Bureaucratic Norms in China’s Multimedia Reform:
The Case of 21DNN

by

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Abstract: The state-owned media conglomeration in China is discussed in this paper. Bureaucratic norms behind this multimedia reform are evaluated by examining the case of 21DNN, a multimedia corporation born through this process. Although it is still too early to tell who will finally excel from this “survival of the fittest” battle, the 21DNN model indicates that balance between predictability and flexibility is essential to success for China’s state-owned media caught between the party line and the bottom line.

Key Words: China, media policy, Internet

Introduction

Over two decades after Deng Xiaoping unleashed reform and open-up in China in 1978, commercialization and conglomeration are nothing new to state-owned media groups struggling in a fluid, transitional environment. At the end of 1999, a time when commercial websites mushroomed throughout China, the state-owned media were once again thrown into a new current of reform. Although reminiscent of the last wave in mid-1990s that aimed to tighten control of traditional media through horizontal conglomeration within the same medium (Zhao, 2000), the reform this is to control online news flow by forming multimedia union through alliance of different types of traditional media. As Fountain (2001) succinctly put it, “policy makers view the Internet either as a force to increase the responsiveness of government to its citizens or as a means to further empower the state (p. 3).” In the case of China, the government clearly has taken the latter option.
As part and parcel of the reform and open-up, marketization and decentralization of the Chinese media became inevitable. Party organs and bureaucratic papers lost much of their foothold where as business and mass appeal papers marched to the center of the stage (Zhao, 2000; Chen & Lee, 1998). The dominance of China Central TV has also challenged by, among others, Hunan Satellite TV, a local TV station popularly known as “Hunan TV Army” (Tan, 2001). State-owned media reform aimed to roll back liberalization and enhance central control has been upstage all through the 1990s. But what is more alarming to the Chinese government by 1999 was the overwhelming wave of the Internet. CNNIC data show that by the end of 1999, there were 8,900,000 Internet users and approximately 15,153 websites. These figures, when compared to the Chinese population, seemed minor. Nevertheless, they unveiled the rapid popularization of Internet usage, and the unchecked trend for information distribution online. Internet user’s primary reason for access was to gather information (57.97%), and the primary information gathered online was news (65.52%). But news from whom? All top ten favorite websites of 1999 had domain names ending with “.com”, and none of them had state-owned press or broadcasting backup. The Chinese government was quick to recognize the importance of online information regulation, yet they decided pitting up their own camp in the virtual reality was a better choice than mere censorship and blockouts. Hence came the policy of multimedia conglomerations.

As a result of the media reform in early 1990s, most state-owned media in China had become self-sufficient by issuing business and entertainment supplements, running mass appeal programs and attracting loose affiliates, though state allocation still remain as a
minor channel for funding (Zhao, 2000). So unlike the 96-98 media reform with financial priority, optimum allocation of resources was at the heart of the necessity for this reform. Readily embracing the Internet wave, state-owned media groups competed against each other to set up their own news websites. The boom in news websites proved to be a great waste of resources, as cut-and-paste content, backward technology backup, and poor maintenance plagued many of the nascent media websites. Most self-claimed multimedia fell into one of the two categories: either an electronic version of the printing counterpart or an online time schedule for programs for the broadcasting or TV station. The Chinese government had to consider reallocation of resources through forming multimedia corporations, in hope of effectively reducing duplicate construction of news websites and achieving reasonable utilization of resources.

By the end of 1999, China boasted 2,038 types of newspapers, 8187 types of magazines, 1,696 wireless broadcasting channels and 1,108 TV stations (Zhongguo Tongji Nianjian, 2000). Side by side with the blossom of traditional media as well as news websites was the proliferation of grapevine news, pornography and sensational content. Ironically, media user’s trust in the Chinese media was plummeting in an age when the media groups were left with the greatest freedom to speak their own minds. As Chinese citizen’s apathy toward media content grew, the government felt obliged to recast the media image by supporting multi-media corporations that are credible in source and at the same time, cater to public taste.
No less pressing, of course, was the competition from international media industry as China moved rapidly toward WTO. Transnational media giants were already at bay: The year 2000 saw the shuttling of senior staff of News Corp., Viacom Inc. and AOL-Time Warner to and from China, the establishment of CNN’s programming center in Hong Kong, and the formation of NEWCO by Tom. Com., Taiwan Pc Home Corp., and Cite Publishing Corp (Tan, 2000). Facing the grievous challenge, the Chinese government tried to “make a carrier out of ferries,” a phrase popular among Chinese media circles referring to cross-the-sector assemble of small media groups into a powerful conglomerates that can face up to the challenge of their mighty international competitors.

A new milestone in China’s multimedia conglomeration, Decree No. 82 was issued by the General Office of the State Council at the end of 1999, clearly stating the central government’s instruction of conglomeration between TV and broadcasting as well as that between wireless and cable TV (Huang, 2000). On the new year’s day of 2000, authorities attending the summit meeting of the national News and Publishing Bureau again pointed out that breakthrough should be made in investment and financing of the media industry, and pilot corporations were encouraged to manage or establish subsidiary types of media through annexation and reconstruction (Yin, 2001). To add more fuel to the engine of conglomeration, information released from the State Council held that TV stations will be allowed to handle newspaper and magazine business, and vice versa (Huang, 2000), ushering in the grand multimedia conglomeration wave in 2000.
Catching the message of the State Council, state-owned media groups all over the country began to set up multimedia groups such as 21DNN Corporation ii in Beijing, Eastday group iii and the Hunan Radio, Film and Television Media Groupiv, just to name a few comparatively influential corporations born out of this wave.

The mushroom of multimedia corporations shed light on some normative issues. Clumsy tight-ropes walkers, many new-born corporations were caught in the paradox of predictability and flexibility inherent in modern institutional life. To state-owned media in China, predictability is essential in the sense that they must secure government consent, steady news source and gatekeeping standards in order to get their regular work done. Flexibility, on the other hand, demands these media groups to hail the new forces of marketization, such as new technologies, business administration and marketing strategies, in order to win the patronage of advertisers and consumers.

How to handle the dynamic tension crucial to survival of multimedia corporations became a salient preoccupation of its promoters and executives. Thus, a close examination of the two norms in the context of multimedia conglomeration is essential, and this is where the case of 21DNN comes in: the ups and downs of 21DNN clearly mirror the compatibility and confrontation of the two norms, and the current distinction of 21DNN was exactly the result of adaptability achieved through reconciliation between predictability and flexibility. Detailed and in-depth normative analysis concerning the 21DNN case will be presented later in this paper.
In a broader sense, the paper tries to clarify a pair of normative values as a springboard to guide future multimedia conglomerations in China. Although it is still too early to tell who can come out of this “survival of the fittest” battle as the media giant, adaptability achieved through the balance of predictability and flexibility will be essential to success for China’s state-owned media caught “between the party line and the bottom line.”

Moreover, such a balance is inherently unstable that makes these groups’ future uncertain: Can they continue to thrive or will these tensions doom them to oblivion? Are market forces likely to push them to greater flexibility or are state fears over ideological impurities and losing control likely to push them toward greater predictability? This paper makes a couple of speculations in the last section.

The following section deals with the origin of norms, their places and functions in the 21DNN case, and how they interact with each other. Then the paper moves on to examine in details the 21DNN case in three dimensions with regard to the norms, and wraps up with recognizing and reconciling dynamic tensions between the two norms in China’s multimedia conglomeration.

Norms at Work

Fountain (2001) has made a distinction between the organizational environments form the institutional environments for bureaucracies:

Organizational environments reward effectiveness, efficiency, and control over production. Institutional environments reward normative requirements for appropriateness and legitimacy and, in some cases, conformity to procedure,
presentation, symbols and rhetoric. Government agencies… are expected to be efficient and effective in their core activities but operate in a legislative, oversight, and political environment that requires conformity to a range of requirements that have little or nothing to do with economic output (p. 12).

This echoes the old paradox of modern bureaucratic institutions. French scholar Crozier (1964) has observed that adaptability is crucial to the functioning and survival of complex organizations. The central dilemma of modern institutional life, in Crozier’s opinion, is the challenge of striking a balance between the conflicting goals of predictability and flexibility (Polumbaum, 1998). Reflecting on the bureaucratization of media management in China, Polumbaum (1998) applied the same paradox to China’s mass media organizations and institutions.

The dual force of predictability and flexibility also found their niche in the process of multimedia conglomeration in China. Decentralization in the 1990s failed to root out Chinese media’s state ownership and historical evolvement, leaving predictability the all-time concern for China’s state-owned media groups in their execution of the cross-genre union. In organization, these new-born multimedia corporations are still accountable to the propaganda branch of governments at different levels, and the key power positions, instead of board-voted, are appointed by the government. Their information source is also fairly assured, with senior reporters and editors drafted from the member groups of the traditional media, and hard news from member press or TV stations ready for reproduction. Even their popularity in the market is somewhat secured. A trump card held by these multimedia corporations is brand-name effect of their member media groups. Growing out of state-owned newspapers, radios and TV stations, they are considered a
more reliable source of information. Credibility derived from the prestige of member media groups gives them an edge in competing with commercial websites.

Flexibility, on the other hand, has also chalked up some wins in China’s multimedia conglomeration process. In response to marketization, most new-born media corporations adopt business management model, setting up board of directors to oversee financial balance, HR management and operation variety. To consolidate and expand their foothold in the media market, they carefully circumvent the forbidden area of government, and start cooperation with private enterprises to extend their website’s brand width, annex small commercial websites, offer information service, and prepare for the flourish of e-commerce. The most flexible of all is their marketing strategy. These multimedia corporations know well as how to make their names sound familiar to advertisers and customers alike. Full-swing advertising campaigns are nothing but routine, and their charity activities, academic symposiums, and conspicuous upgrading of websites often make the headline of newspapers, radios and TV stations, some of which are owned right by their members.

Ideally, predictability and flexibility could work as complementary forces, resulting in maximum adaptability crucial to the functioning and survival of complex organizations (Crozier, 1964). Yet more often than not, predictability is achieved through the sacrifice of flexibility and vice versa. In the case of 21DNN, as we will see, the dual forces clashed and contended before they finally strike a temporary balance of power. In its initial stage, 21DNN was made up of nine municipal state-owned media groups in
Beijing and the Sparkice E-commerce Corporation. The nine media groups co-claimed 55 percent of stocks through input of resources such as personnel and news source, and Sparkice held the rest 45 percent by investing 17 million yuan (about US$2 million) plus a technical website. The two sides reached agreement that the former would be responsible for news source and gatekeeping whereas the latter would have its say in operation, technology and financing (Xiao, 2001). This agreement, however, was dichotomous in nature, making it unable to handle overlapping areas where both forces of predictability and flexibility are present. Soon the senior management was divided into two camps, namely the government faction and the commercial faction. Acting on behalf of the nine media groups and the Propaganda Department of Beijing Municipal Party Committee, Xi Weihang, President appointed by the government at that time, insisted that news must take precedence over technology. Representatives of Sparkice, on the other hand, focused on pushing 21DNN to go on listing and assigned propaganda a minor role (Xiao, 2001). This fundamental clash led to long-winding arguments, leading to the resignation of eleven out of twelve senior managing staff, including Xi himself. Sparkice refused to add investment on the account that it did not have control over the orientation of 21DNN, and at one point, the 21DNN corporation could hardly afford to pay its employees (Xiao, 2001).

Exactly, the ups and downs of 21DNN are the intertwining work of predictability and flexibility behind the scene. From the normative perspective, the current distinction of 21DNN can be interpreted as a subtle balance achieved through transitory reconciliation between predictability and flexibility. The following session offers a panorama of the
21DNN case from three dimensions with reflection of normative issues embedded in each.

**Case and Assessment**

At the end of 1999, pressure by commercial websites carrying news digests has mounted up to the extent that government became alert and hastened to oversee online propaganda, thus pulling the curtain of state-owned multimedia conglomeration in China. As the political center in China, Beijing was among the first to respond. Serving as the matchmaker, the Propaganda Department of Beijing Municipal Party Committee clinched the cooperation between nine state-owned media groups in Beijing and the Sparkice Corporation. 21DNN, the new-born multimedia corporation, was put into operation in May 2000. And by May 2001, 21DNN has gained its foothold in China’s media industry, ready to annex small commercial websites. In September 2001, 21DNN was able to co-host the 2001 Beijing Internet Development Forum with the Information Office of the Beijing Municipal government. 21DNN’s success, though transitory it might be, can be of value to other state-owned media groups in oblivion or on the verge of breakdown. Evaluation of the 21DNN case and the bureaucratic norms behind the curtain is thus necessary.

**Organization**

Like its counterparts around China, 21DNN is caught between the party line and the bottom line, which is best illustrated in its dual organizational structure. On the one hand,
it does have a board of directors, making independent decisions on financial balance, HR management and operation variety. However, its key power positions, including the chairman of the board, the President and editor-in-chief are appointed officials by the Beijing Municipal government (Xiao, 2001).

This dual structure evolved from the power struggle between the government and the capital, the cause for 21DNN’s one-time clash on whether news or technology should take priority. As mentioned in section two, this dispute was so heated that government had to directly intervene. Two significant government decisions helped to settle the matter and thus define the final power structure. One is the Xishan Conference held by the Propaganda Department of Central Party Committee in July 2000 on which government issued ban on financing and listing of news websites, thus totally shattering Sparkice’s dream of pushing 21DNN to the stock market. Three months later, during his inspection of 21DNN, Jia Qinglin, head of the Beijing Municipal Party Committee, ordered the nine media groups to support 21DNN with money and promised reasonable financial support from the government (Xiao, 2001). Still the biggest shareholder, Sparkice nevertheless saw the attenuation of its shares and together with it, a decrease of power. Thus the dual structure of power came into being.

From the normative perspective, this is actually a victory of predictability over flexibility. On the one hand, government monitoring makes 21DNN’s organization and power structure highly predictable. By issuing policies and instructions, the government has always kept an eye on the growth of 21DNN, lending political support when necessary
and making timely braking when things went awry. On the other hand, the business administration model adopted by 21DNN leaves some room for flexibility. Senior managing staff should be accountable to the board, and board of directors was able to make its own decisions so long as they don’t violate fundamental government positions. With predictability taking the dominance and flexibility exerting influence in a proscribed scope, adaptability of 21DNN to changing environment is achieved in terms of organization.

**Resources**

As a multimedia corporation, 21DNN has a wide array of resources, ranging from a reservoir of seasoned media professionals furnished by its member groups to state-of-the-art technologies offered by IT companies seeking alliance.

Part of the resources claimed by 21DNN is constant and reliable. Experienced reporters and editors from its member media groups take shifts to serve as 21DNN’s core news staff. 21DNN is also entitled to carry all information gathered and distributed by these newspapers, radio and TV stations, and all for free. For instance, without the contribution of Beijing People’s Radio Station and Beijing TV Station, 21DNN’s audio-visual news and live broadcasting would be next to impossible and its core feature of “multimedia” would become mere lip service (Peng, 2001). Another valuable resource offered by traditional partners is free advertising. As a matter of fact, three out of the six printing media groups backing up 21DNN are among the top twenty printing media in terms of
advertising revenue. For 21DNN, an all-round advertising campaign can be easily launched without concern about the exorbitant advertising cost.

At the same time, 21DNN has extended its flexibility by seeking out non-state resources. After their pitfall at NASDAC, Chinese commercial websites became precariously positioned and eager to find more stable partners, and this worked to the advantage of 21DNN. As soon as 21DNN expressed intention to purchase SUN server, virtually all SUN dealers in Beijing responded by bragging the lowest price and best quality. In its second-phase upgrading, 21DNN picked Founder out of a dozen software manufacturers as its partner in software development and copyright sharing (2001). Most striking of all is 21DNN’s strategy of expanding resources through alliance with small commercial websites. 21DNN’s targets are those websites that both fit into its content frame and possess specialized technology. The substantive negotiation between 21DNN and Newshoo, a specialized Chinese information engine website, is the most hopeful of all (Peng, 2001).

In the process of resource utilization, the two norms, predictability and flexibility, both opened new frontiers, and it turns out to be a close match. Although conflict of norms may rise in the future, adaptability in terms of resources is achieved temporarily through a tie between two forces.

*Marketing*
In the age of information explosion, brand-name effect is becoming increasingly salient. Generally speaking, a piece of news carried on a well-established newspaper solicits higher reliability than one on a green commercial website. Since much of 21DNN’s credibility comes from its member media groups, there are threads of predictability in its marketing strategies. No matter was it a press conference or a business negotiation, 21DNN always highlighted its government “upbringing” and traditional media backup (Ouyang, 2001), in order to establishing its stability, legitimacy and authority.

But what more admirable is 21DNN’s great marketing strides out of the government sector. It has worked out multiple ways to build its public image. Lottery and survey with tokens are routine, and PR campaigns targeted at different subpopulations are regularly held. In Summer 2000, 21DNN organized the website tour during which Beijing residents were welcomed to visit the 21DNN website, learn about multimedia technology, and try their hands in uploading news. As a reward, a certificate of Internet knowledge training was granted to each participant (Peng, 2001). This is how 21DNN approached those new to the Internet world, instilling in their minds the brand name of 21DNN. In May 2001, 21DNN became the first to offer online platform for a civil IPR campaign called “Online Anti-piracy campaign,” a step greatly increased its popularity among mature netizens (BeijingNews.com.cn, 2001). Meanwhile, 21DNN went through several rounds of technical upgrading, domain name change and layout alteration, making it never far away from the spotlight. News of, by and about the 21DNN was widely covered by both its member groups and Chinese media groups at large.
Among the three dimensions of organization, resources and marketing, 21DNN shows the greatest elasticity in the last one. In terms of marketing, predictability does give way to flexibility, as seen from the great variety of marketing strategies adopted by 21DNN competing for customers and advertisers.

**Conclusion and Prediction**

In a nutshell, two competing norms of predictability and flexibility were identified and evaluated in the contest of China’s multimedia conglomeration in this paper, and the significance of adaptability achieved through balance between the two norms was highlighted. This is done by examining the 21DNN case from the perspective of organization, resources and marketing. Careful study of the 21DNN case is useful in that it can serve as a beacon showing the way for future media conglomerations in China. The final pattern out of this still ongoing conglomeration wave is still beyond clear definition. Yet recognizing and reconciling the two norms will prove necessary, thought not sufficient *per se*, to multimedia corporation’s success in china.

If we take a step back, the balance between predictability and flexibility is inevitably delicate and transitory, and an organization form built on this dynamic tension is inherently fluid, if not at all unstable. To be or not to be is a serious question here. Will these nascent multimedia corporations gradually get themselves established, or are they simply a fed that comes and goes? Given China’s overall transition to marketization and the Chinese government’s incoherency in policy mapping and execution, this may well
be a survival-of-the-fittest battle. As a result, for most new-born multimedia corporations, their disappearance is simply a matter of time, either due to market failure or government intervention. But there always will be the few, either by skill or by luck, that successfully steer clear of both political and economic pitfalls. Those who can survive the painful transition form a traditional media industry to a new information industry will prevail in an era of globalization.

Even if some of those multimedia corporations do manage to grapple a foothold in society, the tension between state and market forces will not leave them at rest. So which force will win out? Now and then, international political turbulence or domestic crisis may alarm the government to highlight “ideological impurities” and “thought control,” thus pushing these corporations toward greater predictability. However, in an era of democratization and globalization, the multimedia groups are more likely to exercise greater freedom in all areas of organization pattern, resource management and marketing strategies.

The Chinese media industry is now at the crossroad. After two decades of gaining independence from state financial allocation, it has developed into a gigantic mechanism. Now under the impact of strong international competition and digitalization, the crux of its subsistence and development truly lies in the proper mix of state and market forces.

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1 Data from Semi-Annual Survey Report On Internet Development In China (Jan, 2000). In 1997, the State Council's Information Office and the China Internet Network Information Center (CNNIC) Working Committee determined that the CNNIC, in cooperation with the four major networks units in China, would carry out surveys on Internet development in China. Starting from the year 2000, CNNIC set the survey as a semiannual activity. The surveys are conducted and published in January and July of each year.

Formed on December 27 of last year, the group owns seven local TV channels, four radio channels, a newspaper, a website, film studios and other businesses worth a total of 3 billion yuan (US$360 million). (China Daily 06/13/2001 Hou Mingjuan)

Eastday.com is a comprehensive website backed up by nine local state-owned media groups (Jiefang Daily, Wenhui-Xinmin Press Corporation, Shanghai People’s Radio Station, East Radio Station, Shanghai TV Station, Oriental TV Station, Shanghai Cable TV Station, Youth Daily, Labor Daily and Shanghai Education TV Station) and Shanghai Oriental Pearl Co., Ltd., and Shanghai Information Investment Co., Ltd. (eastday.com)

Ranking of printing media is conducted monthly by SinoBnet Corporation.

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