

The Relevance and Value of Confucianism in Contemporary Business Ethics

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ABSTRACT. This article examines the relevance and value of Confucian Ethics to contemporary Business Ethics by comparing their respective perspectives and approaches towards business activities within the modern capitalist framework, the principle of reciprocity and the concept of human virtues. Confucian Ethics provides interesting parallels with contemporary Western-oriented Business Ethics. At the same, it diverges from contemporary Business Ethics in some significant ways. Upon an examination of philosophical texts as well as empirical studies, it is argued that Confucian Ethics is able to provide some unique philosophical and intellectual perspectives in order to forge a richer understanding and analysis of the field of contemporary Business Ethics.

KEY WORDS: business ethics, Confucian ethics, reciprocity, hierarchy, The Doctrine of the Mean, human virtue

Introduction

Confucianism as a body of philosophical ethical thought and the discipline of Business Ethics appear, at first blush, to be strange bedfellows. In terms of

origins and sources, Confucianism emerged in the 4–5th century BC prior to the industrial age and the modern knowledge economy. Business Ethics today, on the other hand, is largely Western-oriented. It is also influenced by and is discussed primarily with reference to the capitalist framework. As we will see below, though some of the ethical theories regularly taught and examined in contemporary Business Ethics such as Aristotelian ethics may originate from the Axial Age¹ (as did Confucianism), a large majority of the major moral philosophers featured in the texts hail from the West. Indeed, it is not surprising that Confucianism as a philosophy did not recognise the discipline of Business Ethics as such (Wang, 2004, p. 55).

Ironically, notwithstanding the different origins and sources, one commonality between Confucian Ethics and Business Ethics is that both have undergone and are currently undergoing crises of sorts. Yet, the problems faced by each of the disciplines or areas and the respective socio-historical backgrounds against which these disciplines are situated are indeed quite disparate.

Confucianism has had to weather the onslaught of criticisms² in the wake of the Asian economic crisis of the 1990s arising from or in connection with the allegations of cronyism and nepotism in some Asian countries. Confucianism had undergone a tumultuous history in China and its significance in its birthplace had fluctuated. During the May Fourth Movement of 1919 and the Maoist Cultural Revolution from 1966–1976, for instance, Confucianism was maligned and severely suppressed in China. Yet, during the meteoric rise of the East Asian economies in the 1980s and early 1990s, some have argued that Confucianism was the bedrock, if not one of the pivotal factors, upon which the economic successes rested. As a practical value system in the Chinese

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community, however, particularly at the familial and community level, Confucianism has remained very much alive until the present-day.

In a similar vein, Business Ethics itself has often been regarded as a misnomer of sorts or an oxymoron³ perhaps only two decades ago (though it is now a subject taught in most major business schools).⁴ The objective of business profit-making sat uneasily with the concept of ethical behaviour, some argued. Businessmen and ethicists debated about the proper ethical behaviour of businesses and for-profit corporations. There have been various attempts to support the very intellectual foundations of Business Ethics, or at least, to prevent it from totally succumbing or being reduced to the “corporate jungle” phenomenon.

Albert Carr (2002), in his well-known article “Is Business Bluffing Ethical?”, appears to walk the middle path between immorality (deception) and morality (honesty) in business. By analogising business to a game of poker, he argues that some forms of deception may be acceptable in the business arena (Carr, 2002, pp. 101–102). Yet, he admits that a reputation for integrity and honesty will benefit the businessman in the long run (Carr, 2002, p. 107). Similar debates such as the Friedman-Freeman debate (Freeman, 2002; Friedman, 1970)⁵ surface with respect to the issue of the need for corporations to demonstrate social responsibility. These are just two examples of the ongoing debates in contemporary business ethics, which suggest that the jury is still out on the precise parameters of ethical business.

In view of the seeming gulf in the origins, sources, socio-historical developments and their respective internal intellectual and political struggles, what then is the relevance and value of Confucian Ethics to the discipline of contemporary Business Ethics?

We can begin by briefly examining the socio-historical impact of Confucian Ethics on businesses in the Confucianist Asian countries. There is a massive Chinese population both within and outside of the People’s Republic of China, the birthplace and mainstay of Confucianism. The economic status of China in international business transactions is growing rapidly. It is evident that the potential impact of China and Chinese people in the contemporary business arena is likely to increase in significance. Moreover, the non-Chinese people in

the other East Asian economies such as Japan and South Korea also subscribe to and are influenced by Confucianism in their business practices.

Historically, according to Weber, Confucianism did not encourage capitalistic innovations amongst businessmen in China due, in part at least, to the practice of magic rituals of the Emperor, the emphasis on traditions, the reliance on the moral cultivation of the scholar-bureaucrat (as opposed to the profit-making activities of the merchants) and the maintenance of hierarchical relationships (Tamney and Chiang, 2002: 63–64). Several studies have recognised the practical and important role of Confucian Ethics in businesses within the Asian regions, though the issue is by no means conclusive. The economic successes of the East Asian economies (such as Japan, South Korea, Taiwan and Hong Kong) have been attributed to Confucianism by various scholars⁶ and politicians.⁷

A brief mention of relevant studies which explore the influence of the Confucian ethical approach to economic and business development would suffice here. Hofstede and Bond (1988) found that certain values of what they term “Confucian dynamism”⁸ correlate well with the economic growth of East Asian countries. Kit-Chun’s (2003) study on the impact of Confucian ethics on the development of the economy examines the influence of Classical Confucianist ethics to the agrarian economy, the Neo-Confucianist commercialised economy, the reformist Confucians’ political economy and the Modern Confucians of the global economy. Ornatowski (1999) traced the historical development of Confucian influence on the economic development of Japan. Shibusawa Eiichi, a prominent industrialist, advocated Confucian ethics in Japanese business practices combined with modern business skills. In contemporary Japan, the Confucian notion of hierarchy and familial relations is evident in the pyramidal organisation of family companies, such as the *oya gaisha* (parent company), *kogaisha* (child company) and *magogaisha* (grandchild company). This is characterised by relations of dependence and control as well as the demonstration of benevolence which is reciprocated by the act of loyalty amongst the different tiers of the *keiretsu* structure (Ornatowski, 1999, 395).

On a more micro and personal level, Tak and King (2004) have conducted interviews with individual

contemporary Confucian merchants in mainland China, Taiwan, Hong Kong, Singapore and Kuala Lumpur, Malaysia on their business practices. The study centred on the perceived conflicts experienced by those Confucian merchants interviewed with respect to business practices that adhere to Confucian ethics and the maximisation of material gains. The authors concluded from the interviews that abiding by one's moral principles (in this case, largely Confucian-based ethics) can be costly.

To return to the main thesis, it is argued in this article that Confucian Ethics has much to contribute to Business Ethics, a discipline which explores the proper conduct of businesses and businesspeople. I wish to emphasise the utility of Confucian Ethics towards attaining a richer understanding and analysis of the field of contemporary Business Ethics. One does not have to endorse all things Confucian or even a majority of the Confucian tenets in order to appreciate its relevance and value to the study of Business Ethics. Indeed, some of the Confucian tenets will be subject to critique in this article.

At present, the study of Business Ethics in the English-speaking world is largely Western-centric. If one peruses the main general texts on Business Ethics, one would realise that the materials relate predominantly to ethical theories of Western origin. The major moral philosophers featured in the main Business Ethics texts⁹ include Aristotle, John Stuart Mill, Immanuel Kant, Adam Smith, John Rawls and Robert Nozick.¹⁰ Whilst it is noted that reference has been made to Confucian ethics in some texts, these are usually fairly brief mentions¹¹. There is, on balance, a greater focus on the contribution of Confucian Ethics in academic business ethics journals. Hopefully, some of the useful discussions in these journals could eventually find its way into the mainstream business ethics texts in the future.

In this article, I will focus on some thematic and inter-related areas of comparison between Confucian Ethics and Western-oriented contemporary Business Ethics. In each of the following areas, I shall argue that Confucian ethics offers valuable philosophical and intellectual perspectives to the study of contemporary Business Ethics. The approach adopted here is partly philosopher-based and partly issue-based. I shall pay attention to the ideas of the major philosophers studied in contemporary Business Ethics such as Kant and Aristotle as well as some empirical studies on

guanxi and whistle-blowing insofar as they relate to the following philosophical issues:

- I the relevance of Confucian Ethics to the field of Business within the broad framework of Capitalism;
- II the Principle of Reciprocity; and
- III the significance of Human Virtues and the Mean.

The above areas are by no means exhaustive¹². The main sources of Confucianism discussed in this article will be taken from the four books of Classics (the *Analects*, *Mencius*, *The Great Learning* and the *Doctrine of the Mean*) as put together by the neo-Confucianist, Chu Hsi (Chan, 1963, p. 19)¹³.

The relevance of confucian ethics to the field of business within the broad framework of capitalism

To adequately assess the contribution of Confucian Ethics to the study of Business Ethics, one needs to first contend with more preliminary and broader questions as follows:

- Is Confucian Ethics relevant to the business arena?
- Is Confucianism compatible with Capitalism?

Confucianism and profit-making

One major task pertaining to Confucian Ethics in the business arena is to understand and explain the apparent negative attitude of Confucius against profit-making in business activities. In the Confucian classics, there are, admittedly, statements which indicate the association between "profit" and the "inferior man" (*Analects*, Book 4, Number 16) as well as the primacy of benevolence and righteousness over profit (*Mencius*, Book 1, Part 1, number 1; Chan, 1963, p. 60). In *The Great Learning*, it is stated that "[a] man of humanity develops his personality by means of his wealth, while the inhumane person develops wealth at the sacrifice of his personality" (Chan, 1963, p. 94).

In the context of governance and the state, *The Great Learning* also stated that "financial profit is not considered real profit whereas righteousness is con-

sidered the real profit” (Chan, 1963, p. 94). Similarly, Mencius warned that excessive emphasis on “profits” will lead the country to ruin:

If your Majesty [King Hui at Liang] ask what is profitable to your country, if the great officers ask what is profitable to their families, and if the inferior officers and the common people ask what is profitable to themselves, then both the superiors and the subordinates will try to snatch the profit from one another and the country will crumble (Chan, 1963, pp. 60–61).

It is important to note, however, that the above statements from the Confucian classics did not, taken as a whole, denigrate business activities per se. The main emphasis or lessons to be drawn from the statements are that one should strive to attain human virtues such as benevolence, righteousness, humanity and the development of one’s personality. The Confucian statements collectively sought to remind the disciples of the significance of following the “Way” (*Analects*, Book1, number 15).

In the course of advocating the virtues, the concept of profit-making was employed as a foil. Hence, in contrast to the aim of developing human virtues, the profit-making activity represents man’s efforts to attain material wealth at the expense of virtuous living. It would be making a quantum leap, however, to argue from the above statements that Confucianism was necessarily against business and profit-making. In this regard, we note that Shibusawa Eiichi, the Japanese industrialist, had contended, consistent with the above statements in the Confucian classics, that Confucius did not condemn profit-making activities *unless* it was for selfish purposes and not for the good of the community (Ornatowski, 1999, 390). In addition, Jing Yuan-Shan (1841–1903), described as a “a Confucian merchant *par excellence*” from Shanghai, regarded moral attainment as more important than seeking material well-being (Tak and King, 2004, p. 248).

The question we need to address, therefore, is whether Business is *necessarily* an activity or practice which seeks material wealth at the expense of human virtues in a manner incompatible with Confucian ethics. We will examine the Western-centric ethical approaches to Business and Capitalism followed by a discussion of the Confucian contributions.

Western-centric ethical approaches to business and capitalism

In the Introduction above, we examined briefly the paradoxical concept of Business Ethics and the internal debates inherent within the discipline. Indeed, this issue pertaining to the compatibility of Ethics with the business capitalist framework has been one of the pivotal points in the development of contemporary Business Ethics in the English-speaking world. In this regard, the Confucian debate concerning the relationship between ethics and profit-making finds a parallel in contemporary Business Ethics.

Within Business Ethics, the main (and oft-cited) proponents of the capitalistic ethos are, amongst others, the Scottish philosopher Adam Smith and American philosophers Ayn Rand and Robert Nozick. Smith (1937), in his book *The Wealth of Nations* argued that each man should work for his self-interest so that the economy as a whole, via the Invisible Hand, would grow and bestow (unintended) public benefits. Nozick (1974), in his theory of entitlement, contended that we should be free to pursue our interests and individual rights within the capitalist framework with minimal governmental intervention. This principle holds as long as we do not breach the principles of original acquisition and voluntary exchanges. In similar vein, Rand (1976) believed that capitalism is the only system which is capable of protecting individual rights. The extension of the government beyond the minimal level would threaten the exercise of such individual rights, she argued. She premised her arguments on “objectivism”, a theory of ethical egoism based on self-interest (and selfishness). In the context of the corporate social responsibility debate, Milton Friedman (1970) argued that the responsibility of the corporation is to make profits subject to compliance with the laws and the rules of the business game (that is, open and free competition without deception or fraud). The managerial executive discharges his or her fiduciary duties to the shareholders of the corporations by doing just that (that is, make profits)¹⁴.

The dangers of extreme capitalism riding roughshod over ethics are real. Marx and Engels (1998) have painted a gloomy picture in *The Communist Manifesto*: “[t]he bourgeoisie ... has left remaining no other nexus

between man and man than naked self-interest, than callous “cash payment.”” (p. 38). But the endorsement of the capitalistic ethos based on brute desires and self-interests is by no means unqualified, as may be gleaned from the illustrations below.

It has been argued that moral considerations and other interests (apart from the profit-making motive) feature in business activities within the capitalist framework. Aristotle, in similar vein to Confucius, had frowned upon profit-making activities in trade exchanges as being devoid of virtue (Solomon, 1992, p. 321; *Nicomachean Ethics*: 148). Adam Smith himself described man’s propensity for altruistic ethical behaviour in his other work entitled *A Theory of Moral Sentiments* (published in 1759) based on the concept of the “impartial” spectator. This approach is also consistent with Mill’s notion of the “disinterested and benevolent spectator” in *Utilitarianism* (1987, p. 28). In the arena of corporate social responsibility, Edward Freeman, in contrast to Friedman, proposed a stakeholder approach to corporate responsibility which takes into consideration the other interests of consumers, suppliers, the community (and not merely the shareholder’s interests in financial profits). Unsurprisingly, Freeman rests the stakeholder theory on the more universal character of Kantian and Rawlsian precepts. As can be seen, there are ongoing debates in contemporary Business Ethics on the (sometimes uneasy) relationship between Ethics and Business and/or Capitalism.

Confucian approaches to business and capitalism

As described above, the Confucian argument lies in moral self-cultivation and the development of human virtues, epitomised in the Confucian gentleman (*junzi*), instead of focusing on profits. I do not interpret Confucius in the classics as arguing for a cessation or impairment of business activities, but rather to emphasise the significance of human virtues as opposed to the mere fulfilment of selfish material desires. The Confucian approach suggests that one should adopt a proper focus towards the striving for human virtue and profits, respectively.

Indeed, to reinforce this point, we can argue that the realm of economic or business activity is but one facet of man’s life. Whilst man has been regarded as an economic being or having economic

value within the capitalist framework, he is *not* solely defined by economic value. The realm of or the activity of business is merely a sub-set of the entire human striving (which I would refer to as comprising a gamut of life-activities and human beliefs). This human striving may include a belief in God or supernatural being, intellectual or knowledge pursuits as well as the enjoyment of life and happiness.

There is no necessary incompatibility between Confucian ethics and Capitalism. Nuyen (1999) has argued that Chinese philosophy including Confucianism is compatible with classical capitalism of perfect competition. In this regard, he refers to the writings of Francois Quesnay, the classical thinker. Quesnay stated that the economy is a self-regulating mechanism in accordance with the laws of nature and hence, a policy of *laissez-faire* should be adopted. This was adopted, as Nuyen described it, with a view to achieving “the goal of social harmony, and ultimately the harmony of the whole nature” (p. 75) which is consistent with the Confucian concept of *chung yung* (the Mean) and the way of the *Tao* (pp. 76–79).

However, whilst we attempt to integrate ethics and business holistically, the fact remains that we cannot completely eschew the reality that business objectives and life-objectives may conflict in at least some circumstances. The potential conflict between the personal morality of a company employee or agent and its “fiduciary duties” to the company is a case in point. This does not mean that business and the rest of one’s life are or should be categorically treated as separate components. Indeed, we ought to, as Solomon has argued, seek to integrate ethics and business in a more holistic fashion.¹⁵ But at the practical level, where there is a particular conflict between the attainment of business profits and the fundamental objectives of the *whole* life, it is logical and sensible that the latter should prevail. The objective of advancing human virtues should triumph over the narrower economic interests.

In summary, Business is not necessarily an activity or practice which seeks material wealth at the expense of human virtues. Further, as business activities (based on profits) are only a part of the *whole* life (based on human virtues), one ought not to seek material wealth at the expense of human virtues.

The principle of reciprocity

There are various formulations of the broad concept of reciprocity in Western-oriented Business Ethics. I shall briefly examine the manner in which the reciprocity concept is manifested in the ethical theories of Kant, Mill and Rawls. Thereafter, I will proceed to discuss the Confucian concept of reciprocity as well as its contribution to the Western concept of reciprocity by examining the phenomenon and practice of *guanxi* amongst Chinese people.

The Kantian categorical imperatives of universality and respect for humans, both of which are consistent with the principle of reciprocity (Sullivan, 1994, p. 46, 66), feature prominently in the Business Ethics texts. The first formulation of the universality mandates the moral agent to “act only in accordance with that maxim through which you can at the same time will that it become a universal law”. The moral agent has to act on maxims which are consistently universalised to avoid self-contradiction (Bowie, 1999, p. 15). For example, a lying promise is a contradiction in itself. Double standards, with respect to the application of the moral actor’s actions to persons similarly circumstanced, are not to be condoned. The second formulation of humanity requires the moral actor to “use humanity, whether in your own person or in the person of any other, always at the same time as an end, never merely as a means” (Kant, 1996, p. 80). This is based on the concept of human dignity and autonomy. The treatment accorded to the other person’s ends must be reciprocated by the other person’s treatment of the moral agent’s ends (Korsgaard, 1996, p. 193). Thus, both formulations are in line with the broad principle of reciprocity.

Kant’s categorical imperatives are premised upon the Good Will, a sense of moral duty and human rationality. If the moral actor acts out of the pure desire for personal profits or even to do something beneficial for another person with the expectation of some benefits in return (reciprocal altruism), the act does not, according to Kant, possess the requisite moral worth. Indeed, in such a case, the moral actor is also not acting rationally. It is morally wrong according to Kant to violate a “negative” or “perfect” duty such as the moral duty not to show disrespect for persons¹⁶. Though both Confucianism and Kantianism embody principles of reciprocity, the

difference lies in the respective premises. The Confucian approach based on one’s virtue and the development of character may be contrasted with the Kantian emphasis on Will, reason and moral duty.

Mill is often cited as the proponent of Utilitarianism in Business Ethics texts. Within his utilitarian calculus, he has argued that the moral actor, in the process of making decisions based on utilitarianism, should act impartially as a “disinterested and benevolent spectator” (Mill, 1987, p. 28), consistent with the broad notion of reciprocity. Utilitarianism is not concerned with the moral agent’s own happiness, but the happiness of everyone concerned. It assumes that the moral actor is indifferent whether his or her own welfare may be adversely affected as long as overall welfare is maximised (Crisp, 1997, p. 136). Mill has been criticised for ignoring the “separateness of persons” and the agent’s contexts and circumstances which inform his decision-making. These personal circumstances and background may include the moral agent’s unique personal and familial relations to affected persons that have been taken into consideration in Aristotle’s Ethics and Confucian ethics.

With respect to Rawls’ *A Theory of Justice*, the focus is the concept of the veil of ignorance. The Rawlsian hypothetical construct of man in the original position under the *veil of ignorance* finds resonance in business ethics debates. Rawls’ *A Theory of Justice* is based on the doctrine of social contract. In this hypothetical social contract, the free, rational and self-interested man in the original position, according to Rawls, would be making decisions without any knowledge of each party’s personal characteristics such as race, abilities and social backgrounds (Rawls, 1972). The rational man however desires to maximize the primary goods consisting of rights, liberties, opportunities, income and wealth. Rawls’ principles of justice,¹⁷ binding on members of the society, are derived from this hypothetical exercise (Rawls, 1972).

Putting aside the precise content of the principles of justice and the subsequent modifications in Rawls’ *Political Liberalism*¹⁸ for the moment, we focus on the hypothetical method by which the principles are derived. This method is akin to (though not exactly identical to) the moral actor placing himself or herself in a similar position to the other affected persons. It is a rule of procedural fairness that parties

determining the principles of justice should not be biased in favour of their own particular interests. The hypothetical parties, under the veil of ignorance, would not be able to unfairly advance their own special interests at the expense of the interests of others. Thus, in this conception of “justice as fairness”, the parties are morally constrained to consider the interests of everyone insofar as one’s own interests may be affected by the community principles of justice drawn up – and this is compatible with the *reciprocity principle*.

That said, it must be pointed out that the man in the original position under a veil of ignorance is an imaginary construct and a hermeneutical tool to illustrate the concept of justice as fairness. It cannot serve as an independent ground for subscribing to the two principles of justice (Dworkin, 1989, p. 18). Further, the technique of utilising the veil of ignorance may not be equally fair to everyone.¹⁹

How does Confucian Ethics contribute to the above discussion on the reciprocity principle in the business arena? When asked whether there is one word which would serve as a guiding principle for one’s entire life, Confucius responded with the word “altruism” and the golden rule “Do not do to others what you do not want them to do to you” (*Analects*, Book XV, Number 23). The Chinese character for altruism (*shu*) encapsulates the concept of interpersonal care involving real and concrete individuals (Wang, 1999, 418). This may be distinguished from the more detached, impartial and disinterested agents in Mill’s Utilitarianism and the Kantian categorical imperatives as well as the hypothetical construct in Rawls’ “justice as fairness” approach.

In *The Great Learning*, the Confucian reciprocity principle is further reinforced, amongst others, in the context of the master–servant relationship:

What a man dislikes in his superiors, let him not display in the treatment of his inferiors: what he dislikes in inferiors, let him not display in the service of his superiors. (*The Great Learning*, X, ii)

The Confucian approach also offers a different perspective by making a connection between the reciprocity principle to important human virtues, unlike the primary underlying bases in Mill (disinterested and benevolent spectator), Kant (will, reason and duty) and Rawls (fairness). According to the *Analects*

(Book VI, Number 28), the person who abides by the principle of reciprocity is a man of humanity.

A man of humanity, wishing to establish his own character, also establishes the character of others, and wishing to be prominent himself, also helps others to be prominent. To be able to judge others by what is near to ourselves may be called the method of realizing humanity.

A man of humanity is one who practises the five virtues of “earnestness, liberality, truthfulness, diligence, and generosity” (*Analects*, Book 17, number 6). In the book of *Mencius*, VII.A 4, the formula was specifically associated with the virtue of benevolence:

Try your best to treat others as you would wish to be treated yourself, and you will find that this is the shortest way to benevolence.

One other aspect in which Confucian ethics differs from Kant, Mill and Rawls is the former’s particularistic application of the reciprocity principle. The Confucian reciprocity principle appears to be qualified (and, indeed, complicated) by the apparent emphasis on familial relations. In the *Analects*, Confucius seemed to suggest that favoritism should be shown towards family members:

The Duke of She told Confucius, “In my country there is an upright man named Kung. When his father stole a sheep, he bore witness against him.” Confucius said, “The upright men in my community are different from this. The father conceals the misconduct of the son and the son conceals the misconduct of the father. Uprightness is to be found in this (Book 13, number 18).²⁰

In this regard, Mencius also favoured the Confucian emphasis on the five familial relations which are hierarchical in nature (*Mencius*, Book 3, Number 4). It should also be pointed out that Mencius had, in support of hierarchy at the familial level, opposed the principle of universal love without distinction advocated by the Moists (*Mencius*, Book 3, Number 5). The rationale appeared to be based on parents being the foundation of men. Mencius argued:

Mo advocated universal love which means a denial of the special relationship with the father. To deny the special relationship with the father ... is to become an

animal ... If the principles of ... Mo are not stopped, and if the principles of Confucius are not brought to light, perverse doctrines will delude the people and obstruct the path of humanity and righteousness. When humanity and righteousness are obstructed, beasts will be led on to devour men, and men will devour one another (Chan, 1963, p. 72).

As Koehn and Leung (2004) have noted, the Confucian *li* (or rules of propriety) means that the concept of human dignity is not equal for everyone but is based on one's societal roles as well as family background and occupations (p. 269). Moreover, this notion of "role-based dignity" is, according to empirical studies, prevalent in the East Asian countries (Koehn and Leung, 2004, p. 273). In the employment context, a strictly hierarchical and authoritarian structure within the work organisation according to Confucian ethics would be contrary to the notion of participatory democracy in the workplace based on freedom and consent as endorsed by Kantianism (Bowie, 1999, p. 97).

Admittedly, the *specific* illustration about the father concealing the misconduct of the son and vice versa is problematic as it appears to not merely condone, but to praise the act of concealment of a wrongdoing. The *general* thrust of the Confucian emphasis on particular familial and close relationships is, however, in my view, underlined with an appropriate sense of realism. This realism about human nature was lacking in Mill's notion of the "disinterested and benevolent spectator", the Kantian moral agent imbued with "moral duty" and the Rawlsian man in the original position. If we put aside the *specific* problematic illustration, and focus on the *general* theme of giving priority to familial and close relationships, it may be argued that the problem of subjectivity (and favouritism) in Confucian ethics may have been somewhat exaggerated. It is also observed that this emphasis on hierarchical relationships in the practical business arena is also shared by Western theorists such as Drucker (Romar, 2004; Drucker, 1981).

Still on the principle of reciprocity and hierarchy, one fruitful area of research pertains to the concept and practice of *guanxi* (or interpersonal relationships or connections), bribery and corruption in Confucianist Asian countries. The concept of *guanxi* is based on and reflects the principle of reciprocity and

interdependence as well as hierarchy in society (Su, Sirgy and Littlefield, 2003, p. 305). *Guanxi* involves social exchanges for mutual benefits which favours parties superior in the hierarchy. The notion of reciprocity (*bao*) is significant amongst Chinese people. If favours given by one party are not reciprocated by the other party, the latter may suffer a "loss of face" (*mianzi*) or may be regarded as ungrateful, thus resulting in estrangement by others (Su and Littlefield, 2001, p. 201). *Guanxi* and *mianzi* are part of the Confucian social rituals (*li*).

I would briefly outline some relevant studies. Su, Sirgy and Littlefield (2003) found that favour-seeking *guanxi* orientation is not related to ethical reasoning (more specifically, cognitive moral development) of Chinese business people, but is instead guided by cultural norms. In a separate study, it was found that favour-seeking *guanxi* merely reflects the culturally rooted social interchange in the Chinese collectivist society as opposed to rent-seeking *guanxi* (that is, the "returns over and above the costs of employing a monopolistic resource (e.g. bureaucratic power) by manipulating government policy"). The latter tends to be associated with corruption (Su and Littlefield, 2001, p. 202). Apart from cultural values, institutional factors may also be significant.²¹

To arrive at a definition of bribery which is unethical, Steidlmeier (1999) analyses reciprocity in resource transfers by examining the type of action in question and the associated ends sought, the means taken and the ensuing consequences arising from the action. Whether the reciprocal behaviour of the parties in question constitutes bribery or otherwise would also depend on the intentions of the parties and the degree of coercion involved (p. 126). Dunfee and Warren (2001) focuses on the normative question of whether the reciprocal practice of *guanxi*, in its various forms and guises, is unethical. In adopting a "particularistic" analysis, they discuss the various criteria (including the reduction of social wealth, the violation of important fiduciary duties, the non-substantiation by authentic norms of the particular community and the violation of hypernorms) for determining whether *guanxi* is unethical. The authors concluded that "there are many different forms of *guanxi* that may have distinct impacts on

economic efficiency and the well-being of ordinary Chinese citizens” (p. 202). Fan (2001), on the other hand, appears more direct in condemning the majority of business *guanxi* in China as an “inevitable evil under the current political and socio-economic environment” on the grounds that personal gains are obtained by such *guanxi* practices at the expense of other members of the society (p. 376). Significantly, Fan (2001) reminds us that although Confucianism was responsible for the principles governing interpersonal relations amongst the Chinese people, Confucius had also emphasised the exemplary virtues of uprightness (*yi*), benevolence (*ren*) and propriety (*li*) and that moral concerns should always be prior to business interests (p. 376).

Human virtues and the mean

There are several commonalities between Confucian and Aristotelian ethics. We have previously indicated above the similar (negative) attitudes shown by both Aristotle and Confucius towards profit-making. We can also add that both the Confucian and Aristotelian frameworks emphasise human virtues. In particular, both philosophers believe in the significance of exemplary individuals for guidance and training in proper ethical behaviour (Sim, 2001). For Confucius, the person of exemplary virtue is *junzi*: for Aristotle, it is *phronimos*. Both *junzi* and *phronimos* exhibit desirable attributes of uprightness and other-regarding conduct. Second, Confucian and Aristotelian ethics are based on the need for the *practice* of such human virtues and the *cultivation* and development of one’s character. For Aristotle, ethics is a “practical science”, that is, it is concerned with action, rather than a set of theoretical knowledge about the right action. Aristotle said that “we become just by performing just acts, temperate by performing temperate ones, brave by performing brave ones” (*The Nicomachean Ethics*, p. 92). In the *Analects*, Confucius said that “[b]y nature men are alike. Through *practice* they have become far apart” (Book 17, Number 2). This emphasis on practice is also evident in Aristotle’s statement in the *Nicomachean Ethics* that “[t]he moral virtues, then, are engendered in us neither by nor contrary to

nature; we are constituted by nature to receive them, but their full development in us is due to *habit*.” (p. 91).

These concepts of moral cultivation and moral leadership are arguably vital pillars in Business Ethics education (Paine, 1999). For example, Koehn (2001) has studied the concept of “trustworthiness” of the Confucian *junzi* as applied to contemporary business leadership. Solomon (1992) has also applied Aristotelian virtues to business leadership.

In Confucian ethics, there is less emphasis on the individual as a metaphysical self compared to Aristotelian philosophy. The Confucian individual is interpreted in connection with the community in which he or she is a part. The cultivation of the inner self is basically assessed by reference to one’s external behaviour (Yao, 1996). The Confucian moral actor cleaves towards ethical standards to be found in a set of societal rituals and propriety (*li*) though the self is not *completely* surrendered or submerged, as it were, in the sea of ritualised standards (Sim, 2003, 459).

Aristotelian ethics, on the other hand, pays more attention to the metaphysical self based on the doctrine of the soul. For Aristotle, human beings have a rational soul which exercises and controls the functions and appetites of nutrition and perception in humankind. The human goal is happiness throughout one’s life spent in virtuous conduct and contemplation (*The Nicomachean Ethics*, p. 83) and happiness is “an activity of the soul” (*The Nicomachean Ethics*, p. 88). Confucian ethics does not conceive of the self as the “cognitive mind” but essentially as the “moral mind/heart” (*xin*) exemplified in proper external behaviour (Yao, 1996).

Sim (2003) contended that Aristotle’s metaphysics, in the main, overly focuses on the individual at the expense of relations (pp. 451–452). For example, Aristotle suggested that a friendship with another is premised on the view that the good actions of the other person mirror that of the individual moral actor (*The Nicomachean Ethics*, p. 293). He proceeded to add that “in its extreme form friendship approximates to self-love” (*The Nicomachean Ethics*, p. 294). In Confucian ethics, however, familial relations are prior to the individual. The good arising from the emphasis on familial relations also extends to the state. This sacrificial attitude or approach is, as we have seen, consistent with the other-regarding

conduct of the moral exemplar in Confucian ethics. Hence, in this regard, Sim (2003) argued that Confucian ethics can supplement Aristotle's lack of an adequate account of human relations in his ethical framework. Confucian ethics provides a more consistent rendering of exemplary conduct through its greater emphasis on relations, as opposed to Aristotle's individualism.

However, two caveats must be noted. The social aspects of the Aristotelian human nature cannot be overlooked. Aristotle conceived of man as a "political animal" (*Politics*, Book 1) and "social animal" by nature (*Nicomachean Ethics*, p. 74). Further, contemporary renderings of Aristotle stress the communitarian aspect of Aristotle's ethics. Solomon (1992), for example, emphasised that *community* is one of the six important dimensions of Aristotle's virtue ethics. He argued that, in the contemporary business context, the corporation is a community and that the individual person finds his or her identity and meaning only within the community (p. 326). Thus, though there is a material difference in the Confucian and Aristotelian approaches to the metaphysical aspects of the individual, both ethical philosophies seek to locate and concretise the role and significance of the community in individual ethical practices.

The other point of comparison between Confucian and Aristotelian ethics is the concept of the Mean in ethical conduct. For Aristotle, finding the ethical mean is intimately connected with the notion of human virtues. For each virtue, there is an appropriate mean.²² For example, we are exhorted to avoid the extremes of Rashness and Cowardice but to strive towards the mean, which is Courage. Aristotle in the *Nicomachean Ethics* defines "virtue" as a "purposive disposition, lying in a mean that is *relative to us* and determined by a rational principle" (p. 101). Thus, the words "relative to us" suggest that the mean is subjectively assessed by the moral actor. The interpretation of the appropriate mean would be based on the moral actor's culture, circumstances and backgrounds. Aristotle admitted, as Confucius did, that it is difficult to find the ethical mean (p. 108). In this regard, he provided some general principles to guide one's endeavour to aim at the mean. The principles are as follows: (1) Keep away from the extreme that is more contrary to the mean; (2) Notice the errors which we are liable to fall into due to our natural tendencies and avoid them; and (3) Guard

against objects of pleasure (p. 109). However, these appear to be fairly general guidelines.

The Confucian Doctrine of the Mean, on the other hand, is based on the twin notions of centrality and balance (Chan, 1963, p. 16). This Confucian classic is concerned with human nature and being in harmony with the universe (Chan, 1963, pp. 95–96). The Mean is inextricably tied to human virtues: it is practised by the "superior man" whilst the "inferior man" acts contrary to the Mean (*The Doctrine of the Mean*, Stanza 2). Three virtues were highlighted in this Confucian classic: wisdom, humanity and courage (Stanza 20). Moreover, the value of sincerity to the superior man and humanity features prominently (*Doctrine of the Mean*, stanzas 24–26). However, similar to Aristotle's ethics, the achievement of the Confucian Mean is a difficult process and few people have attained the Mean (*The Doctrine of the Mean*, Stanzas 3 and 6).

One potential research area on the applicability of Confucian virtues, the notion of the self vis-à-vis the community and the Mean is the issue of whistle-blowing. One sub-area of study focuses on the virtue of loyalty of the potential whistle-blower. First, one important issue, which also relates to Section II above, is whether reciprocity is embedded in the concept of loyalty (Larmer 1992, p. 126; Vendekerckhove and Commers (2004), pp. 228–229). As Solomon (1997) described it, loyalty is "a question of mutual obligations. What a company can expect from its employees [...] depends on what the employees expect, and have got, from the company" (p. 175). Vendekerckhove and Commers (2004) argue for a concept of rational loyalty which has as its object the explicit set of mission statement, goals, value statement and code of conduct of the organisation. Thus, coupled with the concept of reciprocal loyalty, if organisations demand "rational loyalty" from their employees, they have to *reciprocate* that by institutionalising whistle-blowing (p. 232). From the Confucian philosophical perspective, however, the relationship between the employer-organisation and the employee ought not to be treated on an equal footing. The employee is expected to show "filial love" to the employer, but may not necessarily demand the same love to be shown by the employers towards them. Further, the concept of "rational loyalty" does not sit comfortably with the Confucian emphasis on the "heart" (*xin*) of the individual

moral actor (potential whistle-blower), rather than the cognitive self in Aristotelianism.

Apart from the issue of loyalty, several studies have been conducted on cultural differences with respect to the decision-making of the whistle-blower (Tavakoli, Keenan and Crnjak-Karanovic 2003; Sims and Keenan 1999; Brody, Coulter and Mihalek 1998). I shall discuss briefly those studies which assessed the contribution of Confucian ethics in the context of whistle-blowing. It is hoped that further research will be conducted. Chiu (2003) acknowledged, for instance, that although Confucian values such as loyalty, respect for authority and harmony may present obstacles to a potential whistle-blower, Confucianism also promotes “prosocial” behaviour which allows protest and dissent against authorities when they are incompetent or public welfare is at stake (p. 71).

A very recent report by Zhuang, Thomas and Miller (2005) has found that the Chinese are more likely to report the unethical acts of a peer than Canadians. The authors suggested that this may be attributed to the greater collectivism (which emphasise loyalty) and long-term orientation²³ of the Chinese (p. 477). The Chinese are more unwilling to report the unethical acts of supervisors compared to peers due to the high power distance of the Chinese (i.e. the Chinese are more accepting of hierarchy) (p. 478). However, whilst the criteria of individualism, collectivism, long-term orientation and power distance are drawn from Hofstede’s (2001) theory of culture, it should be noted that Confucian ethics was not explicitly mentioned in the report.

One potential area of study, which, to the author’s knowledge, has not been conducted, is the question of whether the decision-making of whistle-blowers is based on or at least influenced by the doctrine of the mean. This may involve a study of whether a typical employee, faced with a potential whistle-blowing issue, would attempt to avoid what he or she may perceive as extreme outcomes (whether losing a job, causing the downfall of the company, or damaging a colleague’s career) and instead seek more moderate outcomes.

Concluding remarks

Confucian Ethics can and does play an important philosophical and practical role in impacting or

influencing the direction of contemporary Business Ethics in the English-speaking world. With the growing stature of China’s economy and businesses and the internationalisation of trade and commerce, it is likely that this influence will continue to be significant in the future. Studies have shown that it has had an important impact on businesses in the Asian region. A deeper understanding of Chinese ethical philosophies (including Confucian Ethics) and its relevance to businesses will stand one in good stead.

We have examined the three important issues of (i) the general approach of Ethics towards businesses within the capitalist framework, (ii) the concept of reciprocity as well as (iii) human virtues and the Mean. Confucian Ethics provides interesting parallels with Western Business Ethics in respect of the Ethics versus business profit-making debate and, in comparison with Aristotelian ethics, the focus on human virtues and the Mean. At the same time, Confucian Ethics diverges from Western Business Ethics in its greater emphasis on hierarchy, *guanxi*, social traditions and harmony, and, again comparing with Aristotle, the Confucian focus on the concrete individual moral actor, rather than the metaphysical self. Via this comparative approach, certain assumptions about the foundations of Business Ethics may be usefully explored and challenged. The outcome is likely to be the cultivation of richer and more comprehensive perspectives of contemporary Business Ethics for businesspersons, business ethicists, academics and practitioners. It is urged that philosophical perspectives be further tested by the empirical studies on bribery, whistle-blowing and other contemporary business ethics issues.

Notes

¹ This is the period c. 600 BC–c. 600 AD during which many significant philosophies and religions emerged. See Tamney and Chiang (2002, pp. 8–9).

² See e.g. Fukuyama (1998) Mallaby (1998).

³ See e.g. Desjardins (2006, p.3) for a discussion of the “waning” Myth of Amoral Business and the ‘emerging’ Myth of Moral Business, see De George (1999, pp. 5–7).

⁴ In 1992, Robert Solomon was able to remark that “[w]e are gratefully past that embarrassing period when the very title of a lecture on “business ethics” invited –

no, required – those malapert responses “sounds like an oxymoron” or “must be a very short lecture””: Solomon (1992, p 317.)

⁵ See also Goodpaster (1991).

⁶ E.g. thinkers such as Ezra F. Vogel, Hermann Kahn and Shimada Kenji.

⁷ E.g. Lee Kuan Yew (former Prime Minister of Singapore).

⁸ Values such as “persistence”, “ordering relationships by status and observing this”, “thrift” and “having a sense of shame” (see Hofstede and Bond, 1988, 17–18).

⁹ E.g. Boatright (2007; Donaldson, Werhane and Cording 2002; Hartman 2002; De George 1999).

¹⁰ Other major thinkers explored include Thomas Hobbes, John Locke and Carol Gilligan.

¹¹ Consistent with her emphasis on multiple perspectives in teaching and learning business ethics, Laura Hartman discussed (albeit briefly), in her book entitled “Perspectives in Business Ethics”, Confucian ethics in the context of the Golden Rule and religious ethics. She had also cited short passages from the *Analects* and *The Doctrine of the Mean* (2002: 6–7; 76). Fisher and Lovell drew upon Hofstede’s studies on culture within organisations (1991, 2001) and discussed the divergences between Confucian values and Western ethics with respect to virtue and truth respectively (2006: 429–430). The authors also referred briefly to Confucianism in the context of building family and community-based networks and trust in business relationships in Southeast Asia (2006, 438). Hosmer, again in a very brief reference, in *The Ethics of Management*, regarded Confucianism as one of the “world’s religions” which has expounded on the Golden Rule (2003: 93). Ciuilla (2002) has similarly added a short comment on Confucius’ emphasis on the character and moral obligations of a leader (p. 336).

¹² One could also examine the significance of good governance in promoting and maintaining business activities by comparing the ethical rulership of the Confucian *junzi* and the Platonic philosopher-kings in the *Republic*. In the context of employee development, the emphasis on learning, education and self-improvement in Confucian Ethics can also be usefully juxtaposed against the moral duty of a human, as a rational being, to will that all his or her capacities be developed in accordance with Kantian ethics (Kant, 1996, p. 75).

¹³ The quotations in the article from the four Confucian Classics have been extracted from Chan (1963).

¹⁴ Friedman’s views have persisted to the present-day: see ‘Social Responsibility: Fundamentally Subversive?’, Businessweekonline, 15 August 2005 at <http://www.businessweek.com/magazine/content/05_33/b3947115_mz017.htm>.

¹⁵ See Solomon (2002, 99) (“[b]usiness is itself an ethics, defined by ethics, made possible by ethics”); and Solomon (1992, p. 329) (“Good employees are good people”). Newton (1992), for instance, suggested better integration in respect of our roles as employees by granting parental and child care leave for employees (p. 365).

¹⁶ Sullivan (1994, p. 96). However, “positive” or “imperfect” obligations allow the moral actor the leeway to use his moral prudence and wisdom (p. 97). Thus, non-compliance with a positive obligation per se (such as the duty to develop one’s talents) is not necessarily wrong. Korsgaard refers to the distinction between conceptual and pragmatic contradiction, respectively: Bowie (1999, p. 26.).

¹⁷ The two principles are as follows:

(1) Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all;

(2) Social and economic inequalities are to be arranged so that they are both:

(a) to the greatest benefit of the least advantaged, consistent with the just savings principle, and

(b) attached to offices and positions open to all under conditions of fair equality of opportunity (see Rawls, 1972, p. 302). In Rawls (1993), the test under the first principle refers to “a fully adequate scheme of equal basic liberties” (p. 291).

¹⁸ See Rawls (1993). In *Political Liberalism*, Rawls famously developed the idea of the “overlapping consensus” within the framework of a political conception of justice. The two principles of justice are established as part of the institutions and policies of a constitutional democracy.

¹⁹ Nagel (1973) for example, argues that “primary goods are not equally valuable in pursuit of all conceptions of the good” (p. 228).

²⁰ Fung (1952) made the point that uprightness “comes from within” and is the “direct expression of one’s heart”; it is “human nature” that the son would not wish his father’s misconduct to be known. Thus, the son who bore witness against the father is not exhibiting ‘true uprightness’ as he either wished to obtain the name of uprightness through sacrificing his father or lacked feeling toward his father (Vol 1, p. 67).

²¹ Eg Whitcomb, Erdener and Li (1998) have conducted a study of how cultural values (including Confucian values) and the institutional environment can affect the comparative ethical decision-making of managers in China and U.S.

²² Note that the mean is not applied to every action or feeling, for example, malice, shamelessness and envy which are “evil in themselves” (*The Nicomachean Ethics*, p 102).

²³ Individuals with long-term orientation perceive a higher dependence on employers and tend to place more emphasis on employers than themselves (Zhuang, Thomas and Miller, 2005, p. 465).

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