

UNIVERSITY OF MACAU

FACULTY OF BUSINESS ADMINISTRATION

A Comparison Study of the People's Republic of China and the United Kingdom

Corporate Governance Codes with Emphasis on Cultural Differences

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Abstract

Corporate Governance (CG) has become more and more important since the high-profile collapses of a few large corporations, such as Enron, WorldCom and Baring Bank. The CG code in the People's Republic of China (PRC) is now in the development stage and requires a significant number of modifications before it is mature and effective. This study compares the current PRC GC code with the UK GC code and investigates the possibilities of the PRC code's divergence from the UK model from cultural aspects. From the careful comparison, I identify and examine several major issues in the PRC code due to the cultural effect. I argue that with the unique culture in China, it is necessary to develop a set of CG codes with specific ethical practices to monitor the operation of corporations. The principles of the code should be tailored to the specific corporate culture – merely taking over general codes is not enough.

Key words: corporate governance code; cultural differences; UK; PRC