

Historical Antecedents of Chinese Business Ethics

Charles A. Rarick

School of Management

Purdue University-Calumet

E-mail: crarick@calumet.purdue.edu

Abstract

This paper explores the historical development of the Chinese view of business ethics. The paper investigates 5,000 years of Chinese history and includes the significant contributions of Confucius, Mencius, Laozi and Zhuangzi, as well as more modern figures in China's history. It is proposed that these important historical individuals and philosophies greatly influenced the development of current Chinese ethical practices.

Keywords: China, Chinese ethics, Chinese history

China has captured the attention of the world with its fast growing economy and large population. If present trends continue, China will change the landscape of global business well into the 21st Century, and perhaps beyond. China has become the fourth largest economy in the world, and this economic growth is driven in part by an impressive expansion of China's manufacturing base and export abilities. While China's rival, India, has also made impressive gains, many expect China's growth to continue and for China to outperform its large competitor (Black 2007; Wu 2007; Lee, Rao, and Shephers 2007). With China's economic growth comes an increased need to better understand the thinking of the Chinese. The last few years have seen an increased interest in understanding the business and managerial practices of the Chinese (Quer, Claver & Rienda 2007). China has also captured the attention of the world for its perceived high level of government corruption, piracy of intellectual property, and unsafe exports. Simply looking at data, and cases of questionable business practices, does little to understand ethical behavior in a country. A deeper understanding of culture and ethical orientation can come from a multidimensional approach to the assignment of values and the determinants of those values. Hoivik (2007) uses a method she calls, "stories told," by Chinese managers to gain a better understanding of the Chinese view of business ethics. Cheung and Chan (2005) discuss the philosophical foundations of Chinese ethics (with a focus on leadership) using Hong Kong CEOs to show their linkages with doctrines of the past. This paper takes a more philosophical orientation in examining the Chinese view of ethics by exploring in greater detail the historical roots of Chinese cultural values. Particular attention is paid to the influence of Confucius and Mencius on ethical values.

Introduction

It is generally agreed that the Chinese view of ethical behavior differs from the views of the West. While in general the Chinese see corruption as constituting unethical behavior, there is flexibility when the corruption involves *guanxi*, or relationships (Pedersen 2006). *Guanxi* has existed in Chinese culture for centuries (Zhand & Zhang 2006) and it is an important element of Confucian philosophy. When a close relationship exists between parties, a greater ethical duty exists. For example, McGee and Guo (2007) report that tax evasion is perceived as widespread, and not necessarily unethical in China, however, the justification for the evasion of taxes among the Chinese is influenced by the distance of the relationship and the utility of the process. McGee and Guo report that evasion is greatest when people feel that the government is corrupt, the tax system is unfair, or the tax revenue is being unwisely spent by the government. The complex system of determining what is right from wrong is based upon deeply ingrained beliefs of a culture. In order to gain a better understanding of any culture, it is necessary to explore the sources of the values of that culture. A deeper understanding of a culture is achieved when one explores the historical antecedents of the beliefs and values of the people comprising the culture. While much has been written about current Chinese business practices and culture, and this information is quite useful, a better understanding of Chinese culture requires an investigation into the historical origins of those cultural values. Wong (2005) has proposed that management researchers have failed to appreciate the importance of history in explaining the management practices of the Chinese. China has a

very long and colorful history, and this history is very important to the Chinese people. It is vividly reproduced today in the stories of important historical figures and events (Zhang 2007). This paper attempts to provide a better understanding of Chinese culture and management practices by exploring the most important historical figures and philosophies of Chinese culture, as they relate to ethical behavior.

Confucian Ethics

One cannot explain any aspect of Chinese culture, including ethical behavior, without mentioning the most important philosopher in Chinese history. Confucius (551 BCE-479 BCE) was born the child of a single mother during the Spring and Autumn Period of Chinese history. This child would grow up to be the single most influential individual in all of Chinese history, although most of his influence came after his death. For thousands of years, up until the fall of the imperial system in China in 1912 (when the Qing Dynasty was replaced with a republic form of government), Chinese school children would raise their hands in respect to Confucius at the start of the school day. The children would recite the saying of Confucius until they were permanently recorded into memory. With the fall of the imperial system of governance, Confucian teachings were eliminated; however, the ideals espoused by Confucius never left the Chinese people (Lin and Chi 2007). In fact, recently Confucianism has been reintroduced to the Chinese education system (McGregor 2007; Mooney 2007; Osnos 2007). Confucian values require that an individual first honor one's duty to family. The individual is not seen as important as the group. Individual needs are sacrificed in order that group needs can be realized. Weiming (1998) stresses the point that Confucian values can be very beneficial to maintaining an orderly society. He points out that in Confucian societies, each person is viewed as being in the center of a relationship, not simply an isolated individual. Each person has a duty to family and society that supersedes responsibility to oneself. Confucius placed great importance on ethical behavior and propriety, and dictated proper roles for a *zunzi*, or gentleman, or person of honor. Confucian duty begins with relationships with others.

At the center of Confucianism lies relationships. Called the Five Relationships, appropriate behavior is dictated in terms of one's relationship with superiors, parents, husband/wife, elders, and friends. Confucius was very concerned with relationships and social propriety. One's loyalty to family is primary. After family comes friends and saving face, and finally, one's duty to the law (see the figure below). Fang (2006) points out that the well-regarded Chinese sociologist, Fey Shiaw-Tong, (differential-order theory) proposes that in Chinese culture, the closeness of the relationship determines the level of treatment one receives. Using employees of domestic businesses in Taiwan, Fang (2007) was able to show that social distance in interpersonal relationships influences ethical orientation. Attitude about ethical behavior and subjective norms of perception strongly influence ethical behavior in Chinese dominated business organizations. Ethical behavior, or morality, is viewed within the context of the relationship (Haley, Haley, Tan 2004). Without a significant relationship, the duty of ethical action is diminished.

In Confucian cultures, managers are expected to display humanism, or *ren*. *Ren* is sometimes

translated as “goodwill” or goodness towards others. The Confucian manager is expected to be a good-natured manager and to manage with kindness. The manager is expected to focus on relationship building and to be more cordial. The Confucian manager values dedication, trustworthiness, and loyalty. Each employee performs to the best of his/her abilities and works for the good of the group. The relationships in a Confucian culture are reciprocal in nature. Duty flows in a two-way direction with both parties in the dyad having a duty to act in their proper role. Many aspects of Confucian ethics can be seen in other Asian countries as well. Early Chinese civilization greatly influenced the social and cultural practices of many countries in East and Southeast Asia. Managers in Korean, (a highly Confucian culture) for example, exhibit many of the managerial values found in China (Song & Meek 1998). This managerial orientation towards humanism and collective responsibility forms a unique moral obligation with subsequent actions little understood in the West.

Doctrine of Mencius

Sometimes referred to as the “Second Sage of China,” Mencius is a well-known and revered figure among the Chinese. The often told story of Mencius involved the relationship between him and his mother. The mother’s concern for the development of her son involved the burden of moving the family several times in order that young Mencius would be able to develop his fullest potential. Mencius lived during the Warring states period (475 BCE – 221 BCE) and witnessed the horrors of that period in Chinese history (Xu & Zhang 2007). Mencius believed in the inherent goodness of humankind and believed that all people have the inherent qualities to do the right thing. As he states in Mencius: “No man is devoid of a heart sensitive to the suffering of others” (Mencius 2004, p. 38). Mencius is known for his example of a small child falling in a well, and the immediate grief complete strangers would feel when witnessing the event. Mencius based much of his philosophy on the Confucian concept of ren. Mencius is believed to have been taught by the grandson of Confucius and helped maintain the Confucian tradition in China. At the time, Confucianism was facing competition from competing philosophies, and Mencius became the leading advocate for maintaining a Confucian society in China. While Mencius continued the Confucian tradition, he differed somewhat from Confucius in terms of respect for authority and the special emphasis placed on the inherent goodness of humankind. Some debate and reevaluation of the influence of Mencius on Chinese cultural development has taken place (Chan 2002), however, most Chinese scholars feel that Mencius followed the Confucian tradition with a few modifications. Where Confucius gave great deference to rulers, Mencius felt that rulers had to maintain de, or virtue, in order to maintain their position of power. Having de meant having the power to rule with wisdom, self-sacrifice, and humility. As he stated: “The people are the most important element in a state; next comes the gods of land and grain; least of all the ruler himself” (Xu & Zhang 2007, p. 2). Mencius promoted the concept of the Mandate of Heaven, (the original idea actually dates to the much earlier period of the Zhou Dynasty) meaning that if the ruler did not perform properly, the people would be morally right in seeking his removal, even through violent means.

In a famous exchange between King Liang Hui Wang and Mencius, the king was told “As the leader of the country, you seek only the best for yourself personally. As the leader of the country, you should advocate benevolence and righteousness” (Xu & Zhang 2007 p.p. 37-38.) This approach had a utilitarian focus as Mencius appealed to the rulers of his day. In speaking to King Qi Xuan Wang, Mencius said: “If a king shares the worries and concerns of his subjects and makes policies that enable them to live and work in peace and contentment, there is no force in existence that can stop him uniting the world” (Xu & Zhang 2007, p. 56). Even though Mencius promoted his philosophy through an appeal to the ruler’s success, he still maintained the importance of personal virtue in the role of the leader. In Mencius he states: “Benevolence brings honor; cruelty, disgrace” (Mencius 2004, p. 36). In a similar fashion, Mozi believed in the concept of universal love. The Mohist believed that tradition should not dictate morality. Morality comes from the practice of impartiality and collectivist love for others. Both schools believed that people in positions of power possessed an ethical duty to act in the best interest of the people, and if this were not the case, the mandate of leadership would be lost. While Chinese management today is properly characterized as authoritarian, the power of the leader is not absolute, and managers must maintain de in order to gain respect and keep the moral authority of their positions.

Laozi and Zhuangzi

While Confucianism and the views of Mencius promoted a rigid set of social standards, Daoism promotes a rather passive approach to life in general, and to ethical behavior in particular. Little is known about the life of the Chinese figure who stated the religious and philosophical movement, Laozi or “old master.” Laozi proposed that the universe was ruled by the Great Unity, commonly known as Yin and Yang. Yin and Yang do not represent the struggle between good and evil, in fact, both Yin and Yang represent goodness. Evil develops when there is an imbalance between Yin and Yang. A central element of the Daoist belief system is that nature exists in harmony, and mankind should also strive for harmony and balance. The dao, or the “way,” according to Laozi, was an unexplainable force that maintained balance. Humans should strive for balance in their lives, and resist doing anything that goes against the dao. Laozi and his book, the Daodejing, have been fundamental in shaping generations of philosophical, political, and religious thinking in China. His influence is particularly significant in the importance of harmony and the maintenance of good relationships among people. Daoism proposes that the way is all powerful and that no human action can change this natural order. Human action must be consistent with the way, and that as situations change, human actions must change. Daoism promotes flexibility and revision (Cheung & Chan 2005) and promotes in some ways a more situational view of ethical behavior.

A second figure in the development of Daoism is Zhuangzi, who is purported to have authored a book by the same name. Zhuangzi, like Laozi, took a more mystical approach to the subject of right and wrong. In his often mentioned dream of being a butterfly, Zhuangzi wakes only to wonder if he was dreaming about being a butterfly, or if the butterfly is now dreaming about being him. Since the world around us may be an illusion, it made no sense to ponder the differences between right and wrong. While Daoism takes a passive approach to

ethical questions, it and the Chinese Community Traditions are not insignificant in shaping ethical behavior in China. Lam and Shi (2007) found that religion played an important role in determining ethical orientation in Chinese culture. While Christianity correlated more closely with higher educational standards, followers of the traditional Chinese religious tradition showed a greater concern for ethical behavior than individuals with no religious orientation. Religion, of whatever variety in China, causes one to ponder the morality of their actions.

More Modern Influences

Although Mao Zedong (1893-1976) lived thousands of years after the great sages of China, and his legacy is controversial, his impact on modern China is profound. Mao Zedong, or Chairman Mao, as he is referred to in China is a highly respected figure in Chinese history. He is venerated for his revolutionary spirit, and ability to produce social change. His many critics point to the failures and abuses of the Great Leap Forward and the Cultural Revolution. To some, Mao was simply another emperor dressed in a modified military suit. Chang and Halliday (2005) paint a less than moral picture of the leader in their portrayal of him. Mao is accused of exploiting the very people he claimed to be helping (the peasants), of using unprincipled military tactics that resulted in the deaths of many, only to advance his own interests, and using his position to gain excesses in terms of luxury and the sexual favors of many young women. While none, some, or all of these accounts may be true, Mao is seen in the eyes of most Chinese as a hero who rebelled against an unjust system, united a country, and brought harmony to a society. Perry (2008) finds similarities between the Mandate of Heaven of Mencius and the views of Mao during his rise to power. When leaders do not act in the best interest of the people, political change is justified. This mandate of change over the centuries in China has justified violent uprisings against corrupt regimes. Unethical means and immoral activities may be seen as justified, if it serves the collective good.

Although Deng Xiaopeng (1904-1997) is not as revered in China today as Mao, Deng's influence on Chinese culture is quite significant. In his famous quote concerning the value of capitalism versus socialism – “it doesn't matter if the cat is black or white, as long as it catches mice,” Deng was breaking with the Maoist philosophy and ushering in a new economic system. The pronouncement that “to get rich is glorious” may have spawned a certain ethos in modern China that accumulation of wealth had a higher priority than maintaining ethical behavior. While the push towards capitalism may have stimulated more unethical practices, it is reasonable to assume that it wasn't the intent of Deng to advocate such practices. While both Mao and Deng sought to advance the interests of the common people of China, both leaders ruled with a heavy hand. Deng's brutal suppression of the Tiananmen Square protestors in 1989 and his willingness to place in prison anyone who challenged the authority of the state, may make him appear to be a ruthless leader. However, both Mao and Deng placed great value on collectivism - collectivism in the sense that the interests of the country must be advanced, even if this means that individual rights and freedoms are sacrificed. This approach of “the ends justifies the means” is referred to as consequentialism, and is generally not a highly regarded ethical theory in the West. Clearly, there are different value orientations operating here. This is not to say that one is any less legitimate than the other. Ethical value systems operate in a larger social context of the

culture, and can only really be explained by examining cultural values in their totality.

Conclusion

As China continues to increase its economic and political influence in the world, it is prudent to gain a better understanding of Chinese cultural values and ethical practices. Managerial practices, including ethical behavior of the present day Chinese, are influenced by the ideas of China's early rulers and philosophers. As China becomes increasingly important to the global economy, it becomes increasingly important to understand the mindset of the Chinese. To gain a deeper understanding of Chinese culture and its ethical orientation, one must become familiar with the timeless classics of Chinese literature.

China has a long history and there have been many important influences on the development of the Chinese ethical orientation. This paper does not seek to identify all of those influences but only attempts to show some of the more significant historical antecedents. At the same time, this paper does not propose that Chinese business ethics are inferior to those of the United States, or other Western countries. Western values are not completely immune to criticism. For example, while the Chinese government has been harshly criticized for Internet censorship, the American company, Google, decided to facilitate this censorship, presumably to maintain a presence in China and to improve its profit position. O'Rourke, Harris, and Ogilvy (2007) proposed that the American financial markets favorably responded to Google's action because increased profitability was seen as more important than freedom of information, at least the freedom of information for citizens of other countries. Weaker management and accounting systems in this emerging economic system also contribute to ethical differences (Chen & Chen 2005) and behavior that Westerners find unacceptable. As China continues its economic development and becomes more integrated with the global community, there is reason to believe that corporate social responsibility and ethical behavior will begin to resemble that of other more advanced nations (Zheng 2007). As shown in this paper, China has many positive philosophical orientations and role models from its ancient past. In addition, Chinese revered figures such as the Ancient Sage Kings: Yao, Shun, and Yu, who ruled with wisdom and virtue provide good examples of a strong ethical orientation. By looking back, one can often find an explanation for the present, and sometimes a guide to the future.

References

- Black, A. (2007). World Bank lifts growth outlook for China. *Wall Street Journal* (Eastern Edition), May 31.
- Chan, A. (2002). *Mencius: contexts and interpretations*. Honolulu: University of Hawaii Press.
- Chang, J. and J. Halliday. (2005). *Mao: the unknown story*. New York: Random House.
- Chen, R. and C. Chen. Chinese professional managers and issues of ethical behavior. *Ivey Business Journal Online*, 69(5), 1-6.
- Cheung, C. and A. Chan. (2005). Philosophical foundations of eminent Hong Kong Chinese

- CEOs' leadership. *Journal of Business Ethics*, 60, 47-62.
- Fang, M. (2006). Examining ethical intentions of individual employees of Taiwan from theory to planned behavior. *The Business Review, Cambridge*, 6 (1), 257-263.
- Haley, G., U. Haley, and C. Tan. (2004). *The Chinese Tao of business*. Singapore: John Wiley and Sons (Asia).
- Hoivik, H. (2007). East meets West: tacit messages about business ethics in stories told by Chinese managers. *Journal of Business Ethics*, 74, 457-469.
- Lam, K. and G. Shi. (2007). Factors affecting ethical attitudes in mainland China and Hong Kong. *Journal of Business Ethics*, 77, 463-479.
- Lee, B., D. Rao, and W. Shephers. (2007). Comparison of real output and productivity of Chinese and Indian manufacturing. *Journal of Development Economics*, 84(1), 378-416.
- Lin, C. and Y. Chi. (2007). Chinese management philosophy – study on Confucian thought. *The Journal of American Academy of Business Cambridge*, 11(1), 191-196.
- McGee, R. and Z. Guo. (2007). A survey of law, business, and philosophy students in China on the ethics of tax evasion. *Society and Business Review*, 2 (3), 299-315.
- McGregor, R. (2007). Why fast-changing China is turning back to Confucius. *Financial Times*, April 11.
- Mencius. (2004). *Mencius*. (Translated by D. Lau) London: Penguin Books.
- Mooney, P. (2007). Confucius comes back: in China, once-banned works by the country's most influential philosopher are studied and celebrated. *The Chronicle of Higher Education*, April 20.
- O'Rourke, J., B. Harris, and A. Ogilvy. (2007). Google in China: government censorship and corporate reputation. *The Journal of Business Strategy*, 28 (3), 11-22.
- Osnos, E. (2007). Sage for the ages makes a comeback: What does it mean to be Chinese in the 21st Century? A new generation is seeking answers in homegrown wisdom of Confucius. *Knight Ridder Tribune Business News*, May 31.
- Pedersen, M. (2006). Business integrity in China. *The China Business Review*, 33 (1), 32-36.
- Perry, E. (2008). Chinese conceptions of "rights": from Mencius to Mao – and now. *Perspectives on Politics*, 6(1), 37-50.
- Quer, D., E. Claver, and L. Rienda. (2007). Business and management in China: a review of empirical research in leading international journals. *Asia Pacific Journal of Management*, 24(3), 359-385.
- Song, Y. and C. Meek. (1998). The impact of culture on the management values and beliefs of Korean firms. *Journal of Comparative International Management*, 1 (1), 1-16.
- Xu, Y. and B. Zhang. (2007). *Mencius: A benevolent saint for the ages*. Beijing: China

Intercontinental Press.

Weiming, T. (1998). Joining East and West. *Harvard International Review*, 20(3), 44-49.

Wong, L. (2005). Chinese management as discourse: “Chinese” as a technology of self and control? *Asian Business and Management*, 4, 431-453.

Wu, Y. (2007). Export performance in China’s regional economies. *Applied Economics*, 39(10), 1283-1293.

Zhang, Y. and Zhang, Z. (2006). Guanxi and organizational dynamics in China: a link between individuals and organizational levels. *Journal of Business Ethics*, 67, 375-392.

Zhang, Y. (2007). *Five thousand years of Chinese nation*. Beijing: Foreign Language Press.

Zheng, Z. (2007). Sincerity, trustworthiness, law-abidance and corporate social responsibility. *International Management Review*, 3 (1), 82-93.