chosen by visitors.[12] We were told during our interviews that more often than not, higher-level officials openly asked subordinate units to pay expensive bills for their consumption at expensive restaurants.[13] According to a survey of 20 township governments in ten provinces, a township government had to host, on average, one or two round table dinners with ten guests each every day, and two-thirds of these visits had no real business.[14] *Banyuetan*, an official magazine of the central government, reported a case in the central region where a mayor had to attend as many as 1,500 banquets or luxury receptions a year.[15] In another case, a county head had to go to six

dinners one after the other in one night.[16] Hosting upper-level visitors thus became a heavy burden on local government units, but lower-level officials dared not to say "no" to the requests raised by their guests from the above.

Coercive pressures could also be found in cases of misusing official vehicles. Some upper-level government agencies or their officials got around the tightened fiscal control over official vehicles by obtaining luxury cars from subordinate units instead of purchasing their own. The following interview explains how this happened:

> Our bureau [a police department] has vehicles that are not registered under our name. The bureau has an affiliated security company whose senior managers were appointed by us. The security company purchased the vehicles and then we borrowed them from it. We only need to pay for gas, while the company pays everything else. It is a normal practice to borrow vehicles from affiliated companies. It shows a close relationship between government institutions if a unit can borrow vehicles from another.[17]

The "close relationship" referred to by this official actually indicates a coercive situation based on a hierarchical relationship between the parties involved where the subordinate had no choice but to accommodate the request of the superiors by lending the vehicles. Such coercive relationships may exist between private enterprises and governmental departments:

> My friend owns a large private company and often lends vehicles to the government departments of the county. Sometimes these departments ask my friend for more vehicles, but his company has already donated vehicles to the finance bureau, economy and trade commission, and other important government units.[18]

In a similar way, affiliated or subordinate units often had to offer funds to sponsor the overseas trips of their superiors in order to please them. An audit report disclosed, for example, that the

State Development and Reform Commission received funds from affiliated units for overseas trips (National Audit Office 2013). According to a senior employee of a travel agency based in Beijing, it was "an open secret" that official groups going overseas often included individuals from private enterprises whose job was to pay all the bills.[19]

These cases and many similar ones attest to the fact that hierarchical relationships in the Chinese bureaucracy placed lower-level organizations and affiliated institutions in an inferior and dependent situation so that they had to please their superiors and satisfy their needs in order to maintain good relationships and obtain top-down blessing. This contributed to the prevalence of extravagant spending which was used for that purpose.

Pull factors

By pull factors, we mean the conditions that make certain behaviors attractive choices and motivate actors to do things accordingly. Whereas the push factors discussed in the previous section are embedded mainly in the vertical hierarchical relationships between upper-level governments and subordinate organizations, pull factors may be found in the horizontal relations among peer institutions. The Chinese bureaucracy as an organizational field generates competitive pressures over all actors involved and fierce, often zero-sum, competition has characterized institutional relations in the bureaucratic system. Competition is keen because resources are scarce and centrally controlled, but it may also go beyond economic contests to involve races for career promotion or be driven by political considerations or other organizational interests. For instance, horizontal competition may determine the political fate of local leaders. By employing a turnover dataset of top provincial leaders, a study found that the likelihood of getting promoted for these leaders was positively associated with the economic performance of their localities (Li and Zhou 2005). As a result, local officials often had to

compete with each other not only for favorable resource allocation and preferential policy, but also for upper-level blessing for their performance. While government organizations at the same level vied with one another to show better performance, higher-level officials conducted inspections and assessments to decide who would be the winner. Evaluation results would determine the political future of local government officials. In this kind of competition, since there are many similar actors in the same organizational field, the behavior of other actors tends to become an important reference point when one takes action. It is after all the organizational field that generates benchmarks for what is appropriate and necessary behavior among the actors (Tavits 2010). Appropriateness indicates which practices are suitable or acceptable under given circumstances, even though they do not always follow formal rules; they are necessary because the unit may be disadvantaged if it does not follow what is considered the standard practice in the field.

Fierce competition means that only a few actors can win the game while the rest lose. In China, horizontal competition has been intense among government organizations in resource allocation and overall economic performance (Zhou 2007; Li and Zhou 2005). Because there is a considerable difference between winners and losers and because upper-level officials play an important role in determining who wins and who loses, the preference of upper government officials becomes critical. In the organizational field of the Chinese bureaucracy, as a consequence, extravagant position-related consumption became a common and effective way to please upper-level officials and to create close personal relationships with them. In comparison with other overtly illegal tactics to please high-level officials (such as offering bribes), providing luxury treatments may be a better way as it is relatively safe. But more importantly, as an interviewee told us, "since it has become an informal rule for local governments to host upper-

level officials with luxury banquets and fancy hotel accommodations, if you don't do it while others all do, you will certainly lose the game."[20] In this context, mimetic pressures mounted and made it necessary to check what others did before one would take his own action.

The following story illustrates the mimetic pressure generated by horizontal competition and how the pressure induced lavish position-related consumption:

> The Ministry of Environmental Protection intended to evaluate the national ecology and sent an inspection team to my county. When my county was evaluated by the team, another county that would be the next on the evaluation list sent three officials to my county to inquire about our experience. Their real purpose was to learn the personal preferences of these inspectors and how we satisfied them. They paid close attention to how we hosted the inspection team, the reception standards, and what gifts we gave them. They believed that the result of the evaluation would depend on how these inspectors were treated. Based on my observation, that county will surely host the inspection team with higher standards than us to ensure a positive evaluation.[21]

To make things worse, not only did host institutions vied with each other, visitors from upper levels might compare the treatments they received during local visits. This could again exert mimetic pressures on hosting institutions. An interviewee commented,

> I believe that the level of spending is affected by comparison…. A host should choose the right type of hotel rooms for the right type of guests and do it carefully and appropriately. For example, you cannot arrange a suite for a provincial official while at the same time giving a single room to another provincial official. They will compare accommodation standards with each other and the latter would be extremely unhappy if he learned that he was treated differently.[22]

Pull factors also contributed to extravagant spending on government vehicles and duty trips. We were told by our interviewees that local officials often compared with each other to see who were entitled to having designated cars. For example,

> The provincial governor as the head of a province is qualified to have a designated car for his own use. I am a bureau-level official and also the head of an important department. Why can't I have a designated car? Similarly, officials at the lower levels also believe that as the leading officials in their units they are entitled to having an official car for individual use. This means that consequently all officials end up having a government vehicle in possession.[23]

The same happened to official trips: if some government organizations successfully made sightseeing trips disguised as overseas study tours, others would try to do the same regardless of whether they had overseas business or not. A senior official from the MOF told us this story:

> An administration service center affiliated to our department submitted a proposal for an overseas trip and tried to justify the importance of the trip. Although everyone knew that it was for sightseeing, the center had its own argument: since all other departments/units could organize overseas trips, why shouldn't our unit? [24]

The pull and push factors worked separately but they also interacted and reinforced each other, generating an amplified effect on extravagant position-related consumption. The push factors functioned mainly through the vertical bureaucratic relationships, which placed lower-level government units in a dependent situation. In this context, the winners and losers in the scramble for resources and preferential policies were largely determined by central blessing. The pull factors, while embedded in the horizontal institutional relationships, compelled local government units to compete with each other using various means to obtain favorable treatment from the center. As competition intensified, the dependence of lower-level units on upper-level officials was further reinforced. Hence, a vicious cycle was established and pleasing upper-level officials became increasingly important for surviving horizontal competitions.

While it is clear that pull and push factors intensified official extravagance, the fact that lavish position-related consumption has become so pervasive requires further explanation. Isomorphic theory suggests that rules (formal or informal) may be internalized as prevailing perceptions and institutionalized into the daily operation of an organization and hence may generate normative pressures (DiMaggio and Powell 1983; Andrews 2009). In China, the asymmetrical bureaucratic relationships have generated a particular norm, an institutional culture of authority (Walder 1983). Against this background, the pull and push factors work together to exert normative pressures to perpetuate extravagant position-related consumption as an institutionalized salient bureaucratic feature.

Our empirical findings showed that normative pressures could be identified at two different yet complementary levels: the organizational level and the individual level. Our interviewees described the prevailing view toward official extravagance at the organizational level in these ways: "I believe that extravagant position-related consumption is tied to the culture of the whole bureaucracy. People do not feel guilty when they drink a bottle of wine worth RMB 10,000, because other people all do the same"[25]; "I see lavish drinking and dining closely related to the way the whole administrative system operates"[26]; and "when talking about lavish consumption, we have to take into consideration the overall situation of the government, to which we all belong and therefore have to follow its rules - formal or informal."[27]

Offering extravagant hospitality in exchange for favorable resource allocation and upper-level blessing was a way of living in the Chinese bureaucracy. Quite often, extravagant spending

was defended on the ground that it was a necessary evil in order to help an organization meet its needs. When individual officials felt guilty when spending lavishly on hosting higher-level officials, certain normative pressures, such as the feeling that these extravagant hospitality activities could possibly bring high returns to their organizations, helped ease their concerns. Our interviews indicated that officials tended to consider extravagant spending justifiable as long as the purpose was to promote institutional interests. Some officials spoke frankly that they would not mind getting involved in excessive drinking and dining with upper-level officials as long as it could bring potential benefits to their organizations.[28] Some interviewees considered extravagant consumption an inevitable part of their official responsibility for getting support from the above.[29] An interviewee said, "for those problems that could not be resolved at regular meetings, it would be good if we could find solutions at the dinner table in a good restaurant or during a sightseeing trip we paid for."[30] Another interviewee told us that he never drank at home with his family, but had to drink a lot when attending dinners on behalf of his institution as the deputy director of a prefectural finance department.[31]

At the individual level, extravagant position-related consumption became institutionalized when individuals in an organization took it for granted as a normal part of their organizational life. When a practice gets "embedded in organizational structures and processes, internalized by organizational members as permissible and even desirable behavior, and passed on to generations of members" (Ashforth and Anand 2003, 1), it becomes an institutional norm, creating normative pressures on the members of the organization concerned. Certain actors such as organizational leaders may play a crucial role in this process, as their behavior often has a normative impact on subordinates. For example, if higher-level officials themselves engaged in luxurious consumption such as lavish dinners while carrying out government duties, their

subordinates might receive the message that such extravagant spending was permissible. The "role model" of organizational leaders could thus encourage the spread of malpractice. The following story was told by an interviewee:

> After a luxury dinner and excessive drinking, two senior officials from a personnel department praised a junior official who had accompanied them at eating and drinking by telling him "you did an excellent job tonight. We hope that you can do even better next time."[32]

Leading officials might even use their power to force subordinates, such as accountants in their institutions, to collaborate in hiding extravagant consumption. An interviewee said:

> Although our accountants are supposed to serve the whole department, they mainly serve the senior leaders. Despite professional guidelines for their work, ultimately they have to obey the leaders' instructions. Why? If you refuse to follow them, they will fire you immediately.[33]

We heard similar accounts about the misuse of official vehicles and official sightseeing trips during our interviews. One interviewee complained, "in our bureau, a great deal of public money is spent on the private use of official vehicles, as all leaders have their own cars."[34] Leading officials might use their authority and discretion to arrange luxury trips. We were told that sometimes a leading official might ask seven or eight subordinates to travel with him to the provincial capital for a meeting and cover all their expenses; in this way, he could show his favor to them.[35] To internalize particular organizational practices entails repeated exposure to them. Repeated practice makes corruption routinized and habitual, because it neutralizes the salience of misconduct (Ashforth and Anand 2003). Newcomers or junior officials may feel uncomfortable or guilty about lavish consumption at the beginning, because they are not very familiar with the organizational field in terms of what is acceptable and what is not. However, the guilty feeling may fade away if they are repeatedly exposed to such practice and take it as normal.

The fact that official extravagance has spread to various bureaucratic institutions in China indicates that this malpractice is internalized and taken for granted by government officials in the organizational field. In this way, as described by Persson, Rothstein, and Teorell (2013), corruption resembles a collective action problem based on a suboptimal "corrupt" equilibrium that each actor or group of actors does what they see everyone else is doing or simply in the way "things work."

Conclusions

Extravagant position-related consumption is a vexing problem for all governments in the world, but it poses a particularly serious challenge to governance in China, where various efforts in attempting to control it over the past decades have proven ineffective. Our analysis reveals a key cause of the persistence and prevalence of official extravagance in Chinese bureaucratic organizations; that is, the practice is deeply embedded in the organizational field, consisting of complex vertical and horizontal institutional relationships in the Chinese bureaucracy. In this study, based on the empirical evidence drawn from interviews with government officials, we have been able to identify how coercive pressures worked as push factors forcing subordinate organizations to seek ways out of the asymmetrical vertical power relationships. We have also shown that mimetic pressures translated into pull factors to induce local officials to use lavish consumption as a means to please higher-level officials in order to gain an advantage over other institutions in horizontal competition. Moreover, we have examined the normative pressures resulting from both the push and pull factors, which include but are not limited to, the need to obtain much needed yet centrally controlled resources, the desire for favorable policy treatment and project approval by upper-level officials, the aspiration for promotion, and the impulse to

win when competing with peer organizations for preferential policy and resource allocation. Under the Chinese bureaucratic hierarchy, lower-level organizations cannot meet these needs without upper-level blessing and support. Offering extravagant hospitality to higher-level officials has served as an effective way to exchange for preferential policy and favorable treatment. While it is fair to say that extravagant position-related consumption is not unique to China, the Chinese bureaucratic system has nevertheless provided distinctive and necessary conditions to allow it to prevail. .

The case of extravagant position-related consumption in China highlights the process in which isomorphic pressures translate into homogenous institutional practices in a given organizational field (Zucker 1977; Meyer and Rowan 1977; Farquharson 2013; Wahid and Sain 2013). Our findings illustrate the sources of isomorphic pressures, how they exert an impact, in what ways they are manifested and how they have been sustained. The findings further show how this process has taken place in contradiction to the legal and social norms in the larger environment. All too often, scholars concentrate on the impact of isomorphic pressures on institutional practice while leaving the origin and formation of these pressures inadequately explored and explained. We add to the existing literature of institutional isomorphism by analyzing its endogenous dynamics embedded in the web of particular institutional relationships.

It should be noted, however, that since the leadership headed by Xi Jinping came to power in 2012, the situation in China has begun to show signs of change. The central government launched another more drastic nationwide anti-extravagance campaign and implemented various counter-measures against lavish position-related spending. Though the campaign is still underway, it has had some initial effect on reducing extravagant consumption in government. The business of many high-end restaurants and hotels has suffered dramatically due

to a reduction in position-related consumption. Certain brands of luxury wine such as *Maotai* and *Wuliangye* have reportedly been badly hurt by the drop in purchase orders of government institutions. The current anti-extravagance drive has introduced new regulations and clarified grey areas through codes of conduct so that officials know what they should do or should not. Stricter supervisory steps have also been taken with repeated warnings about gift giving or receiving and lavish eating when carrying public duties.

While the ongoing anti-extravagance drive seems to have a positive impact on the behavior of government organizations and their officials, whether the campaign has a long-lasting effect remains to be seen. As our findings indicate, extravagant position-related consumption is a deeply embedded problem in the governance structure and will not easily go away without profound institutional reform. If there is no change in the institutional relationships within the Chinese bureaucracy that have cultivated lavish consumption, it will be very difficult to stamp it out. Extravagant position-related consumption has in fact taken more covert forms in recent years. For example, luxury dinners were arranged in remote places or internal canteens of a work-unit rather than in 5-star hotels. When malfeasance becomes hidden, the cost and difficulty of detecting it increases accordingly. More importantly, however, the ongoing campaign has not touched the asymmetrical power relations among institutions. Local governments' dependence on centralized resource allocation and political support means that they will continue to rely on the blessing of their superiors to win horizontal competition with other institutions. Consequently, the current campaign is insufficient to reestablish an effective governance framework. While it has had a short-term effect reducing the malpractice of lavish spending, the push and pull factors that induce and sustain extravagant position-related consumption among government officials remain intact. As Misangyi, Weaver, and Elms (2008)

suggest, anti-corruption in the most corruption circumstance entails reforms in institutional relations, reallocation of resources and presence of social actors seeking for change, thus reforming both symbolic and substantive aspects of corruption practice. In China's case, more dramatic and in-depth reforms are necessary to dismantle the existing isomorphic pressures sustaining official extravagance and to replace them with both formal and informal mechanisms which promote new institutional relationships. The ultimate success of the anti-extravagance endeavor depends on whether it can eradicate the institutionally embedded causes of official extravagance.

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Notes

[1] An online survey in 2011 showed that 91.6% of the 10,275 respondents perceived extravagant official hospitality activity as "corruption." For more information, see "Survey: 99.1% of the Surveyed Citizens Consider Excessive Official Hospitality as a Serious Problem," *China Youth Daily*, 11 October, 2011. http://news.xinhuanet.com/politics/2011-10/11/c_122139306.htm.

[2] *Hainan Daily*, 22 January 2013.

[3] "A Proposal to Stop Extravagant Official Hospitality Activity," http://www.rmdbw.gov.cn/2010/0104/9357.html.

[4] Also see "*Reducing Administrative Costs Should Start from Details"(Jiangdi xingzheng chengben xu cong xijie zhuaqi), Southern Metropolitan Daily* (*Nanfang dushi bao*), 6 October, 2003. http://www.southcn.com/news/gdnews/chuanmei/200306100198.htm.

[5] These figures are derived from Chen (2009), Zhu (2004) and the website: http://cppcc.people.com.cn/GB/34957/3422068.html.

[6] "*Corruption Involving Drinking and Dining should be Penalized as Soon as Possible"(Zuishang fubai ying jingzao ruzui), People's Daily*, 31 January, 2012. http://society.people.com.cn/GB/1062/16973737.html.

[7] "Ma Wen: Regulating the Three Public Expenditures by Effectively Managing Money" (*Ma Wen: Guanhao jingfei zhili gongkuan chuguo, gongche siyong, gongkuan chihe*), *Xinhua Net*, 19 January 2009. http://news.ifeng.com/mainland/200901/0119_17_976369.shtml.

[8] "Officials from Different Regions Rush to Beijing ahead of Time" (*Gedi guanyuan tiqian jinjingpao), Jingji guanchabao*, 5 January 2013. http://news.nfdaily.cn/content/2013-01/05/content_61368634.htm.

[9] For more details, see http://www.eeo.com.cn/2013/0109/238439.shtml (accessed 13 May 2015).

[10] Interview with a county official, Guangdong, July 2012.

[11] Interview with a scholar, Guangdong, June 2013.

[12] Interview with a county official, Guangdong, July 2012.

[13] Interviews with a city official, Guangzhou, July 2012 and with a provincial-level official, Hunan, March 2014.

[14] This survey was conducted by Zhao Shukai, a scholar of the Development Research Center of the State Council. See Zhao (2005).

[15] "Calls to Reform Twisted Official Receptions," March 8 2013. http://www.china.org.cn/china/2013-03/08/content_28175834.htm.

[16] Interview with a county official, Guangdong, July 2012.

[17] Interview with a district official in the police department, Guangzhou, July 2012.

[18] Interview with a scholar, Guangdong, June 2013.

[19] "Overseas Official Trips are reduced by Half" *(Gongwu chuguo tuan jianban*), *Xinjingbao*, 22 August, 2013. http://www.chinanews.com/gn/2013/08-22/5191255.shtml.

[20] Interview with a provincial official, Beijing, May 2013.

[21] Interview with a scholar, Hong Kong, June 2013.

[22] Interview with the chief of the general office of a state-owned enterprise, Changsha, March 2014.

[23] Interview with a provincial official, Beijing, May 2013.

[24] Interview with an official working in the MOF, Beijing, May 2013.

[25] Interview with a county official, a county official, Guangdong, July 2012.

[26] Interview with a deputy chief at the district level, Shenzhen, May 2012.

[27] Interview with a provincial official, Beijing, May 2013.

[28] Interview with a provincial official, Beijing, May 2013.

[29] For example, Zhao Linzhong, a representative to the 11th National People's Congress considered himself both an active participant and a victim of lavish eating and drinking, because he was a senior manager of a company and had to attend numerous official banquets. See "Representatives Criticized Official Dining and Drinking as Grey

Corruption" *(Daibiao tongpi gongkuan chihe cheng huise fubai)*, *China Youth Daily*, 9 March, 2010. http://fanfu.people.com.cn/GB/11099054.html.

[30] Interview with a city official, Guangzhou, July 2012.

[31] Interview with a scholar, Guangdong, December 2013.

[32] Interview with a scholar, Guangdong, December 2013.

[33] Interview with a county official, Guangdong, July 2012.

[34] Interview with a district official in the police department, Guangzhou, July 2012.

[35] Interview with a provincial official, Beijing, May 2013.