Values and Management Education in China

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[Abstract] China, in its very effective race toward growth and development, experiences a number of difficult issues, challenges and dilemmas in sensitive areas such as the environment, intellectual property, safety and labor treatment, corruption and human rights, as discussed in a previous paper (de Bettignies and Tan, 2006). We explore here how the teaching of “ethics” – particularly in business schools – can contribute (over time) to alleviate some of those important problems faced, today, by China. This invites a discussion of the relevance of traditional Chinese philosophy to facilitate a reflection on alternative ways to handle dilemmas, and it also raises the question beyond the “what” to teach and the “how” to do so. Our paper is a first step toward the development of an education process to nurture “responsible leaders” who will have the moral fiber to operate effectively on a global basis as their operations are increasingly embedded in the globalization process.

[Keywords] Management education; ethics; responsible leader; China; Sunzi; Confucius Kongzi; Confucianism; Guanxi; Mencius

1. Can Traditional Chinese Values be Leveraged to Induce Change?

In its bid to address concerns about the country’s lack of responsibility, the Chinese government has lately re-emphasized the importance of moral education. It tries to refocus on the relevance of traditional Chinese values, particularly Confucianism, and link the values to responsible leadership today. Amid the dysfunctions associated to China’s re-emergence as a leading power, the crux of the issue is whether leadership and responsibility are progressively internalized in today’s Chinese society. Is leadership emphasized in education? Is the young generation (aware of today’s many opportunities) – keen to succeed, to maximize one’s own utility, to engage into having material pursuit, to make money – concerned with responsibility, with an ethical or spiritual dimension? Is there a growing concern among the Chinese people to return to traditional values currently emphasized by the Beijing leadership? But ironically, rigid adherence to traditional Chinese values could cause a dearth of people with the attributes necessary to lead. As Pye (2000, p.250) puts it:

The paradoxical combination of achievement and dependency was central to the traditional Chinese socialization practices, which sought to teach the child early that disciplined conformity to the wishes of others was the best way to security and that being ‘different’ was dangerous. The result was a positive acceptance of dependency. The combination of achievement and dependency dictated an implicit goal of the traditional Chinese socialization process, which was to strive to resolve achievement needs by diligently carrying out the assigned role within the family, and hence by being properly dependent.
Hence, traditional Chinese socialization practices may not induce leadership attitudes and skills, thus contributing to the shortage of leaders. What then is the relevance of the Chinese tradition to leadership today?

Across China’s history, various Chinese thinkers who have exerted substantial influence on the Chinese tradition have given their views on leadership. For instance, *The Art of War* (*Sun Zi Bing Fa 孙子兵法*), which originated from Sun Tzu (*Sunzi 孙子*) more than 2,500 years ago, explains leadership as originating from a noble character. A commander (leader) should possess five traits: wisdom, humanity, integrity, courage and discipline. With *wisdom*, a commander humbles his enemy and is able to take advantage of changing circumstances. With *humanity*, he draws the people close to him and they will then be of a mind to go to battle in earnest. With *integrity*, a commander honors his rewards and punishments, and his men (followers) will, as a result, give their best. With *courage*, he raises the morale of his men, who will in turn be increasingly martial and intimidating. And with *discipline*, he unifies his command and his men will then serve him only (Sun-Tzu, 1993, p.103 and p.226-227).

But among the various Chinese philosophies and religions that have shaped beliefs of ethical behavior and responsible leadership, Confucianism has probably exerted the greatest influence. The thoughts of the great Chinese scholar Confucius (*Kongzi 孔子*, 551-479 B.C.) have been influential not only in China, but also in other Asian societies like Hong Kong, Singapore, South Korea, Taiwan and Japan.

Confucius emphasized *virtue* as the goal, benevolence, human-heartedness, and the *role model* of the leader being one who walked the talk. He used the term “gentleman” (*chün tzu 君子*) to refer to a virtuous person with a strong moral character. The gentleman is the Confucian ideal moral character (1), while the “small man” (*hsiao jen 小人*) is the opposite moral term. Since the gentleman is the ideal moral character, a man can become a gentleman only after much hard work or cultivation. Benevolence (*jen 仁*) is the most important moral quality or virtue a gentleman must possess (Confucius, 1992, p.xiv-xy). He would not sacrifice benevolence for other things such as wealth and honor. According to *The Analects* (*Lunyu 论语*), which is attributed to Confucius, “[…] The gentleman never deserts benevolence, not even for as long as it takes to eat a meal. [...]” (4:5) (2) (Confucius,1992, p.29). *Chung* (忠) and *shu* (恕) are the two components of benevolence. *Chung* is the doing of one’s best, whereas *shu* is the method of discovering what other people wish or do not wish done to them. It is through *chung* that one puts into effect what one has found out by the method of *shu* (Confucius, 1992, p.xv-xvi). A benevolent man does not impose on others what he himself does not desire (12:2, 15:24) (Confucius, 1992, p.109 and p.155). Confucius believed that “one who is not benevolent cannot remain long in straitened circumstances (3), nor can he remain long in easy circumstances” (4:2) (Confucius, 1992, p.29). He advocated that a man should die instead of allowing his benevolence to be harmed:

For Gentlemen (4) of purpose and men of benevolence, while it is inconceivable that they should seek to stay alive at the expense of benevolence, it may happen that they have to accept death in order to have benevolence accomplished (15:9) (Confucius, 1992, p.151).
Besides benevolence, there are several other virtues that a gentleman is expected to possess. Two important virtues are wisdom (chih 知) and courage (yung 勇) (Confucius, 1992, p.xxii). According to Confucius, benevolence, wisdom and courage are the “three things constantly on the lips of the gentleman” (14:28) (Confucius, 1992, p.141). That saying clearly underlines the importance of the three virtues in Confucian ethics. To the gentleman, virtues are far more important than material possessions. In Confucius’ words, “The gentleman seeks neither a full belly nor a comfortable home. He is quick in action but cautious in speech. He goes to men possessed of the Way (s) to have himself put right. Such a man can be described as eager to learn” (1:14) (Confucius, 1992, p.7).

The goal of the gentleman should be virtue (te 德), not profit (li 利). In the words of Confucius: “If one is guided by profit in one’s actions, one will incur much ill will” (4:12) (Confucius, 1992, p.31); “The gentleman is versed in what is moral. The small man is versed in what is profitable” (4:16) (Confucius, 1992, p.33); and “It is shameful to make salary your sole object, irrespective of whether the Way prevails in the state or not” (14:1) (Confucius, 1992, p.133).

Furthermore, affluence and status should not be obtained unethically, i.e. at the expense of virtue. In Confucius’ opinion, “Wealth and high station are what men desire, but unless I got them in the right way, I would not abide in them” (4:5) (Confucius, 1992, p.29).

Mencius (Mengzi 孟子, 371-289 B.C.), regarded as the greatest thinker of Confucianism after Confucius, advocated righteousness (yi 义) over profit (li 利). In his words, “What is the point of mentioning the word ‘profit’? All that matters is that there should be benevolence and rightness. [...] if profit is put before rightness, there is no satisfaction short of total usurpation” (1A:1 (6) (Mencius, 2004, p.3). Moreover, both philosophers believed that a person nurtured with the right values would not be easily misled by negative, external influences. In Confucius’ words, “If a man were to set his heart on benevolence, he would be free from evil” (4:4) (Confucius, 1992, p.29). And according to Mencius, “[...] he who is equipped with every virtue cannot be led astray by a wicked world” (7B:10) (Mencius, 2004, p.159).

Although his teachings have been conceived long ago, Confucius is alive, particularly because his morale is immanent and not concerned with transcendental issues. Moreover, it is very profound and rich, yet easy to understand. For instance, Confucius believes that: a man is perfectible through continuous effort and continuous education; moral education will develop his inner virtue and will be conducive; and social harmony can be attained through the cultivation of the individual and of a virtuous government (Deverge, 1983). The Confucian morale has evolved and “adapted” over the centuries. In essence, the key messages of the Confucian morale are self-cultivation (or self-discipline), social harmony, strong family, reverence for education, virtue being more important than professional competence, and the importance of moral leadership in politics (Deverge, 1983; Tu, 1991). Within the family and the group, Confucianism emphasizes the cultivation of the individual, i.e. self-cultivation,
which is to govern oneself in order to govern the house properly. Self-cultivation encompasses the learning of gentleness and self-control (which includes avoiding raw emotion and impulsive reaction). A man is judged by the way he fits into the standard pattern of the group. Moreover, politeness is not courtesy, but adherence to a formal model: a gentleman is a man of “virtue” (Deverge, 1983).

Confucian ethics specifies proper behavior between superiors and subordinates, between family members, and among friends. Social harmony is achieved through Confucius’ “five relations” (wu lun 五伦): (i) Ruler – Subject (?); (ii) Father – Son; (iii) Elder brother – Younger brother; (iv) Husband – Wife; and (v) among Friends (Deverge, 1983). The first four relations are vertical (i.e. superior-subordinate in nature), while the fifth one among friends is the only horizontal relationship that is built on mutuality. Social order is preserved through each person’s adherence to his/her responsibilities and expected behavior in his/her ascribed role.

Moreover, Confucianism stresses the importance of strong family in society. The family is the basic unit and formal model for society (Deverge, 1983). Relationships within the family are formally defined. The head of the family (or the “prince”) returns benevolence to the other family members in exchange for their respect and obedience. In addition, reverence for education is a fundamental belief in Confucian ethics. It advocates respect for teachers and scholars, who are traditionally the prominent class in status (but not financially). Great importance is placed on examinations, academic achievements and diplomas. Textbooks teach filial piety, duty, diligence, successful study and acceptance of authority. Furthermore, the school is the privileged place for one to make lifelong friends (Deverge, 1983), i.e. to initiate one’s own guanxi or personal connections.

Therefore, would Confucian values be relevant to educate leaders and managers?

Firstly, Confucius stressed above all the concept of jen. Jen also means one’s love for his fellow men (12:22) (Confucius, 1992, p.117). According to Confucius, he would like “to bring peace to the old, to have trust in (his) friends, and to cherish the young” (5:26) (Confucius, 1992, p.45). Moreover, “A young man should be a good son at home and an obedient young man abroad, sparing of speech but trustworthy in what he says, and should love the multitude at large but cultivate the friendship of his fellow men” (1:6) (Confucius, 1992, p.3). Confucius advocated altruism (shu 恕) over self-interest. According to him, “a benevolent man helps others to take their stand in that he himself wishes to take his stand, and gets others there in that he himself wishes to get there” (6:30) (Confucius, 1992, p.55). That is, he helps others to achieve what he wishes to achieve for himself.

Besides loving his fellow men, a gentleman should also know his fellow men and “Raise the straight and set them over the crooked. This can make the crooked straight” (12:22) (Confucius, 1992, p.117). According to Confucius, a leader is expected to take care of and urge moral behavior on his followers. In Confucius’ words, “The gentleman helps others to effect what is good; he does not help them to effect what is bad. The small man does the
“opposite” (12:16) (Confucius, 1992, p.115), and “[...] By nature the gentleman is like wind and the small man like grass. Let the wind sweep over the grass and it is sure to bend” (12:19) (Confucius, 1992, p.115). Besides being benvolent to his fellow men, Confucianism advocates that a gentleman should also care for and be generous (hui 惠) to the common people (5:16) (Confucius, 1992, p.41).

At the same time, Confucius believed that everyone should recognize his appropriate status. According to him, government is about “let(ting) the ruler be a ruler, the subject a subject, the father a father, the son a son” (12:11) (Confucius, 1992, p.113). One should be conscious of one’s own position in life in relation to others (such as one’s seniors). In fact, “In serving one’s lord, one should approach one’s duties with reverence (ching 敬) and relegate reward to second place” (15:38) (Confucius, 1992, p.159).

Moreover, a leader should focus on hard work and perseverance. In Confucius’ words, “In the daily round do not show weariness, and when there is action to be taken, do your best” (12:14) (Confucius, 1992, p.115). Furthermore, Confucianism strongly believes that leaders should act in accordance to what they preach, i.e. walk the talk. Otherwise, followers will not trust them. According to Confucius, a gentleman “puts into effect his words (yen 言) before allowing them to follow the deed (hsing 行)” (2:13) (Confucius, 1992, p.15) and “is ashamed when the words he utters outstrip his deeds” (14:27) (Confucius, 1992, p.141). Moreover, “seeing what ought to be done, to leave it undone shows a lack of courage” (2:24) (Confucius, 1992, p.17), which further shows that a leader is expected to lead by example, even if he may suffer from negative consequences in carrying out an act that is morally right.

In addition, Confucian ethics is skeptical about the use of corporate codes of conduct as a device for promoting a humane order, believing that no code can ever substitute for a leader’s actions (Koehn, 2001, p.44). Confucius believed that governments or leaders should lead by virtue, rather than by law and punishment. According to him, “Guide them by edicts, keep them in line with punishments, and the common people will stay out of trouble but will have no sense of shame. Guide them by virtue, keep them in line with the rites, and they will, besides having a sense of shame, reform themselves” (2:3) (Confucius, 1992, p.11).

Furthermore, Confucianism’s emphasis on the importance of education is very relevant to leadership today, as a leader needs to be knowledgeable in order to “investigate things” and make good decisions. But in Confucian ethics, there is little desire to upset the balance or status quo of one’s own environment.

Some critics have questioned the relevance of Confucian values in educating leaders and managers. They feel that Confucianism is a conservative philosophy that acts as an impediment to change. Moreover, it suggests a rigid, hierarchical and vertical society. In emphasizing learning over thinking, it limits innovativeness and creativity. Furthermore in business, it encourages centralization and authoritarianism. However, when in the West, we hear of the necessity to develop “servant leadership” (Autry, 2004) or “level 5 leaders” (Collins, 2001). It is possible to see how some core values of Confucianism could be
leveraged in leadership education. These include: self-cultivation; the idea of the self as a center of relationships; an overriding concern for family stability; the importance of moral leadership in politics; communal harmony in society; systematic savings in the economy; and the belief in the unity of humanity and Heaven. According to Tu (1991), these Confucian perspectives are conducive to a less individualistic, less self-interested, and less adversarial mode of interaction. Confucianism is not only a “less legalistic approach to modernity but also an authentic possibility of a thoroughly modern and yet significantly different cultural form. Indeed, it is neither individualist capitalism nor collectivist socialism, but a humanism that has accepted market economy without undermining the leadership of central government and rejected class struggle without abandoning the principle of equality.” Furthermore, the success of East Asian economies “indicates that a non-Protestant, non-individualistic, and non-Western form of modernity is not only conceivable but also practicable. [...] The Confucian ethic has helped East Asia to develop its unique cultural form of modernization because it has successfully adapted itself to the modern age.” The positive experiences of East Asian countries add credibility to the relevance of Confucian ethics in educating Chinese leaders and managers.

2. Corruption, Guanxi, Corporate and Public Sector Governance, and Responsible Leadership in China

Filial piety is a fundamental moral principle of conduct advocated in Confucianism. According to Confucius, being filial (hsiao 孝) means one should “never fail to comply” one’s parents (2:5), “give your father and mother no cause for anxiety other than illness” (2:6), and shows reverence for one’s parents (2:7) (Confucius, 1992, p.11 and p.13). However, the compliance advocated may be somewhat extreme, which can be seen from the following Confucius’ teaching:

“In serving your father and mother you ought to dissuade them from doing wrong in the gentlest way. If you see your advice being ignored, you should not become disobedient but should remain reverent. You should not complain even if you are distressed” (4:18) (Confucius, 1992, p.33).

The strong Chinese belief in one’s responsibility to the family can also be seen from Confucius’ view that a person who knows that his father has stolen a sheep should not give evidence against his father. In Confucius’ words, “Fathers cover up for their sons, and sons cover up for their fathers. In such behavior is straightness to be found as a matter of course” (13:18) (Confucius, p.127). The Confucian teaching of faithful compliance to one’s parents and the Chinese tradition of favoring the family and clan can lead to unethical conduct like cover-ups, nepotism and corruption. But as we can see from our discussion on traditional Chinese values in the previous section, Confucianism also emphasizes one’s responsibilities to the public (common people), and that can provide some form of balance with filial piety.

“Personal relations” is a core element of the Confucian society, and are vital in getting things done or achieving business success in China. In the Chinese culture, the bonds of family extend toward the clan and then on to more general ties of guanxi (关系), or personal
connections based on shared identities. More significantly in *guanxi*, parties are expected to share mutual obligations even though they may not personally know each other well. It is enough that they were classmates or schoolmates, came from the same town or even province, belonged to the same military outfit, or otherwise had a common element in their backgrounds. The bases of *guanxi* ties are therefore “objective” considerations that others can recognize as existing, not primarily the “subjective sentiments” of the parties involved (Pye, 2000, p.251).

*Guanxi* is one’s social nexus that encompasses family, friends, school alumni, and acquaintances in positions of influence. It constitutes a person’s social space: it has a “quality” and a “size” dimension. It contributes to one’s own face. The bonds it creates must be maintained through courtesy visits, banquets and gift-giving, and politeness rituals have to be adhered strictly (Deverge, 1983). Interpersonal trust, which is crucial in achieving business success in China – as elsewhere in the world – is built very much through guanxi. *Guanxi* offers various benefits to individuals and organizations. It provides the linkages that enable one to enlarge his social networks and business contacts, gather information about business opportunities, and thereby reduce search and transaction costs. However, there are also negative aspects of *guanxi*. For instance, gift-giving frequently can be associated to illegal payments and corruption. Although *guanxi* may bring benefits to individuals and the organizations they represent, these benefits are often obtained at the expenses of other individuals or firms and, therefore, can be detrimental to the society (Fan, 2002). In China, the influence of *guanxi* is much stronger than the rule of law, and business dealings are often conducted based on *guanxi* (Dunfee and Warren, 2001). In fact, the tradition of *guanxi* may induce contempt for the law, and may lead to unethical behavior. The important role of relationships in business and government dealings in China partly explains the country’s widespread corruption.

Case studies of environmental pollution in the industrial city of Foshan, Guangdong province, show that *guanxi* between environmental regulators and industrial enterprises strongly influences how environmental policies are implemented and results in regulations to be less stringently enforced at the local level. Industrial polluters could settle environmental disputes through different types of mediation based on their *guanxi* with officials in local regulatory agencies, instead of going through the legal process. Given the importance of decentralized implementation responsibilities in China, such informal relationships – which reflect a cultural predisposition to harmony and consensus-building among these key actors – at the local level can therefore constrain the achievement of national environmental policy objectives (Hills and Man, 1998). Moreover, in a survey of senior managers in six cities – Beijing, Shanghai, Guangzhou, Wuhan, Xiamen and Dalian – in China, 96.3% of the 240 respondents felt that *guanxi* would lead to undesirable trends in society (Fu and Zhu, 1999). Such adverse trends refer to ethically questionable practices such as favoritism, nepotism and bribery, as well as misconduct like fraud and corruption.

*Guanxi* is also one of the factors that have caused safety at the workplace to be compromised. Many industrial accidents had resulted from poor safety conditions at work locations such as coal mines, construction sites and factories. Rich Chinese entrepreneurs often own the mines, buildings and factories. They can well-afford to spend more on safety measures, but do not do
so. Instead, they make use of their *guanxi* with local government officials to bribe them. In exchange, the corrupt officials grant operating licenses to the businessmen despite that safety standards have not been met, protect the businessmen from being subject to supervision and enforcement of safety rules, approve unsafe buildings constructed to be put on sale or lease to the public, cover up accidents, and/or under-report the number of casualties in tragedies. Such collusion between businesses and government officials is common. While the Chinese government’s recent investigations into coal mine accidents that had killed thousands of workers revealed the presence of chaotic management and ineffective regulations, it had described corruption committed by its officials as “astonishingly serious” (Li, 2005).

Corruption led to lax safety supervision and enforcement of safety rules. There were even instances where local officials themselves owned or had stakes in unsafe mines.

Corruption in China’s red-hot construction industry also occurs in other forms, such as government officials accepting bribes from businessmen in exchange for helping the latter win contracts of public works, or granting them approval in land acquisition deals or construction projects. The problem, which is already a major concern, has raised even more worries in recent years due to the large amounts of money going into the construction of infrastructure for the 2008 Beijing Olympics Games. For instance in June 2006, a vice mayor of Beijing, who was also the head of the city’s government commission responsible for Olympics-related construction, was sacked for alleged corruption (Dickie, 2006). The case illustrates the severity of *guanxi*-induced graft that may involve high-level government leaders in the country.

Corporate and public sector governance, which is generally less stringent in China than in developed economies, contributes to acts of irresponsible leadership like corruption and creative accounting. The national governance system lacks checks and balances, transparency, accountability and participation, causing the system to be exploited for personal gains and cover-ups. Business-to-government *guanxi* can harm a weak Chinese corporate governance system and hamper its further economic development and growth (Braendle et al., 2005). The World Bank’s governance indicators measure six dimensions of public sector governance across nations: (i) voice and accountability; (ii) political stability and absence of violence; (iii) government effectiveness; (iv) regulatory quality; (v) rule of law; and (vi) control of corruption. Data covering 213 countries and territories like Hong Kong and Puerto Rico show considerable deterioration in the quality of public sector governance in China between 1998 and 2005 in all dimensions except voice and accountability, and that is especially so in the control of corruption (see Table 1).

**Table 1: Deterioration in the quality of Public Sector Governance in China**

<table>
<thead>
<tr>
<th>Governance Indicator</th>
<th>Year</th>
<th>Governance Estimate# (-2.5 to +2.5)</th>
<th>Percentile Rank@ (0 to 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Voice and Accountability</td>
<td>1998</td>
<td>-1.72</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>-1.66</td>
<td>6.3</td>
</tr>
<tr>
<td>(ii) Political Stability and</td>
<td>1998</td>
<td>-0.11</td>
<td>40.6</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td></td>
<td></td>
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<tr>
<td>--------------------------------</td>
<td>------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>Absence of Violence</td>
<td>-0.18</td>
<td>39.2</td>
<td></td>
</tr>
<tr>
<td>(iii) Government Effectiveness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>+0.06</td>
<td>61.7</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>-0.11</td>
<td>52.2</td>
<td></td>
</tr>
<tr>
<td>(iv) Regulatory Quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>-0.11</td>
<td>41.4</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>-0.28</td>
<td>44.6</td>
<td></td>
</tr>
<tr>
<td>(v) Rule of Law</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>-0.35</td>
<td>46.6</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>-0.47</td>
<td>40.6</td>
<td></td>
</tr>
<tr>
<td>(vi) Control of Corruption</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>-0.20</td>
<td>56.4</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>-0.69</td>
<td>30.5</td>
<td></td>
</tr>
</tbody>
</table>


Notes:
# Virtually all scores lie between -2.5 and 2.5, with higher scores corresponding to better outcomes.
@ Percentage of countries and territories that rank below China.
(i) Voice and accountability measures political, civil and human rights.
(ii) Political stability and absence of violence measures the likelihood of violent threats to, or changes in, government, including terrorism.
(iii) Government effectiveness measures the competence of the bureaucracy and the quality of public service delivery.
(iv) Regulatory quality measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
(v) Rule of law measures the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.
(vi) Control of corruption measures the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests.

Corruption in China illustrates the linkage between culture, values, corporate behavior, competitive market and high growth. Among its consequences, it causes economic losses to the firms concerned and to the state, damages the reputation of firms, harms the credibility of business and political leaders, and destroys citizens’ trust in the government.

The Chinese government is well-aware of the need to strengthen its corporate and public sector governance, and has implemented various measures to do so in recent years, hoping that tighter governance will reduce instances of unethical conduct. For instance, while the government was reforming the Big Four state-owned banks to list them on the market, banks had been instructed by the China Banking Regulatory Commission to improve their corporate governance. Areas specified include tightening the supervision of branches, strengthening internal controls, improving risk management and installing better computer systems to automatically detect wrongdoings (Shu, 2005).
But as we have mentioned earlier, Confucianism states that no corporate code of conduct can ever substitute for a leader’s actions (Koehn, 2001, p.44). Hence, even if stringent corporate and public sector governance exists, corruption and other unethical behavior will still occur if leaders do not possess the right virtues. Business ethics education could perhaps serve the role of raising the ethical awareness of leaders, managers, workers and students, leading to more responsible behavior—a subject that we will explore in the rest of this paper.

3. Business Ethics Education and Responsible Leadership in China
Can business schools enhance the sense of responsibility and teach corporate social responsibility in today’s China? Can they teach ethics? If so, which ethics should they teach? Is there receptivity for that? How should business schools position and enhance the “spirituality” dimension, especially in a country where transcendence is not part of the cultural heritage? These are relevant questions that need to be answered in order to effectively address the dysfunctions associated to China’s spectacular economic growth.

3.1. The Perception of “Ethics” in China
What is China’s young generation’s reaction to the leadership and responsibility issue? The results of several recent studies on ethical perceptions of individuals in China suggest that there is much room for improvement in the area of business ethics in the country.

Wu X. (1999) reported the results of an empirical study conducted by the Philosophy Department and the Center for Applied Ethics at Fudan University, Shanghai, in six cities of East China—Shanghai, Qingdao, Jinan, Changzhou, Hangzhou and Tianjin—in 1995. 800 business people in 59 enterprises were surveyed to find out their ethical perceptions and views on the state of business ethics in East China. 42 chief executive officers, chairs and senior managers among them were further interviewed to supplement the survey’s findings. It was found that 47% of the 700 respondents of the survey were dissatisfied or strongly dissatisfied with the ethical standards of their superiors; 27% were dissatisfied or strongly dissatisfied with the ethical standards of their co-workers; and 39% were dissatisfied or strongly dissatisfied with the ethical climate of their enterprises. However, more and more business leaders had begun to realize the importance of business ethics.

The results of a later study, reported in Wright et al. (2003), on the ethical perceptions of a sample of 403 Chinese professionals enrolled in a management development program in China also pointed to a society in transition, as reflected by the almost evenly-split results obtained regarding the respondents’ perceptions of whether corruption had increased in the private sector and state-owned business sector. More importantly, about 40% of the respondents felt that corruption and bribery would do little damage to China’s international reputation, underlining a cause of concern.

Furthermore, in Ahmed et al. (2003), it was found that Chinese business students—represented by a sample of 171 students taking business courses at Nankai University in Tianjin, China—showed much greater skepticism concerning the potential positive effect of ethical behavior on business success, compared to business students from Egypt, Finland, Russia, South Korea and the US. But at the same time, those Chinese students indicated a
relatively strong inclination not to personally act in a potentially unethical manner in the business scenarios tested in the study. The paradox in the students’ responses could be interpreted as revealing conflicting trends in the Chinese society.

Moreover in Song (2005), survey responses of 180 Chinese students enrolled in MBA and managerial development programs in Nanjing, Shanghai and Guangzhou revealed other paradoxes. While respondents broadly acknowledged the importance of ethical leadership and practices in Chinese organizations, that acknowledgement was largely offset by a lack of specific practical measures in their organizations. That could be concluded from findings like the non-existence of open discussions on ethical dilemmas in a majority of the respondents’ organizations, and almost half of the respondents rejecting the notion that ethics was an important factor in employee promotions in their organizations. In addition, few of the respondents doubted that China’s development would benefit from ethical progress in the country, but at the same time, almost 40% felt that ethics was a tool for rich, developed nations to control and exploit developing countries.

Today, China’s young generation also appears to have lesser regard for traditional Chinese values advocated by philosophers like Confucius. In Ralston et al. (1999), 869 Chinese managers and professionals employed in state-run enterprises, who were taking part in management development programs, were surveyed. It was found that respondents from the new generation, defined as subjects aged 40 years or younger, who grew up mostly during the era of the Social Reform (1977-present), were significantly more individualistic than respondents from the current and older generations. The current generation comprised 41- to 51-year-old subjects, whose adolescence occurred during the Cultural Revolution (1966-1976). The older generation consisted of subjects aged 52 years or older, who experienced the Communist Consolidation (1949-1965) and the subsequent Cultural Revolution. Moreover, results revealed that respondents from the new generation were significantly less collectivistic and less committed to Confucianism than the current and older generations. In fact, the decline in collectivism and Confucianism began with the current generation, with a second significant decline being found for the new generation.

In addition, Redfern and Crawford (2004) studied the influence of modernization on the moral judgments of 211 native managers residing in 21 different provinces, autonomous regions and municipalities in China. The managers were asked to rate the extent of unethicality in six short scenarios depicting potentially unethical behavior in organizations: bribery; lack of organizational social responsibility; nepotism; environmental pollution; gender inequality; and failure of employees to whistle-blow when their organization was selling a defective product. Based on their responses to the survey, it was found that on average, Chinese managers perceived the scenario relating to gender inequality to be most unethical. That was followed by – listed in descending order of unethicality – the scenarios concerning environmental pollution, lack of organizational social responsibility, failure to whistle-blow, nepotism, and, lastly, bribery. Moreover, there was a significant positive relationship between moral judgment and modernization: managers from the more industrialized and economically advanced provinces gave significantly higher ratings of unethicality in five out of the six scenarios tested. The only exception was the scenario of gender inequality, in which a positive
relationship between moral judgment and modernization was also found, but it was not statistically significant. Furthermore, in Egri et al. (2004), analysis of the responses of 5,539 managers and professionals from 22 countries, which were obtained in a survey conducted in 2002-2003, revealed that respondents from countries with higher levels of economic development accorded relatively higher importance to corporate social responsibilities (s) than those from nations with lower levels of economic development.

The findings of Redfern and Crawford (2004) and Egri et al. (2004) may suggest the existence of a positive relationship between economic development and moral judgment. However, ethical behavior is not the necessary outcome of development, as we have so many examples today in Europe, the US or Japan. Evidence will need to be found to support the hypothesis that when economic development does reach a higher level in China (and when it expands to rural areas), moral judgment and responsible behavior in the country as a whole will improve. Moreover, putting ethics on lower priority and concentrating on achieving economic success first could lead to serious consequences. For instance, social unrest could result if poor workers in less economically advanced areas continue to be exploited by rich entrepreneurs (or managers), who give workers unethical employment terms or make them work under adverse safety conditions. Hence, it is imperative to raise the ethical consciousness of Chinese individuals (especially those holding leadership positions), so that they will be more responsible when making decisions – a task that should not be delayed.

3.2 Teaching Ethics in China

Business ethics – or corporate social responsibility (CSR), corporate citizenship, sustainable development – are areas relatively new – a couple of decades old – in educational institutions in Europe and North America. In spite of the studies mentioned above, ethics – and now CSR – are receiving more attention in China. “From China’s perspective, China’s entrance into the WTO is accelerating the country’s ongoing reform of the market system, promoting related changes in the superstructure, and increasing the scope and intensity of China’s participation in globalization. As such, the role of business ethics in China is gaining greater importance. [...] The globalization of economic relations also requires an appropriate common ethical ground and calls for different countries to collaborate in the sharing of research and ideas. The world is more concerned with the status of business ethics in China after the country became an important member in the world’s economic system following its market reforms and entrance into the WTO” (Lu, 2006, p.12).

As discussed previously, empirical studies suggest that individuals’ interest toward ethics is currently not vibrant in China. “Research on business ethics in China began in the first half of the 1990s and scholarship on business ethics in China has been growing for nearly ten years” (Lu, 2006, p.12). Several reasons contribute to explain the situation in China. China has been under a communist regime for a long time. Responsibility was more attributed to the State, which was supposed to create the conditions for a long-lasting iron rice bowl. On the other hand, in certain other parts of the Asia Pacific region, checks and balances to detect and sanction dishonest behavior may be more well-established and stringently enforced, as it is the case in Singapore (where there is a high concentration of overseas Chinese), and these tough measures help to discourage unethical behavior. In China, the generation born in the
1950s was the victim of the Cultural Revolution, had its education hampered and its ethics affected by the experience of the formative years. The younger-generation of Chinese, pampered in one-child families, is the first generation to really experience the urban emergence of a consumption society. On the road to affluence, they are driven by quick gains and material success where ethics is not a priority.

To enhance awareness of the ethical dimension of individual or corporate behavior, to sharpen the moral compass, is the teaching of ethics a relevant path? If so, can it be done in business schools? The answer is not obvious if one listens to the skeptics who see the objective of business as the maximization of profits and, therefore, not see business ethics as a necessary part of the curriculum (McDonald and Donleavy, 1995), espousing the well-known M. Friedman’s position that “the (only) social responsibility of business is to increase its profits” so long as it “engages in open and free competition without deception or fraud” (Friedman, 1970).

The critics of the relevance of business ethics raise a more fundamental issue in questioning the possibility to teach ethics in the first place. They argue that values are determined early in life as a result of cultural, family and religious influence, and therefore, ethics programs have little chance to be effective instruments of attitudinal or behavioral change. Furthermore, critics of the teaching of business ethics call on a number of other arguments (some more questionable than others): (i) there are already too many courses in MBA programs and pragmatic difficulties exist in introducing ethics into current business school programs; (ii) business ethics courses are seen as created largely for the sake of appearances and as a palliative response to business scandals or environmental issues; (iii) the field of ethics is unscientific, lacks an analytical foundation and, hence, does not carry much credibility as a domain of study; (iv) business ethics courses are merely equipping students with the necessary tools and terminology but without any real increase in the level of personal ethical development, and could be seen to be training people in how to rationalize their actions according to ethical principles; (v) students are unable or unwilling to transfer what they learn in ethics courses into their work environment, for fear of jeopardizing their careers or loyalty to company traditions, norms and culture; (vi) business ethics involves a level of abstraction that prohibits effective learning; and (vii) the teaching of ethics involves indoctrination, i.e. the teacher imposing his own value system on his students, and it is difficult to avoid indoctrination (McDonald and Donleavy, 1995). Obviously, some of the above arguments are easily challenged by ethicists and – in both Europe and North America – the teaching of business ethics has been developed considerably as it is increasingly visible in monitoring curriculum content of business schools.

But does ethics training improve a person’s sense of responsibility and ethical behavior? Two empirical studies (Peppas and Diskin, 2001; and Allen et al., 2005) explored the impact of ethics training on students’ values. The two studies – based on data from two different US universities – found that teaching ethics, as a course and a small component of a course respectively in the business curriculum, did not have a significant positive impact on the students’ responses to the ethical value statements used in the respective survey. However, while agreeing that it is difficult to change one’s values, other academics have pointed out that
the objective of business ethics courses is not to change students’ values, but to improve their awareness of and ability to identify ethical issues. As Hosmer (1985, p.19) put it, “I do not want to teach moral standards; I want to teach a method of moral reasoning through complex ethical issues so that the students can apply the moral standards they have.” He further explained that “the intent of most courses in this area (business ethics) is not to develop a special set of (moral) standards, but to assist students to logically be able to apply their own standards” (Hosmer, 1985, p.20).

Indeed, several empirical studies have found that business ethics courses could improve students’ abilities to recognize ethical issues or their moral reasoning abilities. Using students enrolled in a business ethics course at an American university as their sample, Murphy and Boatright (1994) conducted a longitudinal study to examine the efficacy of the ethics course. The students, who were mostly business majors, were asked to evaluate 25 scenarios in terms of the extent that each raised an ethical issue in the respondent’s opinion. Results showed that the course had a positive effect on the students’ abilities to identify the presence of ethical issues.

Furthermore, the findings of two recent longitudinal studies on the impact of business ethics courses on students in China also suggest that such courses can raise students’ awareness to ethical issues. Wu C. F. (2003) surveyed a sample of business students at one university in Taiwan and another in Mainland China. The students were asked to respond to items in a questionnaire that measured their ethical inclinations. It was found that after the students took a business ethics course, they showed significant improvements in the ethical weighting of their individual values, their recognition of ethical issues and their performance as ethical decision-makers in the scenarios tested. In Woodbine (2005), it was reported that the moral reasoning ability – based on responses in scenarios involving ethical dilemmas – of a sample of accounting students at another university in China improved significantly after the students took a business ethics course.

The work of Professor Georges Enderle and his colleague Professor Xiaohe Lu from the Shanghai Academy of Social Sciences – with their publication of the proceedings of the International Conference on “Developing Business Ethics in China” held in 2002 – is very explicit on the potential of the development of teaching of business ethics in China (Lu and Enderle, 2006). Indeed, based on the existing literature, it appears that there are excellent reasons to promote business ethics education in China. The teaching of responsibility – individual and corporate – to Chinese leaders (both present and future ones in the business, public and political arenas) is likely to bring a modest, but still meaningful, contribution to alleviate the negative externalities of the current situation. Business ethics education could possibly influence (some) Chinese leaders, inducing them to look beyond their self-interest and the maximization of shareholder value, and to internalize further their responsibility toward all stakeholders, including the wider community and the environment they and us live in.

3.3 Business Ethics Education in China

Business ethics education – as we have mentioned earlier – is developing in China, albeit
slowly. Wu C. F. (2003) estimated that less than one in thirty universities in China offered business ethics courses. Moreover, such courses are likely to be elective ones – as it is still often the case in Europe and the US.

In recent years, the Chinese government has embarked on some initiatives in the area of ethics education. Three national executive leadership academies had been established in Pudong, Jinggangshan and Yan’an to provide leadership training (including training in ethical leadership) to cadres of the Communist Party, military personnel and top executives from the business community (9). The academies commenced operations in 2005. In the words of President Hu Jintao, the priorities of the academies are to “enhance the ruling awareness of the (Communist) Party, improve its art of leadership and governance, and strengthen its governing capacity” (Hu, 2005). The mission statement of the academy at Pudong states that the center “strives to foster and sustain strong, ethical and effective leadership for coordinated development of economy and society” (China Executive Leadership Academy Pudong, 2006). It remains to be seen as to whether training provided by the academies would give the same emphasis to “ethical leadership” as to “effective leadership” as taught in the Party’s top education institutions.

Through a number of initiatives, one can observe the government’s commitment to change. For instance, education on intellectual property rights protection and the harmful effects of piracy had been introduced in Chinese primary and middle schools. First launched in Nanhai, a city of the Guangdong province, in 2002, the educational program has since been extended to other cities of the province, as well as other parts of the country, such as Beijing, Shanghai, Tianjin and Jiangsu (Xinhua, 2006a). The Chinese government had also launched anti-corruption education among school children. Such education was first introduced in some large cities and provinces, such as Hangzhou, Beijing, Tianjin, Zhejiang, Hubei, Shaanxi, Guangzhou and Shenzhen, in 2005. The Communist Party intends to orient anti-corruption education toward “the whole Party” and “the whole society” (Xinhua, 2006b). The introduction of anti-corruption education among school children shows that the Chinese government has realized the importance of inculcating responsible behavior in its new generation. Furthermore in March 2006, President Hu Jintao put forward a new socialist moral concept known as Ba Rong Ba Chi (八荣八耻, Eight Honors, Eight Disgraces), intended to be “the new moral yardstick to measure the work, conduct and attitude of Communist Party officials”. The proposal is based upon the following eight pairs of opposing moral values (Xinhua, 2006c):

“- Love the country; do it no harm
- Serve the people; do no disservice
- Follow science; discard ignorance
- Be diligent; not indolent
- Be united, help each other; make no gains at other’s expense
- Be honest and trustworthy; do not sacrifice ethics for profits
- Be disciplined and law-abiding; not chaotic and lawless
- Live plainly, struggle hard; do not wallow in luxuries and pleasures.”
President Hu emphasized that “it is necessary to place the development of advanced socialist culture in an extremely outstanding position, give full play to the positive role of culture in enlightening people’s thought, refining their sentiments, imparting knowledge and inspiring their spirits, and work hard to cultivate and bring up socialist citizens who cherish ideals, possess moral character and are educated and disciplined” (10), (BBC, 2006). His new socialist concept of honor and disgrace integrates traditional Chinese values and the spirit of the modern age. It is obviously an attempt to make use of Confucian values to alleviate the perceived decline in morality in the country, evident by unethical conduct like widespread corruption – especially among government officials – and poor safety and labor practices, which has caused discontent among ordinary citizens as the rich-poor gap widens. The concept is being propagated as the moral code for all citizens in China, although aimed particularly at cadres of the Communist Party. Senior party and government officials had called for the concept to be incorporated into leadership training courses offered by the national executive leadership academies, as well as into the curriculum of schools and universities (such as in ethics courses) to educate the young generation into fostering the moral values.

Such development may contribute to the building of more ethical awareness and perhaps character building, but reviving Confucianism cannot be a substitute to institutional development, i.e. the creation of institutional mechanisms, governance rules and processes of checks and balances. In their absence – or in the absence of their effective implementation – the impact of the education process will be limited as the social system and cultural practices will reduce good intentions taught through the education process to wishful thinking. This being said, if one can enhance awareness at the top, if one can promote a better understanding of the responsibility associated to power, then we will have the seed for a change in policies and possibly – over time – in their actual implementation.

3.4 How Can Ethics be Taught in China?
Teaching ethics is a challenge, everywhere. But teaching ethics in China is a particularly daunting challenge. It is not only which ethics to teach, but also how to teach ethics, particularly business ethics. We believe that there are a very small number of general principles found across several rich cultural and religious traditions that can be identified and discussed in business schools, both at the junior level and with top management. We also think that the teaching of ethics in business schools must start from real examples – case studies taken from the Chinese reality experienced by the managers in their daily work. On those real examples from the Chinese daily experiences, one can build illustrations of the consequences they have – not only on today’s society and its dynamics, but also on the generations to come. To those examples taken from China, the addition of non-Chinese illustrations can be very useful to show that many of the ethical issues encountered today by China do exist or have existed in the West. Those foreign illustrations will make explicit that “sensitive issues”, ethical dilemmas and conflicts of interest are also serious problems in other countries where we find many cases of ethical lapses (e.g. corruption, environment depletion, human rights issues).

We are now working on the development of an ethics program built on Chinese values to
emphasize – through dialogue – the extent and limit of the reliance on traditional Chinese values. The tone used in dialogues with China plays an important role in determining the success of such dealings. As Zhang (2002) has pointed out, dialogue between China and the West should not be between unequal partners, but should be a “genuine” dialogue guided by mutuality, trying to understand the other first as “other”. Von Brück (2002) has also mentioned that the question of which language to use for a discourse on ethics is not simply a linguistic one but also a question of power. Calling on Confucius, Mencius, Sun Tzu, Mo Tzu (Mozi 墨子) and other Chinese moral philosophers, we – as other scholars (Fernandez, 2004a and 2004b) – are building bridges between leadership by values in the tradition and leadership by values in today’s environment in China. Obviously, our capacity to express ourselves in Mandarin would considerably enhance our effectiveness.

4. Conclusion
The Chinese government – for obvious reasons – has explicitly stated its concern about shortcomings in leadership and responsibility in the country, as well as its intention to address the concern and walk the talk. It has recently embarked on several initiatives to nurture leaders who are more responsible. These include the establishment of executive leadership academies that aim to provide training in ethical leadership at the top; the introduction of education on intellectual property rights protection and anti-corruption in schools; the government’s crack-down on bribery and poor safety standards and compliance; and several attempts of law enforcement on environmental pollution and intellectual property rights violations. Moreover, China has begun to show its willingness to offer assistance when other countries are hit by disasters (11).

But in order to achieve a more effective implementation of the Chinese government’s efforts to be more responsible to the international community, Beijing’s intention will have to filter to the citizens. Chinese managers can be invited to rediscover the importance of ethics and responsibility that is conveyed in traditional Chinese values, and coached to fully understand the implications of effective or ineffective handling of responsibilities. Business schools have a critical role to play in facilitating that process: by promoting business ethics education in China, and by carrying out research to identify the most effective way to achieve results within the fast changing environment of China, particularly in leveraging selective traditional values to anchor responsibility and ethical behavior.

Whether ethical consciousness will improve or not in China depends to a large extent on its government’s determination to implement measures that will nurture more responsible leaders among its people while creating the institutions necessary to progressively improve the level playing field. Only then will we observe more willingness among Chinese organizations and individuals to change their mindset and to give ethical considerations the importance they deserve in the decision-making process. The march will be long! But experience is available. China currently acts in great haste, grooming – somewhat painfully – a new society. It is an adventure – with great risk and potentially much reward. A new society is in the offing, not of the Western type – even if some observed practices suggest it is – but an original one. We must hope that leadership and responsibility will be woven in its fabric, and for that purpose,
the path is open. The journey will probably go through old trails and also through modern highways. Both leadership and responsibility will be required. The Chinese will have no choice. The world, our planet, needs it.

References


**Notes**

(1) For Confucius, there is not just one but quite a variety of ideal characters. The highest moral character is the sage (*sheng jen 圣人*), but that ideal character is so high that it is hardly ever realized (Confucius, 1992, p.xiii). Confucius said that he dared not claim to be a sage himself (7:34) and had not met such a man (7:26) (Confucius, 1992, p.65 and p.63).

(2) For references made to Confucian sayings in *The Analects*, the first number denotes the chapter in Confucius, *The Analects (Lun Yü)*, trans. Lau D. C., 1992. The second number refers to the saying number in that chapter.

(3) That is, in difficult situations of poverty and hardship.

(4) In Confucius (1992), “Gentleman” denotes *shih (士)*, which is the lowest rank of officials. On the other hand, “gentleman” refers to *chün tzu (君子)*, which is a man of moral excellence (p.xii). The *shih* is the *chün tzu* that has taken office (p.272).

(5) The Way (*tao 道*) refers to moral principles.
(6) For references made to Mencius’s beliefs, the first number refers to the chapter in Mencius, *Mencius*, trans. with an introduction and notes by Lau D. C., 2004. The second number denotes the paragraph number in that chapter.

(7) A subject is also known as a minister.

(8) In Egri et al. (2004), corporate social responsibilities encompass the four types of social responsibilities identified by Carroll (1979): economic responsibilities (which are concerned with the provision of goods and services that society wants and to sell them at a profit); legal responsibilities (which relate to society’s expectation that businesses fulfill their economic missions within the framework of the law); ethical responsibilities (which require businesses to follow codes of conduct that society considers to be morally right); and discretionary responsibilities (which relate to societal expectations of businesses to be voluntarily involved in improving or helping society, over and above their economic, legal and ethical responsibilities).

(9) The academies are known as the China Executive Leadership Academy Pudong (CELAP), China Executive Leadership Academy Jinggangshan (CELAJ) and China Executive Leadership Academy Yan’an (CELAY).

(10) Underlined by the authors of this paper.

(11) For instance, it contributed over $83 million in relief aid to Asian nations devastated by the Indian Ocean tsunami that occurred on Boxing Day in 2004 (United Nations, 2005). It also sent medical teams to the disaster areas to assist in rescue efforts.