



# Historical Underpinnings of Corporate Governance

*A Qing Perspective*

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Monograph

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## About the Centre for Governance and Sustainability

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The Centre for Governance and Sustainability (CGS) is a leading research institute focused on governance and sustainability issues in Asia. Established by the National University of Singapore (NUS) Business School, the Centre spearheads high impact research on governance and sustainability issues that are pertinent to Asia in order to deliver insights that enhance performance and sustainability. CGS's research areas include corporate sustainability and the governance of corporations, family firms, government-linked companies and business groups.

CGS is the national assessor for the Singapore Governance and Transparency Index (SGTI) and the domestic ranking body for the ASEAN Corporate Governance Scorecard (ACGS). Both SGTI and ACGS assess publicly-listed companies on their corporate governance disclosures and practices in Singapore and ASEAN, respectively.

CGS has served as a key knowledge partner with many distinguished organisations, such as the ASEAN CSR Network (ACN), CPA Australia (CPAA), Council for Board Diversity, Monetary Authority of Singapore (MAS), Securities Investors Association (Singapore) (SIAS), Singapore Exchange (SGX) and Singapore Institute of Directors (SID). CGS also leads the construction and publishing of indexes such as the ASEAN Corporate Governance Scorecard, SIAS Investors' Choice Awards and Sustainability Reporting, among other research initiatives.

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# Introduction

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Amidst the global pandemic and the looming recession, the importance placed on corporate governance has grown, and is providing an impetus for companies to enhance the quality of their leadership and decision-making processes. In this context, it is opportune for us to delve deeper into the historical foundation of corporate governance to appreciate its true spirit better, hoping that it facilitates easier adoption and adaptation of its core principles among firms.

The term “corporate governance” as we know of today, came into prominence following the Asian economic crisis in 1997 (Mohamad, 2004) and is widely defined as ‘the system of rules, practices and processes by which a company is directed and controlled’ (ICSA, 2021). In essence, it is a purposeful tool that empowers the board and the management to make effective decisions that aid the firm’s growth, so that the interests of all stakeholders are well-balanced (ICSA, 2021). Yet, corporate governance’s historical roots can be traced back to centuries ago, illustrating an appreciation for it throughout history.

This paper focuses on the evolution of corporate governance, particularly during the last dynasty of imperial China – the Qing Dynasty. It goes beyond the application of corporate governance and explores its true purpose, including as a political tool, using the rules of the emperors Kangxi, Yongzheng and Qianlong as examples of its significance, as far back as in ancient China.

While this paper is confined to the discussions of some of the constructive elements of corporate governance that surfaced during the Kang Qian Flourishing Age, the concept itself or its elements did not originate during the Qing dynasty. The fundamental elements of corporate governance originated from many parts of the world across different civilizations, and the purpose of our focus on the Kang Qian era is to highlight the refinement of a sophisticated governance structure during that period of rule.



# Principles of Good Governance

The concept of good governance has been an exceedingly contentious subject, due to its highly subjective nature, which resulted in it being understood differently across different organisations and people (Gisselquist, 2012).

Hence, with respect to the lack of a clear definition of 'good governance', this paper proposes an integrated structure termed "Diamond Model of Good Governance" (see Figure 1).



**Figure 1: Diamond Model of Good Governance**

Under this model, four key pillars of good governance are laid out as follows:

## 1. Quality leadership

Leaders are responsible for setting clear directions, policies, and procedures with respect to managing an organisation to ensure smooth business operations. Leaders must also be sufficiently competent to make effective decisions (Gupta, 2019). It is also crucial for leaders to have their actions guided by ethical values, and not

forgoing their morals in the pursuit of success (Mostovicz, Kakabadse, & Kakabadse, 2011). It also means that leaders must always act in the organisation's best interest (Pearse Trust, 2014). Hence, the leadership is accountable and responsible for an organisation's culture (Gitau, 2015).

## **2. Fairness**

This refers to the equal treatment of all stakeholders in all activities, ensuring that adverse and potential conflicts of interest are prevented (Burak, Erdil, & Altındağ, 2017). It is also important for effective redress and communication mechanisms, such as whistle-blowing channels, to be set up to guard against violations. These mechanisms will empower firms to more effectively resolve the root causes of the issues plaguing them, while ensuring equitable and timely protection of resources and people (Gitau, 2015).

## **3. Independence**

This is defined as “the avoidance of being unduly influenced by a vested interest and to be free from any constraints that would prevent a correct course of action from being taken” (ACCA, 2011). It refers to an individual's personal quality and ability to resist inappropriate influences and always to be able to take the correct stand, contributing to fair and unbiased decision-making on any given issue.

## **4. Ethics**

Businesses must operate ethically, with key policies in place to manage the conduct of members, especially those in key positions, within an organisation (International Charter, 2015). Since an organisation's reputation is intrinsically linked to its success, it is pertinent for any organisation to always act with the utmost honesty and truthfulness as any perceived attempts at deception of the public will result in negative repercussions (Gupta, 2019).

# Political Background of Qing Dynasty – The Kang Qian Flourishing Age

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The Qing dynasty – the last of the imperial dynasties of China – was an era that was celebrated for its good governance as well as the revolutionary policies implemented, especially during the reign of three notable emperors, Kangxi, Yongzheng and Qianlong, who ruled in that respective order. It was during the reign of these three emperors that saw the dynasty flourish and prospered, and that the dynasty has been described to have seen its peak then (Shum, Fogliasso, & Lui, 2020). Hence, the reign of these three emperors, lasting 130 bountiful years in total has been branded as the ‘Kang Qian Flourishing Age’. Though both Kangxi and Qianlong were in power for a long period of time spanning six decades each, Yongzheng’s rule only lasted 14 short years. However, during Yongzheng’s short reign, he oversaw the consolidation of administration throughout China, and with that, power became concentrated in the emperor’s hands rather than distributed among the officials of different regions (Weinstein, 2014).

The Chinese government during the Qing dynasty inherited a sophisticated and meritocratic bureaucracy that was successful in attracting competent officials thanks to the highly structured examination system of its Ming dynasty predecessors (Wang & Adams, 2011). Still, the Qing government continued to refine the Ming bureaucratic system by introducing elements of patrimonial power, as well as promulgating civil service examinations by instituting an empire-wide examination system to further consolidate their power and to attract more competent officials to better administer this growing empire (Elman, 2013).

As with any dynasty however, there are bound to be inefficiencies in administrations that pave the way for their eventual downfalls. As such, we will now discuss how we can draw on both the positive and negative learnings from the Golden Age of Qing dynasty, so that we have a better understanding of the fundamentals of good corporate governance, rather than treating all of their processes as best practices.



# Quality Leadership

## Administrative Competence

One of the most crucial qualities to being an effective leader is the ability to get the job done and done well (Gleeson, 2016). A great leader must have the skills and competency to rally the team together to execute their plans and achieve their goals together. A competent leader is also capable of rising to the occasion, making a tough decision when the situation calls for it, even if it means sacrificing one's own interests to enhance others' lives around him or her (Gleeson, 2016). Only with a competent leader, can the organisation scale greater heights and continue to be successful.

During the Kang Qian Flourishing Age, the reigning emperors were justifiably recognised as innovative and extremely competent leaders who constantly improved their governing regimes to rule the Qing empire effectively. Emperor Kangxi was a conscientious leader who paid meticulous attention to every aspect of his administration. He was a highly capable leader who devoted his time and energy to reading every official document presented to him, and who considered nothing as too trivial to merit his personal scrutiny. Even during wartimes, when he personally led his army to the frontlines, he continued to handle his administrative affairs diligently, never allowing himself to be too far removed from the happenings within the Qing empire. Hence, he was an exemplar for the desirable leadership qualities of accountability and competency in running the Qing empire (Kanda, 1998).

Similarly, Yongzheng was an extremely passionate ruler, who was well-respected for his utmost commitment to the tireless pursuit of an effective Qing government. His zest and vision enabled him to eliminate numerous inefficient and corrupt bureaucratic practices, which ultimately allowed him to set the foundation for an administration that was honest and efficient in every aspect (Weinstein, 2014). However, all his achievements were not without sacrifices, as he was constantly forced to make tough and unpopular decisions to propel his country in the best way forward. Thus, he was often remembered as a “cold-faced” or a “cruel and ferocious” leader, due to his often unwelcome, yet necessary decisions (Zhu, 2008). Nevertheless, despite his cold approach, his decisions were all carried out with his citizens' best interests at heart. Furthermore, his forward-looking restructuring of his government helped him to consolidate power and rule China in a unified manner, enhancing the efficiency of his administration.

For 21st century leaders, one key takeaway here is that being an effective leader is no easy feat – a leader must have the mental fortitude to be able to withstand harsh criticisms and opposition and stand by what he believes to be in the best interests of his firm and people. It is also essential for leaders to be competent and always grounded so that they understand their followers' concerns and conceive the best strategies to lead the organisation without losing their confidence.

## Succession Planning


In any organisation, succession planning plays a crucial role in ensuring that the firm is constantly sufficiently staffed with competent employees who propel the businesses forward through continued efficient decision-making and who are able to meet the needs of the various stakeholders (Downs, 2019). The ability to identify the right people for the right positions based on their skills, competency and values is an indispensable part of talent management (Williams, 2019).

Though it is a highly critical component in determining an organisation's ongoing success, succession planning has always been fraught with obstacles throughout history, a problem that persists to this day. Succession planning has always been a highly controversial issue for the Chinese, where the transition of power was often associated with great political turmoil. It was usual for the throne succession to end in bloodbaths as various princes backed by different political factions vied for the throne. Hence, when the Qing dynasty adopted the Han-Chinese style of throne succession, which entitled the empress' first-born son to be the heir apparent during the formative years of Kangxi's rule, he experienced first-hand the agony of the brutal power struggle among his own blood descendants (Chia, 2007).

Manchurian tradition espoused the concept known as 'bloody tanistry', which required brothers to fight for their rightful ruling rights, so as to ensure that only the strongest leads the country (Luo, Li, & Brook, 1985). Hence, Kangxi's adult sons were strongly against following the Han-Chinese style of throne succession, resulting in them forming anti-heir factions against Yunreng, the only surviving son from his first empress (Chia, 2007). This ultimately resulted in Yunreng abdicating from his position as the crown prince, as well as a ferocious battle for power.

Being the visionary leader that he was, Kangxi decided to put an end to this meaningless power struggle amongst his own sons, initiating a new system of secret heir selection (Chia, 2007). This system combined elements of both Manchurian and Han-Chinese cultural traditions. In this system, though the empress' first-born son was considered as the heir, there was still the opportunity for other sons of the emperor who are virtuous and who displayed strong administrative capabilities to ascend to the throne as they were all considered worthy candidates of the crown prince title (Chia, 2007). In essence, this creative solution paved the way for a more meritocratic and fair selection process, where the main basis of crown prince selection was merit rather than the status of the sons (Chia, 2007). This also ensured that the future ruler will be a competent candidate. Besides preventing unnecessary political instability, this secret succession system also helped consolidate the power in the emperor and the central government's hands. Due to its effectiveness, this system remained in practice for the next 128 years during Yongzheng, Qianlong, Jiaqing and Daoguang emperors' rule, where they enjoyed much stability (Chia, 2007).

Modern corporations can draw lessons from the quality leadership that Kangxi displayed in the face of adversity. After administering a failed Han-Chinese succession system



for 37 years, rather than accepting things as they were, Kangxi decided to take it upon himself to overhaul the entire system to ensure his country's future prosperity. He thus embodied the definition of quality leadership, which states that the "leader specifically has the responsibility to improve the system on a continuing basis, for everyone to do a better job with greater satisfaction", through his persistent pursuit of excellence (Leonard, 2010). His desirable qualities as a capable leader, also allowed him to govern his country with greater efficiency. The meritocratic succession planning that he put in place ensured that whoever led the country will be equally, if not more capable than the previous ruler. Kangxi's forward-looking nature allowed him to plan ahead and think of creative solutions to ensure that the Qing dynasty had good leadership. As the saying goes, "tomorrow's success depends on today's hard work and preparation", and the Qing dynasty was only able to flourish because of the hard work invested into the creation of sophisticated systems in governing the country.

# Fairness

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## Progressive Meritocratic System

Meritocracy has been widely held as a key principle of governance across numerous countries. One definition for it is “as a system that accords all qualified individuals a fair and equal chance of being successful based on their own capabilities” (Prakash, 2013). A progressive meritocratic system paves the way for a fair system of governance, where only the best-and-the-brightest are placed in positions of power, to serve the masses (Prakash, 2013). Meritocracy, when built into the organisation’s culture will help ensure that every employee feels valued, fostering loyalty and motivating employees to work harder (Talent Works, 2019).

The Qing dynasty was no stranger to the meritocratic system of officials’ selection, which they had inherited from the Ming dynasty. In fact, the Qing rulers were strong advocates of a progressive meritocratic system of selection of officials carried out through civil service examinations, as they saw this as a strategy to maintaining their powerful rule over an empire that was rapidly expanding (Elman, 2013). Such a system ensured that talented males were not denied opportunities for government service due to their backgrounds. Maintaining such a system allowed all males in the Qing dynasty to succeed based on merit, rather than through connections or via hereditary aristocracy (Zelin, 2005). Hence, such a fair and objective selection process attracted the best talents to fill the roles of officials and removed the worry of a limited talent pool that would have existed if officials’ roles were hereditary. As a result, the Kang Qian era was able to best administer the empire efficiently, aided by talented and loyal officials supporting the government.

As with all meritocratic systems, including those which exist today, the meritocratic selection of officials in the Qing dynasty was far from perfect and had great room for improvement. The lack of a level playing field in terms of material wealth was still a major stumbling block to the majority of commoners in their pursuit of higher education. In most cases, only males who came from well-to-do families or who had connections to one had a favourable chance of passing the civil service examination, since only they could afford the study materials (Elliott, 2012). Furthermore, the highly strategic and important positions within the provincial and central governments were only reserved for the Manchurians, thereby excluding the Han-Chinese, due to fears of uprisings (Lewis, 1998). Hence, in essence, the entire process of the officials’ selection was only meritocratic to a certain extent, and in fact, not every male had the equal chance to land an imperial post. However, the principled approach of choosing only the best talents to manage a flourishing dynasty rather than following a hereditary succession of official posts continued to help sustain and drive the early Qing dynasty’s prosperity, albeit with its numerous shortcomings. Furthermore, as the Qing dynasty’s administration matured, the government began allowing more Han-Chinese to take on more roles within the government, demonstrating how it truly was a progressive meritocratic system (Lewis, 1998).



## Fair Judicial System

The Qing dynasty emperors fully understood the importance of trust, which could only be gained if they administered the country fairly, justly, and efficiently. Thus, the structure and procedures of Qing dynasty's judicial system were highly centralised and well-regulated (Zhang, 2020).

Emperor Yongzheng sought to correct his father's lack of interest in creating a sound judicial system, as he set his sights on establishing an efficient bureaucracy founded upon effective laws and regulations (Zhang, 2020). Prior to his rule, the Qing dynasty had its own judicial management code, known as the Shunzhi Code, which was the first imperial edition of the Qing Code. However, as this code was heavily reliant on the Ming Code and was compiled in a hurry, numerous statutes and sub-statutes were outdated or ineffective in managing the current affairs. This was a great hindrance to Yongzheng's vision of an effectively functioning bureaucracy and legal system (Zhang, 2020). Therefore, in 1725, just barely three years after he ascended to the throne, an improved and integrated new code, known as the Yongzheng Code, was published. One major improvement of this new Qing Code was its innovative incorporation of guidance for the use of the statutes and sub-statutes into the Code, as it greatly inhibited the abuse or the inconsistent administration of the Code by unethical officials (Zhang, 2020).

Even with that being said, Kangxi is to be given due credit for his work in compiling the "Sub-statutes of the Board of Punishments in Current Use", which paved the way for a fair judicial management system that set a solid foundation for the Kang Qian Flourishing Age. As such, the Qing dynasty's laws were faithfully guided by the core principle of meting out punishments befitting the crimes committed. This in essence also meant that officials who erred in their administration of judicial proceedings will face harsh sanctions, depending on the severity of their mistakes. For erroneous officials who either imposed unfair penalties or who violated standard judicial procedures, they too could be convicted and liable for various punishments ranging from administrative fines, demotion, cashiering, to corporal penalties (Zhang, 2020). It was also mandated for every official presiding over a case to cite the statutes or sub-statutes of the law to support their judgment. Even though this law was seldom enforced at the county court level, it was conscientiously enforced at the upper-level courts that dealt with serious cases and potentially meted out the heavier sentences (Zhang, 2020).

In this way, the Qing dynasty central government used the automatic judicial review system of all serious cases as a tool to keep the judicial bureaucracy at both the local and provincial levels in check (Zhang, 2020).

By showing that everyone, even government officials, are accountable to the law, the emperor earned the public's trust in a fair judicial system that they believed will safeguard their interests. The Qing dynasty's ability to ensure the fair administration of the law allowed the reigning emperors to further consolidate their power by keeping the public satisfied and the officials' powers in check.



# Independence

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## Disclosure and Accountability


Disclosures and accountability are crucial to ensuring a robust corporate governance framework, as they reduce information asymmetry, facilitating more informed decision-making by the stakeholders of any organisation (Fung, 2014). This is especially important in today's corporate world where business dealings are characterised by considerable complexity and where trust can be easily broken by purposeful withholding of key news and miscommunication. Thus, organisations should prioritise the establishment of a proper culture of disclosure and accountability, which involves open and honest communication, which is essential to achieving trust, both within and outside of an organisation (Fung, 2014).

Throughout China's long and rich history, it has shown intolerance towards dissent against the ruling party, a reputation that has prevailed to this day. Thus, information management has been a pertinent issue in China for centuries. The Qing rulers utilised it as a tool extensively to play politics in their favour, especially during the Kang Qian Flourishing Age (Tangyuenyong, 2017 ). For example, rulers used information management to manipulate citizens' opinions on the current state of affairs and issues, to build loyalty towards the ruling party (Tangyuenyong, 2017 ).

During the Qing dynasty, the Manchu minority rulers faced an uphill battle in trying to legitimise their rule to gain the loyalty of the Han-Chinese majority. The Manchu rulers acknowledged then that the only way for culture assimilation to take place between two different ethnic groups was to control their ways of thinking, through effective information management (Tangyuenyong, 2017 ). Thus began a period of repression via the usage of the "Literary Inquisition Law", an official state-promoted tool targeting intellectuals or those who are involved in writing and publishing activities, where they were persecuted and met with harsh punishments, including imprisonment or even execution by the State (Tangyuenyong, 2017 ). This tool was effective in controlling the Han-Chinese and in preventing them from publicising any anti-Qing thoughts or committing acts of rebellion, since any literary work found to contain anti-Machu sentiments would be deemed as a crime towards the State (Tangyuenyong, 2017 ). Throughout the reign of the three emperors, Kangxi, Yongzheng and Qianlong, the Qing dynasty witnessed over 70 cases of literary inquisitions, with each case involving the persecution of up to thousands of victims.

It was also widely known that Yongzheng, in his bid to consolidate power amidst his highly contentious ascension, tampered with the imperial records and suppressed any accounts that painted him in a negative light in the early years of his rule (Britannica, 1998).

This purposeful suppression and omission of information resulted in an atmosphere of distrust, especially among the scholarly community who were unfairly persecuted. The



lack of disclosures and accountability that pervaded the history of the Qing dynasty, and the intolerance to anyone who attempted to disclose the actual atrocities committed by the central government only further contributed to an environment of fear, contributing to harsh anti-Manchu sentiments among those families persecuted by the state. As the Chinese saying goes, “there is no smoke without fire, everything happens for a reason” (无风不起浪，事出必有因), thus the rumours of Yongzheng being assassinated in revenge by the families of those wrongfully executed under the literary inquisition law is illustrative of the deep ill-will that the victims held towards him (Lumen Learning, n.d.).

## Familiarity Threat

In practicing good corporate governance, the familiarity threat should be avoided at all costs, especially in professions such as accountancy, requiring the practitioners to have the utmost objectiveness and independence in discharging their duties. In the context of the accountancy profession, the familiarity threat is defined as “the threat that due to a long or close relationship with a client or employer, a professional accountant will be too sympathetic to their interests or too accepting of their work” (IESBA, 2012). The familiarity threat is a serious one for any organisation, as professional accountants lose their sense of objectivity and independence due to their over-chummy relationships with their clients or employers. Such familiarity often increases the tendency of such professionals to be over-trusting of the firm’s management which they serve and fail to challenge their decisions sufficiently in the course of their work. This ultimately undermines the entire firm’s greater responsibility to its stakeholders (ICSA, n.d.).

However, this issue transcends the accountancy profession, and is pertinent to various scenarios, especially those where individuals wield the power to influence decisions despite their obligations to remain objective and independent. Hence, the familiarity threat blurs the line between a professional’s independence at work, and his personal attachment to his client or employer, thereby compromising his ability to act in the best interests of the firm he is employed by.

Likewise, during the Qing dynasty, the government recognised the danger of officials growing overly attached to the provinces they serve, in view of familiarity threats that may inhibit the provinces’ efficient administration. As such, the bureaucratic Qing administration pioneered the “rule of avoidance”, where no official was allowed to serve his home province or provinces adjacent to his hometown. Furthermore, officials were prohibited from serving in each province for a long period of time, and they were usually rotated out to a new province after three years. This rule was thus a preventive measure instituted by the Qing government to prevent their officials from developing over-cosy relationships with the province and its people, which may cloud their objectivity, resulting in them acting in their official capacities to only benefit the interest of that specific province and not that of the entire Qing empire (Zelin, 2005).

This revolutionary rotation system introduced during the Qing dynasty continues to be held up as best practice to this day, as firms seek to only hire professionals who act in their best interests. A good example will be that of firms listed on the Singapore Exchange (SGX), where they are mandated to have at least one-third of their boards made up of independent directors, and where a director who has served longer than nine years will be considered a non-independent director (SGX, 2021). The rationale behind this nine-year rule is similar to that provided by the forward-looking Qing administration, where any independent directors who had served more than nine years might have his independence and objectivity compromised, given their familiarity with management and thus not effectively performing the function of being a check and balance on the firm’s activities. This rule also encourages firms to refresh and introduce greater diversity into their boardrooms, as well as to allow independent directors to gain greater experience across various firms so that they can better execute their duties.

# Ethics

## Personal Integrity

Corporate governance is heavily influenced by this important asset of any organisation – people. Many times, the main culprits that cause downfalls of successful corporations are employees lacking personal integrity, whose unethical acts end up sabotaging their own employers. Thus, while a company may have the best policies and systems in place to manage the risks, if its people fail to comply with the rules or to discharge their duties in a responsible manner, no amount of controls will provide complete protection.

“Humans are born innately evil” (人之初，性本恶) – this was a belief held by renowned Chinese Confucian philosopher, Xunzi, who lived amidst the warring states period of ancient China. Unlike other Confucian philosophers, Xunzi held on to a more pragmatic and pessimistic view of human beings’ ethical values and was therefore a firm believer that a man’s virtue should be actively cultivated through the right guidance and practice (Theobald, 2010). Similarly, Kangxi felt the need to constantly instill positive values in his descendants to prevent them from going astray, and thus decided to hang a plaque inscribed with the characters “just and honourable” (正大光明) in the Palace of Heavenly Purity, right where the throne was (China Travel, 2021). The phrase was originally penned by the first emperor of the Qing dynasty, Shunzhi, where it meant “be decent, honest, and magnanimous” and “let the righteousness shine” in one’s conduct. This then became an everlasting reminder to the future rulers of the empire, that in order to be a wise and benevolent ruler capable of maintaining his throne, he must administer his country righteously and with a clear conscience (China Travel, 2021).

Emperor Yongzheng also realized the importance of having a clean and honest government to efficiently administer the empire. In a bid to achieve that, he began a major campaign against bureaucratic corruption, in hopes of weeding out unethical and corrupt officials who were weakening the integrity of the Qing government (Thornton, 2007). Therefore, Yongzheng came down extremely hard on corrupt officials, meting out punishments befitting of their crimes, with the aim of restoring discipline and honesty to the bureaucratic system (Shum, Fogliasso, & Lui, 2020).

In addition, during the Qing administration, informal whistleblowing by the aggrieved general public was often a crucial tool used by the government to keep powerful and corrupted officials and merchants in check. This tool was effective in ensuring that officials and merchants acted ethically, as they were constantly monitored by the masses, who had the power to send in petitions to government officials whenever they came across corrupt officials (Lufrano, 2013). Hence, this informal governance acted as another level of defense that complemented the thinly stretched Qing bureaucratic government’s reach, helping to sieve out errant officials or merchants whose actions failed to align with the state’s interests and regulations.

Yet, it seems the hard work of Emperor Kangxi and Yongzheng went down the drain, as Qianlong ultimately succumbed to the temptation of wealth and power and partook in the corrupted practices that his forefathers tried so hard to eradicate. On the surface, he took a tough stance against the malpractices and corruption that were prevalent within the legal system by calling the errant officials out (Zhang, 2020). However, Qianlong had long compromised his personal integrity, and manipulated the legal system as a tool to weed out his political opponents (Park, 1997). Though there were strict laws in place that instituted harsh punishments against corrupt officials, very few of them were actually punished in practice. The penalties for corrupt acts were also handed out arbitrarily, as the laws against corruption were only enforced when the perceived benefits outweighed the costs to either the emperor or the other officials (Park, 1997). Therefore, corruption involving a small amount of money can warrant an execution for the perpetrator, while mass corruption by another may simply be let off based on the extent of the threat that Qianlong perceived from these officials to him (Ni & Pham, 2006). Furthermore, Qianlong profited greatly from the corrupted practice of gift gifting, which was a form of bribery. In fact, it was the very same emperor who claimed to uphold the highest standards of incorruptibility among his officials that perpetuated and exacerbated the issue of widespread corruption within the bureaucratic system (Park, 1997).

Hence, from the Qing dynasty's failure to control and eradicate corruption, one can bear witness to the fallibility of humans, especially in the presence of temptations. Likewise, it is crucial in all organisations to always seek to hire the right people with the highest standards of morals and values, as people are often the most important asset of any organisation and are also potentially the weakest link. Ethical and hardworking employees will be the key drivers of any firms to help them achieve great successes, yet a single mistake of hiring a delinquent can do a firm a great deal of damage, as the infamous Nick Leeson demonstrated, in causing the collapse of the once mighty Barings Bank through his fraudulent practices.



## Enlightened Compensation

Over the years, sound remuneration policies have been one of the key components to improving employees' work performances, to the ultimate benefit of organisations through improved productivity (Ajila & Abiola, 2004). Any organisation's ability to achieve good corporate governance is closely tied to the management's compensation structure, as sufficient incentives must be in place to align the interests of the shareholders with that of the management. Only through an enlightened compensation scheme can a firm enhance its ability to recruit, retain and motivate employees in key positions, as well as promote an ethical culture within it (Mehrabanpour, 2014).

Corruption is a contentious issue not just for modern-day corporations, but which plagued the bureaucrats of the Qing dynasty as well. However, during the Qing dynasty, the government recognised that low wages were one of the root causes of systemic corruption, as money-deprived officials resorted to unethical means to earn extra income (Song, 2011). In the words of Song (2011), "even though high salaries do not necessarily nourish integrity, low salaries contribute substantially to official corruption", it was therefore pertinent for Qing rulers to revise the salary system to remove a weak point and cultivate the right values in their officials. As a result of this realisation, from Yongzheng to Qianlong's reign, the remuneration policies for the provincial officials underwent great reform, with salary raises, and where a supplemental fund known as "nourishing honesty funds" was introduced (Hickey, 1991).

Though the salary reforms in the early Qing dynasty ultimately failed due to the perpetuation of corruption by its very own emperor, Qianlong, as well as due to the compensation increment being insufficient as compared with the rising costs of running the provinces, nevertheless this experiment provides great learning opportunities for today's corporations.

Firms must hence learn from history to better appreciate the importance of implementing a wise compensation structure, where the employees' pay must be commensurate with their work and abilities. Such an enlightened compensation system will then allow employees to feel valued by their employers, in turn promoting firm loyalty and preventing sabotage acts from being committed by unhappy and underpaid employees.

## Conclusion

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Long before the formalisation of any corporate governance framework, the spirit of good governance was exemplified by the emperors of the Kang Qian Flourishing Age. The admirable leadership of Kangxi, Yongzheng and Qianlong lends us lessons from both successes and failures as they attempted to improve the Qing empire's governance. Today's leaders can draw upon those lessons to better appreciate the need for good governance in corporations – a failure to do so may be the Achilles heel for the organisations, contributing to their downfalls.

During the three wise and competent emperors' reigns, the Qing Dynasty reached its pinnacle and achieved great prosperity and peace, earning it the epithet Kang Qian Flourishing Age (Shum, Fogliasso, & Lui, 2020). This accomplishment was only possible through the forward-looking systems and good policies put in place by quality leaders that promoted fairness and accountability amongst its officials, thereby creating the foundation for an efficient administration of the empire.

However, it seems that human nature is inherently self-serving, as it is easy to succumb to the temptation of power and wealth. The corrupt acts perpetuated by Qianlong were said to have paved the way for the inevitable decline of the Qing dynasty, as the systemic corruption became so pervasive that it amplified bureaucratic inefficiencies. Emperor Qianlong's constant overriding of the robust policies put in place set a poor precedent for his descendants and went directly against the manifesto of "just and honourable" (正大光明) subscribed by his forefathers who wished for an honest and upright emperor to lead Qing dynasty to greater heights. Therefore, it is important for leaders of today to be conscious about the risks of frequent and unreasonable management overriding of key decisions, as such acts can greatly undermine the robustness of the key controls set in place to safeguard the organisations and their stakeholders' interests.

Organisations must also remain aware of the importance of hiring the right people and rewarding them in a commensurate manner, as these are the employees who will make or break an organisation. Therefore, it is crucial to ensure that every firm inculcates the right values and promotes good ethics to ensure their continued success in the many years to come.

All in all, corporate governance should not be regarded as a simple check-the-box exercise. Though there are a myriad of ways to achieve good corporate governance, core fundamental principles such as quality leadership, fairness, independence, and a strong sense of ethics embedded within the firm's policies and its people are indispensable. Therefore, a firm must have leaders and employees of integrity and who diligently perform their roles in complying with and helping to enforce the rules and policies set in place to ensure the smooth operation of the business. Only when a firm fully understands the true spirit of corporate governance, can it then build a sustainable business, capable of withstanding the test of time.

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