

# On the Value of Traditional Confucian Culture And the Value of Modern Corporate Social Responsibility

Wenzhong Zhu & Yucheng Yao

School of English for Business, Guangdong University of Foreign Studies, Guangzhou 510420, China

School of Business, Sun Yat-sen University, Guangzhou 510275, China

E-mail: zhwenzhong@oa.gdufs.edu.cn

## Abstract

The core values of the Chinese Confucian Culture such as “humanity, righteousness, harmony, courtesy, honesty and cleanness” represent the soul of five-thousand-years Chinese traditional culture, which may represent the value of maintaining the balanced social benefits and harmonious development of the whole society from the prospective of a whole society, and which may also have some important uses for reference and roles of enlightenment for establishing the values of modern corporate social responsibility if it is effectively integrated into the practice of modern business management.

**Keywords:** Confucian culture, Corporate social responsibility, Close relationship, Enlightenment

## 1. Introduction to the value of traditional Confucian culture

The Chinese nation has a civilization history of over 5,000 years, among which the Chinese have been deeply influenced by the Confucian culture for over 2,000 years. Recent years, following the rapid growth of the Chinese economy for over 20 years, has seen an upsurge of research into the “Chinese style” of management by domestic and foreign management researchers. Among the three Chinese schools such as “Confucianism, Taoism and Buddhism”, Confucianism, as the dominant culture of the Chinese nation, has undergone an evolvement history of thousands of years so that it has become the gene of the Chinese nation widely carried on by people in the world. And simultaneously it has deep influences over the shaping of corporate culture and business ethics in China and even foreign countries.

In ancient China, Chinese businessmen had countless ties with the Confucian culture, and in modern times, the doctrine of “Confucian businessmen” has existed in the Chinese society for many years, which has long influenced the management philosophy of Chinese businesses. In the contemporary era, Chinese Haier Group has established its unique corporate culture of “Attach importance to collective value, strengthen harmony as key, and emphasize on self-discipline” through making use of the Confucian culture, and this corporate culture does have helped the company to achieve a great success in both domestic and foreign markets. In East Asia and Southeast Asia, under the edification of the Confucian culture, economic miracles have appeared one after another. The well-developed countries or regions such as Japan, Korea, Singapore, and Chinese Hong Kong are typical examples of such influences. The Confucian cultural values based on “family culture”, “relative feeling culture”, “mutual exchange culture” and “collective tropism” have influenced the Japanese enterprises to form a strong cultural feature of “employee loyalty” and to establish a managerial ideology of intensive participation and collective responsibility such as in the practices of “human capital and TQM”; it has also influenced enterprises in Singapore to form an economic and ethical value of “family-centered management like Li Guangyao”; it has also influenced the Korean to shape a strong commitment spirit of “putting the national interest at the top priority over individuals”

The Confucianism with its representatives such as Confucius and Mencius simply refers to the traditional cultural value of attaching importance to human capital, interpersonal relationship and harmonious development. However, seen from the perspective of corporate management, all the core thoughts advocated by the Confucian culture such as “humanity, righteousness, harmony, loyalty, courtesy, honesty and cleanness” may closely link to the modern management philosophy and operation behavior, and may provide the sources of contemporary business management culture and practice.

*1.1 “Humanity”, namely the “love” and kindheartedness mentioned by Confucius in the article called Yanyuan.*

In connection with the modern management, it represents business leaders and managers should have kind hearts to love their underlings and to be responsible for the society by helping the people to live a richer life.

*1.2 “Righteousness”, namely the personal character and moral value of “righteousness is essential for a man with honor” mentioned by Confucius in the article called Yanhuo.*

In connection with the modern management practice, it may mean that managers should cultivate a character like a

man with honor, that's to say, a manager should be able to deal with the relationship between righteousness (good ethics) and benefit (personal material interest). Persons and organizations should try to accord with their code of conduct in their management concepts and behaviors, and should regard the so-called interests as the interests for the whole group or people, not only their individual interests, which means that holistic interests should be put at the first place while individual interests should not harm public interests as a general principle.

*1.3 "Harmony", namely the philosophy of "syncretism for sky and human" and "harmonious coexistence" contained in the Book of Changes as well as the development law of interactive influences and restrictions between individuals, nation, society and nature.*

In relation with the modern management practice, it may represent organizations as a part of the society must seek a certain degree of balance and harmony between their own interests and the societal interests. To pursue one's own interests while neglecting others' interests is sure to be short lasting as it is in breach with the law of nature as a harmonious whole. Therefore, it is crucial for modern managers to understand how to achieve a harmonious development result for all stakeholders like organizations, employees, customers, investors and society, and to emphasize a peaceful solution in competition and a "win-win" situation instead of putting your competitors to death so as to enable the organizations to realize an objective of sustainable growth.

*1.4 "Loyalty", namely the ethical value of "loyalty and allegiance" advocated by Confucius and Mencius.* In relation with the modern management practice, it may represent mutual loyalty between people, allegiance and obedience of subordinates to their superiors, workers' loyal and commitment spirit to their jobs, and managers' honesty and trust to their coordinators. The quality of "doing one's duty and keeping one's faith" is regarded as a fundamental guarantee for the development of individuals and organizations.

In addition, judging from the perspective of modern management, the "courtesy and honesty and cleanness" advocated in the Confucian culture may represent the principle of "legalized and regulated operation" and the principle of "ethical love for gain as a man of honor".

## **2. Introduction to the value of modern CSR**

To put it simply, corporate social responsibility (CSR) refers to the management philosophy that highlights the economic and social benefits of managerial decisions or the management's acceptance to the obligation of considering the profit, consumer satisfaction and societal well being of equal value in evaluating the performance of a business (Louis E. Boone and David Kurtz, 2002). The basic elements of CSR cover not only the protection of interests for shareholders, employees and customers, but also the protection of interests for the general public in the local community and even the whole world in terms of ensuring sustainable development, protecting environment and contributing to non-business sectors, etc. It must be noted that CSR does not simply mean donations of money or goods to philanthropy, but it may refer to contributions to all the stakeholders in order to achieve a harmonious society.

From the history of theoretical development, the concept of CSR originated from the European and American developed nations, dating back to the 18<sup>th</sup> and 19<sup>th</sup> century when enterprises began to conduct so-called "actions beyond laws" such as sincere, friendly and fair treatment to their employees. But in fact, most of these values at that time came from the influence of religious thoughts. In 1924, however, the American researcher called Shelton firstly put forward the idea of "corporate social responsibility". Over the years, such an idea has become so popular in the world that CSR is frequently regarded as one of the important standards for the evaluation of business performance, such as in the assessment of business rankings by Fortune and Forbes. In the Chinese modern society, there had been the so-called doctrine of "Confucian businessman", which, however, had not shaped the enterprises' automatic action to take their social responsibility. The modern concept of CSR reflects a mature attitude and practice of enterprises to contribute to the society as a management philosophy. In recent years, lots of illegal and unethical events have occurred in China's businesses such as explosion of coal mines, deduction of employee payment in factories, employment of teenagers, etc., all of which show that Chinese enterprises do have a trend of weakening their social responsibility.

From the perspective of economics development, the concept of CSR can be classified into the classical view, namely purely economic idea, and the social economic view. One of the representatives for the former is the American Milton Friedman who argued in his article in 1970 that a free private enterprise system, "an organization has only one social responsibility, which is to make use of its resources to conduct profit-seeking activities for its shareholders in the principle of open, free and no-fraud competition", that is to say, the only social responsibility of a business in his mind is to maximize profitability for its owners or shareholders. In his argument, an enterprise must produce products needed by the society in the most efficient way so that what is good for the enterprise must be beneficial for the society. In fact, his argument had been based on the theory of "Invisible Hand" put forward by

Adam Smith, the world-famous Scottish political economist in the 18th century. Adam Smith thought that private interests equaled to public interests so a business's profit maximization was the same as the benefit maximization for the public and society.

On the hand, the idea of the social economics for CSR thinks that the social responsibility of a business not only includes the profit-making for its investors but also includes the improvement of societal well being. Furthermore, an enterprise should be regarded as an integrated part of the society, thus making contributions to the community where it operates is an unavoidable obligation. There are quite a number of similar arguments to the social economic view such as: the management's acceptance of obligation to the consideration of profits and social well being of equal value in evaluation of a business's performance (Louis E. Boone and David L. Kurtz, 2002); the value of social networks thinking that an enterprise needs to create a value chain in the society through its contribution to the society; the value of corporate citizen thinking that an enterprise as part of a harmonious society should be responsible for the society so as to protect its own long term benefits, etc.

In summary, the above-mentioned points of view have analyzed the concepts of CSR, however, they have actually expressed one uniform theme which means that the objective of a business should be not only to seek economic benefits for itself but also simultaneously to emphasize social benefits for the general public including all stakeholders. Only by doing so can an enterprise maintain its sustainable competitiveness and harmonious development.

### **3. Possible relationships between the value of Confucian culture and the value of CSR**

Based on the above discussion and analysis on the value of Confucian culture and the value of CSR, we can easily conclude that there are some close relationships between them, which can be illustrated as in the table 1.

Based on the above table, we can see that the value of CSR and the value of Confucian culture do have some relationships between them. In fact, to some extent, the value of Confucian culture has invisibly formed the fundamental sources of modern CSR as an earlier ethical element.

*3.1 The so-called "humanity" advocated in the value of Confucian culture representing the ethical standard of making contributions to the general public with public or collective interests being superior to individual interests has no difference from the core contents contained in the social responsibility of an enterprise to the society.*

This Confucian value indicates that in the management practices of modern enterprises, they should care for the public health and safety, and support the philanthropy, protect the natural environment, create job opportunities, participate in the social projects in the local community, etc.

*3.2 The so-called "righteousness" advocated in the value of Confucian culture representing the ethical code of kindly and friendly treatment of subordinates coincides with the core contents contained in the social responsibility of an enterprise to its employees.*

This Confucian value, in connection with modern business management practices, means that enterprises are expected to care for their employees' work safety, health, life quality, and fair and adequate compensation as well as fringe benefits such as social insurance and pension, etc.

*3.3 The so-called "honesty and cleanness" advocated in the value of Confucian culture representing the personal character of earning money legally and ethically is basically the same as the core contents contained in the social responsibility of an enterprise to its customers.*

This Confucian value, in connection with modern business management practices, indicates that enterprises are supposed to be responsible for their customers' benefits such as protecting their basic rights and trying to provide them with high-quality products and services without conducting any fraudulent and cheating activities, etc.

*3.4 The so-called "harmony" advocated in the value of Confucian culture representing the doctrine of a harmonious universe or a mutually reliable society is closely linked with the core contents contained in the social responsibility of an enterprise to its business partners or competitors.*

This Confucian value, in connection with modern business management practices, conveys that enterprises are expected to regard "harmonious co-existence" as essential in their management of fierce competition, in other words, they should not try to put their competitors to death, but to consider them to be their friends, or they should allow their business partners to share a fair benefit from mutual cooperation so as to achieve a win-win situation in the marketplace.

*3.5 The so-called "courtesy and loyalty" advocated in the value of Confucian culture representing the people's interpersonal attitude and ethical principle for compliance to laws and regulations and commitment to owners and posts matches closely with the core contents contained in the social responsibility of an enterprise to its investors.*

This Confucian value, in connection with modern business management practices, indicates that enterprises should not conduct any illegal, immoral or unethical behaviors in their business operations for the sake of protecting the benefits of their investors or financial communities. Only by doing so can they basically protect the long-term interests for the investors or sustainable development of the business.

#### 4. Implications

Based on the above discussion and reflection into the possible links between the value of Confucian culture and the value of CSR, we can at least draw some beneficial enlightenments as follows:

*4.1 The value of traditional Confucian culture may be regarded as the thinking sources for the value of modern CSR to evolve.*

In fact, it can be concluded that the modern value of CSR has to some extent been developed and promoted on the basis of researchers having partially absorbed Japanese and Chinese Eastern cultures which both belong to the cycle of Confucian culture integrated with Western cultures. For instance, the so-called Z theory put forward by an American professor is a very good example for the combination of Eastern and Western cultures in business management. The value of “collective concern or harmonious competition” advocated in the Confucian cultural value has a role of compensation and correction on the value of “individual concern or fatal competition” advocated in some Western cultures. Furthermore, the Confucian culture emphasizes the importance of humanistic management from the layer of spirit while the Western culture stresses the importance of legalized management from the layer of regulatory control. Both cultures may have some advantages and disadvantages, therefore, it will make sense if we can integrate the good elements of both Eastern and Western cultures in shaping a more proper value of modern CSR for domestic and foreign businesses.

*4.2 The value of Confucian culture is suggested to carry on with criticism rather than copy without digestion.*

It is widely accepted that the value of Confucian culture has formed the core basis of “Chinese-style management”, which has been proven to have facilitated the modernization of Chinese economy as well as the rapid development of the Southeast countries or regions. However, we must be aware of the strengths and weaknesses contained in the culture. That’s to say, it may have some negative sides in it, for instance, the idea of humanistic management on the basis of “Guanxi” advocated by the Confucian culture in the assumption that people are born with the nature of kindness may lead to the neglecting of regulatory function and corporate governance in modern business management, which may have a negative influence over legal operation and fair competition in the marketplace.

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Table 1. Correlations between core contents of the value of Confucian culture and the value of CSR

<b>Core contents of the value of Confucian culture</b>	<b>Core contents of the value of CSR</b>
Advocation of “humanity”for leaders to make contributions to the general public.	Social responsibility to the general public: care for social development programs, and contribute to the general public and the local community
Advocation of “righteousness”for leaders to care and love subordinates.	Social responsibility to employees: care for employees’ work safety and health, and contineously improve their social benefits
Advocation of “cleanness”for people to earn money in a correct way	Social responsibility to customers: protect employees’ basic rights such as the right of safety, the right of free choice, the right of being informed and the right of being heard
Advocation of “harmony”for people to shape an attitude of a cooperative and “win-win” situation	Social responsibility to competitors and business partners: show respect to business partners and competitors, establish a harmonious relation to seek a“win-win”situation
Advocation of “courtesy and loyalty”for people to obey regulations and to be committed to their cause	Social responsibility to investors: obey laws and regulations as well as ethical codes, and demonstrate an attitude of trustworthiness and honesty in business activities to guarantee the long term benefits of investors