

# Confucius on Management: Understanding Chinese Cultural Values and Managerial Practices

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## ABSTRACT

*Often referred to as “China’s first teacher,” Confucius set the standards and values that still permeate Chinese culture. Although officially disregarded by the Chinese government since the communist revolution, Confucius and his teachings remained the foundation of Chinese culture and managerial practice. Confucius has recently experienced a rebirth of popularity in China, and this renewed interest has not been challenged by the Chinese government. With Confucian principles once again openly thriving in China this paper explains the teaching of Confucius, and explains how the ancient sayings of the Great Sage influence the present day values and practices of Chinese management.*

## INTRODUCTION

Born 500 years before Christ, the great philosopher and teacher, Confucius, established the cultural foundation of China. He is generally referred to as “China’s first teacher” and attracted a large student following during his life. Confucius’ advice was given in oral form to his students, however, shortly after the great teacher had died his students began writing the messages he had given them, and these writings became the *Analects*, or the “Sayings of Confucius” (Ames and Rosemont 1998). While many other great thinkers throughout China’s history have influenced its culture, including Lao Tzu and Sun Tzu, it can be reasonably argued that the greatest influence on Chinese culture and managerial practices can be traced to Confucius and his value system. This is a system that emphasized the importance of hard work, loyalty, dedication, learning, and social order. For thousand of years, up until the fall of the imperial system in China in the early 1900’s, Chinese school children would raise their hands in respect to Confucius at the start of the school day. The children would recite the saying of Confucius until they were permanently recorded into memory. With the fall of the imperial system of governance in China, Confucian teachings were eliminated; however, the ideals espoused by Confucius never left the Chinese people (Xing 1995; Lin and Chi 2007). As stated by Spence (2005), “Despite its incredible pace of change, China continues to carry echoes of its past.” More so that most cultures, the Chinese cling to their long past and are still greatly influenced by important historical figures and philosophies. In order to truly understand another culture it is necessary to explore the sources of the values of that culture. This is especially true of Chinese culture. As Wong (2005) has proposed, management researchers have failed to appreciate the importance of history in explaining the management practices of the Chinese. A deeper understanding of a culture is achieved when one explores the historical antecedents of the beliefs and values of the people comprising the culture. In the case of China, one must investigate the importance of Confucius.

Although Confucianism was officially discredited by Mao, the cultural values espoused by Confucius left a permanent mark on the psyche of the Chinese people. Recently, Confucianism has been reintroduced into the Chinese educational system (Mooney 2007; Osnos 2007) and a number of Confucian institutes have been established. A recent best-seller in China has been a book by Yu Dan, a

professor of culture and media at Beijing Normal University, which explain Confucian teaching in basic terms (McGregor 2007). Confucian values require that an individual first honor one's duty to family and society. The individual is not seen as important as the group. Individual needs are sacrificed in order that group needs can be realized. Each person has a duty to family and society that supersedes responsibility to oneself. These values helped to shape a managerial mindset that placed a greater emphasis on collectivism, teamwork, family-staffed businesses, and harmony over conflict.

Chinese culture differs greatly from American culture on a number of dimensions. Not only is China a collectivist society, whereas Americans tend to be very individualistic, Chinese culture is high context meaning that communication is viewed as a multidimensional process involving much more than the written or spoken word. Americans tend to be low context and rely heavily on the written word, including contracts and their importance. The Chinese tend to be high in uncertainty avoidance and more uncomfortable with change than Americans. Tradition is important to the Chinese and Chinese culture can be classified as past-oriented. Americans tend to be present and future-oriented, and have little regard for history and tradition. In addition, Xing (1995) describes Chinese culture as intuitive, self-restrained, dependent, implicit, and patient. This is compared to American culture which is classified as rational, aggressive, independent, explicit, and impatient.

When one describes the managerial approach of the Chinese, some of the more commonly mentioned characteristics include collectivism and harmony, centralized control, authoritarian and paternalistic leadership, family-staffed businesses, expectation of hardworking employees, and strong organizational networks and business connections. These characteristics are practiced both in China and overseas by the Chinese Diaspora, and these practices can be traced to the value system dictated by Confucius. These practices are influenced by the Five Relationships of Confucianism, the Five Virtues, and the Confucian Work Ethic. The Five Relationships dictate appropriate behavior and roles for organizational members; the Five Virtues provide a moral framework for society and stress the importance of harmony; and the Confucian Work Ethic stresses the important of hard work, loyalty and dedication, frugality, and a love of learning.

## **THE FIVE RELATIONSHIPS**

An important aspect of Confucianism involves relationships. Appropriate behavior is dictated through Confucian thought in terms of one's relationship with superiors, parents, husband/wife, elders, and friends. Confucius was very concerned with relationships and social propriety. While Confucius was not directing his advice to business organizations, these relationships manifest themselves today in the managerial practices of the Chinese.

### **Loyalty between King and Subject**

Confucius proposed a strong social hierarchy based upon position. The hierarchy would be maintained through a benevolent leader who acted in the best interests of his subjects. This relationship between king and subject has a feudal orientation; however, the relationship in modern times has shifted from loyalty to one's ruler, to loyalty to one's organization. Rank and hierarchy are important aspects of Chinese organizations. In a typical Chinese organization, decisions are made by the leaders at the top of the organization and everyone is expected to carry out the directives without question. Employees are expected to be loyal and devoted to their organization and in return, the organization is expected to take care of them. This holistic concern for employees manifests itself in ways peculiar to Western

organizations. Employees in many Chinese companies experience a more paternalistic organization, one that may provide housing, recreation, education, childcare, and other benefits uncommon in the West.

### **Relationship between Father and Son**

Confucius felt that a special relationship existed between a father and his son. The father should guide the son, and the son should show deference and yield to his father's advice. Just as a father would counsel, teach, and provide direction to a son, the Chinese manager is expected to do the same with employees. In Confucian societies, the manager interacts with employees much the same as a father would in looking out for the best interests of his children. In modern Chinese organizations the relationship is extended now for the most part to include both sexes. Confucius felt that a caring and nurturing organization promoted trust and harmony among members. Chinese managers who act as mentors and provide a positive role model for employees are fulfilling this "father-son" relationship of Confucius.

### **Duty between Husband and Wife**

This Confucian principle dictated the proper roles to be played by husbands and their wives. Confucius dictated a submissive role for women. He felt that women should be confined to the home and not allowed to make decisions. Women should be guided by their husbands and give them total loyalty and devotion. Women were not allowed to assume important positions in the Chinese bureaucracy. The role of women in ancient China was a domestic and submissive one, and even today inequality exists between the sexes. While greater equality was achieved under communism, Chinese culture still places a greater emphasis and importance on males. Perceptual differences still exist in China concerning the role of women in management (Bowen, Wu, Hwang, and Scherer 2007). On the more positive side, however, this Confucian principle can also be taken to explain the appropriate role of the figurehead in the organization. When the organization is viewed as an extension of the family we find that the primary role of the leader is to act as a parental figure in maintaining harmony, respect, and cohesion within the organization. All organizational members have a duty and a specific role to play in the organization. Social control is maintained through this strong clan orientation and relationships are established based upon predetermined roles and appropriate behavior which flows from those roles.

### **Obedience to Elders**

Confucius maintained that the young should pay respect to their seniors. Age respect is still an important aspect of Chinese culture, and age is also important in determining upward mobility in these organizations. It is uncommon for young managers to advance over more senior managers, even if the younger manager is more qualified, and by Western standards, more appropriate for the promotion. Young managers are expected to listen, obey, and respect their seniors, and to wait their turn for advancement. In exchange for this unquestioning deference to elders, the organization and its senior members are expected to tend to the needs of the younger employees. Senior managers are seen as important figureheads, representing age, wisdom, and concern for all organizational members. The organization takes care of its young members and the young members are expected to show respect to their seniors.

### **Mutual Trust between Friends**

Like Lao Tzu, the mystical founder of Daoism, Confucius stressed the importance of cooperation among people. Today this Confucian principle means that organizational members should work together to maintain group harmony. In Western culture it is appropriate to focus attention on the individual. We assign individual responsibility and bestow praise on outstanding individuals. Such practices are unacceptable in Chinese culture. It would be seen as inappropriate to single out one member of the group for praise over others. Such behavior is disruptive to group harmony. Likewise, collective responsibility is also preferred over individual responsibility. A focus on individualism undermines the trust that group members can develop for each other. Confucius felt that when individuals were treated as a group, and encouraged to maintain harmony within the group, greater results could be achieved.

### **THE FIVE VIRTUES**

In addition to maintaining harmony through the relationships, Confucianism promotes five virtues: *ren*, or benevolence; *yi*, or righteousness; *li*, propriety; *zhi*, or wisdom; and *xin*, or trustworthiness. Confucian managers are expected to be caring, moral, maintain their dignity, have wisdom, and be true to their word. The “gentleman” of Confucius was expected to live up to a higher standard; a standard that isn’t, however, always seen in Chinese management today.

In Confucian cultures, managers are expected to display *ren*, meaning benevolence or humanism. *Ren* is sometimes translated as “goodwill” or goodness towards others. The Confucian manager is expected to be a good-natured manager and to manage with kindness. The manager is expected to focus on relationship building and to be more cordial. Chinese managers have traditionally valued dedication, trustworthiness, and loyalty more than performance. Each employee performs to the best of his/her abilities and works for the good of the group. Differences in individual performance are not seen as important as long as the group functions effectively. The role of the manager is to maintain harmony and goodwill throughout the organization.

An important aspect of Confucian thought concerns an ethical orientation. *Yi*, or righteousness means that the manager is expected to uphold the highest standards of moral conduct. Individual self-interest is to be sacrificed for the good of the organization. In many cases we can see Chinese managers who uphold *yi*, but in some cases the standard is interrupted more to mean face saving behavior. Interesting enough, it has been proposed that the ethical orientation of Confucius has been adopted more closely by Western managers. For example, Romar (2004) has suggested that Confucian ethics are consistent with, and form the basis of, many of the managerial ideas developed by the Western management thinker, Peter Drucker.

Appropriate behavior, or *li*, is dictated through Confucian thought in terms of one’s relationship with superiors, parents, husband/wife, elders, and friends (The Five Relationships). Confucius was very concerned with relationships and social propriety. The Confucian term *li* actually refers to ritual. Rituals as manifested not only in terms of appropriate behavior and roles, but also for ceremonies and other social processes. Chinese culture and business practices may sometimes be perceived as long on formality, and over planned and managed by Western standards. A Chinese saying, “water drips, and given time, will drill a hole in granite” (Chien 2006) expresses the importance of patience and a long-term orientation. Proper roles and rituals in China can seem inflexible and time consuming to Western observers.

For the Chinese, the acquisition of wisdom has always been held in high esteem. Wisdom and age are closely associated in Chinese culture, and it is not surprising to find great deference paid to older members of society. This is reflected in personnel choices, and the likelihood that older employees will be

the people found in the more senior positions of the organization, regardless of abilities. As China continues its march towards market capitalism, changes in its managerial orientation will also change, although at a slower pace. There does, however, appear to be a “generation gap” developing between junior and senior levels of managers in China (Tang and Ward 2003), and entrepreneurial companies in China may not maintain completely this degree of respect for age over abilities. Nevertheless, wisdom, either through age or education is still highly regarded in Chinese organizations.

Finally, Confucian managers are expected to possess *xin*, or trustworthiness. In addition to being a trustworthy person, the manager is expected to be true to the mission of the organization. The Chinese manager is responsible for maintaining control and insuring that all subordinates follow policies consistent with the mission of the organization. In China we find a strong orientation towards building and maintaining trust. Trust begins with the leader and is facilitated by maintaining a harmonious organization, even to the extent that employees become indoctrinated in the “party or company line.” Again, personal traits such as trust can be seen as more important than abilities or performance.

### **THE CONFUCIAN WORK ETHIC**

The German sociologist Max Weber (1905) felt that Confucianism would be an inhibiting force in the economic development of Asia. He reasoned that the strong social ties created by Confucian principles were not conducive to the individual achievement needed to fuel a capitalistic system. Weber argued that Protestantism was the most conducive spiritual orientation to the development of capitalism. He felt that Protestantism encouraged individuals to seek materialistic gain in this life since hard work and achievement were considered as part of God’s plan for humankind. Whereas Catholicism had too much of an emphasis on salvation in the next life to be useful to economic development, Confucianism had the problem of too much concern for the welfare of the group to generate economic gain. A strong orientation towards the individual and worldly achievement was needed for a society to prosper. It appears that Weber may have not been correct in his assumptions.

The philosophical foundations of Confucianism have created a certain work ethic in China and East Asia that is not too far removed from the Protestant ethic proposed by Weber. The Confucian Work Ethic consists of a belief in the value of hard work, loyalty to the organization, thrift, dedication, social harmony, a love of education and wisdom, and a concern for social propriety. The elements of the Confucian Work Ethic all have positive aspects for economic development. The elements also have positive aspects for societal development. Confucius recognized that in order to build a nation, certain sacrifices would have to be made by the individual. Personal sacrifice in order to advance the interests of the nation is found in all Confucian societies, including China. When one compares the Protestant Work Ethic with the principles espoused by Confucius, it becomes obvious that there are really more similarities than differences. Both work ethics place an emphasis on hard work and thrift. In both approaches, employees are expected to achieve a form of self-fulfillment, and perhaps spiritual fulfillment as well through dedication and devotion to work. Rather than concentrating on spiritual salvation, adherents are required to focus on achievement in this life. Confucius de-emphasized the importance of paying respect to the spirits and, not unlike Protestantism, preached achievement in this life. The difference between the Confucian and Protestant work ethics is mainly in the focus on individual or group achievement. Whereas the Protestant Work Ethic looks at the individual as the appropriate unit of analysis, the Confucian Work Ethic places a value on group achievement and social harmony. Achievement is more group-focused in Confucian societies and economic failure is seen as having more

wide spread societal consequences. The Confucian Work Ethic maintains a social interconnection that is not commonly found in Western cultures. Many times these interconnections are family based, especially in Chinese entrepreneurial culture.

The informal, worldwide networking among the overseas Chinese has helped fuel an explosion of Chinese capitalism. This networking can now be seen in China as well as the Chinese have adopted a more market driven economy. Success for the Chinese is facilitated through *guanxi* or connections (Chatterjee, Pearson and Nie 2006). These close relationships provide information, contacts, and financing to members of the network. The overseas Chinese have succeeded in their business pursuits because they have been able to maintain unity and solidarity, and have adopted the Confucian Work Ethic. Many of their businesses, although large and often multinational, are family-based, providing what in Chinese culture is an even stronger unit of support and solidarity. Concern for the welfare and survival of the clan and its members is of paramount importance to the Chinese. As Peter Drucker (1994) stated, "What holds these multinationals together is neither ownership nor legal contract. It is mutual trust and mutual obligations inherent in clan membership." This strong clan orientation is much more successful in maintaining commitment to purpose than any legalistic arrangement could achieve.

## CONCLUSION

Confucianism remained a dominant social force in Chinese society for two thousand years. Up until the Han Dynasty, the teachings of Confucius were maintained through an informal mechanism that transmitted the wisdom of the sage from generation to generation. With the establishment of the Han Dynasty and its elaborate administrative system, a school was established to train civil servants. The *Analects* became part of the instructional material of this academy, and students were required to pass examinations on Confucianism in order to work in government. This requirement continued, for the most part, up until the fall of the imperial system in China. Confucius is responsible in a major way for the Chinese love of hierarchy and control, the paternalistic and autocratic style of management, and the importance of family relationships and business connections.

The *Analects* of Confucius, although written over 2,500 years ago provide a useful construct for explaining modern management in China. Fostering a work ethic consistent with Confucian values has been shown to be fruitful. Leadership under the Confucian tradition emphasizes a holistic concern for the welfare of employees, a concern for harmony in groups, teamwork, and self-sacrifice. At the same time, Confucian leaders are frugal and demand loyalty and dedication to the organization. They expect employees to work tirelessly for the good of the group, the organization, and the nation. They tend to be autocratic and maintain tight control over the organization. China, more so than most countries clings to its past, and current managerial values, beliefs, and practices are strongly influenced by its Confucian tradition.

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