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Confucianism, Business Ethics and Corporate Social Responsibility

Its Implication and Interconnection for Modern Businesses, Business Management and Business Strategy in Japan and China

Topic and Research Question

The Thesis examines the relationship between Confucianism and Corporate Social Responsibility in Japan and China whilst focusing on the ethical behavior in a business environment and also incorporating its history, its subsequent development and differences between those two countries. The thesis aimed at answering the following research questions:

1. Does Confucianism influence Japanese and Chinese Business Ethics and if yes, to what extent?
2. Is Harmony the underlying concept of both Japanese and Chinese Corporate Social Responsibility?
3. Is the concept of harmony found in today's Chinese and Japanese companies?

State of the Art

It is first and foremost substantial to investigate Sustainability and Corporate Social Responsibility and work out their origins, evolution and modern applicability. For Sustainability I'm taking into account, amongst others, Hans Carl von Carlowitz, Thomas Malthus, John Stuart, Edward Mishan, the Club of Rome as well as the Environmental Strategies of the WCED and the UN. Some of these theories laid the groundwork for the 3BL or Triple-Bottom-Line model by John Elkington in 1994. For Corporate Social Responsibility I'm looking at the theories of Oliver Sheldon, Dow Votaw, Archie Carroll, Marco Werre, Marcel van Marrewijk, Prakash Sethi, Nada Kakabadse, Alexander Dahlsrud, Elisabeth Garriga and Domènec Melé. I put special focus on the pyramid theory of Carroll, the core elements of CSR by Kakabadse, the comprehensive study of Dahlsrud and the 4-part approach of Garriga and Melé. Furthermore I'm implementing the most viral and impacting international approved measurements and indices for ethics and sustainability in a company; those include: Dow Jones Sustainability Index, Ethibel, FTSE4Good, Domini 400 Social Index, Vanguard Calvert Social Index Fund and Corporate Governance Quotient.

Methodology and Approach

The methodology can be separated into four major pillars:

CSR in Japan – CSR in China – Confucianism and Business Ethics – Case Studies

CSR in Japan has been examined in the aspects of definition, approach, demand and historical development. The main turning point was the Post-War Era in which private companies needed to transform into an integer part of the society, being bound to a form of Corporate Citizenship, maintaining a balance between economy (profit gain) and society (harmony, sustainability). It is also mentioned that the early roots of corporate philosophy can be found in the seventeenth century in the *shūchū kiyaku* (舟中規約), the so called "house rules", part of the Confucian values of the Merchant Academy of Osaka. **CSR in China** is analyzed on the basis of the harmonious approach, which began in the 1970s, when technology, science and energy politics forced China to reevaluate its stand in the environment. The concept of harmony was first introduced under Hu Jintao and then reintroduced in 2005 under the Hu Wen Administration. Xi Jinping then continued this philosophy, combining different elements of Confucianism, Daoism and Buddhism, to the concept of the Chinese Dream, which will eventually revitalize the nation. This part also focuses on connection between Confucianism and Corporate Social Responsibility, which was introduced in the 90s. **Confucianism and Business Ethics** then talks about the impact on Japan, when it first entered in 285 A.D. and then leads on to various aspects in a business setting (both China and Japan) like hierarchy, the concept of *guanxi* and *mianzi*, family, business relationships and concludes with possible downsides (corruption, fragmentation). To support the aforementioned points **Case Studies** were conducted for Canon, Huawei, Sony and China Telecom in terms of CSR/Sustainability policies, reporting, conflicts and solutions.

Main Facts

The umbrella term Business Ethics is still a developing concept in Japan and China and heavily influenced by Western Ethics as well as values adapted from Buddhism, Daoism and especially Confucianism. To get a clear and unadulterated picture the thesis examines companies, traditional values, private and business life, socially unique concepts and cultural traits. After establishing different models and theories for both Sustainability and Corporate Social Responsibility, we

conclude that both terms do share similarities like, their common shared environmental and social involvement, but also differ, as in having different goals and ways to achieve these goals. To get an applicable approach, we also take a look at different methods of how to measure and standardize if a company is ethical or sustainable. This is done by the analysis of six indices, which all offer a different and yet not combinable scope that could be universally applied. After this theoretical overview, the two countries are examined by investigating the emergence, the evolution and the impact of CSR on everyday- and business-life. Japan's old system had to fight against the rising influence of stakeholders, foreigners and the transformation of the traditional *keiretsu* environment. China was also heavily pressured by globalization, environmental and energy problems as well as raising awareness of consumers. They eventually implemented the harmonious approach to combine ancient religious and philosophical values with modern approaches. Continuing this thought, Confucianism became a key player in the search for an adequate way to implement Business Ethics into an Asian Environment that was nurtured and confused by various western approaches. Good conduct, proper social behavior and practical wisdom will lead to harmonized human relations and to reap this crop one must practice the five virtues and keep them in mind.

Results

The thesis concludes that Confucianism and its virtues are key drivers in the personal, social and business life of both the Japanese and Chinese. They influence society with various aspects like hierarchy, network of personal relations, family bonds, harmony, sustainability, reciprocal favors and mutuality. Every business decision is always a decision for fairness and equality in services, distribution of goods, treatment of employees and consideration of consumers, suppliers and stakeholders.

It furthermore concludes that harmony is the underlying principle of CSR, but is still young and unrefined in nature. It was nonetheless necessary for the creation of a sustainable global community, the establishment of a proper framework for CSR evaluation, the ability to foresee and counteract scandals affecting business and to address the growing pressure in the face of globalization and international rating agencies. The Chinese tackle this by combining the satisfaction of the people's cultural and economic need, whilst providing them with proper human development. The political

course has therefore changed numerous times, aiming at a balanced model, promoting economic, social and environmental goals likewise. Japan has made use of a guideline on how to conduct business, developing this into what the Keidanren Charter of Corporate Behavior is today. With this in mind, the term *kyōsei* was formed and stands for harmonious cooperation.

The results of my case studies confirm that the concept of harmony can be found in today's Japanese and Chinese companies, as Canon coined the term *kyōsei* and Sony strongly engaged in various campaigns, helping employees and society grow. On the Chinese side, Huawei is putting a lot of effort into education development and environmental protection, stressing the importance of a harmonious industry chain. China Telecom is still new on this field, but work towards utilizing their communication network to help creating jobs and income in different areas of the world.

References

All references can be found in the full version of the MA thesis available at <http://othes.univie.ac.at/view/fakultaet/A45.html>.

About the Author

Swen Dlubatz holds a Bachelor in Japanese Studies and Philosophy from the University of Cologne. He was conducting his semester abroad at the Kyoto Sangyo University. During his Master studies he took part in an intensive Chinese language program at the Shanghai Donghua University. He is currently a Project Manager at a German based market research company.

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