APBR-COMMENTARY-13-SEPT-2018:

Is there such a thing as Confucian management?

SUBMITTED, 13-09-2017

ACCEPTED, TO BE ADDED

Andrew Atherton, University of Dundee, Nethergate, Dundee DD1 4HN, Scotland, UK.

Email: [mailto:a.m.atherton@dundee.ac.uk](mailto:a.m.atherton@dundee.ac.uk)

Telephone: 07768 821953

Keywords: Businesses, China, Confucianism, Confucian management.

Biography

Andrew Atherton became Principal and Vice-Chancellor of the University of Dundee in January 2019. Before that, he was Deputy Vice-Chancellor of Lancaster University. He is a professor of enterprise and entrepreneurship, and his research focuses on private sector development in China, business start-up and government policy. Andrew has worked in enterprise development in emerging economies in Asia and the transition economies of the former Soviet Union and Central Europe, and has advised government on enterprise policy.
Is there such a thing as Confucian management?

Abstract. There is a view that China is a Confucian country and that its businesses adopt these values to underpin their business models and practices. In this article, a case is made that China is not a Confucian country, even though there are strands of Confucianism evident in society. Although some enterprises in China adopt Confucian approaches to management, this cannot be generalised to all businesses. We cannot therefore conclude that Confucian management has emerged as the prevailing feature of Chinese businesses.

Keywords: Businesses, China, Confucianism, Confucian management.

Introduction: the rise of interest in Confucianism

There has been a resurgence of interest in Confucianism in the People’s Republic of China. For some, this is continuation of a tradition that dates back over 2,000 years, and that although it has waxed and waned over that long period, is an intrinsic and core aspect of Chinese society (Fan 2011; Tu 1996). Others see recent interest in Confucianism as a means of reinforcing China’s social and cultural identity (Qing 2013). The former accounts broadly portray China as intrinsically a Confucian society and culture, suggesting that these values have persisted through time regardless of government and state ideology (Tu 1998). The latter accounts consider China’s recent emergence as a social and political as well as an economic transition. These changes have raised questions about China’s relationship with its past and its cultural identity (Zhao 2009). In an increasingly unequal society, Confucianism promotes greater cooperation and harmony, offering a return to a fairer nation state (Bell 2008). As a result, it has been ‘manufactured’ into a national belief system in response to significant socioeconomic change (Jensen 1997).
In China, there is a debate as to whether a shift to Confucianism as a unifying framework is positive, leading to improvements in the quality of society and individuals, or is a return to an overly hierarchical and hence constraining system that is deployed to justify greater social control over people’s behaviours and attitudes (Ford 2015). There is recognition in this literature that Confucianism is not an homogenous ideology or value system, but rather a set of strands of thought and practice that are related but not always aligned or coherent. Confucianism, in other words, can be considered a broad conceptualisation of desired personal behaviour and an idealised society (Billioud 2007; Jensen 1997).

Many accounts, especially those from the West, either explicitly or implicitly represent Confucianism as an essential and persistent trait in Chinese culture. Examples in the Western literature range from Hofstede’s characterisation of East Asian countries as neo-Confucian through to assumptions in many studies that China is a Confucian country. However, these assertive bases for many cultural interpretations of business practice in China are generally not substantiated in the publications that deploy this approach. Take Hofstede, for example. In his 1998 article with Michael Bond, which proposed that Confucian cultures generate superior economic growth because of the values associated with it, the case of mainland China is only briefly referred to. A lack of data available in mainland China at that time meant that the authors “can only infer that in spite of Maoism, many Confucian values remain strong in the People’s Republic” (Hofstede and Bond 1988, p. 19). There was in other words no empirical basis in Hofstede’s analysis that China was at that point Confucian other than the authors’ inference that that must be the case.

Despite this, many publications take the inferential work of Hofstede and Bond as a justification for assuming that China is Confucian as a starting point for their analysis.
(e.g. Pan and Zhang 2004). Many also take as an assumed starting point that China is a Confucian culture, without either using existing references or without providing a basis for making that claim (e.g. Puffer et al. 2010).

In some cases, attempts to characterise the People’s Republic of China as Confucian are sustained even when the evidence contradicts this. Shenkar and Ronen (1987), for example, found high levels of autonomy and cooperation amongst workers, rather than within the family. They attributed this to the success of Mao in overcoming the collectivist values of Confucianism and replacing family affiliations, a bulwark of Confucianism, with cooperation in the workplace. They provided evidence, in other words, that Maoism had removed China’s Confucian tradition and replaced it with loyalty to self (autonomy) and to the work unit, both of which can be characterised as distinctly Western – rather than traditional Chinese - values.

Frank Dikotter’s detailed analysis of the scale and profundity of social and kinship breakdown since 1949 – particularly during the early years after Liberation, the Great Leap Forward and the Cultural Revolution – provide compelling and exhaustive accounts of the intensity and extent of cultural attacks on Confucianism (Dikotter 2017a 2017b 2017c). Sources such as these challenge the persistence of Confucianism as an essential cultural characteristic of China.

**Confucianism and business in China**

Perhaps not surprisingly, given the wider interest in Confucianism noted above, there is a view that forms of management are emerging that are rooted in Chinese culture and values. Increasingly, Confucian values are considered influential in how businesses are led and managed, and there is an emerging debate around whether Confucian management is becoming a distinctive characteristic of businesses in China. In this
article, we consider Confucian thinking in China today and its significance. We examine the extent to which Confucianism pervades society and so actively informs social values. We then explore the nature of business in China, in order to determine the extent to which Confucian management approaches and practices can be found. We do this by exploring eight issues relating to Confucianism in society and in business.

**Issue 1. Confucian thinking in Chinese society today: a continuing legacy or a reimagining?**

Much of the twentieth century, and the nineteenth, was a period of disruption and instability in China; socially, politically and economically. The integrity of the state as a strong ‘body politic’ was breached in the nineteenth century by internal strife and uprising, such as the Boxer Rebellion, and also by incursion into China by Western imperial powers (Bickers 2018). Intrinsic to this political breakdown was a loss of credibility for the Qing Dynasty and for the imperial representation of Confucianism (Wang 2009). As a result, the notion of a strong and influential state eroded over the period. In the second half of the nineteenth century, in particular, and into the early twentieth, Confucianism was associated with this decline in national power and unity. The following period did not prove fertile for Confucianism. Abdication of the emperor and creation of a Republic in 1911-1912 led on to civil war and de facto breakdown of China as a single state into balkanised fiefdoms controlled by local warlords. Japan invaded and destroyed much of the economic, and community, infrastructure of China, especially in its economically and agricultural heartland of the Yangzi River plains, in what has been termed China’s “struggle for survival” (Mitter 2014). Invasion by Japan was followed by conclusion of the civil war between the Guomindang and the Chinese Communist Party, which then set about destroying the
vestiges of feudalism and ‘old thinking’ in society. The Maoist project can be seen as an attempt to destroy Chinese traditional society and remove the values underpinning it in order to create a new socialist society where individuals and the collective were not oppressed by the rigid hierarchies underpinning Confucian thinking.

As a consequence, a case can be made that Confucianism was very much eroded not only under Maoism, but also as a result of the instability across China for a century before. There is little evidence of a pervasive Confucian tradition across China during the period from the mid-nineteenth century to the start of economic reforms in 1978, as a foundation for social cohesion or as a basis for business practice (Atherton and Newman 2016).

Examination of the period before the late nineteenth century further undermines claims of a single and consistently strong Confucian tradition in Imperial China. Elman (1983) highlights a common view that Neo-Confucianism was instrumental in the fall of the Ming Dynasty, and that various strands of Confucianism competed with each other during the early Qing. This does not suggest a strong, unifying tradition of Confucianism that could be traced through Chinese history (Clegg 1997).

If, as this analysis suggests, China’s Confucian tradition is less strong than often suggested, then its recent emergence as an area of interest and growing adherence in contemporary China merits re-consideration.

Issue 2. The political economy of public values – the state in search of a unifying value system?

The party and state have sponsored Confucianism, particularly through the introduction of the concept of the ‘harmonious society’ by Hu Jintao (Warner 2009). The notion of the harmonious society addresses specific concerns around growing socioeconomic
inequalities and the adverse environmental impacts of economic growth. It is also a clear reference to Confucian concepts of order and stability in society. Xi Jinping’s promotion of the ‘Chinese Dream’ (zhongguo meng), as an alternative to the American Dream, is underpinned by promotion of Confucian values (Xi 2014). State promotion of Confucianism represents a concerted attempt to improve social stability and promote personal and societal improvement. It can also be seen as an attempt to create a national system of shared values at a time when many Chinese citizens have become concerned about a breakdown in collective beliefs that unify society. A state in search of public legitimacy, in other words, can encourage social systems that offer attractive outcomes to citizens, in order to enhance its own reputation (Holbig and Gilley 2010).

Confucianism is ideally suited to this function, as it can be associated with a school of philosophical thought that is essentially Chinese. This is unlike communism, Buddhism and Daoism, each of which either has non-Chinese roots or is strongly influenced by practices in other countries. Confucianism offers the prospect for individuals to rediscover their Chinese identity in an era when rapid growth has uprooted them from many of the values they held. It is based on notions of harmony, benevolence and societal wellbeing that individuals are likely to be attracted to as China becomes more unequal.

Confucianism is attractive to the state and party because it promotes social stability and adherence to set roles and behaviour expectations. It is therefore an ideology of compliance with social norms that improves prospects for social stability, rather than one that encourages personal expression and fulfilment. In a period of rapid change in China, and in order to maintain the legitimacy of the state, it is not surprising that Confucianism has been promoted by government and party.
Issue 3. The multiplicity of philosophies and values in modern-day China – heterogeneity rather than hegemony?

The reform era that started in 1978 has been a period of cultural and social exploration as well as one of economic change. During the first decade or so, China was still a communist country, bound and defined by the political rhetoric of that ideology. Control of the media was almost complete and internal as well as international mobility highly constrained. Over time, art, film and television, literature, digital and other media all opened up and became more pervasive. China’s cultural capital has grown since to become a much greater aspect of that country’s life and identity.

One aspect of social change, and opening up, through this period and beyond, has been the embracing of different faiths and cultural traditions that were suppressed in Maoist China. Religions such as Christianity that had been banned attracted many more public followers and even though there are ongoing issues around Islam, Muslim minorities practice openly and live in cities across China. Across that country, Chinese citizens have adopted Buddhism and Daoism as alternatives to communism. A multiplicity of beliefs is practiced, as a result.

Allied to this has been a growth in the strength of local identities and cultures. The economic geography of China has aligned with cultural and linguistic contours that have created strong local identities. Provinces such as Guangdong and Fujian have enjoyed a liberal framework for economic development since the early years of the reform period. This status has encouraged local cultural practices that have enabled the emergence localised rather than national associations. In Guangdong province, in particular, the local ‘Cantonese’ dialect underpins theatre, performance and literature that reinforces a sense of distinctiveness from the Mandarin-speaking centre.
China today can be characterised as culturally diverse, with multiple faiths, ideologies and identities. Culturally, China is more heterogeneous today than it has been historically.

The first three challenges to the idea that Confucianism is either pervasive or drives most social practices and individual behaviours have focused on Chinese society overall. The aim has been to illustrate how Confucianism is one strand in several that permeate the thinking and values of Chinese citizens.

In the next part of this article, we focus the debate onto businesses. We propose that the notion of Confucian management is difficult to establish in many Chinese businesses, and may not be the most representative way of characterising the distinctiveness of Chinese business practice.

Issue 4: The scale, diversity and heterogeneity of Chinese enterprises

In China, there are circa 55 million registered businesses, almost all of which are privately-owned (Atherton and Newman 2018). This is in contrast to the UK, which has just under 5 million businesses and the US, which has just over 30 million. The size of the Chinese business sector is therefore greater than the world’s largest economy, the US, and much larger than in OECD countries.

Within this grouping, there are huge state-owned enterprises (SOEs) – such as banks and oil companies – that are amongst the largest corporations in the world. Within the state-owned sector, there are a small number – around 300 – of nationally-controlled SOEs, and a much larger number of enterprises controlled by local government, government ministries or other public bodies.
There is even greater diversity within the private sector. There are businesses that are high-tech and online, offering digital services and products that compete with world leaders. There also brick-making and fertiliser plants in the countryside, producing basic commodities for local, rural markets. Some private businesses, such as Alibaba and Tencent, are huge, and increasingly global. There are also tiny informal and quasi-formal household enterprises, employing one person or a nuclear family. As a result, China’s business population is highly heterogenous and does not easily conform to simple characterisation or explanation by one or a small number of characteristics or variables.

Many Chinese businesses borrow their models and leadership styles from Western businesses and management texts. Others, however, take inspiration from China and its powerful legacy of ideas and philosophies. Business leaders who look to China’s past to inform and influence their management approaches take from a variety of sources, only some of which are Confucian. There are also different inspirations, such as the I Ching and Daoism, both of which have been deployed to explain why Chinese businesses are so adept at reacting to and exploiting change and uncertainty. China’s rich intellectual and philosophical traditions offer a wide array of rich inspirations that Chinese business leaders and educators can adapt to current conditions. There is no clear indication that Confucianism has pre-eminence in these considerations of how China’s past can influence current business practices.

**Issue 5: Guanxi as a non-Confucian practice**

Guanxi has been variously characterised in the literature as network relations based on a sense of obligation or reciprocity and a means of exchanging favours and developing networks for personal and dyadic mutual gain. In much of the literature, it is framed as a
uniquely Chinese institution, grounded in the inter-dependent and reciprocal hierarchies of Confucianism. In many western studies, guanxi is assumed to be a Confucian institutional practice without evidence being presented or a case constructed that the two are linked. However, reciprocal guanxi and related gift giving and favour exchange have existed in China for periods when Confucianism was either not the dominant societal value framework, as was the case in the late Qing and early Republic, or when it was not formally recognised, as in the 1970s and early 1980s (Atherton and Newman 2016).

More broadly, gift giving and favour exchange are common practices in many countries, both developed and emerging. Indeed, small, rural communities in many parts of the world have strongly established hierarchies and engage in favour exchange and gift giving both to reinforce these hierarchies and also create mobility within them. None of these non-Chinese contexts can be considered Confucian in the sense deployed by researchers who highlight the importance of context when studying China.

Often guanxi is portrayed as the fundamental underpinning of most business practice in China. Within this context, there are some who argue that its importance has declined as the objective, formal institutions of the market increasingly govern exchange (Guthrie 1998). Increasingly, accounts of business success in China emphasise the effectiveness and quality of business practices as more important than guanxi connections. Others, however, argue that guanxi continues to be essential in modern-day China, for private enterprises especially in terms of their need to nurture links with government and also in the labour market, in order to secure desirable jobs. Even where guanxi is considered still very important for businesses, its effects are not necessarily positive and instead may reduce rather than enhance profitability (Park and Luo 2001). Differences of opinion around the continued importance of guanxi in doing business reflect distinctions
made by researchers between different concepts, such as *guanxi* and *guanxixue*, which is often characterised as the instrumental, and as a result often negative, use of social connections for personal gain.

As a result, *guanxi* is both a contested notion and an ambiguous concept, which makes it difficult to characterise and as a result challenging to adopt as the basis for business practice (Fan 2002). Indeed, several accounts of *guanxi* highlight its changing and contingent nature, characterising it as an evolving and dynamic institutional practice that has morphed as wider socioeconomic conditions and arrangements have changed (Yang, 2002). If this is the case, and the notion of quickly adjustable social institutions accepted, then the notion itself becomes so fluid it is difficult to characterise it either as an enduring Chinese institution or an institutional practice that maintains sufficient consonance with its historical manifestations to be considered the same, or similar.

**Issue 6: Organisational isomorphism: the alignment of Confucian values with state-owned and family enterprises**

The heterogeneity that is intrinsic to large business populations suggests that Confucianism may be evident in some businesses, even if it unlikely to be present in all. The hierarchical nature of state-owned enterprises (SOEs), and an emphasis on order and established relationships, appear to align closely with aspects of Confucian values. Moreover, their close relationship with the state, which has been promoting Confucian values, also increases the likelihood that Confucianism will be encouraged and adopted in these enterprises. However, SOEs are only a small proportion of all enterprises, and as a result, this observation cannot be extended to the majority of businesses in China, which are almost all privately-owned.
Family-owned businesses are also likely to adopt Confucian values, particularly those relating to the importance of filial ties when family control and involvement is high. There is a strong alignment with the paternalism evident in social hierarchies of Confucianism when the family plays a very active role in management of the business. However, not all smaller, family businesses have paternalistic cultures. Many are owned and operated by women, outside other family arrangements, and hence without reference to the gendered dimensions of Confucianism. Women-only or -dominated enterprises might actually represent an escape from Confucian values.

As a result, we can conclude that large SOEs and some small household enterprises may adopt Confucian values, as a result of their particular circumstances and attributes. Studies of Confucianism in Chinese businesses therefore need to consider carefully whether there are tendencies for the businesses they analyse to adopt Confucian approaches because of the nature of their organisation.

**Issue 7: Can Confucian management be innovative?**

Confucian values may align with power structures within some types of Chinese business. However, they do not necessarily enable businesses to be innovative and hence to develop competitive advantage over competitors that base their leadership and business model on other approaches and value sets. Two dimensions of Confucianism are likely to make Chinese enterprises less innovative.

The first is an emphasis on social and kinship hierarchies. Hierarchies are based on power structures that privilege certain individuals over others because of particular features. In the case of Confucianism, age generates power within these social hierarchies, as does male gender to an extent. This is likely in turn to constrain diversity in leadership thinking, as alternative views to those at the apex of the hierarchy will be
either discounted or not fully considered. Strict social hierarchies that do not allow for consideration of a wide range of views tend to be constraining, rather than enabling, of open-mindedness and reception of new ideas.

The second is the notion of reciprocity in these relations, with gift and favour exchange governing hierarchical interactions. Reciprocity indicates a normalisation of these exchanges, and hence creation of informal or implied values around the offer and acceptance of gifts and favours. This is particularly evident in rural and conservative communities, where the value of particular gifts and favours is well established (Yan 1996).

Normalisation of these exchanges creates a ritualistic aspect to gift giving and favour exchange. Rituals allow individuals and groups to operate within and hence comply with accepted norms. However, in doing so, they tend to preclude behaviours and ways of thinking that sit outside ritualised practice. They therefore seek to remove uncertainty from social interactions, by making behaviours of all parties predictable. The mechanistic nature of interactions through rituals removes opportunities for improvisation and testing new approaches, and as a result suppresses the ability of individuals to be innovative. The ritual exchanges that underpin and enable favour and gift exchange to enhance socioeconomic position and enable transactions through a ‘back’ or ‘side’ door rely on this predictability to govern covert or illegal interactions.

**Issue 8: Convergence in business practices**

Research into business and management in China faces a significant conceptual and methodological challenge in terms of understanding the context within which enterprises operate and managers and entrepreneurs lead and create businesses (Meyer 2015). Critiques of research on business in China have tended to highlight a lack of
consideration of the specific Chinese context, which is taken as distinctive if not unique (Child and Marinova 2014; Whetten 2009). However, the distinctiveness of the China context can be over-played, especially when similar dynamics can be identified in other countries, as we point out in our discussion above of gift giving and guanxi. The challenge can be characterised best by Mark Granovetter’s work on social sciences that considers many perspectives either ‘undersocialized’ or ‘oversocialized’, because they either ignore or overly privilege context (Granovetter 1985).

There has been a tendency in research into businesses in China to ‘oversocialize’ concepts such as guanxi to an extent that presents them as unique to China. As we have argued in this article, over-representation of these concepts ignores the existence of equivalent practices in other countries. Oversocialization in business research on China is likely to privilege distinctive local patterns and underplay convergence with practices in other countries and global corporations.

There is evidence that many practices in Chinese businesses are converging with those of internationally competitive companies in other countries, and that increased exposure to non-Chinese businesses accelerates this process of convergence (Pan 2009).

Businesses that are embedded in global supply chains, such as those around the Pearl River Delta, have taken on the supply chain and management practices of the OEMs that purchase from them (Lee and Schmidt 2017). There are also Chinese enterprises and industries that have imported business models that were developed in other countries; especially (but not only) the US. China’s leading online travel agency, cTrip, based its model on Priceline in the US. Sectors such as the space industry and photovoltaics have moved from copying international practices to autonomous innovation (Bi et al. 2017). In addition, a growing number of Chinese businesses, both state-owned and private, have acquired businesses in other countries, and are
repatriating and absorbing management approaches and technologies from these companies (Li et al. 2016).

Conclusion: Business management with Chinese and international features?

In this commentary, we have asked whether a distinctive form of business practice – Confucian management – is a characteristic of enterprises in China. Starting with a wider challenge to assertions that China is a Confucian country, we explored the extent to which Confucianism underpins management approaches in Chinese businesses.

Although some enterprises – most notably SOEs and some smaller family businesses – are more likely to adopt Confucian approaches, there appears to be no definitive or universal case for proposing that Confucian management has become the dominant paradigm for conducting business in China. The scale of China’s business population, and its diversity, suggest that single, or simplified, characterisations cannot reflect its heterogeneity and variation. Moreover, Chinese businesses are becoming increasingly global, adopting practices and approaches from other countries and companies that are already international.

The case of guanxi is considered in some detail as it is often portrayed as a way of characterising how Chinese companies do business. We challenge this, in support of recent studies that conclude that although guanxi exists, it is not of fundamental and central importance to business success. In taking this position, we have sought to question whether the identification of a social practice that continues to be important in China can be used to explain in detail business practice. In some ways, the use of guanxi as a strongly explanatory variable ‘oversocialises’ the context within which individuals as well as businesses operate in China, to the detriment of other considerations of business performance and success. Instead, we propose that effective
management practice in China is contingent upon the capabilities and markets within which a business operates, rather than culturally-specific social interactions that transcend, or substitute for, market exchange. Although guanxi still exists, and can be identified in business transactions, this does not mean that this institution determines the transaction itself, or is necessarily the most important aspect of it.

We conclude therefore by challenging the idea that Confucian management is a distinctive feature of Chinese businesses. Although aspects of Confucianism may be found in some Chinese businesses, this does not mean all Chinese businesses are managed in a Confucian manner. Moreover, although guanxi can be found in Chinese businesses, and likely permeates social exchange, this does not mean that guanxi drives market interactions and business transactions. This confirms our earlier proposition that culturally-specific practices and institutions such as Confucianism and guanxi should not be overly privileged when studying a complex, multi-faceted and rapidly changing context such as China.

References


