

Confucian ethics, moral foundations, and shareholder value perspectives: An exploratory study

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A survey study was conducted to look into the effect of Confucian ethics and the psychological foundations of morality on business managers' perspectives on corporate social responsibility (CSR). Using responses from 393 Chinese managers, we first conducted confirmatory factor analysis to assess the reliability and validity of the measurement model and then employed hierarchical regression to explore the relationships among Confucian ethics, moral foundations, and managers' shareholder value perspectives. The results indicate that both Confucian ethics and managers' moral foundations had significant influence on shareholder value perspectives. In fact, moral foundations and Confucian ethics interacted and jointly affected managers' positions on the shareholder value model of corporate responsibility. This study demonstrates the importance of psychological foundations of morality to managers' CSR orientations and substantiates the persistent impact of Confucian ethics/cultural traditions on today's business practices.

1 | INTRODUCTION

Despite the rapid adoption of the stakeholder model of corporate social responsibility (CSR) in today's businesses, the shareholder value model of corporate responsibility still has a powerful influence on business decisions and practices (Bachmann, Habisch, & Dierksmeier, 2017; de Bettignies, Ip, Bai, Habisch, & Lenssen, 2011; Frynas & Yamahaki, 2016; Story & Neves, 2015). Some scholars contend that CSR activities should be the job of elected governments, not profit-maximizing business entities (cf. Kim & Kim, 2010). Others have even argued for rejection of the stakeholder theory because managers ought to act exclusively to maximize the long-run market value of business enterprises (e.g., Jensen, 2002). More importantly, this narrow view of CSR seems to exert a significant influence on business firms that operate in emerging economies, whether multinational companies (MNCs) or local firms in host countries (Arenas & Ayuso, 2016; de Bettignies et al., 2011; Jamali & Karam, 2016; Jamali, Karam, Soundararajan, & Yin, 2017). It has been argued that CSR issues in emerging markets have taken on increasing significance as emerging economies undergo fundamental reforms and are being integrated gradually into the global economy (Tan, 2009). Thus, it is crucial for a business to find a proper balance between its CSR aspiration and economic performance (Li, Luo, Wang, & Wu, 2013).

The impact of the narrow view of CSR is highlighted by somewhat inconsistent CSR behavior of MNCs and the notorious "profit-at-any-

cost" mentality of many local firms in emerging markets (Ip, 2009). Emerging markets present a significant challenge to MNCs because of underdeveloped institutional environments, inadequate regulations, weak public governance or legal enforcement, and lack of public transparency. MNCs are found to employ discordant or negligent practices in their oversea subsidiaries while simultaneously being recognized for accountability and integrity in their home countries (Hashmi, Damanhour, & Rana, 2015; Tan, 2009). These inconsistent practices indicate the priority MNCs give to generating profit for shareholders over the interest of other stakeholders in conducting business across different markets.

The influence of shareholder value model of CSR on today's businesses is also reflected in the profit-at-any-cost mentality evidenced by the widespread irresponsible and unethical business practices of many local firms in emerging markets (Bachmann et al., 2017; Ip, 2009). For instance, China is the largest emerging market in the world and is notorious for its unethical practices in the areas of product safety, information disclosure, employee relations, and slave labor, just to name a few (Lau, Lu, & Liang, 2014). An article appearing in the *New York Times* reported that, "In the wake of China's worst recent food safety-related disaster, in which melamine-tainted milk sickened 300,000 babies and killed six in 2008, the government has been actively trying to crack down on all manners of 'tainted food,' but it is clear from recent events that the state has its hands full" (Bittman, 2011). The "recent events"

the writer referred to were a series of marketing malpractices in China, including exploding watermelons (as a result of overuse of a chemical that enhances growth), the discovery that 1 in 10 meals was being cooked using oil dredged from sewers, and the finding that nearly 300 people were seriously ill after ingesting steroid-tainted pork. Other malpractices reported in the media include highly polluted air and water, rock-bottom wages, and minimal health and safety standards for non-unionized rural migrants, polarization between wealth and poverty, capital flight, social inequality, corruption (Ip, 2003; Lu, 2009), money worship, and depravity of morality (Harvey, 1999; Tam, 2002). The ethical chaos observed in China has been explicitly attributed to the predominant profit-at-any-cost management mentality (Ip, 2009; Lu, Rose, & Bodgett, 1999), which seems to result from the shareholder value perspectives on CSR (Bachmann et al., 2017; de Bettignies et al., 2011). This narrow view of CSR holds that companies are almost exclusively responsible to shareholders and must strive to maximize profits while operating within the rules of the game, or the constraints of legal systems. This narrow view of CSR is believed to be linked to perhaps even the cause of unethical and irresponsible business practices.

Previously, Mason and Mudrack (1997) found that high scores on the traditional (i.e., the shareholder value model) view of CSR were associated with high acceptance rate of ethically questionable workplace activities. In addition, people who were oriented to the shareholder value perspectives applied a less rigorous set of ethical standards to work contexts and were more likely to regard unethical behaviors as appropriate even though they violated commonly accepted ethical standards when promoting an organization's interest. Similarly, Mudrack (2007) reported that people who had especially narrow views of CSR were more likely to adopt Machiavellianism, had tendencies to pursue personal gain with no regard to others or even exploited others to get what they wanted. Kim and Kim (2010) showed that a shareholder value perspective on CSR exerted significantly more influences on CSR attitudes of public relation practitioners than other cultural values.

Because of its important role in CSR attitudes and ethical decision making, considerable efforts have been made to identify the antecedents of the shareholder value model of CSR. Previous research, though sparse, has examined such factors as equity sensitivity, Machiavellianism (Huseman, Hatfield, & Miles, 1987; Mason & Mudrack, 1997), deference to authority, locus of control, and moral development (Mudrack, 2007); however, those studies largely focused on personality factors and paid little attention to social, ethical, and cultural influences. In our opinion, there is an acute need to conduct research on how social-cultural values, especially ethical values, affect businesses' views on CSR. Extant literature has indicated that ethics and CSR are interrelated, and ethics, especially moral norms, acts as an important motivational tool for engaging in CSR (Matten & Crane, 2002). Kim and Kim (2010) have argued, "Active CSR can be understood as one kind of ethical behavior by corporations" (p. 488). As such, it is highly important to study how morality, including ethical values in traditional cultures, affects businesses' CSR orientations. Despite its evident importance, a thorough literature review failed to find any study that has explored how cultural traditions, especially traditional ethical values in emerging economies, relate to businesses' CSR

orientation. Moreover, previous studies have not examined the role of managers' moral foundations in ethical decision making. Moral foundations refer to the psychological mechanisms with which we react to moral issues (Haidt, 2001, 2008; Haidt & Graham, 2007). According to the moral foundation theory (MFT), moral foundations characterized by regulatory values of harm, right, justice, loyalty, and so on are the basis on which we derive our moral intuition and moral judgment. If morality and CSR are in fact interrelated, it is crucial to study how moral foundations affect CSR orientations.

In this study, we investigated the relationship between morality and shareholder value perspectives on CSR, with a particular emphasis given to the impact of ethical values of traditional cultures in emerging economies. Specifically, we focused on examining the impact of Confucian ethics, along with moral foundations, on business managers' positions on CSR, namely their CSR orientations. Because the shareholder value model of CSR emphasizes a company's responsibility for economic performance and shareholder value, it may be the cause of managers' profit-at-any-cost mentality and thus may be responsible for the ethical chaos recently observed in China's business practices. In short, the present study aims to provide answers to the following research questions:

Research Question 1: How is Confucian ethics related to shareholder value perspectives on CSR?

Research Question 2: What impact do moral foundations have on shareholder value perspectives on CSR?

Research Question 3: If both Confucian ethics and moral foundations have a significant influence on shareholder value perspectives, then how is the role of Confucian ethics related to the effects of moral foundations?

Research Question 4: Would appealing to Confucian ethics or local cultural traditions be an effective way to curb business managers' mentality of "profit-at-any-cost?"

The remainder of the paper is structured as follows. In the next section, we review the literature on Confucian ethics, moral foundations, and shareholder value perspectives in terms of how they relate to CSR and develop a theoretical framework. We then describe and explain the design, procedures, and measurements of our empirical study. After presenting the results of our data analyses, we discuss the implications of the empirical findings and conclude the paper with a brief discussion of future research directions.

2 | CONFUCIANISM, MORAL FOUNDATIONS, AND THE SHAREHOLDER VALUE MODEL OF CSR

2.1 | Confucianism, Confucian ethics, and shareholder value perspectives

Confucianism refers to a cultural tradition rooted in Confucius's philosophical thinking, which contains a worldview, a social ethic, a political

ideology, a scholarly tradition, and an ideal way of life (Du, 2015; Ip, 2016; Lin & Huang, 2014). Hofstede and Bond (1988) distilled Confucian teaching into four key principles: (1) the stability of society is based on unequal relationships between people; (2) the family is the prototype of all social organizations; (3) virtuous behavior toward others lies in reciprocity; and (4) virtuous behavior includes self-improvement through education, diligence, perseverance, and moderation in all things. The four key principles provide a brief but accurate outline of the core of Confucianism. Confucianism remains an important vehicle for traditional Chinese ethical values and has a powerful influence on business decisions in China as well as in other East Asian countries (Chung, Eichenseher, & Taniguchi, 2008; Ip, 2009; Kim, 2014; Szeto, 2010). Indeed, typical East Asian institutions are suffused with Confucian ethical values—such as paternalistic governing, the prestige of education, cultivation of virtue, loyalty, cooperation, and harmonious relationships (Jingjit & Fotaki, 2010). Acknowledging its powerful influence on organizations, business scholars have coined such terms as Confucian entrepreneurs and Confucian firms (e.g., Cheung & King, 2004; Ip, 2009). Interestingly, even scholars in the West (e.g., Chan, 2008; Woods & Lamond, 2011) believe that a modern transformation of Confucianism, especially Confucian ethics, may inspire creative solutions that challenge Western business models. Confucian ethics could be incorporated into Western thinking and serve as an alternative or supplement to Western business ethics (Chan, 2008; Woods & Lamond, 2011). Chan (2008) has argued that “Confucian ethics is able to provide some unique philosophical and intellectual perspectives” that allow for a richer “understanding and analysis of the field of contemporary business ethics” (p. 347).

As an integral part of Confucianism, Confucian ethics is in fact a Chinese form of virtue ethics that primarily focus on the ways of life or desirable ways of living. Yu (2007) holds that the central questions of Confucian ethics, like Aristotle's, concern what constitutes a good life and what kind of person one should strive to be. For Confucius, the task of ethics is to find the correct path for living a virtuous life. As a form of virtue ethics, Confucian ethics focuses on cultivating virtuous attributes of a man of virtue. The major Confucian virtues include benevolence, righteousness, ritual propriety, wisdom, trustworthiness, filial piety, loyalty, and reciprocity (Ip, 2009; Woods & Lamond, 2011; Yu, 2007).

Scholars generally agree that there are multiple aspects of Confucian ethics. For instance, Yu (2007) argued that a Confucian virtue must have three aspects: (1) the observance of social rites, (2) *Ren* as love (or benevolence), and (3) appropriateness (or righteousness). Similarly, Woods and Lamond (2011) identified seven principles of Confucian ethics, including social harmony, complementary reciprocity, and moral and righteous behavior in social roles. In the same line of reasoning, Ip (2009) proposed that Confucian ethics is humanistic, obligation based and collectivistic in nature. Having examined a list of virtues of Confucianism, Ip (2009) concluded that *Ren* (love and compassion), *Yi* (righteousness or appropriateness), and *Li* (ritual propriety) formed the moral core of Confucian virtue ethics, a normative system governing individuals' behavior and social lives. Moreover, de Bettignies et al. (2011) held that *Ren* and *Yi* were two quintessential notions that were

the foundation of legitimacy for *Li*, the institutional rites, and norms of a society. Recognizing the central role of *Ren* and *Yi* in Confucian ethics, Zhu (2015) empirically examined and demonstrated their effects on the role of emotions and rationality in Chinese entrepreneurial decision making. Therefore, using the noted studies as a basis, we consider Confucian ethics to be a multidimensional concept in this study with primacy given to the core moral virtues and principles of *Ren* and *Yi*.

Ren, the most important virtue in Confucian ethics, is characterized by love and compassion (Hackett & Wang, 2012; Zhu, 2015). *Ren* is sometimes translated to mean benevolence, which has a clear connotation of expending positive emotions toward others (Zhu, 2015). *Ren* is closely related to *Yi*, the virtue that places emphasis on doing the right thing or behaving appropriately in terms of moral principles and ethical norms. Building off the virtues of *Ren*–*Yi*, Confucian ethics mandates that business decision making should be morally sound, and business practitioners should strike a balance between the pursuit of material interests and adherence to moral values. In the long-lasting conflict between righteousness (*Yi*) and profitableness (*Li*) in Chinese history, Confucian ethicists have always given primacy to behavioral righteousness over the pursuit of material gain. Confucius (551–479 B.C.) himself said, “The gentlemen can be reasoned with what is moral. The common man can be reasoned with what is profitable” (Analects, Book 4:16—cf. Cheung & King, 2004). Moreover, Confucian ethics maintains that one must take *Yi* or moral righteousness into account when pursuing material gain or profit. The Neo-Confucians in the *Song* and *Ming* dynasties (960–1644 A.D.) turned the conflict between moral righteousness and profit into a debate on moral principles versus human material desires. Confucian philosophers from that era argued that all human beings should uphold moral principles and overcome or suppress material desires. Today's Confucian entrepreneurs utilize strategies that encourage individuals to pursue material interests or human desires so long as they observe moral righteousness and moral principles. This ensures that business decisions are strategically effective and morally sound (Zhu, 2015). In other words, Confucian entrepreneurial ideals are essential to businesses that strive to achieve a high level of economic performance as well as moral excellence.

Conversely, the shareholder value model with its narrow view of CSR is closely associated with Friedman's (1970) corporation theory (Hsieh, 2007). According to Friedman (1970), given the role of a corporation in a market economy, the responsibility of a corporation is to make profits subject to compliance with the laws and rules of business world, such as contractual commitments and free competition. Consistent with Friedman's position, the shareholder value model regards maximizing the profit of shareholders as the sole aspect of CSR. As Mudrack (2007) argued, corporate social traditionalists (i.e., those who take shareholder value perspectives) would maintain that “corporate management is responsible almost exclusively to shareholders and must strive to maximize profits while operating within the rules of the game.” (p. 33). This emphasis on profit maximization is in sharp contrast to Confucian ethics' position of subordinating material gain in favor of moral righteousness. Considering the moral dimensions of decision making strongly advocated by Confucian ethics, we believe it was

reasonable to expect a negative relationship between Confucian ethics and shareholder value perspectives of CSR.

2.2 | Moral foundations and shareholder value perspectives

Previous research has revealed that advanced moral reasoning is linked with beliefs that business firms have both societal and ethical responsibilities (Goolsby & Hunt, 1992). In addition, CSR is found to be closely related to one's moral philosophy (Kim & Kim, 2010), moral identity (He, Zhu, Gouran, & Kolo, 2016), and moral elevation (Romani & Grappi, 2014). A study by Mudrack (2007) showed that people upholding moral principles concerning individual rights, dignity, and justice were characterized by social sensitivity and concern for others and tended to view societal welfare as an important consideration in decision making. Given these previous findings, we have a good reason to believe that morality would play an important role in individuals' CSR orientation or attitude toward CSR. Moral foundations consist of fundamental moral beliefs, and regulatory values on which cultures build moral systems. It is reasonable to assume that managers' endorsement of moral foundations may have a significant impact on their moral values and principles, which in turn influence their moral judgment. In fact, previous research has shown that moral foundations serve as a basis for moral intuitions and moral judgments (Haidt & Graham, 2007), and that the regulatory concepts of moral foundations are indeed the fundamental moral values that have been found to be important determinants of CSR orientations (Fukukawa, Shafer, & Lee, 2007; Smith, Singal, & Lamb, 2007). Thus, we propose that moral foundations would have a significant impact on managers' CSR orientations. Given the emphasis of shareholder value perspectives on profit maximization, we expect such an impact to be negative.

2.3 | The interactive effects between Confucian ethics and moral foundations

In view of the commonality between Confucian ethics and moral foundations, it is reasonable to assume that Confucian ethics and moral foundations may jointly determine Chinese managers' corporate responsibility orientations. According to MFT, there are two major approaches to morality: (1) individualizing ethics and (2) binding ethics (Graham, Haidt, & Nosek, 2009). An individualizing ethical approach exists if a moral system is built primarily on the concern of interpersonal relationships with a focus on autonomy, rights, justice, and potential harm principles. In contrast, a binding ethical approach focuses on ethics of communities with loyalty, respect for authority, and divinity being the primary regulatory concepts. Previous research has revealed an apparent parallel between Western individualizing ethical values and Confucian virtues. In studying Confucian ethics and self-regulation in management, Woods and Lamond (2011) found that with the exception of ritual propriety and filial piety, Confucian virtues are common to Western concepts of rights-based business ethics such as benevolence, righteousness, wisdom, and trustworthiness. Also included in the list of shared values are integrity, respect for others, and justice in the sense of treating each and every person in an equal way (Lam, 2003). In comparing Kantian ethics and Confucian ethics,

Chan (2008) argued that the Confucian virtue of *Shu*, the negative version of the Golden rule (do not impose on others what you don't want them to do to you), is consistent with the spirit of Kant's imperative command: Act only in accordance with that maxim which you can will that it become a universal law. On the basis of the above discussion, we anticipate that the impact on shareholder perspectives of individualizing moral foundations would become stronger as managers' endorsement for Confucian ethics increases.

In contrast, Yu (2007) argued that the backbone, or core value, of Confucianism is a humane social hierarchy modeled on family relationships. Confucianism emphasizes harmonious relationships based on hierarchical social structures (Woods & Lamond, 2011) and holds that the stability of society results from unequal relationships among people (Hofstede & Bond, 1988). Thus, Confucian ethics and binding ethics share the same regulatory concepts of duty, respect for authority, and loyalty with regard to maintaining social order. Confucianism's emphasis on family relationships and hierarchical social structures is compatible to moral foundations that place high value on institutions that bind people into roles, specific duties, and mutual obligations (Graham et al., 2011). Given the parallel between Confucian ethics and binding moral foundations, we argue that the effects of binding moral foundations may be stronger when managers' endorsement for Confucian ethics is high than it is low.

To sum up, our fundamental assumption was that Confucian ethics, given its emphasis on ethical values, principles and the ethical dimensions of decision making, would negatively affect Chinese managers' position on shareholder value perspectives with its narrow view of CSR. Such an impact, however, is not independent of managers' moral foundations, which we also assumed would have a negative relationship with the narrow view of corporate responsibility. We expect moral foundations and Confucian ethics to interact and jointly affect shareholder value perspectives. Given the multidimensional nature of both constructs, we also expect that the interactive effects of moral foundations and Confucian ethics vary across different dimensions.

3 | RESEARCH METHODOLOGY

3.1 | Participants and procedure

We conducted an empirical study to explore the relationships among moral foundations, Confucian ethics, and shareholder value perspectives. We collected data through survey questionnaires distributed to a sample of practicing managers who were enrolled in part-time MBA or EMBA programmes at a large university in the Shandong Province of China. Applying the principle of judgmental sampling, we selected the Shandong province based on two considerations. First, Shandong is the province in which Confucius's hometown is located. As such, we suspected that there might be a stronger influence of Confucianism on managers who worked in Shandong than those in other provinces. Thus, administering the questionnaires to managers working in Shandong potentially gave us a better chance of measuring the impact of Confucian ethics on business practices. Second, Shandong is one of the largest provinces in China and has a highly diversified agricultural and industrial economy (Boxer, n.d.). Therefore, we believed that a sample of managers recruited from

Shandong would allow for a more diversified view of Chinese managers although the sample may not actually be representative of the entire population of business managers in China.

Survey participants completed the questionnaires as part of a course-related assignment. The questionnaires were standard surveys (paper-based documents) that were distributed by course instructors who asked respondents to return the completed questionnaires within five working days. The participants were told that their responses would be kept strictly confidential. The paper-pencil format was chosen on the ground that absence of an interviewer in such a self-administered survey and a promise of confidentiality would help participants feel comfortable to share their true thoughts and feelings. As a result, responses to the survey would be less likely to be subject to social desirability biases (Rosenthal & Rosnow, 2008). A total of 420 questionnaires were given out, and 405 questionnaires were returned within the given timeframe. Ultimately, 393 of the surveys were fully completed and usable. As can be seen in Table 1, the participants of this survey study consisted of 55.3% males and the majority of respondents were 30–39 years old. More than half of the respondents (51%) had an annual household income of 50,000 Chinese ¥ (equivalent to \$7,692) or more. More than half of the respondents (54.3%) had 9 years or less of professional or managerial experience, and only 4.8% had 20 years or more of work experience. Approximately 66% of the respondents held a junior management position. The largest business function in which respondents worked was operations and production (30.7%). The smallest business function in which the respondents worked was research and development (6.1%). The respondents worked for various businesses and organizations, with 29.9% of them being employed in state-owned enterprises, and 27.7% of them being employed in private businesses. In addition, 44.4% of the respondents worked for organizations with more than 1,000 employees, while 26.1% worked for small businesses of less than 100 people.

3.2 | Measurement scales

Measurement items in the survey instrument were either adopted or adapted from the established scales in the extant literature. We measured shareholder value perspectives, the dependent variable, using five items adopted from Mudrack's (2007) scale of corporate social traditionalism. Respondents were asked to indicate their level of agreement or disagreement with the statements presented to them by choosing a number between 1 and 7 with 1 being strongly disagree and 7 strongly agree. One of the items stated, "The most important concern for a firm is making a profit, even if it means bending or breaking the rules." Another item read, "In a highly competitive global environment, business firms may disregard ethics and social concerns at times."

As an independent variable in this study, moral foundations were measured with 10 items from the measurement scales developed by Graham et al. (2011). Respondents were instructed to indicate their level of agreement or disagreement with 10 statements on a 7-point Likert scales (1 = strongly disagree; 7 = strongly agree). Two of the four statements intended to measure individualizing moral foundations read, "Justice is the most important requirement for a society" and "When the government makes laws, the number one principle should be ensuring

TABLE 1 Sample demographics

Demographics	Measures	Percentage
Gender	Male	55.3
	Female	41.2
Age	24–29	28.4
	30–39	61.7
	40–49	8.7
	50–55	1.2
Household annual income	less than ¥ 15,000	4.3
	¥ 15,000 to ¥ 24,999	15.2
	¥ 25,000 to ¥ 49,999	27.4
	¥ 50,000 to ¥ 74,999	27.4
	¥ 75,000 to ¥ 99,999	15.5
	¥ 100,000 or more	8.1
Job function	Management in accounting	7.9
	Management in finance	15.5
	Management in marketing	22.1
	Operation/production	30.7
	Information management	10.9
	R&D	6.1
	Other	0.5
Organization type	State-owned enterprises	29.9
	Foreign company	27.9
	Joint venture	6.6
	Private business	27.7
	Other	0.3
Number of employees	1–99	26.1
	100–499	19.5
	500–999	7.9
	1,000–9,999	31.7
	10,000 or over	12.7
Working years	1–9	54.3
	10–19	39.1
	20–29	3.8
	30–39	0.5
	40 or over	0.5
Job seniority	Senior management	24.4
	Junior management	65.2
	Other	0.8

Note. Percentages were calculated based on a sample size of 393 respondents.

that everyone is treated fairly." Among the six items that measured binding moral foundations, one read, "People should be loyal to their family members, even when they have done something wrong." Another read, "Respect for authority is something all children need to learn."

The scale used to measure Confucian ethics was adapted from Wang and Zhang's (2012) measurement scale for Confucianism. We identified and selected items from their scale that were relevant to Confucian ethics. We then conducted a pretest in which 32 Chinese college students from a large university in Shandong province responded to items from our survey. The pretest resulted in a two-dimensional measurement scale, which included a total of eight items with four items specifically measuring Confucian *Ren* (benevolence) and four items measuring Confucian *Yi* (righteousness) ethics. One of the measures for Confucian *Ren* ethics read, "Behaving with kindness

TABLE 2 Results of CFA

Factor	Item	Std. Loading	t Value
Shareholder value perspectives (CR = 0.83, AVE = 0.57)	1. The most important concern for a firm is making a profit, even if it means bending or breaking the rules.	0.73	—
	2. A business decision should be judged primarily in terms of its contribution to profit.	0.67	12.31
	3. Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible.	0.80	14.50
	4. In a highly competitive global environment, business firms may disregard ethics and social concerns at times.	0.78	14.17
Confucian Ren ethics (CR=0.88, AVE=0.69)	1. Treating one's parents with respect and taking care of one's family are a person's fundamental duties.	0.87	—
	2. Behaving with kindness and affection toward others is a human virtue.	0.78	18.36
	3. Always do your best for what you undertake on another's behalf.	0.84	20.58
	4. Do not impose on others what you do not wish for yourself. Help others as if they were your own family.	0.82	19.81
Confucian Yi ethics (CR=0.86, AVE=0.60)	1. A person of virtue places more value on righteousness than material gains.	0.75	—
	2. Adhering to moral principles and ethical norms is more important than meeting personal needs and desires.	0.80	15.28
	3. Human beings must stand by moral principles and social decorum rather than focus on material gains and self-interest.	0.78	14.84
	4. It is important to have a conscience in everything we do.	0.77	14.65
Individualizing Moral Foundations (CR=0.85 AVE=0.67)	1. Compassion for those who are suffering is the most crucial virtue.	0.78	—
	2. One of the worst things a person could do is hurt a defenseless animal.	0.83	16.51
	3. Justice is the most important requirement for a society.	0.85	16.65
Binding Moral Foundations (CR=0.89, AVE=0.66)	1. I am proud of my country's history.	0.76	—
	2. People should be loyal to their family members, even when they have done something wrong.	0.81	16.50
	3. Respect for authority is something all children need to learn.	0.86	17.64
	4. People should not do things that are disgusting, even if no one is harmed.	0.79	16.09
	5. I would call some acts wrong on the grounds that they are unnatural.	0.84	17.29
Model fit statistics		$\chi^2 = 373.56$, d.f. = 160, $\chi^2/\text{d.f.} = 2.34$, GFI = 0.91, AGFI = 0.88, CFI = 0.95, TLI = 0.94, RMSEA = 0.06, Standardized RMR = 0.05	

CR = Composite reliability; AVE = Average variance extracted.

and affection toward others is a human virtue." An item measuring Yi ethics stated "human beings must stand by moral principles and social decorum rather than focus on material gains and self-interest."

The measures were all in English except for the measures for Confucian Ren-Yi ethics, which were presented in Chinese. Consequently, we first created a survey questionnaire in English that did not include the scale for Confucian ethics. Afterward, we translated the original questionnaire into Chinese and added in the measures for Confucian ethics, adjusted the order of questions, and finalized the instrument.

4 | RESULTS

4.1 | Confirmatory factor analysis and construct validity

We conducted confirmatory factor analyses using AMOS 22.0 to evaluate the psychometric properties of moral foundations, Confucian ethics, and shareholder value perspectives (Bollen, 1989; Hair, Black, Babin, Anderson, & Tathan, 2006). Table 2 presents the results of the

analyses. As can be seen from Table 2, the factor structure of Confucian ethics was well supported; however, we dropped some of the items we had adopted to measure moral foundations and shareholder value perspectives because they failed to load to the factor they were designed to measure. The loadings of the eight items measuring Confucian ethics ranged from 0.75 to 0.87. The measures of the composite reliability (CR) for Ren and Yi were both above the cutoff line (DeVellis, 2003; Hair et al., 2006) with CR of 0.88 for Ren ethics and 0.86 for Yi ethics. The final scale for individualizing moral foundations consisted of three items, and the final scale for binding foundations had five items. Finally, four items measuring shareholder value perspectives remained. All of the remaining items had acceptable factor loadings (see Table 2; Hair et al., 2006; Pedhazur & Schmelkin, 1991). The CRs were 0.83 for shareholder value perspectives, 0.85 for individualizing moral foundations and 0.89 for binding moral foundations. After scale refinement, the measurement model reached an acceptable goodness of fit. The chi-square statistic was significant ($\chi^2 = 373.56$, d.f. = 160, $p < .01$), indicating that there was a difference between the expected model

TABLE 3 Descriptive statistics and Pearson correlations

Variable	Mean	SD	1	2	3	4	5
1. Shareholder value perspectives	3.24	1.51	(0.75)				
2. Confucian Ren ethics	2.65	0.94	0.09*	(0.83)			
3. Confucian Yi ethics	5.54	1.14	-0.22**	-0.51**	(0.78)		
4. Individualizing moral foundations	5.36	1.15	-0.38**	-0.33**	0.37**	(0.82)	
5. Binding moral foundations	5.36	1.23	-0.42**	-0.34**	0.35**	0.48**	(0.81)

Note. Figures in parentheses are the square root of the average variance extracted.

** $p < .01$, * $p < .05$.

and the observed model. Nonetheless, the measurement model was acceptable in that other indices were all close or above their respective thresholds (RMSEA = 0.06; GFI = 0.91; AGFI = 0.88; CFI = 0.95; TLI = 0.94), indicating a reasonable overall model fit (Hair et al., 2006).

As can be seen from Table 2, all of the average variances extracted (AVEs) were above 0.50, with an AVE of 0.57 for shareholder value perspectives, 0.69 for Confucian Ren ethics, 0.60 for Confucian Yi ethics, 0.67 for individualizing moral foundations (IMF), and 0.66 for binding moral foundations (BMF), indicating acceptable convergent validity (McDonald & Ho, 2002). In addition, the square root of the AVEs ranged from 0.75 to 0.83 (Table 3), and each was greater than the inter-factor correlations (from -0.51 to 0.48). As the data pattern indicated, these constructs had adequate discriminant validity with each being truly distinct from other constructs (Fornell & Larcker, 1981).

4.2 | Results of the hierarchical regression analyses

We conducted hierarchical regression analyses using SPSS Statistics 24.0 to explore the effect of Confucian ethics and moral foundations on shareholder value perspectives, as well as the potential interactions

between Confucian ethics and moral foundations. One major advantage of using hierarchical regression is the capability of evaluating incremental R^2 variance with respect to the inclusion of additional variables (Cohen, Cohen, West, & Aiken, 2003). This capability allows us to examine the relative influence of each dimension of Confucian ethics and moral foundations on shareholder value perspectives. The results were reported in Table 4. With the inclusion of additional variables and interaction terms, the R^2 values changed from 0.01 to 0.29, showing the incremental impact of each set of variables or interactions on shareholder value perspectives. As can be seen from Table 4, the results of the first full model (M5) indicate that Confucian Ren ethics ($\beta = -0.33$, $p < .05$), Yi ethics ($\beta = -0.23$, $p < .05$), IMF ($\beta = -0.35$, $p < .05$), and BMF ($\beta = -0.46$, $p < .05$) were all significantly related to shareholder value perspectives. Among the interactions between Confucian ethics and moral foundations, the interaction between Ren ethics and IMF ($\beta = 0.16$, $p < .05$) and that between Yi ethics and BMF ($\beta = -0.17$, $p < .01$) were significant, whereas the interaction between Ren ethics and BMF ($\beta = -0.12$, $p > .10$) and that between Yi ethics and IMF ($\beta = 0.08$, $p > .10$) failed to reach the level of significance. The VIF values for the models with only main effects (M1 – M4) ranged

TABLE 4 Results of hierarchical regression and parsimonious latent-variable interaction analyses

Predictor variables	Hierarchical regression analysis					Parsimonious latent-variable interaction analysis	
	M (1)	M (2)	M (3)	M (4)	M (5)	M (6)	M (7)
<i>Independent variables</i>							
Constants	2.82** (12.51)	3.31** (13.07)	3.60** (14.88)	3.80 (16.23)	3.54** (19.02)	—	—
REN	0.158* (1.97)	-0.02 (-0.26)	-0.14 (-1.55)	-0.21* (-2.48)	-0.33* (-2.56)	-0.445** (-4.28)	-0.360** (-4.26)
YI		-0.30** (-3.95)	-0.17* (-2.32)	-0.12 (-1.58)	-0.23* (-2.28)	-0.18* (-2.09)	-0.28* (-3.15)
IMF			-0.47** (-7.10)	-0.31** (-4.52)	-0.35* (-4.67)	-0.29** (-3.52)	-0.28** (-3.27)
BMF				-0.39** (-6.04)	-0.46* (-6.78)	-0.50** (-5.58)	-0.56** (-6.51)
<i>Moderating effects</i>							
REN×IMF					0.16* (2.47)		0.13** (3.02)
REN×BMF					-0.12 (-0.34)		-0.04 (-1.03)
YI×IMF					0.08 (1.36)		0.07*** (1.79)
YI×BMF					-0.17** (-3.92)		-0.16** (-4.90)
<i>Model fits</i>							
	$F=3.88^*$ $R^2=0.01$	$F=9.82^{**}$ $R^2=0.05$	$F=24.19^{**}$ $R^2=0.16$	$F=28.89^{**}$ $R^2=0.23$	$F=37.26^{**}$ $R^2=0.29$	Chi-/d.f.=2.34 GFI = 0.91 CFI = 0.95 RMSEA=0.06	Chi-/d.f.=4.61 GFI = 0.792 CFI = 0.83 RMSEA=0.07
	Adj. $R^2=0.01$	Adj. $R^2=0.04$	Adj. $R^2=0.15$	Adj. $R^2=0.22$	Adj. $R^2=0.29$		

Note. REN = Confucian Ren ethics; YI = Confucian Yi ethics; IMF = individualizing moral foundations; BMF = binding moral foundations.

** $p < .01$, * $p < .05$, *** $p < .10$.

TABLE 5 Summary of empirical findings

	Relationships	Findings
1.	Confucian <i>Ren</i> ethics → Shareholder value perspectives	Supported
2.	Confucian <i>Yi</i> ethics → Shareholder value perspectives	Supported
3.	Individualizing moral foundation → Shareholder value perspectives	Supported
4.	Binding moral foundations → Shareholder value perspectives	Supported
5.	<i>REN</i> × Individualizing moral foundation → Shareholder value perspectives	Supported
6.	<i>YI</i> × Binding moral foundation → Shareholder value perspectives	Supported

from 1.00 to 1.70, and for the model with interaction terms (M 5) ranged from 1.31 to 5.59. All the VIF values were below the recommended cut-off point of 10, thus excluding the potential multicollinearity issue (Robinson & Schumacker, 2009). We then ran parsimonious latent variable interaction analyses using AMOS (Table 4) to further test the relationships. The results were similar, which shows the robustness of the results of the regression analyses (Ping, 1995). Table 5 presents a summary of the findings.

5 | DISCUSSION AND CONCLUSION

To explore the effects of Confucian ethics on CSR of moral factors, especially the ethical values of traditional cultures in emerging markets, we examined the impact of Confucian ethics on managers' shareholder value perspectives while simultaneously considering the effects of moral foundations. Our results revealed that both Confucian ethics and moral foundations played a significant role in managers' social responsibility orientation, or their position on the shareholder value model of CSR. Moreover, we found that moral foundations and Confucian ethics interacted and jointly affected Chinese managers' perspectives on CSR. Figure 1 provides a graphical presentation of the findings of the current study.

Despite the exploratory nature of this study, our findings contribute to the extant business ethics literature in several ways. First, by assessing the impact of Confucian ethics on managers' narrow view of CSR, we demonstrated that the ethical systems embedded in cultural traditions of emerging markets could significantly affect business managers' social responsibility orientation. Our results indicated that both Confucian *Ren* and *Yi* ethics had a significant negative effect on shareholder value perspectives. Consistent with previous findings (Romar, 2004; Vitell, Paolillo, & Thomas, 2003), our results further testify to the persistent influence of traditional culture values, especially ethical values on business managers' actions and business decisions (Hofstede, 1994; Mudrack, 2007). Importantly, the findings augment our knowledge and enhance our "understanding of ethical practices among different cultures and countries," which is an issue of increasing importance in today's global economy (Vitell & Patwardhan, 2008, p. 196).

Second, we examined the effects of Confucian ethics along with managers' moral foundations. Our results revealed that both moral foundations and Confucian ethics exerted significant influences on Chinese managers' social responsibility orientation. Specifically, binding moral foundations turned out to be the most powerful influence ($\beta = -0.46$, $t = -6.78$, $p < .01$) and individualizing moral foundations was the second most powerful influence ($\beta = -0.35$, $t = -4.67$,

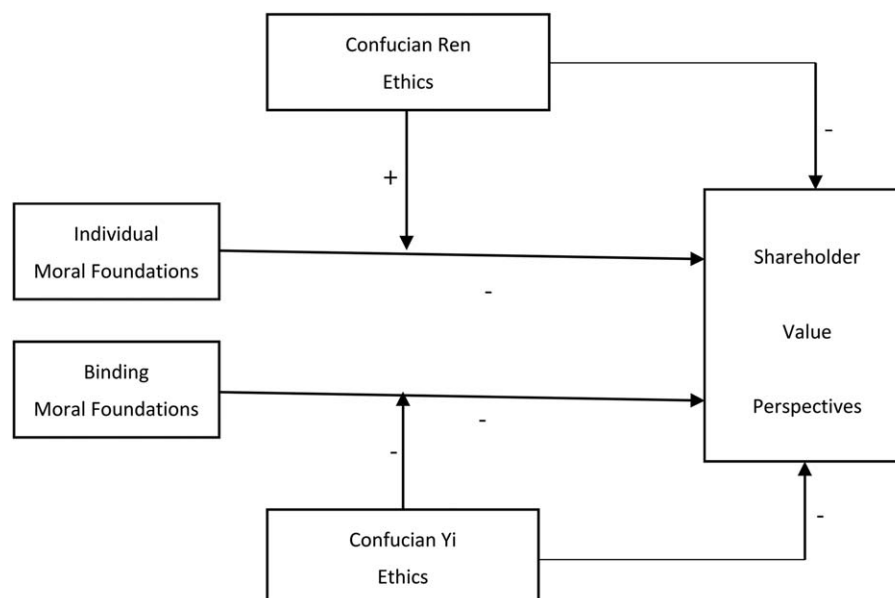


FIGURE 1 A graphical presentation of the empirical findings

$p < .01$). Of the two dimensions of Confucian ethics, benevolence or *Ren* ethics was the third most influential factor ($\beta = -0.33$, $t = -2.56$, $p < .05$) and righteousness or *Yi* ethics was the least important factor ($\beta = -0.23$, $t = -2.28$, $p < .05$). Overall, the findings suggest that the psychological foundations of morality play a more significant role than Confucian ethics in shaping Chinese managers' position on CSR. To the best of our knowledge, no other studies have specifically examined the impact of moral foundations on managers' shareholder value perspectives or CSR orientation in general. Thus, this study fills a literature gap and confirms the importance of MFT in CSR and business ethics research (Graham et al., 2009; Joseph, Graham, & Haidt, 2009).

Third, our results revealed significant interactions between *Ren* (benevolence) ethics and individualizing moral foundations ($\beta = 0.16$, $t = 2.47$, $p < .05$) and between *Yi* (righteousness) ethics and binding moral foundations ($\beta = -0.17$, $t = -3.92$, $p < 0.01$). The findings indicate that the effects of individualizing moral foundations on shareholder value perspectives are not independent of managers' endorsement of Confucian ethics. Specifically, the impact of individualizing moral foundations would grow stronger as managers' endorsement of *Ren* (benevolence) ethics increases. The interaction between *Yi* (righteousness) ethics and binding moral foundations also indicates a joint effect, though, in a different direction. The negative nature of the interactive effect demonstrates a decreasing marginal effect of binding moral foundations as managers' endorsement of *Yi* ethics increases. Taken together, we can conclude that both Confucian *Ren* ethics and *Yi* ethics play important roles in Chinese managers' CSR orientation; however, the ways in which they affected managers' shareholder value perspectives varied depending on their relationship with either individualizing or binding moral foundations. In sum, our findings not only have provided further confirmation of the persistent influence of traditional cultural and ethical values on CSR orientations, but also have demonstrated that cultural traditions potentially affect managers' CSR orientations in many different ways. As demonstrated in this study, traditional cultural and ethical values affect managers' perspectives on corporate responsibility either directly or indirectly via interactions with managers' moral foundations.

Disenchanted with business ethics that focuses solely on regulating economic exchange relationships, many scholars have turned to virtue ethics for guidance on developing moral character and living a righteous life (O'Mara-Shimek, Guillén, & Gomis, 2015; Robson, 2015). As part of this effort, cross-cultural dialogues have been initiated (Vermander, 2016; Zsolnai, 2007). For instance, the emphasis on retaining traditional virtues and assimilating and incorporating these values across cultures has caused Europe-Asian Dialogues to emphasize the relevance of Confucian ethics and has encouraged a rediscovery of "the importance of ethics and responsibility that is conveyed in traditional Chinese values" (Zsolnai, 2007, p. 88). Similarly, an emerging international discussion on the paradigm shift in management (de Bettignies et al., 2011) calls for attention to cultural heritages and traditional religious and philosophical teachings, especially for values, ideas, and practices originating from the East. The present study examined the role of Confucian ethics, while simultaneously considering the impact of moral foundations, and demonstrated how Confucian virtue ethics related to managers' psychological foundations of morality in shaping business managers' social

responsibility orientation. The results not only confirmed the important role of cultural heritages (Confucianism in this case) but also revealed the ways in which cultural traditions affect today's business managers. Thus, the findings of our study make significant contributions to the ongoing cross-cultural dialogues on ethics, morality, and business practices.

Furthermore, our findings have important implications for business practitioners as well. For example, Confucian ethics is said to emphasize benevolence (*Ren*) and righteousness (*Yi*) over profit (Chan, 2008). As a result, the concept of Confucian entrepreneurs has been advocated in an attempt to address the ethical problems resulting from a widespread mentality of "profit-at-any-cost" in emerging markets (Ip, 2009). Our findings provide some support for the notion of fighting against Chinese managers' mentality of "profit-at-any-cost" by appealing to Confucian ethics. The findings that both benevolence and righteousness aspects of Confucian ethics were negatively related to shareholder value perspectives suggest that moral intervention along lines of Confucian ethics and/or Chinese cultural traditions could be undertaken in business enterprises as well as schools as an effective way to fight against unethical business practices. Considering the wide presence of this mentality in emerging economies, especially in East Asian markets, our findings are of great significance to MNCs that conduct businesses in emerging markets. The findings can provide useful guidance for MNCs that advocate global integration of CSR performance (Miska, Witt, & Stahl, 2016; Preuss, Barkemeyer, & Glavas, 2016). The vague record of MNCs' CSR efforts, especially the differences in conception of CSR and remarkably inconsistent CSR practices in emerging host markets, has been attributed to uncertainty and cost derived from spatial, cultural, and institutional distance (Jamali & Neville, 2011; Yin & Jamali, 2016). In this regard, the findings about the main and interactive effects of cultural heritages on managers' CSR orientation contribute to our understanding of what exactly required of today's MNCs for successful CSR integrations across markets while simultaneously fulfilling their fiduciary responsibility toward shareholders (Yin & Jamali, 2016). Just as multicultural experience of managers is positively associated with global CSR integrations and local CSR responsiveness (Miska et al., 2016), a more thorough knowledge of the effects of cultural traditions on CSR orientations can help businesses achieve greater results in integrating CSR endeavors across markets.

Finally, it is worth noting that our study speaks to the strongly felt need for a measurement scale for Confucian ethics. Despite the widely acknowledged importance of Confucian ethics in business, especially in cross-cultural management, few studies have specifically designed scales to measure Confucian ethics. The scale we used in this study was adapted from a Confucianism scale that was originally published in Chinese. We assessed the adapted scale in our pretest and main study, which resulted in a two-dimensional (*Ren*-*Yi* or benevolence-righteousness) measurement scale. Although it requires further validation and improvement, this two-dimensional scale demonstrated satisfactory reliability as well as convergent, discriminant, and predictive validity in our study. Consistent with existing literature, the results of our main study showed significant negative effects of Confucian ethics on the narrow view of CSR. Thus, our findings substantiate the construct

validity of the Confucian ethics scale. That being said, we acknowledge that the Confucian ethics scale used in this study must be viewed as preliminary and in need of further improvement. This is because we derived the scale based on selected items from an existing measurement scale for Confucianism. As a result, the sample adequacy of the construct domain may be limited by the actual measurement items contained in the original measures of Confucianism. Given the complexity of Confucian ethics, we strongly suggest that readers use caution and treat this scale as an initial instrument, which serves only as a preliminary basis for further improvement. Considering that the lack of reliable and valid measurement scales for local cultural traditions has hindered research on cross-cultural management and business ethics, our study provides valuable assistance to future research by making available a much-needed measurement scale for Confucian ethics.

Other limitations of this study need to be acknowledged. First, the respondents in the main study were managers who were pursuing their MBA or EMBA degree in a northern city of China at the time of data collection. Thus, the sample may not be representative of the entire population of Chinese managers. Doubtlessly, future studies are needed to improve and refine the Confucian ethics scale and further test what we found in the present study. Second, our assessment of the effects of Confucian ethics on Chinese managers' view of CSR can be viewed only as an initial step in the campaign to curtail the ethical chaos we have observed in emerging markets. Third, we chose to focus solely on examining the effects of Confucian ethics in this study without taking into consideration other important cultural traditions, such as Daoism and Buddhism. Considering the rising importance of religious practices and ever-growing influence of Christianity in today's China, it would be of great interest to conduct research in the future that looks into how other religions such as Daoism and Buddhism affect shareholder value perspectives while simultaneously examining the role of Confucian ethical teachings. Finally, in this study, we focused on examining the role of Confucian ethics along with moral foundations in CSR. There apparently is a need for investigating the effects of other antecedents on managers' CSR perspectives. For instance, future research looking into the role of economic development or personal moral philosophies in shaping managers' CSR orientations would considerably extend the present study.

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