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Understanding the Differences between Chinese and Western Business Practices: Insights into Confucian Philosophy

Abstract

Confucian philosophy, which lies at the root of Chinese culture, has been attracting attention from both business practitioners and academia due to China's tremendous influence on the global economy. In this paper, we review the historical development of Confucianism and its managerial implications in China. We first identify key differences between Confucian and Anglo-American culture in terms of values and beliefs, power distance, cognitive patterns, social orientation, trust, communication, expression-orientation, and social environment. We then highlight managerial implications of the five constant virtues inherent in Confucian philosophy, namely benevolence ("ren"), righteousness ("yi"), rites ("li"), wisdom ("zhi") and trustworthiness ("xin"). A deep understanding of differences between Confucian and Anglo-American culture forms the foundation for mutually acceptable behavioral communication codes encompassing values and norms, cognitive patterns, social orientation patterns, modes, and expression-orientation models. Finally, a case study is presented to illustrate how these principles are embedded within customer relations and organizational management.

Keywords: Confucian Philosophy; Anglo-American Culture; Comparative Analyses; International Business

1. Introduction

China, as a rapidly growing nation with ever-widening potential in the global market, has long been attracting attention from academia and industry (Monkhouse et al., 2013; Zhou et al., 2010; Weiming, 2017). The main reason for steady annual growth rates in excess of 7% over the past four decades resides within the entire spectrum of productive elements throughout Chinese culture, which has served as a powerful internal impetus for sustained development (Pun et al., 2000). At the current juncture, competition among enterprises around the world has evolved from mere technological competition to a more broad-based cultural competition (Ang et al., 2015). Therefore, exploiting the economic connotations embedded in culture, and efficiently transforming cultural to economic resources are important ways to improve a country's competitive position on a global scale. With ever-increasing cooperation between China and Western companies, the culture-based roots of China and their fundamental philosophies have been generating more and more attention from businesspeople worldwide (Gao et al., 2012; Berthrong, 2018). Therefore, given China's unique cultural heritage, acquiring a comprehensive understanding of business practices has become a critical issue for foreigners.

When it comes to the roots and origins of Chinese culture, Confucianism is undoubtedly the predominant cornerstone or building-block which has ensured China's unique contribution to all East Asian nations (Bond, 1991; Pun et al., 2000). Originating from within China and consisting of over 2000 years of cultural history, Confucian philosophy has had far-reaching influence on Chinese practices in all sectors of modern life, permeating social values and thought patterns at all levels of Chinese society.

Confucius, the great founder of this socio-ideological system, has put forward an ethical

value system which emphasizes *benevolence* and *ritual* (Yao, 2000). As a result of further refinement of Confucian philosophy over the centuries, a well-defined body of doctrines emphasized by Confucius and his followers constitutes the essence of Confucianism as recognized today (Lo, 1998; Pun et al., 2000). Confucianism takes benevolence as its core content, placing stress on the virtues of righteousness, rites, wisdom, and trustworthiness in relationships among individuals (Tu, 1998b; Xing, 1995). Chinese managers adopt and utilize Confucian philosophy in their business activities. A particular mindset among Confucian businessmen has been shaped and sustained, often playing a predominant role in their managerial models, business practices, and decision making. Moreover, the influence of Confucianism occurs not only in East Asian societies, but has also gradually permeated many aspects of Western society. An impressive number of Confucian concepts, such as harmonious interaction, collectivist values, and high moral standards, occupy highly significant roles in Western business practice (Chan, 2008). Since Western society features a variety of philosophies in different countries, we especially refer to Anglo-American philosophy when we compare the two different philosophical systems. Comparison of Chinese and Anglo-American philosophy in business has offered deep insight and considerable enlightenment for Western managers who are currently engaged with Chinese firms.

The essence of culture, however, has not always been acceptably defined by simple adoption of Confucianism in a business context. In the early 20th century, Anglo-American society gradually evolved as a full-fledged modern industrial civilization. At that juncture, several eastern countries, which had embraced Confucianism, and still do so, had only progressed to the stage of an agriculture-based society. Confucian

philosophy encompassing the principles of social morality, social hierarchy, a solid family system and a naturally-focused economy, hindered the development of modern society, all of which caused Confucianism to be regarded as an obstacle on the path to a modern economy (Weber and Gerth, 1953; Levy Jr, 1949; Parsons, 1937). However, as the economy of East Asia developed rapidly, especially in China, cooperation between countries grew much closer. Indeed, Confucianism, as the common cultural foundation of Eastern countries, has attracted a lot of attention. More recently, the essence of Confucianism has been considered a powerful cultural impetus for development of modern economies (Wang, 2010). What Confucian philosophy contributes to Chinese business has been thoroughly discussed throughout both academia and industry. However, the contributions Confucian philosophy has made to contemporary East-West business patterns is also worthy of in-depth discussion and debate. Therefore, this paper will review the impact of Confucianism on Chinese business practices, while at the same time absorbing its essence, and studying the influence of Confucian philosophy on Anglo-American business management practices in contemporary China. In this paper, we seek to address one basic question: Which priorities should Anglo-American firms place on Confucian philosophy when developing their business relationship in China?

In the following sections of this paper, the fundamental concepts of Confucian philosophy will be succinctly introduced. Historical development and core philosophical principles of this philosophy will also be elucidated from different perspectives. Then, a comparative analysis will be presented, contrasting Confucian and Anglo-American philosophies by addressing their basic characteristics and principles. After conducting this comparison, the paper elaborates several important behavioral patterns embedded in

Confucianism that Anglo-American firms should take into consideration in everyday business practice. An authentic Chinese business case study will be cited and examined to indicate the influence of Confucianism on real business strategies. Finally, the paper offers a conclusion which summarizes the key points mentioned, prior to assessing the overall implications of interweaving Anglo-American business practices with Confucianism.

2. Confucian Philosophy

Historically, Confucian thought, rooted in ancient Chinese philosophy, has been regarded as the dominant political and educational ideology for the purposes of official governance over a very long period of time (Cheng, 1997; Wang, 2010). In the Spring, Autumn, and Warring States periods (770-221 B.C.), academic ideologies had achieved an unprecedentedly high level of development. Emergence of around one hundred schools of thought resulted in the first ideological liberation in ancient China. Confucianism, as an important branch of Chinese culture, was established by Confucius during the late Spring and Autumn Period. At that time, the core ethic of Confucianism was benevolence (“ren”). Confucius believed that people should love and help each other and live in harmony with other members of the community (Legge, 2010; Waley, 2012). Moreover, Confucius emphasized the significance of rites and regulations (“li”), declaring that people need to subdue their passions, emotions or impulses, and return to propriety (Ho, 1995; Huang, 2007). As the foundation of traditional Chinese feudal autocracy, Confucian philosophy adopted a people-based proto-political ideology which stressed people-oriented management and opened a clear pathway to the expression of the

people's will (Bell, 2010).

At the end of the Warring States Period (453 to 221 B.C.), Mencius and Hsun Tzu inherited and further developed the fundamental theories of the Confucian school. These two philosophers followed and developed Confucius's ideology of benevolence and founded a systematic benevolent governance theory (Tu, 1998a). After continuous integration and gradual reformation, carried out by key Confucians, the Confucian philosophical system became more complete and kept pace with the development of Chinese society. In the late Warring States Period, Confucianism became one of the most influential schools of thought.

After vying with other schools of thought, the status of Confucianism was gradually enhanced during the early Han Dynasty under the reign of Emperor Han Wu-di. A Confucian, Dong Zhongshu, occupied a significant place in Confucianism during the Han Dynasty. Integrating thoughts derived from Taoism, Legalism and the Yin-Yang School, he developed a new sect of Confucianism. Dong completed a famous proposal for recruiting worthy and virtuous leaders to work on behalf of Han Wu-di. In the proposal, he advanced the concept of country unification, arguing that people's political thought and ethical morality should be unified. All schools of thought, except for Confucianism, should be discredited and rejected. For the benefit of Han Wu-di, Dong also proposed that the governance policy needed to follow the Mandate of Heaven. Heaven was the master of everything in the world, in which all responsibilities are mandated by the Emperor. Therefore, not only should people be subjected to the Rule and to the Emperor, but they also should be guided by edification and education (Cheng, 1997).

Another major achievement of Dong was the indispensable concept of the three

cardinal guides (ruler guides subject, father guides son, and husband guides wife) and five constant virtues (benevolence, righteousness, rites, wisdom and trustworthiness). Three cardinal guides served as the directional hierarchical spirit which supported the leadership and referred to the principle of the ruler guiding his subject. The five constant virtues, which aimed to regulate people's behaviors, referred to benevolence ("ren"), righteousness ("yi"), rites ("li"), wisdom ("zhi") and trustworthiness ("xin") (Rarick, 2007; Li, 2001). Han Wu-di accepted the proposal and established a feudal orthodox ideology based on Confucianism. From then on, Confucian philosophy was highly praised by successive dynasties and eventually became the mainstream foundation of Chinese culture for over two thousand years (Yao, 2000; Rarick, 2007; Cheng, 1997).

According to Cheng (1997), Confucian philosophy could reflect and, in some ways, represent the dualistic orientation of Chinese philosophy, natural naturalization and human immanentization, i.e. the manifestation of spiritual essence within earthly beings. First, without specifically admitting the recognized functioning of the rational faculty of man, natural naturalization indicates a process of balancing, totalization, and harmonization of all elements in the world (Cheng, 1997). As in most other Chinese cultural contexts, secular political power is absolutely superior to religious power, with the result that naturalization makes the people-established values self-evident. Actually, natural naturalization of Confucian philosophy consists of two competing paths (Zhao, 2004). The first path involves inward naturalization, incorporating the belief that men are born with morals. Confucius once said in the *Analects*: "by nature, men are nearly alike; by practice, they get to be wide apart" [Legge, (2010), p. 459]. Neglecting metaphysical aspects, Confucianism places more significance on human beings' power to become

better men, to build better relationships, and to constitute a better society for humankind. In brief, inward naturalization is based on human nature, which is the most primitive principle situated at the base of morality.

The second way is outward naturalization which holds the view that the morality of human beings comes from heaven. Overemphasizing the inherent morality in human nature will lead to a negation of multidimensional humanity, including the elements that run counter to morality (Zhao, 2004). Therefore, orthodox Confucianism never negates humanity as a whole. Instead, Confucian philosophy divides humanity into public and private, human nature and human emotion, inherent nature and temperamental nature. Through normative and restrictive ethics, people can affirm the former and restrain the latter. However, emphasizing the normative and restrictive aspects of ethics is tantamount to admission that morality is an artificial standard, which opposes the nature-based view of humanity. Hence, Confucianism put forward the concept of heaven and “dao” (the principle of heaven), unifying human nature and heavenly laws, while stressing living in harmony in the ideal life (Nakai, 1980).

Human immanentization is another important principle in Chinese philosophy (Cheng, 1997). Unlike the philosophies which are dependent on an external creator, such as God that supports the foundation of the world and human beings, human immanentization emphasizes the inherent source of creativity in the nature of humans and the world for a meaningful life and for the justification of values. For instance, Confucius said in the *Analects*: “To subdue oneself and return to the rites is benevolence” (Legge, 2010). In this case, rites are the result of the immanentization of benevolence. This principle implicitly shows that people’s inherent virtue is rooted in the ultimate world and this will

ultimately impel the people to achieve perfect morality. As Cheng asserted (1997), naturalization gives a rational strain to the argument of Confucianism and human immanentization brings both creativity and contention to Confucianism.

Taken together, the fact that the Confucian philosophy has become ‘mainstream’ in Chinese philosophy is not an accident. Whether for the sake of historical accumulation or for its in-depth ideology, Confucianism creates and profoundly influences Chinese national character, value orientation, and mode of action. Consequently, Confucian philosophy has shaped unique Chinese business values and practices. In the following segment, we will compare Confucian with Anglo-American philosophies to understand the differences in both types of business practice.

3. Key Differences between Confucian and Anglo-American philosophy

Scholars provide useful insights and explanations, while also enhancing our understanding of the differences between Confucian philosophy and Anglo-American philosophy. Table 1 summarizes and provides a brief comparison of these two different philosophies. Understanding the differences among cultures involves exploration of a better ‘strategy of emergence’ that conforms to each country’s social and cultural backgrounds.

Insert Table 1 here

From the perspective of social orientation pattern, individuals’ behavior depends on group behavioral regulations, group conformity, “face-saving” (the perceived appropriateness of an individual’s behavior in relation to social status), and

interdependence in the Confucian philosophy (Cho et al., 2013; Park, 1998). Family oriented collectivism makes the Chinese more likely to establish a good working relationship among themselves. In Anglo-American countries, people tend to maintain loose ties between individuals (Hofstede, 1991). They are persuaded to develop an independent sense of self, in which they can unreservedly pursue their own personal goals, motivations, and personalities (Cohen et al., 2016).

These differences between collectivism and individualism are also consistent with the dissimilarities of social orientation patterns within the two philosophies. Anglo-American philosophy, as defined, for example, by Hobbes and Locke (Kavka, 1986), emphasizes independence which, in turn, prioritizes self-expression, entitlement to personal rights, self-direction and autonomy. This school of thought distinguishes between “self” and the boundaries of other people in the domains of self-control and self-selection. Individual achievement is their essential motivation, resulting in a higher propensity for disengagement in social emotions. On the contrary, the culture of Confucianism regards connection, relatedness, and harmony as more important factors. Chinese thought tends to put “self” in a place that overlaps with other close people. The collective achievements within a group are more appreciated, leading everyone, in most instances, to be affected by socially engaging emotions (Varnum et al., 2010).

Apart from the social orientation pattern, thinking and perception patterns appear to be different in different societies, with some of them exhibiting a more holistic pattern and others a more analytic pattern (Varnum et al., 2010). Chinese people under the influence of Confucianism behave in a more holistic and interdependent manner, while Anglo-American people display a more analytic and independent style (Nisbett et al., 2001).

Specifically, Confucian philosophy believes that the doctrine of the golden mean (“zhongyong”), in all things, is the best way to live a life. The theory of unity of man and nature focuses on the harmony of human nature and of heavenly laws, emphasizing the power of external, situational, and contextual forces to determine events. The expansive nature of Confucian philosophy enables people to focus on relationships featuring broader backgrounds and elements, reflecting an outlook which, in effect, constitutes a holistic cognitive pattern. In Anglo-American countries, however, people tend to follow formal logic instead of the golden mean. Human efforts and individual-related factors are the elements that determine events. An analytic pattern also keeps the central thrust on narrower events, focusing on salient objects with potential for intent to change or manipulate them (Markus and Kitayama, 1991; Varnum et al., 2010; Triandis, 1990).

As for the social environment, Confucian society favors a consensus oriented environment, which essentially constitutes its aesthetics. People prefer harmonious atmosphere, cooperation, and modesty. In contrast, Anglo-American society prefers a competitive environment, which embodies a sense of masculinity. Within such an environment, people desire achievement, success and assertiveness (Hofstede, 1991; Lee, 2015).

Moreover, communication mode and expression orientation exhibit some differences. Under Confucian philosophy, Chinese people tend to use an implicit and indirect approach to communicate with each other (Fang and Faure, 2011; Kincaid, 2013). They do not always spell out everything but leave some implicit contextual information to enable others to judge and infer the real meaning. Moreover, the purpose of communication is mainly for enhancing the relationship (Martinsons and Hempel, 1998;

Pun et al., 2000). For Anglo-American people, the purpose of expression is more function-oriented. They prefer an explicit communication mode to improve efficiency and effectiveness.

Power distance is another key factor differing between the two cultural philosophies. It measures the degree to which lower ranking individuals of organizations and institutions within a country accept that power is unevenly distributed in the society (Buttery and Leung, 1998). During the Han Dynasty, three cardinal guides were the symbol of hierarchical spirit, which supported the principle of the ruler guiding his subject. On the family level, for example, father should guide son and husband should guide wife. Under the influence of Confucian philosophy, there is a deep-rooted hierarchical system in Chinese society, in which individuals are ordered, act, and obey on the basis of status, filial piety wealth and achievements (Zhang et al., 2005). For Anglo-American people, the ecology of freedom has gradually resulted in a dissolution of hierarchy. Freedom, equality, and individualism are the emphases of Anglo-American legal culture. When compared to Chinese people, they are less likely to accept the uneven distribution of power (Hofstede, 1984).

Despite the differences between Confucian philosophy and Anglo-American philosophy, cooperation and mutual benefits are the major trend in the current situation. Understanding the differences between two different philosophies is the first step to achievement of a harmonious relationship.

4. Anglo-American business practices under Confucian philosophy

4.1 Basic elements of Confucian business philosophy

According to Graham and Lam (2003), to move business to the next level when negotiating in China, understanding the cultural context of Chinese business style is the most important determinant of success. Long unresolved paradoxes existing between Chinese and Anglo-American philosophies are obvious. In order to build better prospects for cooperation with Chinese management, imbuing Anglo-American business practices with Confucian philosophy is one of the ways to enhance the relationship. Many scholars have put forward several basic elements of the Confucian business philosophy that most Westerners will encounter. Outlined and integrated below are the important characteristics of Confucianism that Anglo-American firms can apply to their business relationships. Table 2 summarizes and provides a brief introduction to business practices in the context of Confucian philosophy.

Insert Table 2 here

4.1.1 Benevolence (“ren”) and Rites (“li”)

Benevolence (“ren”) and rites (“li”) are connected to each other as an immanent principle and an external principle. The virtue of rites constitutes both the criterion and the manifestation, and is also the base upon which benevolence is predicated.

Benevolence (“ren”) forms the core of Confucian philosophy. In society, everyone should love, help each other and live in harmony (Legge, 2010; Waley, 2012). In Analects, rites and benevolence represent the relationship between inner consciousness and the external standard. On the one hand, benevolence is the inner meaning of the rites, which enrich the connotation of the external standard. As the highest standard of ethics and morality, benevolence is highly valuable in business practice. Confucian philosophy

believes in a human-oriented management style. In managing human relations, Confucianism emphasizes the importance of respecting and loving people. The basic task involves paying attention to people and arousing their enthusiasm, awareness, and creativity. Using a telephone survey to support their contentions, Selnes and Gønhaug (2000) argue that benevolence tends to be perceived as a friendly act in business, which can enhance positive affect and emotion towards people, thus increasing satisfaction and loyalty. Since the core of management is people, relationships among people are also of equal importance. Harmony is the highest standard and goal when pursuing relationships among people. Under this philosophy, firms tend to consciously and purposefully cultivate team spirit and enhance team collaboration. Unlike the Anglo-American culture, which attaches importance to personal achievement, harmonious relationships and team efforts are stressed in Confucianism.

On the other hand, rites are an external reflection of benevolence, which bond and maintain relationships within society. Solid understanding and genuine respect of rites are both predominant priorities in relationships between Chinese and Anglo-American firms. Specifically, manifestation of rites is mainly embodied in two facets. On the one hand, rites address the hierarchical order in social relationships (Pun et al., 2000). In society, people are placed on a hierarchical pyramid in which there are well-established norms and regulations constraining one's behaviors and actions toward others. The personalistic management style prevails in Chinese firms where leaders assume dominant status and enjoy the broadest disclosure power (Mackie, 2018). Although the Anglo-American management model has spread into China and has had a great impact, this personalistic style, embedded within traditional Confucian culture, still exists in many places (Tong

and Yong, 2014).

This nominal depiction of rites, however, should not be the focal point for Anglo-American firms. The ultimate goal of rites is to establish interpersonal harmony between people within a steady and united social order, which is the fundamental value and the distinct characteristic of Confucian philosophy (Graham and Lam, 2003). From the standpoint of traditional Confucian culture, interpersonal harmony is the underlying premise and the most important value on which to build trust throughout a long-term cooperative relationship. Only a harmonious environment can enhance business interaction and generate mutual benefits. As a tool to achieve this objective, rites allow everyone to assume their own responsibilities and obligations at their own levels and stations within the social hierarchy. According to Romar (2002), rites are, in effect, a ceremonial framework that is helpful to organizational ethics. Since organizational behavior is goal-oriented, people have to exert their skills and knowledge in specific contexts or scenarios and bring collective strength into play. Owning a common sense of rites and rituals helps them cooperate and subordinate themselves to a common goal. However, this interpersonal harmonious view has been criticized for its low efficiency (Dunfee and Warren, 2001; Graham and Lam, 2003). The rites used to establish a solid relationship, including home visits, invitations to athletics or other activities, and long dinners irrelevant to real business activity, have been deemed time-consuming.

4.1.2 Righteousness (“yi”)

In the Analects, the master believes the gentleman understands what is moral, but the villain only understands what is profitable (Leung et al., 2002). Righteousness means morality and justice, which is opposite to benefit and profit. Placing stress on

righteousness identifies the relationship between morality and profit. Confucian philosophy admits the rationality of seeking for profit. Nevertheless, people should never abandon morality and justice to make decisions. Morality is the basis and also the prerequisite of benefits. Under Confucianism, the public's interests should not be subject to firms' authority for the sole pursuit of profit to the detriment of the people's interests. Therefore, firms should realize their self-interest in an altruistic manner when conducting business. In the meanwhile, firms should establish and maintain a good social image, as well as intangible assets, such as reputation and public praise.

By conducting in-depth interviews with 41 businesspeople from China, Singapore and Kuala Lumpur, Cheung and King (2004) have examined the moral choices between righteousness and profitability of Confucian entrepreneurs. Contrary to the prevailing mode in economics, which either elects to maximize profit at a social cost or to opt for moral choices in pursuit of utilitarian values, Confucian entrepreneurs tend to comply with costly moral principles instead of solely maximizing their utility. Actually, there are a lot of competitive strategies in the marketplace that can be adopted by a company, to avoid conflictual confrontation of righteousness and profitability under Confucian philosophical principles.

4.1.3 Wisdom (“zhi”)

In Anglo-American philosophy, the notion of wisdom evolved from the ancient Greeks. Wisdom was clearly defined as a format of synthetic, or reflective, and analytical reasoning. Nevertheless, Confucian wisdom adopts the format of brief disconnected sayings, expressed as allusions, allegories, illustrations, apothegms and aphorisms without specifically forming a systematic corpus of knowledge (Yao, 2016). Confucian

philosophy treats wisdom as the functional application of existing knowledge related to humanity, rites and justice for the purpose of guiding people (Dahlsgaard et al., 2005). Therefore, Chinese managers tend to offer general directions instead of functional details (Pun et al., 2000). This management style also leads to a different communication mode, as mentioned before, which is more implicit and pursues a modality of ‘circumlocutory expression’ in the advocacy of harmoniousness and integrity. Nevertheless, an implicit style like this may not be the best way to address analytical and practical problems. For Anglo-American firms, familiarity with the Chinese method can help reduce misunderstandings and improve communication efficiency when working with Chinese partners on such problems.

When it comes to the wisdom of Confucian philosophy, the doctrine of the golden mean (“zhongyong”), alluded to briefly in a preceding section, is another valuable and significant philosophy. Zhongyong is a way of thinking that effectively deals with different dilemmas. Adopting a holistic aspect, zhongyong searches for an optimal option that can maintain a harmonious state amid extremes within an interaction (Cheung et al., 2003; Xu, 2006). Applied to business, it does not necessarily mean taking a neutral position, but indicates that there is a need to find an appropriate pathway between conflicting parties, while taking the nature of the two positions into account and developing holistic thinking (Niu, 2012). Taking business negotiation as an example, Graham and Lam (2003) indicate that Chinese negotiators under Confucianism tend to think holistically instead of thinking sequentially and individualistically. When making a decision, they require long descriptions of background and context along with lots of questions, thus negotiators may take everything into account and make the most

appropriate decisions. Maximization of the collective interest and win-win cooperation, instead of thinking unilaterally on one side, or the other, of an issue, are the ultimate goals of zhongyong. According to Yao et al. (2010), however, being strongly immersed in zhongyong may hinder transformation from creative ideas to real innovative action and behavior. Since zhongyong endeavors to create a harmonious and balanced social status, it may impede innovative behavior to seek a more stable environment.

In summary, Confucian philosophy practiced in the business field is a safeguard that ensures overall health and prosperity of commercial activities. Although there is a view that Confucianism contains some dross, it can still yield sustainable influence over business practices in general, as long as managers take a reasonable approach to properly adapt it. For Anglo-American people dealing with Chinese businessmen, adopting key Confucian values, as elucidated in this paper, should be assigned priority when developing long-term business relationships in China.

4.1.4 Trustworthiness (“xin”)

In traditional Confucian philosophy, trustworthiness (“xin”) is the primary principle for social association and self-conduct. On the one hand, “xin”, which fits into the fundamental and general category of morality, incorporates the core idea of truth and honesty, especially for some tangible beliefs, principles and goals. On the other hand, trustworthiness embodies the more abstract affirmation of human nature and human morality. Since trustworthiness is the foundation for any relationship, whether in either an interpersonal or an inter-organizational relationship, it has been emphasized in the Analects. Confucians often remind us, “Who knows what a person without trustworthiness may do in the future?” (Eno, 2015). Placing considerable stress on

trustworthiness between people also brings up a specific system of trust.

The Chinese believe that personal trust comes from interpersonal relationships, while Anglo-American people primarily believe in systemic trust which is derived from institutional or organizational regulations and laws (Hofstede and Bond, 1988). In business practices, trustworthiness has two typical representative manifestations, namely personal *guanxi* (personalized social relations) and the intermediary. Within the context of interpersonal relationships, *guanxi* refers to the social capital obtained from building or employing personal relationships that tend to last throughout one's career or lifetime. (Guthrie, 1998; Chen et al., 2004). For inter-organizational relationships, *guanxi* is regarded as a strategy to gain competitive advantage and also as a mechanism for transactions and contracts (Li and Zhang, 2007; Li et al, 2008; Lovett et al., 1999).

Even with increasing globalization and marketization of Chinese business, and increasing labor mobility, *guanxi* continues to play a key role in business (Graham and Lam, 2003; Bian, 1997; Bian and Ang, 1997). Good *guanxi* largely depends on reciprocity in a long-term interaction with others, during which trustworthiness and reliability serve as strong bonds that link all parties in a harmonious relationship (Song et al., 2012). *Guanxi* is also perceived as an integral factor in the overall Chinese system of trust. In Confucian philosophy, the argument about whether human nature, at birth, is kind or evil has never been fully resolved. Consequently, Chinese people tend to behave suspiciously, at least initially, with strangers. Unlike Chinese people in a business context, Anglo-American people are more likely to show trust at the outset, unless there is a reason indicating that trust should not be granted (Graham and Lam, 2003). Therefore, when dealing with Chinese in business practice, establishing relationship-building trust is

the first step. When doing so, an indirect mode of communication is often preferred to reduce perceived risk. Since trustworthiness is usually passed on via an intermediary when dealing with strangers, trustworthy business associates may pass along the information to their trusted people. More concretely, it is important to establish personal links that connect to the targeted person or organization, and then the trust associated with the intermediary will be transmitted onward (Ma, 1992; Ye and Ng, 2017).

The culture of trustworthiness in Confucianism enhances the relationship between subjects. Simultaneously, in actual practice, it also molds or develops a particular relationship pattern. Knowledge of this pattern can help Anglo-American businessmen to better blend into the Confucian background and promote intercultural cooperation more convincingly and efficiently.

4.2 A relevant case: The Tong Ren Kang Company

Firm development is integrally connected to the cultural framework of society. Due to the great impact of Confucian philosophy, many East Asian firms apply Confucian thought to business practices and shape a peculiar blend or spirit of Confucian business culture. Thus, exploring the impact and enlightenment of Confucianism on firms is of profound importance for Anglo-American managers in China, particularly if they seek to introduce or establish proper firm culture that is in line with national norms and conditions in Confucian societies. To better understand the influence of Confucian philosophy on business activities, we have selected a Chinese firm, Tong Ren Kang, as a case to examine their specific practices of Confucianism.

Tong Ren Kang is a leading pharmaceutical retail company founded in 1992, in Shanxi Province, China. As a well-known pharmaceutical chain in China, Tong Ren Kang

developed over one hundred franchises throughout Shanxi province. This company has tapped into Confucianism by incorporating its principles into two major business strategies, namely customer interfacing and internal operations. These two kinds of strategies, which pertain to the firm's relationships with customers and employees respectively, exert considerable influence on firm development.

With the assistance of the company, we spent two weeks at the firm, acting in different capacities (e.g., customers, clerks and managers). During this period, we observed and experienced the internal management style, customer purchase process, and even various social influences within the firm's facilities. We also conducted several rounds of in-depth interviews with three groups of customers (16 customers in total), three groups of pharmacy clerks (7 clerks in total), and two groups of managers (6 managers in total). Based on our interviews and observations, we extracted and summarized several interrelated strategies concerning customers and firm management which specifically reflected Confucian philosophy.

As a pharmacy chain, Tong Ren Kang insists on the integrity of management and customer-oriented style. In terms of customer strategies, Tong Ren Kang pharmacies require their clerks to treat customers as friends and family. At the personal level, clerks are encouraged to build personal relationships with the customer and provide meticulous help and care to them. The whole service process and etiquette are standardized, but every clerk needs to provide personalized service to each customer. By doing so, both clerks and customers accumulate "guanxi" as their social capital that can produce additional benefits in future contacts. Because of such connections, most customers tend to establish personal trust toward the pharmacy's clerk. Such trust is a valuable asset for

the firm, such that it can result in more customer visits and even motivate customers to introduce their acquaintances to patronize the shop. Nevertheless, the customers' trust is mostly attached to the clerks themselves rather than to the Tong Ren Kang brand. If the clerk leaves the firm, the pharmacy will encounter the problem of losing its customer-base, as well.

At the firm level, Tong Ren Kang makes tremendous efforts to solve customers' problems by striving to offer them courtesy and convenience. Their policies, such as 24-hour free delivery, free medical treatment in-store and customer experience management system, realize the goal of genuinely respecting and assisting customers. With the guidance of Confucianism, Tong Ren Kang insists on making money in a 'right' way. Profit is not the only pursuit of Tong Ren Kang. They have reduced the price to a lower level, but have also offered a substantial quality guarantee. If a customer discovers that its price is higher than other pharmacies, Tong Ren Kang pharmacy will refund them three times the price difference. Furthermore, Tong Ren Kang is one of the few pharmacies that offer the three guarantees policy (refund, replacement and compensation), which effectively safeguards customers' rights and interests. Additionally, the pharmacy often organizes and participates in many charitable activities, such as free lectures, and free medicine for specific types of customers.

In addition to their customer strategies, the company's internal operation strategy reflects the spirit of Confucianism. Tong Ren Kang employs a human-oriented management style. Their core values are respecting, trusting and understanding employees as well as their rights and interests. Except for standard etiquette guidelines for clerks at the pharmacy, Tong Ren Kang does not place many constraints or

regulations on clerks. In a store, the store manager has the autonomy to manage the clerks, develop the store's operational strategy, and determine the interior decor of the store. Performance assessment is mostly determined by a team in each store. The firm highly values harmony and solidarity among employees. Even through a hierarchical order of positions exists within the firm, the promotion track is clear; and, indeed, every employee has an opportunity to strive for their ideal future. However, since personal trust is highly valued in the firm, a large number of employees are recruited, based on acquaintance recommendation. Similarly, employee promotion decisions are mostly based on the recommendation of their supervisors. Furthermore, as mentioned, Confucianism favors a format of synthetic, or reflective, and analytical reasoning. Relying on traditional, Confucian-style management, the company only has vague, implicit rules, and regulations. Although Tong Ren Kang owns over one hundred pharmacies, it does not have written training manuals, unified rules, or standardized store operational procedures. Managers heavily rely on prior practices and experiences shared among them, rather than on formal rules and operational procedures. With the rapid development of the franchises, problems began to emerge. The non-uniform store image, relatively disorganized management, and limited dissemination of past experiences began to negatively influence the company's performance. In spite of these setbacks, however, Tong Ren Kang has begun to successfully expand operations to other cities in China.

In summary, Tong Ren Kang is a typical retailing franchise adopting traditional, Confucian-style management. Among the strategies that this firm has implemented, we can apparently find some key elements of Confucian philosophy. Table 3 briefly summarizes several specific customer operations strategies reflecting the Confucian

philosophy.

Insert Table 3 here

5. Conclusion

Confucian philosophy, rooted solidly in Chinese culture, has been attracting steadily increasing attention from both business practitioners and academia due to its tremendous influence on business practice (Weiming, 2017; Poznanski, 2015; Monkhouse et al., 2013). In this paper, we have reviewed the historical development of Confucianism in China and its path toward primacy over competing philosophies. Confucian philosophy reflects two distinct orientations, i.e., natural naturalization and human immanentization, which furnish a source of guidance for the Chinese people. Confucianism dominates mainstream Chinese thinking and serves as an intellectual springhead of social conduct.

We highlight the five constant virtues in Confucian philosophy, namely benevolence (“ren”), righteousness (“yi”), rites (“li”), wisdom (“zhi”) and trustworthiness (“xin”) as the fundamental principles of behavior and conduct in China (Rarick, 2007; Li, 2001; Xing, 1995). These principles are endowed with such cultural concepts as *guanxi* and *zhongyong*. Manifestation of Confucian philosophy occurs mainly through rites, wisdom and trustworthiness. Placing priority on these perspectives of Confucian values and merging them with Anglo-American philosophy can help to build a healthy and long-term relationship for both Chinese and Anglo-American businesspeople. Furthermore, a deep understanding of the differences between Confucian and Anglo-American culture forms the foundation for mutually acceptable behavioral codes encompassing a number

of values and norms, cognitive patterns, social orientation patterns, communication modes, and expression-orientation models. Thus, increasing awareness of intercultural philosophical differences seems indispensable, indeed critical, for ensuring effective East-West communication, ultimately enhancing overall firm performance.

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Table 1. Comparison of Confucian philosophy and Anglo-American philosophy

Domain	Confucian	Anglo-American	Sources
Values and beliefs	Collectivism	Individualism	Hofstede, 1991
Power distance	High	Low	Hofstede, 1991; Zhang et al., 2005
Cognitive pattern	Holistic	Analytic	Varnum et al., 2010; Nisbett et al., 2001
Social orientation pattern	Interdependent	Independent	Varnum et al., 2010
Trust	Personal trust	Systematic trust	Hofstede and Bond, 1988
Communication	Implicit	Explicit	Fang and Faure, 2011; Kincaid, 2013
Expression orientation	Relationship	Function	Martinsons and Hempel, 1998; Pun et al., 2000
Social environment	Aesthetics	Masculinity	Hofstede, 1991; Lee, 2015

Table 2. Business practices under Confucian philosophy

Five constant virtues	Elaboration	Business practices
Benevolence (“ren”)	Loving, helping each other and living in harmony	Human orientation, Team efforts
Righteousness (“yi”)	Morality and justice	Public interests, Social image
Rites (“li”)	Subduing oneself and follow the social order	Hierarchical order, Interpersonal harmony
Wisdom (“zhi”)	A format of synthetic, or reflective, and analytical reasoning	Implicit communication, The golden mean (“zhongyong”)
Trustworthiness (“xin”)	Truth and honesty, especially for some certain tangible beliefs, principles and goals	Personal trust, Guanxi, Intermediary

Table 3. Case: Tong Ren Kang Company

Five constant virtues	Internal operation strategies	Customer strategies
Benevolence (“ren”)	<ol style="list-style-type: none"> 1. Team performance assessment 2. Human orientation management style 	<ol style="list-style-type: none"> 1. Treat customers like family and friend 2. 24-hour free delivery 3. Free medicine decocting 4. Free clinic doctor in pharmacy 5. Customer experience management
Righteousness (“yi”)	<ol style="list-style-type: none"> 1. Respect employees’ rights and interests 	<ol style="list-style-type: none"> 1. Charitable activities 2. Three guarantees policy (refund, replacement and compensation) 3. Product has quality assurance, and the price is the lowest
Rites (“li”)	<ol style="list-style-type: none"> 1. Hierarchical order of position 2. Clear promotion track 	<ol style="list-style-type: none"> 1. Standardized etiquette 2. Personalized service
Wisdom (“zhi”)	<ol style="list-style-type: none"> 1. Implicit rules and regulations 2. Regular staff training 	<ol style="list-style-type: none"> 1. Knowledge lectures
Trustworthiness (“xin”)	<ol style="list-style-type: none"> 1. Acquaintance recommendation 2. Internal promotion 	<ol style="list-style-type: none"> 1. Acquaintance recommendation 2. “Guanxi” management