Confucianism in Firms: A Comparative Study of South Korea, China and Japan

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ABSTRACT

Cultural differences not only affect the political arena, but also impact businesses around the world as more and more companies become multinational. The fast economic growth in East Asian countries has raised questions about whether there are unique cultural values benefiting business development in this region. As Confucianism is a shared ideological influence and its relationships with corporations and management have not been explored in depth, a comparative study is being conducted in this thesis on South Korean, Chinese and Japanese firms, intending to find some similarities and differences which will shed light on the reinterpretation of Confucianism for modern commerce. While Japan and South Korea are further along the path of industrialization, these findings will be valuable for Chinese enterprises in the future.

The main method for the thesis is to gather evidences that demonstrate connections between Confucian themes and firm characteristics by investigating the historical studies and references written in English. Results are summarized and the pros and cons of these Confucian-influenced firm characteristics are briefly discussed. We believe that the "Confucian" way of management brings more benefits than harm to the development of East Asian businesses at the initial stage of the business when the size of the business is small. When the business develops further and grows bigger, it is uncertain whether Confucianism brings more benefits than harm. A number of future research directions are suggested, as well as recommendations to future development of Confucian management in China.

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In Memory of My Grandmother
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Chapter 1: Introduction

Motivation

As the world is becoming more and more flat, one of the major challenges of the world still lies in the domain of cultural differences. These differences and potential conflicts exist not only in the political sphere between countries, but also in the private sectors such as management style and organizational behavior in corporations. One of the reasons is that more and more multinational corporations emerge, as well as the increasing international collaboration between corporations from different cultural origins. Understanding these differences and nuances becomes increasingly urgent.

Among these differences, the divide between the East and the West is quite evident. Traditionally, Western "ways" of management seems to be "the right way" to manage in corporations. However, more and more scholars have started to appreciate Eastern management styles, because of the highly dynamic economic development in East Asian countries and the increasing presence of East Asian multinational corporations in recent decades. While firms from two cultural origins might organize themselves in similar formal hierarchical structures, or use the same strategy to approach the same issues such as product development and human resource management, there exist some informal elements in terms of communication, organizational behavior, etc. in these businesses. This thesis attempts to examine some of the unique characteristics of these cultures and informal behaviors within the corporations in a comparative way.

When comparing the East Asian countries, we find that one of the commonalities is that Confucianism has been shaping these societies at some point of their history. As Hayashi puts it, these countries "constitute the Confucian cultural sphere, and at the same time the world's most dynamic industrializing region" (1988, p. viii). While the debate on the revival and reinterpretation of Confucianism is ongoing, Bell and Chaibong have found that "little work has been done to investigate linkages between Confucian ideals and concrete practices/institutions, be they political, economic, social or legal, in the existing 'Confucian' societies" (2003, p. 4). This means there are still opportunities for further research and study.
From a personal perspective, as a Chinese student who studies in the US, I have long been an observer of the two cultures and carrying a comparative view with me. The development in China has also been perplexing to me. Accompanying the development are the problems in both management and business ethics. What is a better path for the development of the country, and to the development of corporations? Who should we learn from? How many traditions should we retain? I decided to start with examining South Korea and Japan, which share commonalities with China, and are ahead of China down the industrialization path.

Relevance to Technology and Policy

The Technology and Policy program focuses on studying the intersection of these two inseparable realms. Specific to this thesis, the policies we focuses on lie in the field of managerial practices and human behavior in the private sector. Humans are arguably the most important elements in the intersection of technology and policy. Moreover, culture affects how people practice certain things, how people relate to their environment, and how people interact in groups. By understanding ideologies, cultural norms and their influences in private sector, we could equip ourselves to deliver improved and more connected technology and policy recommendations for the betterment of our lives. In this thesis, I will use Confucianism as a pilot, and try to comprehend the ideological influences in firms and propose some suggestions for their future development. Therefore, the discussion of the philosophical and cultural aspects present in human systems, such as firms, is more than relevant if not urgent in the world of Technology and Policy.

Questions to Consider

There are quite a few interesting questions we could investigate in the subject of Confucianism and firms. Foremost, what are the Confucian influences in the East Asian firms? What are the advantages and disadvantages of these Confucian influences? Should Confucian values be promoted in contemporary East Asian firms? As modernization in
management has long been investigated in a Western context, can we establish an Eastern perspective, and how would such a framework be structured? On a more quantitative front, can we measure how "Confucian" a company is? What are potential system indicators?

Furthermore, when comparing the cases in China, South Korea and Japan, we will look at whether and how the interactions between Confucianism and religions such as Taoism, Buddhism, Shintoism, and Christianity play a role in the dynamics of the private sector development.

On a more fundamental level, we could trace back to the original words from the *Analects* and investigate whether the contradictions in Confucius' writings or the inconsistent interpretations of Confucian values create negative impacts on East Asian firms.

While not all of the aforementioned questions can be and will be addressed in this master level thesis, it is hoped that the discussion is at least initiated based on the comparative study and a roadmap for future research is provided.

Central Thesis Question: Has Confucianism brought more benefits than harm to the development of the businesses? Considering Confucian traits currently found in firms, should Confucianism be advocated more in modern East Asian companies?

Hypothesis: Confucianism brings more benefits than harm to the development of East Asian businesses.

**Thesis Objectives**

The objectives of the thesis are listed as follows:

1. Comparing Confucian characteristics in corporations from three East Asian Countries: South Korea, China, and Japan.
2. Assessing the advantages and disadvantages of these Confucian influences in the corporations.
3. Addressing the central thesis question.
4. Proposing future lines of research.
5. Generating recommendations for managers and entrepreneurs for the future.

Methodology

The main method for the thesis is to investigate the historical studies and references written in English, and gather data sources for the question listed above. While the connections between Confucianism and firms have not been investigated in depth, this thesis attempts to distill information from the limited literature, establishing connections between Confucianism and corporations. The investigation will be carried out in two dimensions: Confucian influences on modern businesses in a general sense and Confucian influences in firms by countries.

The countries chosen for the comparative study are South Korea, China and Japan. With varying degrees of Confucian influences, economic development, it would be interesting to examine how strong the Confucian influences are in companies from these three countries. We will observe enough commonalities, but also some divergences.

Challenges

Relating traits in firms with Confucian concepts can be challenging, because the reasoning behind these connections could be difficult to establish. Some features might go back well in time. Some features are inherited through cultural phenomena and historical events which were influenced by Confucianism at one time. The indirect linkages between some of the features and Confucianism may lead to confusion, not to mention that some of the characteristics can be derived from multiple cultural and philosophical origins.

Additionally, many cultural legacies could be explained by modern economic and management theories. This raises a question about why these practices have been sustained throughout time. Is it due to the economic incentives, or purely cultural origins? The answer to this is likely to be a hybrid of both, since many cultural characteristics have economic incentives behind them since their inceptions.
Another concern is potential over-generalization, as each firm is likely to have its own twist on a particular feature. However, it is common that not all firms exhibit all the characteristics. To find one perfect model company that demonstrates all characteristics is not the goal of the thesis.

As pervasive as Confucianism is, categorization of the company features can become difficult. Some of the features could be overlapping, as several Confucian themes lead to the emergence of one company feature. In other cases, some company features cause the other characteristics. In addition, a parallel structure is difficult to achieve. Some of the features could be related to the labor structure of the company, or human resource management, or interpersonal relationships among employees, or work ethics and motivations, etc. In this thesis, we are not going to agonize over a perfect categorization, as a relatively loose structure would not affect the purpose of connecting Confucian themes and company characteristics.

**Overview of the Chapters**

Chapter 1 is the current chapter, it intends to provide an overview of the thesis, including motivation, thesis questions, objectives, and potential challenges the project faces.

Chapter 2 provides a brief overview on Confucianism, including its development history, its main concepts and themes, and its relevance to the modern world and businesses.

Chapter 3 provides an overview of Confucianism history in South Korea and other ideological influences on South Korean firms, and gathers evidences on characteristics in Korean enterprises that are influenced by Confucianism from literature research. Brief discussions are included for each characteristic.

Chapter 4 provides a brief history of other ideological influences on Chinese firms, and evidences of Confucianism in Chinese firms from previous research and discussions of these characteristics.
Chapter 5 provides an overview of the development of Confucianism in Japan and
descriptions of other unique culture impacts on Japanese firms, evidences of
Confucianism related to Japanese firms, and brief discussions of these characteristics.
Chapter 6 summarizes the findings from the comparative study, addresses the
central thesis question, and generates recommendations and future research directions.
Chapter 2: Introduction to Confucianism

Overview

Before delving into the discussion on Confucianism in firms, we should familiarize ourselves with what Confucianism is, and how Confucianism has evolved.

Can we define Confucianism? Perhaps surprisingly, there is no one right answer. It is a school of thought and, additionally, for a long period of time it was the state ideology guiding the political system in ancient China. Confucianism has also served, and does to this day, as a system of rules in daily life, affecting how people conduct themselves and how they behave in front of others and react to surrounding social conditions.

Scholars have different opinions on whether Confucianism is a religion, or even a philosophy. For example, in *Religions and Religious Movements: Confucianism*, Ruggiero (2006), have placed it directly in the category of religion. However, others, such as Lodén, have examined Confucianism in three aspects and found both similar characteristics and deviations compared to a "traditional" religion:

To be Confucian is to subscribe to a worldview and a philosophy of life with universalistic claims which offers guidelines for all aspects of human life, and the precepts of this creed are eternal, somehow anchored in the universe and beyond the control of man; it is even tempting to say that they are divine. (Lodén, 2006, pp. 4-5)

Ren (1986) finds that scholars in East Asia today also hold different perspectives on whether Confucianism is a religion (as cited in Lodén, 2006, p. 5).

There is less dissent over whether Confucianism is a school of philosophy. I agree with Lodén that the widely accepted view is that scholars disagree on whether Confucianism is a "religion" or a "philosophy" because of the inconsistent definitions for these two terms (Lodén, 2006). For all that, this thesis is not based on an exact answer regarding this debate. Rather, it focuses on discussing the set of ideas in Confucianism in
order to examine their relevance in a bigger picture. Nevertheless, the very intricacy of this debate already demonstrates the uniqueness of Confucianism in that it transcends the traditional boundary for a philosophy or a religion. Its influence became pervasive in almost every aspect of daily life in ancient China and large parts of East Asia and Southeast Asia.

In the remainder of this chapter, I would like to examine Confucianism briefly by considering the development of Confucianism in China and the most important themes at each stage of that development.

The Development of Confucianism in China

Confucianism has been the major ideology in China for more than 2000 years. While it has many schools of interpretation as it evolves throughout history, we will examine only the important figures. Zhang has categorized Confucianism development into three periods: "classical Confucianism developed before the Ch'in dynasty, Neo-Confucianism evolved during the Sung and Ming dynasties under the influence of Buddhism and Taoism, and contemporary Neo-Confucianism which has been influenced by modern Western philosophies" (Zhang, 2000, p. 8). Therefore, I would like to cluster some the key figures based on the above-mentioned three waves, with an additional focus on its development in the Han Dynasty (206 B.C.E. - 220 C.E.).

Pre-Qin (Chi'in) Dynasty (221 B.C.E. - 206 B.C.E.)

In this section, the two founding figures, Confucius and Mencius, will be discussed, along with Xunzi, who is a later developer of the philosophy.

Confucius. It is believed that Confucius was born in the state of Lu, one of the "vassal states" of the Zhou Dynasty ("Lu," 2012). Historians commonly hold that he lived from 511 to 479 B.C.E. (Lodén, 2006).

Confucius initially served as an officer in the Zhou Dynasty (1046 B.C.-256 B.C.). At the age of thirty-five, he retired from his official office and traveled around different states "hoping to find a ruler [. . .] receptive to his ideas about good government" (Bell & Chaibong, 2003, p.1). Yet he did not have much luck in finding
such a ruler. In contrast, as an educator, he enjoyed fame among different states.

Confucius taught different subjects to his disciples, in attempt to make them become "rounded men" (Fung, 2006[1966], p. 50). This might be the origin of the "generalist" approach in job recruitment in some East Asian firms.

It is commonly held that Confucius regarded himself as a "transmitter" rather than a "creator" (Loden, 2006, p. 17). This point is reinforced by Fung, who believes that Confucius did not write, comment, or edit the classics that have been passed down as central teachings (2006[1966], p. 49). The prominent work left for later generations from his period is The Analects, which was recorded by Confucius' disciples according to the conversations during his teaching. Confucius himself modestly labeled the work as an interpretation of the other ancient works for his disciples (Fung, 2006[1966]). Even so, Fung (2006[1996]) also acknowledges that Confucius indeed adds his own moral values to the new school of thought. Many philosophers and scholars argue that distinctive themes can be extracted from The Analects. For instance, Richey (2003) has listed several:

_Tian_ ("Heaven") is aligned with moral order but dependent upon human agents to actualize its will; [. . .] _li_ (ritual propriety) as the instrument through which the family, the state, and the world may be aligned with _Tian_'s moral order; and his belief in the "contagious" nature of moral force (_de_), by which moral rulers diffuse morality to their subjects, moral parents raise moral children, and so forth. (Richey, 2003).

Hence, Confucius did contribute new ideas to his teachings, despite these materials being compiled by his disciples. Without the foundation, later generations would not have been able to advance this school of thought further.

**Mencius.** Mencius (372 B.C.E.- 289 B.C.E.), the other founding father of Confucianism, is also considered as "the second sage" by many Confucians. He had better luck than Confucius in spreading the ideology to rulers in that he briefly served as an official at the State of Qi.
Later, Mencius' teachings were compiled as *The Works of Mencius*. According to Goldin, Mencius emphasized an interesting concept of "flood-like qi," which can be translated literally as "breath" or "vapour" (2011, pp. 41-42). While it is difficult to give a simple definition for *qi*, it is commonly used by ancient Chinese philosophers as a "generic term for matter" (Goldin, 2011, p. 42). Mencius thinks that *qi* is to be cultivated through "regular moral practice" (Goldin, 2011, p. 42), and that everyone has the capacity to be a moral person.

Mencius also has a concept of "destiny" (*ming*). He thinks that the destiny has not been "predetermined" and it is expected of everyone to make every effort to reach the "exalted state" (Goldin, 2011, p. 55). Chen and Lee have said that "Confucius and Mencius, the two founding fathers of Confucianism, believed in human goodness; that is, humans are born with natural kindheartedness" (2008, p. 3). Mencius maintained that humans have an innate tendency to behave morally and bring goodness to others and society as a whole, whereas improper and bad human acts are results of outside factors such as "social conditions and lack of moral education" (Chen & Lee, 2008, p. 4).

In terms of political system, Mencius holds that a government should aim at "the cultivation of morality" and "spreading humanity and righteousness" (Goldin, 2011, pp. 58-59). Moreover, he stresses that the purpose of a government should not be "profit-seeking" (Goldin, 2011, p. 59). This notion of "no profit-seeking" has been the Confucian theme that is contradictory to the essence of private businesses, and is the reason that in ancient China, South Korea and Japan, merchants often do not have high social status. Nevertheless, scholars have been trying to reinterpret and integrate Confucianism with the modern business since industrialization.

We should realize, as most interpreters believe, that Confucianism was established partially as a result of the historical background Confucius and Mencius lived in. It was a chaotic period when the Zhou Dynasty were falling apart into the Warring States, which provided opportunities to redesign governments based on improved or new

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1 *qi* here is written as 氣 in Chinese, whereas the state of Qi is written as 齊.
ideologies. The current world might not be in as much turmoil as the Warring States; nonetheless, there are much space for change and improvement.

**Xunzi.** Xunzi (312 B.C.E. - 230 B.C.E.), who lived before the Qin Dynasty, further developed and spread Confucianism. Xunzi is controversial among later intellectuals for some of his interpretations of Confucianism. He taught Han Fei (281 B.C.E. - 233 B.C.E.), who was the major contributor to Legalism, a school of thought which dominated the Qin Dynasty with an emphasis on law in society.

Xunzi holds a different view on *xing* (human nature) from Confucius and Mencius: people are born evil. In addition, his "robust theory of the universe and its relation to moral philosophy" are the foundation for his thought on self-cultivation (Goldin, 2011, p. 69).

It is further argued that despite Mencius and Xunzi having different opinions over whether *xing* (human nature) is innately good, they both agree on the significance of the "lifelong practice of self-cultivation" (Goldin, 2011, p. 72). Self-cultivation, the basis for education in Confucianism, will be discussed later in this chapter.

**Han Dynasty**

It was not until the Han Dynasty (206 B.C.E. - 220 C.E.) that Confucianism became the orthodox doctrine of the society, as Emperor Wu of Han (156 B.C.E. - 87 B.C.E.) proclaimed Confucianism to be the state ideology.

Dong Zhongshu, a famous Confucian in the early Han Dynasty, was instrumental in convincing Emperor Wu to adopt Confucianism for the state. According to Lodén, he addressed "the importance of unity, not only politically but also philosophically and ideologically" to the Emperor (2006, p. 72). By approving Confucianism as the state ideology, the Emperor legitimized his ruling with the Confucian notion that the Emperor is the "Son of Heaven ruling all under the Heaven" (Lodén, 2006, p. 72). This notion has been one of the direct reasons that Confucianism has kept its primacy in almost every Chinese dynasty.
Neo-Confucianism

Neo-Confucianism is a response to the prospering of Buddhism and Taoism in the Sui (589 C.E. - 618 C.E.) and Tang (618 C.E. - 907 C.E.) dynasties. Because of their threat to its primacy, scholars from the Song (960 C.E. - 1279 C.E.) and Ming (1368 C.E. -1644 C.E.) dynasties were reinterpreting Confucianism in order to restore its orthodox role. Two of the key figures and their opinions are briefly discussed below.

Chen Yi (1033 C.E. - 1107 C.E.), along with his brother Chen Hao (1032 C.E. - 1085 C.E.), founded Daoxue philosophy and further developed the concept of li ("pattern," "principle" and "coherence") and qi ("matter"), a notion mentioned in Mencius' philosophy (Loden, 2011, p. 101). Daoxue attempts to provide a new kind of cosmological understanding of the world.

Zhu Xi (1130 B.C.E. - 1200 C.E.), representing another strand of Neo-Confucians, founded the School of Principle. Lodén (2006) argues that Zhu Xi is a "creative synthesizer," who constructed his theory based on pre-Qin classics and "managed to unify and reconcile different orientations of Confucian thought from this time" (p. 111). His perspective became predominant among Confucians afterwards.

Contemporary Confucianism

After feudal society ended in 1912 in China, Confucianism was under attack in two major waves. The first one was the New Culture Movement around 1915 to 1923. Chinese intellectuals at the time, led by Chen Duxiu, attacked Confucianism for its backwardness, hoping to establish a new Chinese culture with a consideration of global and Western perspectives. The second major wave was the Cultural Revolution from 1966 to 1976, when Confucianism became the main target for criticism.

The unique aspect of Confucianism in modern society is that Western thinkers have joined the interpretation. Max Weber represented one of the critics in the early 20th century from the West. He contended that Confucianism is "the least conducive to capitalist development," compared with other major religions around the world (as cited in Bell & Chaibong, 2003, p. 1). Coupled with the Western perspectives on
Confucianism, the influx of new ideas and historical events have triggered major criticisms within East Asian countries. Bell and Chaibong (2003) add that:

East Asians, for their part, began to condemn this venerable tradition as they deepened their encounter with the West. Nationalists and militarists held Confucianism responsible for their country's inability to withstand the onslaught of Western imperialism. From the other side of the political spectrum, the communists did their best to extirpate every root and branch of Confucianism that they regarded as a feudal and reactionary world view hindering progress. Indeed, for the vast majority of East Asians, modernity had come to mean overcoming Confucianism. (Bell & Chaibong, 2003, p. 1)

Yet Confucianism has always maintained its complexity and richness. It is flexible enough to fit new situations and arrive at new heights. In recent years, we have witnessed a new trend of reviving parts of Confucianism. The adoption for Confucianism is not limited to China, or to East Asian countries, but can potentially extend to other more different cultures, as scholars such as Zhang hold that Confucius' doctrines could be spread and adapted to other cultures with its central themes intact (Zhang, 2000). In particular, Confucian characteristics in firms - the focus of the thesis - might find their path to Western companies.

**Major Themes in Confucianism**

In the discussion of the development of Confucianism, we have touched upon some of its philosophical concepts. While it is desirable to explain every detail of Confucianism, it is nearly impossible to fully cover them with one thesis chapter. Therefore, some basic values and themes will be examined here, in an attempt to serve as the foundation for understanding their modern influences in later chapters.

Furthermore, a categorization for Confucian themes makes it difficult to be comprehensive. We should also realize that these values and concepts are not mutually exclusive. They can be overlapping, and some of them lead to other concepts. Additionally, these concepts emerge from interpretations of different schools and times.
throughout history. Therefore, it is not surprising if some of them are contradictory. As we investigate Confucianism's contemporary relevance in later chapters, both consistent understanding and contradictions will benefit our analysis.

**Self-Cultivation**

The focus of Confucianism has always been on education, or "self-cultivation." This self-cultivation emphasizes not only knowledge accumulation, but also improving one's morality. Most Confucian teachers attempt to equip their disciples with a set of moral values and a wealth of knowledge to serve the society.

A well-cultivated person is called *Jun Zi*, which is often translated as "gentleman" or "noble man" (Schwartz, 2006[1985], p. 86). Its contrasting term is *Xiao Ren*, which literally means "small person" in Chinese (Yao, 2006[2000], p. 97). Confucius intends that man should possess the "ideal moral character" in order to "become as good a man as possible" (Lau, 2006[1979], p. 76).

*De*, translated as virtues, are behind these "ideal moral types" (Lau, 2006[1979], p. 73). One can provide a long list of Confucian virtues. However, according to Yang, Peng and Lee (2008), "these virtues are not mutually exclusive" (p. 35). Additionally, Bloom focuses on explaining three virtues that she thinks are the most important for being a *Junzi*, those being "filial devotion (*xiao)*," "humaneness (*ren)*," and ritual decorum (*li)*" (Bloom, 2006[1999], pp. 62-63). She suggests that the moral vocabulary of Confucius is "by no means exhausted in these three, but these are central, expressing in three distinct modes the Confucian awareness of and concern with human interrelatedness" (Bloom, 2006[1999], p. 63).

While scholars disagreed on which virtues are most important, the following ones are explained here: *Ren, Li, Xiao, Zhong, Shu*. They are chosen because of their tight connections with behaviors in a firm setting.

*Ren (benevolence).* *Ren* is the most important moral concept in Confucian thought, which is translated as benevolence, love, humaneness, or goodness in English in various sources. Yang, Peng and Lee (2008) use the frequency of the appearance of *Ren* in the *Analects* to argue for its dominant role in Confucianism (p. 33). They (Yang et al.,
have discovered that "the Analects contain 502 chapters of which 58 deal with ren, and the character ren appears 109 times," whereas "forty-nine chapters deal with issues of li (rituals), which appears seventy-four times, and yue (music), which appears twenty-five times" (Yang et al., 2008, p. 33).

Legge argues that "benevolence means loving others" (as cited in Yang et al., 2008, p. 35) in a "narrower sense" (Yang et al., 2008, p. 35). Many intellectuals, such as Yang et al. (2008, p. 35) and Schwartz (2006[1985], p. 85), believe that benevolence, as the central moral value, brings all the other Confucian virtues together.

The core pursuit of a Confucian is to make oneself good, or in another word, "achieve Jen" in order to become Junzi, "a noble man" (Schwartz, 2006[1985], p. 86; Yao, 2006[2000]). Interestingly, Schwartz (2006[1985]) also relates happiness to Ren, even if he suggests that being Ren means having to obey li, which will be explained later.

As central as it is, benevolence will be brought up in the discussion of firm characteristics because it often appears in interpersonal relationships and leadership styles in modern businesses.

**Li (rituals).** Li is translated in English as rituals, ritual propriety, proper form of conduct, or "concrete guide to human action" ("The Main Concepts of Confucianism," n.d.) according to various sources. Li mentioned here is written as 礼 in Chinese, whereas Li discussed in Neo-Confucianism is written as 理.

While "in a narrow sense," Li (礼) might refer to the rituals performed for the "ancestral and natural spirits," Schwartz holds that "the order that the li ought to bind together is not simply a ceremonial order - it is a sociopolitical order in the full sense of the term, involving hierarchies, authority, and power" (2006[1985], p. 83). Within a family, it denotes the appropriate conduct between father and son, husband and wife, elder brother and younger, elders and younger people (Schwartz, 2006[1985], p. 83). These sets of relationships will be discussed further under the "Five Relationships."

Li also serves as a supporting concept for the political order. According to Chaihark, "the Confucian concept of ritual propriety (li 礼) functioned as a public political norm that effectively restrained and disciplined political rulers in premodern
East Asia" (as quoted in Bell & Chaibong, 2003, p. 7). Bell and Chaibong argue further that "it would also be in the ruler's interest to be disciplined by li, since this could help to secure legitimacy for the government" (2003, p. 7).

The caveat is that the support of the kingship is based on the virtuous behaviors this ruler carries out. For instance, exhibiting Ren (benevolence) is the most important virtue for a ruler. Moreover, those in a higher social position within a family cannot disregard their proper conduct. Thus, Schwartz argues that li emphasizes "the reciprocal rather than the hierarchical aspects" (2006[1985], p. 84). Yet, in his opinion, reciprocity also resides under hierarchy (Schwartz, 2006[1985]).

In sum, Li holds a harmonious society together by defining the proper behaviors and individual role responsibilities. With regard to corporations, this concept has implications on the etiquette and rules of firms.

**Xiao (filial piety).** Confucius said, regarding filial piety: "not disobeying [one's] parents, serving and supporting them with loyalty and good-heartedness when they are alive and burying them with propriety when they are dead" (as quoted by Legge in Yang et al., 2008, p. 35). Mencius' words on filial piety in this life, as mentioned in Yang et al.'s work: "If, when their elders have any troublesome affairs, the young take the toil of them, and if, when the young have wine and food, they set them before their elders" (as quoted by Legge in Yang et al., 2008, p. 35).

Both quotes above have demonstrated that filial piety emphasizes the obedience and service that children should provide to parents without questioning, because of the sacrifices parents had made when rearing the children. When it comes to firms, superior-subordinate relationships resemble parent-child relationships in many situations in East Asian companies. It is worth noting that the reciprocity nature is embedded in the "Five Relationships," which will be mentioned later in this chapter.

**Zhong (loyalty, conscientiousness).** Goldin argues that zhong, even if it is recognized as "loyalty" nowadays, had a quite different meaning in Confucius' teaching two thousand years ago (2011, p. 15). Some scholars have adopted "conscientiousness" as the translation, arguing that "loyalty" here "means to be loyal or true to others but also
to oneself and to the true humanity in oneself" and self control is emphasized for being loyal to oneself (as cited in Lodén, 2006, p.38). Some Neo-Confucians hold that zhong is "making the most of oneself" (as cited in Goldin, 2011, p. 17), and Goldin (2011) himself considers that it is "being honest with oneself in dealing with others" (p. 17).

When exploring the firm characteristics, loyalty to oneself could be connected with business ethics one holds; whereas loyalty to others translates into loyalty to the superior and to the company.

**Shu (consideration).** Shu is translated by scholars as reciprocity, consideration, or altruism by scholars. It is based on Confucius' saying: "what you do not like yourself[,] do not do to others" (as cited in Yao, 2006[2000], p. 95). Lodén (2006) writes that "to be considerate means to apply the measure of the self, or the principle of reciprocity" (p. 38). Furthermore, he holds that reciprocity in this context is "more akin to equality than to hierarchy" (Lodén, 2006, p. 39).

As the overarching attribute in the "Five Relationships" (as discussed below), reciprocity is an recurring theme in Confucian-influenced firms.

**Relationships with Others**

The virtues for self-cultivation often define how one should behave towards others. Whereas these virtues are the general guidelines, Confucians often mention a set of "Five Relationships," also referred to as "Five Bonds." They are listed as follows: king and subject, father and son, husband and wife, older brother and younger brother, friend and friend. These relationships define the appropriate behavior that each role assumes.

Zhu Xi calls these relationships the "Five Teachings":

Between father and son there should be love; between prince and subject there should be just dealing; between husband and wife there should be distinctions; between the old and young there should be precedence; between friends there should be good faith. (as cited in Yao, 2006[2000], p. 93)

For consistency, we will call this concept the "Five Relationships" in later chapters. This set of relationships has an implied structure of hierarchy and order, embodying many
virtues we discussed in the earlier sections of this chapter. As a result, it will be the basis for many phenomenon in firms influenced by Confucianism.

**The Mandate of Heaven**

In Confucianism, the "Mandate of Heaven" legitimizes the feudal system. Lodén (2006) notes that "the king was the 'Son of Heaven' (tian zi 天子) who had received the 'Mandate of Heaven' to rule 'all under Heaven' (tai xia 天下), i.e. the whole world" (p. 22).

Regarding how a ruler should behave, Confucius says that: "Let the ruler be ruler, the minister (be) minister, the father (be) father, and the son (be) son." This teaching focuses on the role responsibility and reciprocity of the ruler. Lodén wrote that:

> the way for a ruler to retain the mandate was to attend to his 'virtue' (de 德), [. . .].

If a ruler was not virtuous, he would lose the mandate, [. . .] a ruler must be good to his people, protect them, create conditions for a good life in order to retain his mandate. Similarly, if rulers become selfish and only think of their own pleasure, then they will lose the mandate. (Lodén, 2006, pp. 23-24)

Similar standards apply to leaders of the Confucian-influenced firms, even if there is no such "mandate" in modern enterprises. One can argue that the blood succession in family businesses resembles the "mandate" albeit in a loose manner.

**Harmony**

Harmony is the desirable quality that Confucians work towards in both the family and societal context. The above mentioned self-cultivation, moral values for individuals, the proper relationship between people, social hierarchy, and political order, all serve to attain this ultimate goal.

Yet harmony does not imply excluding disagreement entirely. Even Mencius, one of the founding fathers for Confucianism, has been remembered to be "fond of disputation" (as quoted in Goldin, 2011, p. 42). Many sources directly attribute employees' reservation of opinions when participating in group discussions to conflict avoidance and maintaining harmony. The reality in East Asian firms might be so, however, I would argue that harmony could still be achieved while having disputation. It
is how disagreement is handled that matters for the harmony that we are trying to achieve, and this is an art that generations of Chinese people have endeavored to master.
Chapter 3: Confucian Influence in South Korean Firms

Overview

Confucianism, having started in China, spread to adjacent civilizations such as Korea, Japan and Vietnam. Many sources indicate that Confucianism became an official philosophy in Korea around the 15th century. At the time, Confucianism was already reinterpreted by Neo-Confucian intellectuals in China. Despite the fact that Confucianism is not native to Korea, it is argued that it was "the most thoroughly 'Confucianized' state in Asia, surpassing Japan, Vietnam, and perhaps even China itself in its adherence to Confucian institutions, rituals, and values" (Armstrong, 2002, p. 3). Additionally, some Korean scholars considered themselves as the "sole guardians of Confucian civilization" (Ko, Harboush, & Piggott, 2003) during the Qing Dynasty (1644 - 1912) in China. Because China was reigned over by Manchurian Chinese, who were considered as "barbarians," the "overwhelming majority of Chosŏn Confucians did not accept the legitimacy of Qing" (Kim, 2002, p. 76). Whether Chosŏn Confucians were the "sole guardians" is in dispute. Yet we would not argue against the deep Confucian influence in Korea. Therefore, it is constructive to examine the relationship between Confucian values and their characteristics in Korean society and corporations in detail.

Other Ideological Influences

Even if Confucianism had a dominant role in Korea in the last five centuries before the end of feudal society, other ideological and religious influences cannot be ignored. For example, Shamanism, Buddhism, Daoism, and Christianity entered Korea at different times and have coexisted with Confucianism in society. Among these, Christianity is probably the most relevant to the modern practices in corporations. Song (1990) argued that "Christianity has had a visible effect on Korea's modernization," for it introduced "Western-style schools and hospitals" as well as "democratic processes" (as quoted in Chung, Lee, & Jung, 1997, p. 7).
Historical events have also introduced new elements to Korean culture. In recent history, three major waves have shaped Koreans' mentality: Japanese occupation from 1910 to 1945; American influence since 1945; military dictatorship from 1961 to 1987.

Japanese colonization has left deep imprints in Korea. Scholars have considered several factors: connections between businesses and the government, diffused technologies, infrastructure set up for industrialization (Cumings, 1987, cited in Kim, 1992, p. 214), and personnel practices (Bae, 1987, cited in Kim, 1992, p. 214). Some of these practices will be investigated in the chapter on Confucian influence in Japanese firms in this thesis. Hence, similarities can be spotted between the two countries.

In addition to these physical and organizational residues from the occupation period, Kim (1994) identifies "nationalistic sentiments," as a result of the colonization, to be one of the factors promoting fast development in South Korea (as cited in Rowley & Bae, 2003, p. 188).

American influences in Korea are not limited to the military governance from 1945 to 1948 and the destruction of the Korean War. The impacts are directly on Korean businesses, because of the management training many Korean students received in the US (Rowley & Bae, 2003, p. 188).

The military rule from 1961 to 1987 has left elements of authoritarian leadership, discipline, and organizational structure in the Korean corporate world. Rowley and Bae (2003) recognize that "many executives were ex-officers, while most male employees served in the military and had regular military training, and companies even maintained reserve army training units" (p. 188). This military influence might present difficulty when tracing Confucian roots for some of the firms characteristics, as both could result in a hierarchical structure with rank, order, and discipline.

**Challenges**

While Confucian influences in South Korean firms are pervasive, they are often difficult to be separated from other potential factors in order to establish concrete causal relationships between Confucian themes and firm characteristics. Furthermore, each firm has its distinctive features. In some cases, it might encounter "the risk of over-
generalization" (Ungson, Steers, & Parks, 1997, p. 168). Yet scholars such as Ungson, Steers and Parks, regarding this risk, believe that "a number of attitudinal and behavioral characteristics" could distinguish the traditional South Korean corporate environment from others. This thesis will examine some of these characteristics in South Korean firms and discuss the potential relevance of Confucianism, with no intent to be comprehensive.

**Characteristics**

**Family Businesses**

The globalization of Korean firms in the past 30 years has been conspicuous, with business groups such as Samsung, Hyundai, LG producing more GDP than many countries. These mega enterprises are referred to as *chaebol* in Korean. They are business conglomerates consisting of large companies that are typically owned and managed by family members or relatives in many diversified business areas.

Rowley and Bae (2003) argue that since the *chaebol* network constitutes a significant amount of the business sector, it has impacted other firms in areas such as management practices and society (p. 189). Moreover, the complexity and hierarchy of these conglomerates are evident, and their company culture becomes more important as they need cohesive values for advancement. Therefore, in examining Korean enterprises, we have put more emphasis on *chaebol* groups compared to other enterprise forms.

*Chaebol* groups are often considered as network firms, since they consist of subsidiary companies which serve in many different industries. Rowley and Bae (2003) use the phrase "octopus with many tentacles" to describe a *chaebol* (p. 189). Although this network structure is not analogous to the tree structure of a family, a *chaebol* group is often owned by an extended family. Studies have shown that "43% of the top 30 South Korean chaebol's stock shares have been held by families," and "the percentage of family direct-hold stocks is 9.3%" (Lee & Li, 2009, p. 146). In fact, in addition to ownership, management is often performed by these family owners and their extended family networks, as is evident in world-famous business groups such as Samsung and LG.
Chung, Lee, and Jung (1997) relate this pattern with traditional family values, which are heavily influenced by Confucianism in South Korea: they would consider it "a disgrace and dishonor to the family" not to keep control of the business ownership (p. 153).

There are other factors contributing to the mix of ownership and management in Korean family businesses, which are not necessarily related to Confucianism. Chung, Lee and Jung (1997) have suggested several of them. Firstly, business owners "were able to maintain their ownership share through debt financing" since it was common to acquire additional funding in this manner; secondly, they "were able to manage their growing business without professional management," as the "financial and administrative support" from the government relieved some market pressure for these businesses; thirdly, since some South Koreans maintain that the family ownership provides "stability and continuity" to these chaebol, the ownership was protected from "hostile takeovers" by the public because of their economic success (Chung, Lee, & Jung, 1997, p. 153).

In particular, it is important to have a powerful and assertive leader as the chairperson to sustain this mix of ownership and management. As a result, it promotes centralized authority in decision making. The chairperson of a chaebol is usually the head of the family as well. This chairperson sets new initiatives and makes important decisions regarding the future of the business group. These decisions are made top-down from the chairperson, rather than from the bottom up. It is analogous to a Confucian family, where a sage-like family head possesses the most authority to make decisions; as a result, he or she is the soul of the family when new directions are involved. In addition, it is observed that among the business groups, the smaller the group the higher concentration of owner-managers can be found, as demonstrated by Jung's 1989 study (Chung, Lee, & Jung, 1997, p. 154). This perspective seems to be natural since the small-size groups are more manageable for owner-managers.

As an example, Samsung's first chairperson and founder Lee Byun-Chull led Samsung from being a trading group in 1930s, through World War II and the Korean War, to a world-class business group after 50 years of evolution. In the 1960s and 70s, he
decided that the corporation should adopt a multi-directional development approach which expanded the company into different industries (Lee & Li, 2009). By the end of his tenure, Samsung had grown into "37 subsidiary companies and 150,000 employees" (Lee & Li, 2009, p. 179). This foundation paved the road for Samsung's restructuring in the 1990s. Later on, the responsibility of Samsung chairperson was passed down to Lee Kun Hee, the third son of Lee Byun-Chull. After the handover, Samsung went through another major transformation. It is referred to as Lee Kun Hee's "second pioneering," during which he traveled around the world to visit many enterprises and started many hours of discussion within Samsung (Lee & Li, 2009, p. 181). After this strategic thinking within the organization, Lee Kun Hee set the vision of Samsung to provide "world-class family electronic appliances and communication products" (Lee & Li, 2009, p. 182).

In the example of Samsung, blood-based succession can also be observed, as the new chairperson Lee Kun Hee is the third son of Lee Byun-Chull, and other parts of the Samsung corporations were split up among Lee Byun-Chull's other daughters and sons. Succession through blood lineage in family chaebol is very common, as it reinforces the ownership of the company. Rarely is there an exception (before its dismantlement, Daewoo once had a non-family member taking over because the second generation was not old enough to manage the company.) Many scholars hold that this phenomenon in Korea is impacted by Confucian family values. Chung, Lee and Jung (1997) explain in detail:

In Confucianism, the eldest son occupies a particularly important place in the family. [. . .] The system in which only the elder son inherits family assets has been modified in recent years to include other siblings in the inheritance process, but the blood-based system remains in force. This inheritance system is also applied to managerial succession. [. . .] In those chaebols where the founder is still active, his children are placed in heir-apparent positions. (Chung, Lee, & Jung, 1997, p. 136)

Not only in a traditional Confucian family, but also in a Confucian state, bloodline succession was strictly observed to maintain legitimacy of the rule. "Mandate
of Heaven," mentioned in the previous chapter, elaborates on this concept. In addition, Cheng Yi and Zhu Xi, key figures for Neo-Confucianism, "repeatedly stressed the importance of the primogeniture system for the stability of society and state" (as cited in Kim, 2002, p. 79). In this sense, chaebol groups not only resemble Confucian families, but also share similarities with Confucian kingdoms.

Alumni and Regional Relationship

The connections in Korean enterprises are not limited to blood, but also education and geography. Top executives and managers of several major chaebol are exclusively from a few of the top universities, and even high schools. Altogether, at one point, Seoul National University accounted for "62.3 percent" of the "top executives in seven leading companies," whereas the top three universities' graduates "account[ed] for 84% of the top executives" (Chang & Chang, 1994, p. 64).

Regional relationships are less prevalent in recruiting college undergraduates, but do have a slight influence on upward mobility within the chaebol groups (Chang & Chang, 1994). Chung, Lee and Jung (1997) comment that "in Kumho Group, many executives and managers are from Honam (Chul-la Province), the southwestern region of Korea" (p. 156).

The alumni and regional ties are called the yon-go relation, meaning "relationship-based behavior" (Chung, Lee, & Jung, 1997, p. 136). Besides immediate and extended family members, South Koreans find people with the alumni and regional ties more trustworthy. In a quantitative approach, Chang and Chang (1994) have developed a Trust-Base Scale ranging from 1 to 100 to measure the trust toward the other people, and it is found that, immediate family members score 100 in the trust scale, whereas extended family members score close to 100, followed by classmates from high schools and colleges.

The yon-go relationship facilitates the formation of cliques and informal power groups in Korean businesses. Professional managers in Korean chaebol, referred to as tobagi managers, would introduce their friends into the company even if they are selected based on qualification (Chung, Lee, & Jung, 1997, p. 155). The relationships inside a
yon-go group are mainly age-based (Chung, Lee, & Jung, 1997, p. 156). While the close-knit informal groups in Korean businesses promote harmonious group-oriented culture, it tends to exclude outsiders, which might lead to "nepotism and favoritism in managerial decision-making" (Chung, Lee, & Jung, 1997, p. 137).

In fact, the influence of yon-go relationships also extends to areas between businesses. Informal communications among alumni and regional ties can also be observed in business deals between companies, as personal contacts and relationships are often used in business negotiations.

The yon-go relationship is also present in Korean political scenes. Chung, Lee and Jung (1997) point out that "Korea's major political parties for the past three decades were organized not on ideological but along regional lines" (p. 136). The tight relationship between government and businesses has potentially impacted yon-go relationships in chaebol.

Considering the potential Confucian roots of the alumni and regional relationships in the Korean business world, there are two potential directions to be examined. The first one is the importance of education and self-cultivation in Confucianism, and the related social status; the second one is the Neo-Confucian party politics in the past, which were also divided by education.

Education, in a Confucian sense, not only means knowledge accumulation, but also self-cultivation of morality. However, in a practical sense, education in Neo-Confucian Korea was also closely related to passing the state civil exam. Kim (2002) argues that "having examination degree holders in the family was not only the greatest honor for the kin, but also the critical form of leverage for the management and expansion of kinship property" (p. 79).

Kim further writes that
If one had reputable scholars in one's family line, it was actually obligatory to learn what was called "family lineage learning (kahak)." If there were no scholars in the family, the father simply chose a teacher who had personal ties with the family. This phenomenon intensified if the family was entangled in party
struggles. One could hardly have a teacher or even a friend among family members who were affiliated with an opposing party; it would have constituted a violation of filial piety. It was a matter of course that the party itself was as deeply intertwined with kinship networks as the school was. (Kim, 2002, p. 80)

From this description, Confucian party politics from the past could be the basis for the yon-go relationship in the modern world.

**Paternalistic Leadership**

Korean management style tends to develop a family-like flavor in the workplace. Since the chairperson makes most of the decisions to ensure tight control, he or she is also likely to think thoroughly about employees' welfare (Ungson, Steers, & Park, 1997). Indeed, not only do the top executives come from the same family, but also the chairperson treats the employees similarly to how a father treats his children in a Confucian family. The chaebol chairperson is often regarded as a "quasi-father" figure (Ungson, Steers, & Park, 1997; Chung, Lee, & Jung, 1997).

In Korean enterprise, paternalism also extends to superior-subordinate relationships in general. The growth of subordinates is considered as a personal responsibility by a supervisor or manager. In return, a subordinate will respect his or her superior. Thus, the commitments and responsibilities are reciprocal. Ungson, Steers and Park (1997) comment that:

It is not uncommon for a manager to take his subordinates out drinking one night a week to discuss both business and personal matters and to continue building a harmonious atmosphere. Moreover, it is expected that a manager will take an active interest in his subordinate's personal and family life, attending funerals and birthday parties, giving gifts on certain occasions, and so forth. Like Japanese companies, Korean companies hold to the concept of the "whole person," which stresses the interconnectedness of all parts of life. Conflict or problems at home may affect work performance and, as such, must be monitored and resolved. (Ungson, Steers, & Park, 1997, p. 173)
Chung, Lee, & Jung relate "paternalism" to Confucianism and argue that "Confucianism reinforces the hierarchical, authoritarian, and paternalistic corporate culture in Korea" (Chung, Lee, & Jung, 1997, p. 135).

The underlying mentality is that paternalistic leadership fosters harmony in work groups. When a manager tries to reach a decision in a work group, he or she might resort to informal interactions due to the reluctance of subordinates in giving opinions (Chung, Lee, & Jung, 1997, p. 157). Paternalist management will serve well in this case because of the familiarities between superior and subordinate. Nonetheless, it impacts work efficiency and group performance at times (Chung, Lee, & Jung, 1997, p. 157).

**Family-Like Environment**

In South Korean enterprises, the family-like atmosphere can be observed not only in superior-subordinate relationships, but also in the overall environment at the company level. In a factory setting, Lee and Li describe how Samsung China division set up a post office and a cash dispenser within the factory to make it more convenient for the workers to send money back home (2009). They made major renovations to the dorms for men and built new dormitories for women (Lee & Li, 2009). Moreover, to bring more warmth to the employees, they host various activities such as sports games, movie showings, and even a glee club (Lee & Li, 2009). In return, employees are expected to work hard, be loyal, and sacrifice for the company's benefit (Lee & Li, 2009). Therefore, the warm atmosphere and convenience brought by the new facilities and practices in the factory setting are also intended to improve workers' overall efficiency and productivity.

In an office environment, as we mentioned before, work groups will celebrate birthday parties for employees, and colleagues are often invited to personal activities such as weddings or funerals. It develops a sense of belonging in the group. Chung, Lee, and Jung (1997) suggest that "the strong tendency of Korean employees to see their work place as 'a second home' came from the traditional Confucian concept of the extended family" (Chung, Lee, & Jung, 1997, p. 143). Due to this "second home" mentality among Korean employees, we often see long employment loyalty in Korean companies. Even if the tradition for life-time commitment has been shifting in recent years, it is observed that
managers tend to stay with the company longer than the average employees and the elder workers tend to stay longer than the younger ones (Chung, Lee, & Jung, 1997, p. 144).

**Hierarchy**

The organization of Korean firms is highly hierarchical. Chung, Lee and Jung (1997) state that "Korean firms generally have a "tall" structure with many hierarchical levels" and "the span of control (meaning the number of subordinates under a supervisor) is generally narrow" (p. 155). Additionally, vertical hierarchies and the tall centralized structure are enhanced by "employing deputy or assistant managers in line positions" (Chung, Lee, & Jung, 1997, p. 155). Ungson, Steers and Park (1997) comment that "Korean organizational hierarchies are purposefully 'tall' so that differentiation between ranks is clear" (p. 166).

On the other hand, in Ungson, Steers and Park's (1997) context, the typical organizational hierarchy of a Korean firm is organized by three groupings: managers and technical personnel, workers, and female employees (women's role in the company will be discussed later in this chapter). White-collar employees such as managers and technical personnel are often called "salarymen" (Ungson, Steers, & Park, 1997, p. 166). They exhibit a tall-structured hierarchy among themselves. Underneath the managerial hierarchies are blue-collar workers, who are categorized into "skilled, semiskilled and unskilled workers" (Ungson, Steers, & Park, 1997, p. 167). Scholars argue that there is a militaristic atmosphere at the shop-floor level because uniforms are often required and they are colored according to ranks (Ungson, Steers, & Park, 1997, p. 167).

Many scholars believe that the hierarchical nature of organizations in Korea is influenced by its Confucian culture. In particular, the "Five Relationships" of Confucianism outlined in the previous chapter, with an emphasis on virtues such as filial piety, loyalty, trust, and respect, have encoded a hierarchical structure in Korean culture. In my opinion, to a certain extent, hierarchy in South Korean enterprises is influenced by the Confucian tradition. However, we should not overlook the impact from the past Korean military government and regular military training, in addition to potential influences from other religions such as Daoism, Buddhism and Christianity.
In a hierarchical organization, authoritarian leadership is often observed. Some researchers consider the authoritarian leadership to be one type of paternalistic leadership, as explained in the next chapter on Chinese management. Chung, Lee and Jung (1997) hold that this type of leadership is a natural outcome of the "hierarchy-based Confucian culture," and both "centralized managerial structure" and "obedient and passive attitude of Korean subordinates" reinforce authoritarian managerial behaviors (p. 156). Interestingly, they add that this kind of behavior "is not strictly leader-centered but is more often task-centered to accomplish certain work goals" (Chung, Lee, & Jung, 1997, p. 156). In my opinion, the line between "leader-centered" and "task-centered" is ambiguous. Nonetheless, it does not affect that the authoritarian behavior is Confucian-influenced.

**Decision Making**

In line with our previous discussion of authoritarian leadership, decision making is highly centralized at the top of the hierarchy in Korean enterprises. Scoot (1992) finds centralization in authority and formalization in regulations to be the two major characteristics in Korean organizations (Scoot, 1992, pp. 18, 23-24, as cited in Chung, Lee, & Jung, 1997, p. 154).

The formal decision making process in Korean firms is called *kyul-jae*, meaning "approval from upper levels of management" (Chung, Lee, & Jung, 1997, p. 154). It is intended to provide an opportunity for "discussions and consultations among employees and managers throughout the organizational hierarchy" (Chung, Lee, & Jung, 1997, p. 154). However, they argue that it has not been fully exercised to serve this purpose despite its similarity to *ringi* in Japanese firms, as superiors in Korean firms use it as "more of a means for exercising authority and control" (Chung, Lee, & Jung, 1997, p. 154).

By and large, decision making in South Korean firms are top-down and centralized, which is consistent with a top-down Confucian hierarchical model. But again, military influence could also reinforce this decision making pattern.
Communication Style

In general, the communication style in Korean firms is also "top-down" and vertical based on the hierarchical relations. It is based on both "formal authority" and "roles, power, age, and seniority (tenure)" (Chung, Lee, & Jung, 1997, p. 158).

Surprisingly, the job descriptions in Korean firms are quite general, as are the directives supervisors give to their subordinates. In the structured organization of hierarchy and highly centralized authority, job responsibilities are mainly assigned by managers in an informal and non-specific manner in Korean firms.

Several possible reasons are behind this phenomenon. Chung, Lee, and Jung argue that nonspecific directives show superiors' confidence in their subordinates as "subordinates are supposed to understand the intentions of their superiors and carry them out to the best of their capacities," based on "their own assumptions rather than ask their superiors for clarification" (Chung, Lee, & Jung, 1997, p. 158). Additionally, because of the respect for the superiors and elders in the hierarchy, subordinates choose to settle debates and have open communication in informal settings and among yon-go groups (Chung, Lee, & Jung, 1997, p. 158).

This informal communication is also aided by the ability to recognize nonverbal cues in a Korean group. Ungson, Steers and Park (1997) bring in the concept of nunch'i'i, which is translated as "the look in someone's eyes":

It is the nonverbal reaction of someone to a question, a directive, or a comment, and Korean businessmen pride themselves on their ability to read someone's "face." Nonverbal behavior in all forms of social interaction is far more important in the East than in the West. And in these interactions, one's ability to read nunch'i - that is to silently perceive what the other party is thinking - is fundamental.

(Ungson, Steers, & Park, 1997, p. 174)

Lee (1967) argues that nuch,i'i can be traced back to ancient Korea, and people from the lower rank had to gauge the feelings and likings of the aristocrats when "rigid Confucianism" was an obstacle for direct communications between two ranks (as cited in...
Cazal, 1994, p. 30). This relationship corresponds to the superior-subordinate relationship in the modern world to an extent.

It is held that the communication style in Korean firms seldom causes problems because the informal connections, such as yon-go relations, as well as nonverbal cues, have prevented potential challenges (Chung, Lee, & Jung, 1997, p. 158; Ungson, Steers, & Park, 1997, p. 174). In particular, Chung, Lee and Jung (1997) hold that increased flexibility in work assignments has enabled quick responses to changing conditions, overcoming "inefficiency (such) as duplication of work or uneven distribution of workloads" caused by general job descriptions (pp. 156-157). Furthermore, Ungson, Steers, & Park (1997) argue that general job descriptions foster "the team atmosphere" and support "individual behavior that is for the good of the company" (p. 174). Although the two groups of scholars both hold overall positive opinions of the informal communication, it is rather difficult to measure the benefits and costs of the informality. We can consider it as a relaxation from the structured hierarchy, which reduces the rigidity of the highly centralized control left from Confucian traditions.

**Work Ethics**

Korean employees' work attitudes are strongly characterized by Confucian work ethics. Ungson, Steers and Park (1997) identify "the centrality of work" as one of the key characteristics among Korean employees: "Words frequently used by foreign observers to describe Korean workers include diligent, self-sacrificing, dedicated, and dependable. [. . .] Koreans simply spend more time on the job than most of their international counterparts" (p. 170).

Kim's study (1985) reveals that when "Korean managers were asked what they would do if they had enough money to live comfortably for the rest of their lives. A full 96 percent responded that they would continue to work hard despite their newfound wealth" (as cited in Ungson, Steers, & Park, 1997, p. 170).

The diligent and hardworking attitudes are referred to as "Confucian work ethics" by scholars. It is held that even if working hard is also appreciated in Western companies, there exist nuances between the "Confucian" work ethics in the East and the "Protestant"
work ethics in the West: in Korea, an employee works hard to achieve group success, whereas in the US, one works for individual achievement (Ungson, Steers, & Park, 1997, p. 171).

However, decline in the willingness to work hard is also noticeable in recent decades. Chung, Lee and Jung (1997) comment that "in the 1980s when per capita income approached the $4,000 level and higher, the motivation of Korean employees for hard work declined markedly while their desire for leisure increased" (p. 141). In order to accommodate the changes in work ethics, major corporations have adjusted their practices accordingly: Samsung shifted working hours and LG implemented flexible time in the workplace (Chung, Lee, & Jung, 1997, p. 141).

**Women's Status - Gender Roles**

In Korean corporations, the status of women has remained quite controversial. Traditional Confucian culture assigns different responsibilities for males and females according to the teachings about the "Five Relationships." Because the traditional role for women in a Confucian family was to manage the household and nurture children, Chung, Lee and Jung (1997) find that it has affected the workplace dynamics between men and women, and even the salaries received by two genders: "female workers are generally paid less than their male counterparts and are expected to resign upon getting married," despite the barring of employment discrimination against women (p. 136).

In agreement with the aforementioned scholars, Ungson, Steers and Park (1997) note that female employees can be categorized into a separate hierarchy in Korean corporations (p. 167):

Women are hired most frequently as assemblers, clerks, typists, secretaries, or service workers. While female college graduates earn more and are accorded somewhat higher status and authority, they, like other women, are frequently less important to the organization than are the salarymen or other male workers and earn less than men working in similar jobs. They are often seen by their male counterparts as temporary employees whose role is to serve the (male) organization until marriage. (Ungson, Steers, & Park, 1997, p. 167)
Additionally, Ungson, Steers and Park (1997) point out that at the shop-floor level, the distinction of female employees from the male employees could be as visible as wearing different colored uniforms (p. 167).

In recent years, women's status has been improved in South Korean corporations. There is increasing acceptance for female managers, and the salary gap between female and male employees is also decreasing.

Education

Education and self-cultivation are the basis of Confucianism. One's education level is one of the symbols for his or her social status. Besides the informal relationships such as the family, alumni and regional ties with current employees, meritocracy is still appreciated in Korean enterprises, reflected in the recruitment process and training programs in Korean firms. The incoming college graduates are "often selected and promoted on the basis of academic achievement and knowledge-based written examinations" and training within the company is greatly emphasized (Chung, Lee, & Jung, 1997, p. 137).

As mentioned in the earlier section, the emphasis on education and examination is a legacy from the state civil examination during the Neo-Confucian Chosŏn Dynasty, which was a common method to recruit talented persons for government positions in ancient Korea.

Moreover, Confucian education used to influence career choices in Korea in the past. Preferred occupations such as professors, civil service officials, doctors, and lawyers were usually associated with high social status, whereas careers in commerce, management, engineering, art, and entertainment were related with lower social status in Confucian tradition (Chung, Lee, & Jung, 1997, p. 142). However, in recent years, these perspectives on occupational preference have changed in Korean society along with growing prosperity in many fields.

Group Harmony

Most concepts discussed earlier in this chapter are more or less related to achieving harmony in the group. Harmony, as we mentioned in the previous chapter, is
emphasized heavily in Confucianism. Ungson, Steers and Park (1997) comment that "the principle of group harmony derives from Confucian thought, which stresses smooth, constructive, and conflict-free interpersonal relations at almost any cost" (p. 171). Harmony can be maintained by devotion to the "Five Relationships," self-cultivation of morality, and informal relationships and communications behind the formalized hierarchical structures.

In Korean corporations, maintaining group harmony is frequently addressed and considerable efforts are devoted to talking about one's responsibilities to company and country (Ungson, Steers, & Park, 1997, p. 171). Therefore, Korean employees have strong group-oriented values, compared to workers in Western and even Japanese companies (Hofstede, 1983, cited in Chung, Lee, & Jung, 1997, p. 144). Shin (1991) notes that "the KCCI study also found that 85 percent of Korean workers are willing to go along with group opinion, but as many as 43 percent of them desire opportunities to voice their own views different from group opinion" (Shin, 1991, pp.70-71, as quoted in Chung, Lee, & Jung, 1997, p. 145).

However, a few studies have presented dissenting opinions when comparing Korean and Japanese groups, arguing that Koreans tend to be more individualistic than Japanese (Kusayanagi, 1980, Kim, 1982, Chang and Chang, 1994, pp. 45-46, as cited in Chung, Lee, & Jung, 1997, p. 144). Scholars distinguish the concept of "conforming to a group opinion" from "agreeing with the group opinions," arguing that "the group orientation of Korean employees, shown through their conformity to group opinions, is not a genuine consensus" (Chung, Lee, & Jung, 1997, p. 145). In the same vein, Cazal (1994) also points out that harmony is "superficial" in South Korean organizations (p. 26).

Chang and Chang (1994) use "salad bowl" to describe Korean groups, as compared to "Jeffersonian" individualism and the "melting pot group" (pp. 45-47). A "salad bowl group" is characterized by people maintaining their own individual interests in a group, whereas in a "melting pot group" is characterized that "each member of this
group loses his or her own identity and behaves purely as a group member" (Chang & Chang, 1994, p. 47).

To attain group harmony and conformity, Korean firms often use shared values, referred to as sahoon, to promote shared vision among employees (Ungson, Steers, & Park, 1997; Chung, Lee, & Jung, 1997). It can be called a company motto or slogan embodying "management ideology or core values and beliefs," which guides employee attitudes and behaviors (Chung, Lee, & Jung, 1997, p. 146; Ungson, Steers, & Park, 1997).

The sahoon is usually quite visible in Korean firms, as it "is often [...] hung on the walls of executive offices, conference rooms, training centers, and major work areas," and "appears on the first pages of company brochures, operating manuals, training texts, diaries, directories, and important company publications" (Chung, Lee, & Jung, 1997, p. 146).

It is observed that Korean firms often emphasize in a sahoon harmony, sincerity and diligence, which concern employee attitudes and behavior based on traditional Confucian values (Chung, Lee, & Jung, 1997, p. 151). The Confucian linkage is therefore established with sahoon in Korean firms.
Chapter 4: Confucian Influence in Chinese Firms

Overview

In Chapter 2, we have briefly outlined the history of Confucianism in China and its major themes, intending to demonstrate both the richness and the complexity of this ideology. Although Confucianism is the centerpiece of Chinese traditional culture, the ideologies of Buddhism, Daoism, and Legalism have also left heavy imprints in Chinese culture. In particular, Neo-Confucianism has assimilated concepts from the aforementioned ideologies, reflecting the flexibility and adaptive nature of Confucianism.

While we want to investigate how Confucianism has impacted Chinese organizations, we should distinguish between Confucianism and Chinese culture in general, as one might be tempted to equate them. Additionally, it is difficult to separate some of the institutional and political influences from the cultural effects in China. In some cases, several ideologies act together and reinforce each other. Child and Warner comment that:

The distinction between cultural and institutional causation becomes blurred by the interrelationship between the two. While many institutions are initially shaped by political and legislative actions, those that survive do so because they express and support enduring cultural values. Nevertheless, in the shorter term, institutional regimes condition the attitudes and behavior to be found in organizations, and they can modify cultural effects. As 'same culture, different system' examples like Mainland China and Hong Kong illustrate, the impact of institutional differences is sufficient for Hong Kong managers to regard managing operations in the Mainland as problematic (Child et al. 2000). (Child & Warner, 2003, p. 25)

The abovementioned example of Hong Kong managers can be a little bit dubious because the British colonization has brought some cultural changes to Hong Kong as well. It is no longer exactly the "same culture" as the Mainland anymore. This comparison
demonstrates that due to the interactions between institutions and cultures, ambiguity arises as to what comes first when considering Confucian influences.

**Other Ideological Influences**

Despite the fact that Confucianism originated in China and was the long-time state orthodoxy, other ideological influences in Chinese society, not only Daoism, Buddhism and Legalism, as mentioned above, but also recent political ideologies such as Communism and Marxism, should not be overlooked when considering organizational information. This mixture has made Confucian influences more complex in Chinese enterprises.

For example, Daoism has emphasized that leaders should possess "water-like" qualities, which focuses on "altruistic," "modest," "flexible," "clear," "soft," yet "powerful" (Lee, Han, Bryon, & Fan, 2008, p. 90). Furthermore, it emphasizes the importance of "noninterference" and following "the natural course of things" in leadership (as cited in Lee et al., 2008, pp. 94-95). These Daoist leadership and management characteristics sound passive, yet they often produce unexpectedly effective outcomes in organizations.

Legalism, on the other hand, focuses on rigid laws and regulations. Scholars such as Hwang argue that it occupies the second place right after Confucianism in terms of its influence on traditional Chinese leadership (Hwang, 2008, p. 108). Developed by Hanfei (280 - 233 BCE), Legalism is based on the concept that "a ruthless pursuit of self-interest," instead of "moral values," is the root cause for "all human behaviors" (as cited in Hwang, 2008, p. 112):

Unlike the Confucians, the Legalists had no interest in preserving or restoring the customs or moral values of the past. Their only goal was to teach the ruler how to survive and prosper in a highly competitive world through various measures of administrative reform, such as strengthening the central government, increasing food production, enforcing military training, and replacing the old aristocracy with a team of bureaucrats. (Hwang, 2008, pp. 110-111)
Hwang (2008) summarizes Hanfei's leadership theory in three words: "shih (power), fa (law), shu (management technique)" (p. 113). It includes concepts such as "reward and punishment," "rules of regulation," "assigning competent talent to the right position," "following up the project and checking the results," and "evaluating contributions and granting rewards accordingly" (Hwang, 2008, pp. 113-122).

According to the descriptions, both Daoists and Legalists hold different perspectives compared to Confucians, leaving an interesting hybrid and even some tensions in managerial styles and interpersonal behaviors in China.

In a more recent context, the amalgam of Communism, Marxism, Leninism and Maoism has formed distinct organizational structures and practices in China. Furthermore, the Economic Reform, started in 1979, has introduced a variety of enterprise forms, and brought in Western ideological influences. All of these have shaped corporations with "Chinese characteristics," which could be difficult to separate out from the traditional Confucian influences. As we investigate the Confucian impact on Chinese firms, it is valuable to consider other potential ideological influences.

Characteristics

Family Businesses

Since the Economic Reform in 1979, enterprise ownership has undergone drastic changes in China. Private businesses began to emerge, as well as urban and rural collective enterprises. Some State-Owned Enterprises (SOEs) have been restructured into private or collectively owned corporations. SOEs transitioned from producing three-quarters of the economic output prior to the Reform down to only one quarter in 2002, whereas "urban and rural collective enterprises account for around 40 per cent of industrial output, firms with foreign investment over 15 per cent, and private firms over 20 per cent " (Child & Warner, 2003, p. 32). Lee and Li (2009) further noticed that "the number of private enterprises increased by 23.8 times - from 98,000 in 1990 to 2,435,000 in 2002" (Lee & Li, 2009, p. 230).
Among these private businesses, many are owned by families (Schlevogt, 2002, p. 107). Even if family businesses constitute a big percentage of GDP revenue nowadays, the average size of these companies cannot compare to those of SOEs. Child and Warner (2003) observe that "the SOEs that had converted into fully private firms were generally small and in most the top manager was the main owner and likely to hold tight control" (p. 33). Redding agrees that the size of family businesses in China is generally limited and less complex with about 50 to 100 employees, and family members are in crucial positions such as "a dominant owner/chief executive" (Redding, 1994, p. 106).

Even if we cannot equate private businesses with family businesses, both of these sources have suggested the prevalence of small size, and because of the small size, a central power figure can be as both the owner and the chief executive. As Chinese family businesses are quite young, the ownership and management are generally held by family members. Lee and Li (2009) provide some statistics from Study on Governance Structure of China's Private Enterprises, which features family enterprises from Guangdong province: "Among the 76 enterprises being investigated, 84% had family members in top management. Companies with both husbands and wives taking part in management took up 95% " (as cited in Lee & Li, 2009, p. 243).

In Chinese family businesses, the chairperson usually harnesses central power and maintains tight control, and makes most of the decisions, both important and unimportant ones (Redding, 1994; Lee & Li, 2009; Pleister, 1998, as cited in Child & Warner, 2003, p. 34). In the smaller private firms, most decisions tend to be made "personally and informally"; comparatively, decision making by "formal bodies such as a board of directors or management meeting" can be observed "only among some larger and longer-established private firms" (Child & Warner, 2003, p. 34).

Similar to Korean family businesses, both ownership and management are held together by the family. Furthermore, these Chinese entrepreneurs are often multi-tasking within their organizations. Lee and Li (2009) comment that "they engage themselves in every business activity, from pioneering work to market competition. [. . . ] Since family
members spend most of their time on business, their enterprise is also a 'family' for them" (p. 245).

Lee and Li (2009) have provided four reasons for the dominant control of family members in these enterprises: firstly, the loyalty of family members in management is preferred to cope with the uncertainty during the drastic reform, as the economic environment and government policies could cause potential interference to the business; secondly, there is a lack of professional managers to provide trustworthy management; thirdly, family members and their social connections constitute most of the financial sources for the businesses; fourthly, family members could work for low pay, which is especially valuable during difficult times of the operation (pp. 236-237).

Because the open door policy was promulgated in 1979, the re-emergence of family businesses in modern China has a history of only 30 years. The biggest concern for these businesses will be the succession (Lee & Li, 2009). Most of the first-generation founders will retire in five to ten years and they want to pass their companies down to their children. However, some second generations are reluctant to take over the company (Lee & Li, 2009). Additionally, Lee and Li note another concern:

From their perspective, they build their career from scratch, and they know better than anyone else how hard it was to set up the business. They also believe that only they themselves are capable of strong leadership. As a result, they tend to be extremely authoritative and confident. The founder's aspiration for power will pose a big threat to power transfer to the next generation or to non-family professional managers. (Lee & Li, 2009, p. 245)

Maybe because these founders generally exert strong leadership and are quite capable, Schlevogt (2002) finds that employees respect the CEOs more in private companies than in the SOEs. This perspective, in turn, will reinforce the control of these owner-managers.

As we have discussed in the Korean chaebol case, the characteristics in Chinese family businesses are often Confucian-based. Phenomena such as immediate and extended family members controlling most of the business and fatherly figures holding
the owner-manager positions are similar to those in Korean family businesses, which are meant to maintain the role responsibilities in the "Five Relationships," as well as to preserve the family welfare. Even for those private businesses which were transformed from SOEs, some scholars think the social order in these SOEs was affected by Confucian family values. Johnson (2008) argues that "the strict social and political hierarchy introduced by the CCP conformed to Confucian norms: the party assumed the role of the head of the household, to whom the people owed loyalty and obedience; in return, the party would take care of their needs and direct their daily life" (p. 139).

**Oversea Chinese family businesses.** Since the modern family business in Mainland China has a relatively short history, the experience from overseas Chinese family businesses may shed light on the future development of the ones in the mainland. The term "overseas Chinese family business" (OCFB) refers to those outside of Mainland China. These businesses are spread in Southeast Asian regions and countries with significant presence, as Weidenbaum (1996) finds that "nine out of every 10 billionaires in Southeast Asia are ethnic Chinese" (as cited in Tsang, 2002, p. 23).

The majority of these OCFBs were started by Chinese people leaving China "between the mid nineteenth and mid twentieth centuries" when China was in a state of turmoil (Redding, 1995, p. 63). These people are referred to as "the sojourners of the southern ocean," and many of them intended to return as soon as their economic situations were improved (Redding, 1995, p. 63).

These Chinese family businesses share many of the characteristics mentioned in the discussion above. Redding (1995) has given us a brief overview of these commonly found characteristics:

1. "Small scale; relatively simple organizational structuring.
2. Normally focused on one product or market.
3. Centralized decision-making, with heavy reliance on one dominant chief executive.
4. Family ownership and control.
5. A paternalistic organizational climate.
6. Linked via strong person networks to other key organizations such as suppliers, customers, sources of finance, etc.

7. Normally very cost conscious and financially efficient.

8. Relatively weak in terms of creating large-scale market recognition for own brands, especially internationally.

9. Subject to limitations of growth and organizational complexity due to a discouraging context for the employment of professional managers. (There are now some exceptions to this.)

10. A high degree of strategic adaptability, due to a dominant decision maker" (Redding, 1995, p. 64).

Many of these characteristics are Confucian-influenced as we have reasoned before. In addition, Redding (1995) has studied a new form of business alliance among the OCFBs in this area, which is "a looser web organized horizontally" and may be "based on shared ownership links, or jointly organized investments in separate ventures" (pp. 66-67).

Guanxi affiliations, which will be discussed later in the chapter, are significant to the formation of this new type of business alliance. It has been pointed out that the owners of one alliance often share the same dialect (Redding, 1995).

Whereas we have not been able to observe problems emerge in Chinese family businesses in Mainland China due to the short history, some of the lessons are transferable from the OCFBs. It is argued that family management is beneficial for the early phase development of these private businesses, because of its feasibility and effectiveness brought by deep understanding, trust, small management radius, simple relationships, relative symmetric information (Lee & Li, 2009, pp. 9-10). However, as the business expands and the family branch grows bigger when it gets to the second and the third generations, family management might encounter complications in terms of politics within the family due to interest conflicts, and decision making inefficiency (Lee & Li, 2009). For example, in the case of Yeo Hiap Seng (YHS) Ltd, a "century-old family enterprise in food manufacturing," seven family branches from the third generations were
often in conflict because of their own interests, which led to its dissolution in 1994 (Lee & Li, 2009, p. 3). The ideal Confucian family dynamics is damaged and the role responsibilities are not carried out in this situation. Furthermore, because of the wider management radius, the managerial inexperience of family members has to be compensated by bringing in professional managers and this mixture of both professionals and family members causes information asymmetry, leading to potential conflicts and inefficiency in decision making and execution (Lee & Li, 2009, p. 11).

**Paternalistic Leadership**

Paternalistic leadership (PL), stemming from the family setting, impacts how organizations are run in China. It is closely related to family values, which are heavily influenced by Confucian teaching in the past. In the case of a paternalistic leadership, the interaction between a leader and his/her followers in a firm mimics the father-son relationship in a Confucian family. As Westwood and Chan (1992) put it: "broadly defined, PL is a fatherlike leadership style in which clear and strong authority is combined with concern and considerateness and elements of moral leadership" (as cited in Farh & Cheng, 2000, p. 85).

Paternalistic leadership can be observed in many forms of enterprises in China. One can find more of the paternalistic leadership orientation in private and family businesses than in major SOEs, and little in joint venture companies. Farh and Cheng (2000) think that with "strong feudalistic origins," Chinese corporations provide rich soil for paternalistic cultures (as cited in Child and Warner, 2003, p. 34):

Enterprises at both extremes of the range, traditional SOEs and private firms, both exhibit corporate cultures that reflect paternalistic cultural values. In traditional SOEs, the culture has been one of top-down leadership and authority, collectivism and mutual dependence, with an emphasis on conformity and attachment to the organization based on moral rather than material incentives (Child 1994). [...] Loyalty to superiors and to the work unit has been complemented by employment protection and the provision of welfare benefits. (Child & Warner, 2003, p. 34)
Farh, Liang, Chou, and Cheng (2008) argue that paternalism especially affects vertical interactions within the organizations. When employees have their personal opinions on certain topics, it is less likely that they would raise them because they want to pay respect to their supervisors. While this practice preserves harmony within the group, it is not ideal for creativity and does not fully utilize the brain power of the team.

Chinese employees have a generally high level of expectation of their leader's benevolence. As in a family, a child is dependent on the caring aspect of his father. In many cases, the employees treat the manager like a fatherly figure also because of saving "face" for their customers. In return, the managers in the group will have strong incentives for caring about and supporting the subordinates. The interview from a hospital employee demonstrates this expectation: "We expect our leaders to be fair, to love the 'family' (i.e., the organization), to care for subordinates, and to be dedicated to work" (as quoted in Xin, Tsui, Wang, Zhang, & Chen, 2002, p. 437).

These leaders are seen as the "part of the organizational cultural dimensions" to "develop, shape, and enhance culture" (Xin et al., 2002, p. 437). On the other hand, a communication pattern in a Chinese organization that can be described as "open and clear" is not a typical phenomenon. On many occasions, leaders in Chinese organizations choose to use vague and ambiguous terms in communications in order to preserve tight control of the organization because employees are expected to spend time to understand what the leaders really mean. These seemingly incompatible observations demonstrate that there are many nuances under paternalistic leadership. As a result, scholars have come up with different frameworks to describe paternalistic leadership. As an example, Farh and Cheng (2000) have based on the previous studies by Silin, Redding, Westwood, and Cheng, and categorized three types of paternalistic leadership in China: "authoritarian leadership," "benevolent leadership," and "moral leadership" (p. 108). Authoritarian leadership can be traced back to "politicized Confucianism"; moral leadership is related to the concept of governance "by virtue," "by moral example," "by rule of propriety" in Confucianism; whereas benevolent leadership is influenced by the
concept of "obligations of the father and emperor roles," "human heartedness," and "the norm of reciprocity" (Farh & Cheng, 2000, p. 108).

Interestingly, in Farh and Cheng's framework, authoritarian leadership is one kind of paternalistic leadership, whereas Pellegrini and Scandura separates authoritarian leadership from paternalistic leadership (Pellegrini & Scandura, 2008). On one hand, it might due to definition difference. On the other hand, the reason for the nuance is that authoritarian leadership in Farh and Cheng's framework is based on both Confucian and Legalist traditions. In Confucianism, "a father has legitimate authority over his children and all other family members," whereas "the Legalist doctrine, which was prevalent in dynastic China, called for the emperor to distrust his ministers and maintain absolute power and control over them through political manipulation" (Farh et al., 2008, p. 173).

Both traditions stress control, yet, one through affection, the other through political manipulation.

Farh et al. (2008) suggest "a multilevel approach to PL," in which they refer to the behavior and characteristics of the upper-level management team, and middle and lower-level managers (p. 197):

At the upper level of the organization, PL refers to the overall management style and practices used by the CEO and the top management team. [...] PL manifests itself in management practices (such as a centralized organization structure, top-down decision-making style, and treating employees as family members) and results in a paternalistic climate in the workplace. [...] At the lower level of the organization, PL refers to paternalistic leader behaviors exhibited by middle- or lower-level managers toward their subordinates. (Farh et al., 2008, pp. 197, 199)

Scholars have identified both strengths and weaknesses of paternalistic leadership in the organizations. Silin (1976) is generally critical of the authoritarian leadership in Taiwanese firms, arguing that it "depresses morale," "stifles individual initiative and innovation," and also that it "overburdens the boss with coordination tasks" (as quoted in Farh & Cheng, 2000, p. 88). Redding, on the other hand, presents strengths such as "strategic flexibility, fast response, easy implementation of the boss's personal vision,
stable key relationships, subordinates' compliance, diligence, and perseverance," and weaknesses such as "the danger of factions and cliques, lack of innovation and initiative from below and limitations on how far legitimate authority can stretch" (as quoted in Farh & Cheng, 2000, p. 89). However, Pye (1985) argues that "paternalism and its corollary, dependence, are the universally accepted prescriptions for the structuring of authority relations, and that they do not stand in the way of modernization, but simply provide it with a different format" (as quoted in Redding, 1994, p. 105).

Similar to what we have discussed in Korean chapter, Confucianism is the backbone for paternalistic leadership in China, no matter it is the authoritarian, benevolent, or moral type. However, even if Confucianism is closely related to how everyone in the family should be, the paternalistic leadership in firms are not limited to Confucian influenced regions. In other cultures, there are clear evidences of paternalistic management. Thus, we can only conclude that paternalistic leadership in China and Korea (mentioned in the previous chapter), has influences from Confucianism. The causal relationship between Confucianism and paternalistic leadership is difficult to explain.

**Guanxi: Important Chinese Network**

*Guanxi* has been repeatedly brought up in Chinese management literature. Many scholars refer to *guanxi* as "social currency," and it can be regarded as a form of friendship, connection, and network. Even if *guanxi* is similar to networking in the West, it is more subtle. As rudimentary and crucial as *guanxi* is, many scholars hold that it is an indispensable component in lives of Chinese people.

There are different opinions on the origin of the *guanxi* phenomenon. But since *guanxi* networks are widespread among Chinese people, one can observe its influences on Chinese firms. Lovett *et al.* (1999) argue that *guanxi* "dominat[es] business activity throughout China" and serves as the foundation for business transactions (as cited in Langenberg, 2007, p. 2). Therefore, the following section will introduce *guanxi* briefly and investigate its potential Confucian connections.
What is guanxi? According to Chung and Hamilton (2002), "Guānxi (关系) is a sociological term that describes a subset of Chinese personal connections between people (relationships) in which one individual is able to prevail upon another to perform a favor or service" (Langenberg, 2007, p. 1). As Wilpert and Scharpt (1990) put it, it is "governed by the unwritten law of reciprocity" (Wilpert & Scharpt, 1990, citing Boisot and Child, 1989, as cited in Shi & Westwood, 2000, p. 195).

Guanxi affiliations are treated differently according to how intimate the interpersonal relationships are. Yang (1993) has provided three major categories: "chia-jen (family members), shou-jen (familiar persons such as relatives outside the family, neighbors or people in the same village, friends, colleagues or classmates), and sheng-jen (mere acquaintances or strangers)" (as cited in Tsui, Farh, & Xin, 2000, p. 229). For the chia-jen (family) relationships, "the general rule of exchange is that one does his or her best to attend to the other's needs with little or no expectation of return in the future"; for the sheng-jen (stranger or mere acquaintance) interactions, "if any, are superficial and temporary and are dominated by utilitarian concerns, focusing on personal gains and losses"; whereas the shou-jen category falls in between the other two categories, and "may range from superficial to extremely intimate" (Tsui, Farh, & Xin, 2000, pp. 229-230). No matter how the affiliations are categorized, these three categories are very similar to the family lineage, alumni, and regional connections mentioned in the Korean firms. Thus, one can find similar behaviors in the following discussions.

Guanxi behavior within Chinese firms. Within a Chinese firm, guanxi networks could impact the recruiting process, upward mobility, and superior-subordinate relationship in general. As Tsui, Farh and Xin (2000) comment, "Career outcomes may include attaining a certain job, being assigned to a preferred position, receiving a favorable evaluation from a supervisor, and having a high-quality working relationship with a supervisor or others" (p. 232).

Besides the regular recruitment process, providing information about job openings and opportunities for interviews are some of the resources exchanged within a guanxi network. People with a lot of connections tend to have an easier time finding a job. Bian
and Ang (1997) find that although "people found jobs through direct ties more frequently than through indirect ties," but when there is lack of direct linkage, intermediaries with strong or moderate relationships with both "job changers and their ultimate helpers" become the facilitators (as cited in Tsui, Farh, & Xin, 2000, p. 236). From this observation, connections of several degrees away cannot be overlooked in guanxi networks. However, Guirdham (2009) holds a different view that guanxi is similarly effective to networking in the West when it comes to job-hunting, and generally speaking it works better in smaller firms due to the less standard human resource practice (p. 35).

In terms of superior-and-subordinate relationships, scholars find that both sides perceive the relationship to be high-quality when guanxi is established through regional ties or former job interactions, whereas only the subordinate views it to be high-quality if both sides are in similar tenure or gender (Tsui, Farh, & Xin, 2000, p. 236).

As a special kind of superior-subordinate relationship, paternalistic leadership, as we discussed in the previous section, is also influenced by guanxi networks. Cheng (1995) notes that it is "highly personalistic in nature: that is, the boss does not treat all subordinates the same, but routinely categorizes subordinates into in-group and out-group members" (as cited in Farh & Cheng, 2000, pp. 92-93). Among several factors, the first and foremost factor is guanxi, the existence of particularistic ties between the leader and the subordinate such as kinship, shared local origin, a teacher-student relationship or a former classmates relationship (e.g., King, 1991; Tsui and Farh, 1997; Farh, Tsui, Xin and Cheng, 1998). (as cited in Farh & Cheng, 2000, pp. 92-93).

The notion of "in-group" and "out-group" is related to the "chia-jen," "shou-jen" and "sheng-jen" categorizations by Tsui, Farh and Xin (2000, p. 229).

**Guanxi behavior between firms.** Guanxi, as a social resource, is often used in negotiations and strategies in business. Child and Warner (2003) comment that both SOEs and private firms depend on guanxi to develop their external networks and to acquire business opportunities. This is especially true for private firms. They lack the institutional supports offered by government agencies, and good
guanxi connections therefore provide an important substitute for gaining access to scarce raw materials and other resources (Luo 2000). (Child & Warner, 2003, p. 36)

Agreeing with the above authors, Xin and Pearce (1996) also consider connections are more important in private companies than in collectives or SOEs (as cited in Tsui, Farh, & Xin, 2000, p. 241). Guirdham (2009) also describes "business-to-business (B2B) relations" as "interpersonal rather than inter-organizational" (p. 34). Hence, guanxi affiliations are important resources between firms.

Origin of guanxi. Many scholars hold that guanxi is Confucian-based. King describes guanxi "as a Confucian logic in order to locate a common cultural essence among people of Chinese origin" (as cited in Kipnis, 1997, p. 6).

Some scholars think that guanxi came out of the bureaucrats of ancient Chinese government and is relied upon to "minimize uncertainty from the dangers of a political career" (Ji, 1999, as cited in Langenberg, 2007, p. 3). As one of the bases for the regional and alumni ties in Korean enterprises, Confucian party politics of the past could also be a contributing factor to the practices of guanxi networks today. Kim (2002) explains that "friendship in Confucian society was not free from political and economic interests. [. . .] the tension of party politics constrained the scope of friendship quite narrowly" (Kim, 2002, p. 80).

Others argue that in village life, "exchanges between a few families" were sufficient to sustain their living (Ma, 2001, Fei, 1992[1947], as cited in Langenberg, 2007, p.3). These exchanges are quite often based on "culture of blood relationships," which forms the primary guanxi network in the village (Cao, 2002, as cited in Langenberg, 2007, p.3). Since family lineage is one of the main themes in Confucian teachings, it is logical to link guanxi with Confucianism.

Another potential Confucian connection is through the concept of reciprocity. Since exchanges in the context of guanxi demonstrate an affection component towards others, and require long-term cultivation and reciprocal response, they could be traced
back to reciprocity as demanded in the "Five Relationships" or any sets of interpersonal relationships by Confucian teachings.

However, those against treating guanxi as Confucian-influenced tend to adopt a political economist's perspective. They hold the view that Communism or the Economic Reform could foster its formation. Walder and Oi (1989) describe guanxi "as types of 'clientelist' relationships that have parallels in other communist and even noncommunist nations" (as cited in Kipnis, 1997, p. 6). Yan (1996) adds that guanxi has become inseparable part of Chinese society due to lack of institutional support and distribution channels, coupled with centralized resource allocation schemes which are controlled by a limited number of people in the bureaucratic government (as cited in Langenberg, 2007, p. 4). Yet, communism as guanxi's origin becomes less plausible when scholars such as Yan (1996) and Feng (2002) find that guanxi is more widespread in "the post-Mao era" and "during the period from economic 'Reform and Opening Up' through today" (as cited in Langenberg, 2007, p. 4). During this time period, China is generally considered less communist than before the Reform. Lastly, it is also argued that guanxi networks emerge because of "the lack of a stable legal and regulatory environment" (Alston, 1989, Xin & Pearce, 1996, as cited in Langenberg, 2007, p. 4) and weak "governance structures" during the Economic Reform Period (Boisot & Child, 1996, Feng, 2002, as cited in Langenberg, 2007, p. 4). I agree that weak governance structures would provide more opportunities for informal transactions through guanxi. In that sense, it reinforces guanxi. However, whether weak governance structures are the cause for guanxi is unclear. It is likely that they are influencing each other.

**Perception of guanxi.** Chinese people have mixed feeling about guanxi. It usually has a slightly negative implication, as it sometimes is directly related to gift giving, which could turn into corruption and bribery. Additionally, exchange of favors and other resources through this network restricts the opportunities of people who are excluded from a good guanxi network.

Even if "the Chinese government and Communist Party condemn guanxi as invariably negative and anti-socialist" (Yang, 1994, Langenberg, 2007, p. 7), it
sometimes compensates for the lack of standards and specificity in Chinese business and social life. As Alston (1989) puts it, *guanxi* deals with "China's highly personalistic and non-codified social order" (as cited in Shi & Westwood, 2000, p. 195). In addition, Osland (1990) comments that the complexity of bureaucracy demands such a mechanism for doing things in China (as cited in Shi & Westwood, 2000, p. 195).

On a positive note, *guanxi* brings excitement to the daily lives of Chinese people because maintaining good relationships with others is highly appreciated in China (Langenberg, 2007, p. 8). Regardless of people's reaction to *guanxi*, it is a phenomenon (very likely originating with Confucianism,) in Chinese firms and society at large.

**Social Structure and Hierarchy**

In the previous sections, it can be inferred that the basic social structure in China is the family, and the *guanxi* network is the extended structure built upon the family. Both hierarchy and power are related to the family orientation and the "Five Relationships" teaching in Confucianism. Gernet (1982) holds that "the foundation of Chinese respect for hierarchy and the family social collective is based upon the relational norms expounded by Confucius and legal codes such as those developed during the Tang Dynasty" (as cited in Child & Warner, 2003, p. 25).

It is expected that everyone fulfills one's role responsibility according to the hierarchy in the Chinese firms, governed by the "Five Relationships." These might appear in superior-subordinate relationships, differentiated treatment of women in management, deference based on seniority, and group collectivism among colleagues.

Although hierarchical structure, family orientation, and centralized control are more prevalent in family businesses, these characteristics are also observed in SOEs. Child and Warner (2003) have noticed top managers tend to hold most of the authority, and "vertical links" with loyalties within hierarchies are important (p. 35).

Guirdham (2009) reconfirms the argument, noting the significance of the Chairperson in both SOEs and private companies in providing "the strategic vision and the long-term aspirations" (p. 34). He thinks that it is "particular feature of China's hierarchical business culture" (Guirdham, 2009, p. 34). However, we have also observed
a similar phenomenon in South Korean enterprises. Hence, it is not unique. Furthermore, Shi and Westwood note the subtlety of Chinese leadership patterns as "hierarchical but networked," which is reflected in the decision making process: "Chinese managers/leaders occupy pivotal positions and have legitimized power to make decisions and allocate resources, but such decisions must reflect and balance network members' interests and sustain good relations" (Shi & Westwood, 2000, p. 205). Additionally, diffused responsibility in Chinese organizations also requires "internal negotiations" to reach consensus (Shi & Westwood, 2000, p. 208). These comments reflect the benevolent feature of the leadership style and informality within the hierarchies.

**Weak Governance**

Confucian teachings emphasize cultivation of morality. As a result, personalized rule is often observed in organizations and the rectitude of leaders is relied upon in terms of governance and management of the organizations. Therefore, business governance in China also tends to have less reliance on regulations and law compared to more industrialized states.

*Guanxi*, as we discussed earlier, not only is a cause, but also serves as a supplement for the lack of governance in Chinese businesses. For example, Guirdham (2009) thinks that exercising *guanxi* at times leads to corruption and law infringement from the firm's side. On the other hand, "not abiding by the law" is considered unavoidable for Chinese firms in some cases because there are "so many, often contradictory, laws"; therefore, "good relations" with the local government are desirable so that business owners will "be warned [before punitive action is taken]" (Guirdham, 2009, p. 35).

Weak governance also appears in the management inside a company, especially in family businesses. The phenomenon is elaborated by Hwang (2008) as follows:

Managers and subordinates in family enterprises may frequently encounter the struggle between Confucianism and Legalism. On the one hand, employees and staff may ask the owner-managers to set up formal regulations for manpower policies, personnel selection, job design, job evaluation, promotion, and
compensation and then to exercise strict discipline in executing these regulations. On the other hand, because strict adherence to regulations restricts the abuse of power, managers and staff in their guanxi network may oppose the establishment or the execution of certain regulations when it is in contradiction to their interests. There are also instances where employees object to rules of control that are applied arbitrarily and unilaterally to employees but not to managers, or to distant employees but not to intimates. (Hwang, 2008, pp. 134-135)

Tracing back to Confucianism, "the optimal way to govern is not by legislation but by way of moral education and by example"; thus, it is argued that the practices of "basing business transactions upon the quality of interpersonal relationships and for settling disputes through mediation rather than relying upon contracts and legal process" are results of the morality-based Confucian model (Child & Warner, 2003, p. 29). Hwang (2008) holds that this demonstrates a constant "struggle between Confucianism and Legalism in Chinese history" (p. 127), which extends to managing a firm in contemporary China.

Weak governance to some extent reflects institutional failures in China. It appears less in South Korean and Japanese enterprises, potentially because the three countries are at different stages of the whole industrialization process.

Social Harmony in Chinese Firms

Achieving harmony is valued in Confucian tradition. It is prevalent in Chinese firms, being observable in the team work, negotiation process, conflict resolution, benevolent leadership, guanxi network, family-like working environment, etc.

The collectivist-based teamwork style in China reinforces harmony within corporations. Conflict is often avoided (as influenced by Confucian family values), or resolved in an unofficial way to save "face." Negotiation is also aimed at establishing long-term harmonious relationships, where guanxi affiliations are formed and utilized in the process (Shi & Westwood, 2000, p. 194).

Similar to the Korean enterprise form, family-like activities can be observed in Chinese enterprises. Researchers mention that employees feel like "extended family
members to each other," where they "organize sports games, entertainment activities, and taking group photos, and taking holiday together," and "help each other whenever someone is in trouble or is sick" (as cited in Xin et al., 2002, p. 435).

Zhang, Chen, Liu, and Liu (2008) summarize the value of harmony from their interviews: it can create resources and bring profits from a favorable environment external to the firm, and minimize costs through smooth and conflict-free operations (p. 248). They also find that harmony matters more to senior managers than lower-level staff:

Several leaders reported that harmony is especially precious for the cohesion of the senior management team. They believed that managing employees at lower levels should be based on rules; however, for middle and senior managers, reliance on rule-based management alone is not enough. (Zhang et al., 2008, p. 248)

This multi-level view is not surprising because managing middle and senior managers usually entails more than just designating specific tasks.

**Achieving harmony through the Golden Mean.** One harmony-relevant doctrine is that Chinese people are expected to "act in the middle way," also known as "the Golden Mean" doctrine (Zhang et al., 2008, p. 249). In enterprises, while all employees are expected to maintain balance in things, it is more important that managers and leaders possess this quality. "Acting in the middle way," for the managers, focuses on keeping flexibility and balance in the management. Some of the desirable traits are elaborated in Zhang et al.'s interview results:

First, it means that a leader should do all things in an appropriate manner. These interviewees believed that there was a boundary for everything and going to extremes was strongly opposed. Second, one should weigh the consequences of the extreme positions in an argument and identify the right solution from competing or conflicting perspectives. Third, one should be flexible in managerial activities. Leaders need to take the opportunity at the right time and make
necessary adjustments according to the situation. (Zhang et al., 2008, pp. 249-250)

As "five of the holders of the notion of the Golden Mean reported that it resulted from their exposure to Confucian thoughts" (Zhang et al., 2008, p. 262), it is very likely that they refer to the "Doctrine of the Mean" in Confucianism. Tjosvoid and Ding (2001) note that the "Confucian 'Doctrine of means' advocates harmony in maintaining relationships between humans and the external world" and "individuals are advised to control their own emotions, and to avoid competition and taking extreme positions in conflict" (Tjosvoid & Ding, 2001, p. 61).

According to the Doctrine of the Mean, subordinates are supposed to behave modestly in Chinese organizations. In some cases, subordinates would attribute some of their own achievement to their supervisors in order to be less conspicuous within a group.

It is also notable that the Doctrine of the Mean attaches a flavor of sustainability. Zhang's interviewees "suggested that one should maintain stability in running a business" and "steady development is the best way to avoid risks and keep an enterprise vigorous in the long run" (Zhang et al., 2008, p. 250). Although there is much deviation now from this concept, as many firms and government activities only focus on economic gain, it would be preferable that more of this doctrine be used in advocating sustainability in the future development in China.

Achieving harmony through implicit communication style. Chinese people are often expected to "read between lines" during conversations. Scholars define this communication pattern as "contextual" (Hall and Hall, 1987; Osland, 1990; Gudykunst, Ting-Toomey, & Chua, 1988; Hall, 1976). As with Korean firms, implicit words and nonverbal cues are employed to avoid potential conflict situations in Chinese firms (Shi & Westwood, 2000, p. 195; Tjosvoid & Ding, 2001, p. 62).

Communicating in an implicit and nonverbal way will prevent damaging one's "face." The notion of "face" is part of the etiquette in Chinese traditional culture; thus, also influences business culture in Chinese society. It is widely considered that "face" is related to "one's dignity, respect, status and prestige," and "can be protected, saved and
given by observing social ritual and etiquette (for instance, attending ceremonies and banquets, giving or exchanging appropriate gifts in public)” (Shi & Westwood, 2000, pp. 195-196). "Face-giving" carries a sense of reciprocity from Confucian culture, which will serve well to facilitate "cooperative conflict management" (Tjosvold & Ding, 2001, p. 61). This also reveals its connection with the concept of guanxi, and with the group harmony stressed by Confucians.

Harmony in teamwork. Many researchers have argued that traditional Chinese culture has impacted processes such as teamwork in "competing ways" (Chen, Bishop, & Scott, 2000, p. 270; Child & Warner, 2003, p. 42). One side of the argument is that "the collectivist orientation, importance of relationships and concern for harmony," emphasized by Confucian teachings, help establish "a common purpose, task interdependence and a group orientation," which are valuable for teamwork (Chen et al., 2000, as cited by Child & Warner, 2003, p. 42; Chen, Bishop, & Scott, 2000, p. 270). The other side of the argument is that "Confucian emphasis on rigid hierarchies and upward deference to leaders" legitimizes "top-down control," which also discourages creative thinking and "prevent[s] fully autonomous and flexible teamwork" (Child & Warner, 2003, p. 42; Chen, Bishop, & Scott, 2000, p. 270). The exception is that teamwork could be enhanced by "strong vertical relationships of filial piety, paternalism and hierarchy" if there are "strong appointed leaders" in the team (Chen, Bishop, & Scott, 2000, p. 270). This exception is not always guaranteed and one can discern the flavor of personalized rule from Confucianism.

In sum, competing concepts from Confucianism appear in teamwork in Chinese enterprises. This is one of the potential breakthrough points where reinterpretation of Confucianism for modern businesses should focus on.
Chapter 5: Confucian Influence in Japanese Firm

Overview

Confucian teachings were first introduced into Japan through the Korean peninsula around mid-6th Century, along with Buddhism and other aspects of Chinese culture. While it is widely accepted that Confucianism has a significant place in Korean society, scholars have different opinions about the degree to which Confucianism has influenced Japanese culture. On one hand, scholars such as Durlabhji (1993[1990]) argue that "students of Japan, both Japanese and non-Japanese, agree that one of the strongest influences on Japanese social relations has come from Confucianism" (p.62). He notes that:

The author of Japan's first constitution, Prince Shotoku (573-621 A.D.), was a renowned Confucian scholar, and much of the constitution itself is Confucian in character. [... ] The Shotoku constitution is significant not only for the effect it had at the time but also for the tone it set for Japanese society for many centuries to come. [... ] it was during the Tokugawa era (1600-1858 A.D.) that modern Japan became firmly Confucianist. [...] Ieyasu Tokugawa adopted Confucianism as his official philosophy, and set about earnestly to set all of Japanese society into a Confucianist mold. (Durlabhji, 1993[1990], pp. 62-63)

On the other hand, Kim (2002) comments that Confucian scholars during the Tokugawa period did not have as high of social status as in other countries because of the sudden adoption and emphasis on military power (Kim, 2002, p. 75). Additionally, Ching notes that the principal difference among Confucian scholars in Korea, China and Japan is that "while the Chinese and the Koreans were scholar-officials, the Japanese Confucians were scholar-samurai, fighting men who always wore swords and lived in readiness for an honorable death, according to the code of ethics called the Bushido ('way of warriors') " (Ching, 2003).

Fundamentally, both sides do not have major differences. It is the warrior aspect that sets the difference among the countries. What is important? They both agree that
during the Tokugawa period, Confucianism and Neo-Confucianism were especially encouraged (Ching, 2003; Kim, 2002; Durblahji, 1993). The early Tokugawa rulers used Neo-Confucianism to justify and solidify their reign, since Confucian teachings created and maintained "stable political and social order on the basis of a firm ethical code" (Reischauer & Fairbank, 1960, as cited in Dollinger, 1988, p. 577). Ching's description has reflected some unique features of Confucianism in Japan, that it is really mixed with the local culture.

**Other Ideological Influences**

Buddhism and Shintoism are the two major religions in Japanese society along with Confucianism. Some scholars argue that all three have philosophical influences on Japanese management practices, such as "company loyalty, employee relations, group harmony, respect for age, and proper social norms" (Rarick, 1994, p. 222).

**Shintoism influence.** Shintoism is the original religion in Japan, and was once "state religion": "until only recently, the emperor was considered to be a direct descendent of the Sun goddess, the highest deity of the Shinto religion" (Durlabhji, Marks, & Roach, 1993a, p. 13). Kami is the major theme in Shintoism, which has "elements of nature and ancestor worship" and "can be found not only in shrines but also in trees, mountains, water, and even people" (Rarick, 1994, p. 220). Since Buddhism and Shintoism share some similar features and have coexisted peacefully, the majority of Japanese are both Shintoists and Buddhists (Rice, 1978, as cited in Rarick, 1994, p. 221; Durlabhji, Marks, & Roach, 1993a, p. 13).

The influence of Shintoism on modern Japanese enterprises are mostly categorized into two parts. The first part is on "the continuity of their family's good name" because ancestors are "spirit or kami that watches over its descendants" (Durlabhji, Marks, & Roach, 1993a, p. 11). This could influence the succession of family businesses and how people hold themselves in general in Japan. This also leads to the other part, the "the spiritual dimension":

many Japanese organizations commit considerable resources to the pursuit of spiritual development by their employees. [. . .] Poor performance is most often
seen as a spiritual failure, and in severe cases employees are sent to boot camp-like programs for spiritual rejuvenation. (Durlabhji, Marks, & Roach, 1993a, p. 13)

This spiritual dimension is directly related to the work ethics Japanese employees exhibit in firms and how companies organize their training programs. Both perspectives will be discussed later.

**Zen Buddhism influence.** Zen, a branch of Buddhism, was brought into Japan from China. It "emphasizes meditation as the path to the attainment of Buddhism's goal, which is always enlightenment" (Durlabhji, 1993[1990], pp. 65-66). The interesting connection between Buddhism and Confucianism in Japan is that Buddhist temples were also "centers of learning for Chinese classics, literature and poetry, and all kinds of arts" (Durlabhji, 1993[1990], p. 68). However, "bushido, 'the way of the samurai,'" closely connected with Zen, brings significant influence to Japanese society (Durlabhji, 1993[1990], p. 68), and Ch'en (1986) notes that "Zen Buddhism became popular in Japan as military leaders sought a method of instilling mental and physical discipline in their warriors" (as cited in Rarick, 1994, p. 221).

The influences of Zen Buddhism on modern Japanese firms are mainly two-fold. The first one is through the "discipline and diligent practice" that Zen meditation demands (Durlabhji, 1993[1990], p. 68). It can exert influence either directly through Zen meditation in a corporate training setting (Rohlen, 1993[1973]), or indirectly through "extra-curricular" activities Japanese employees often pursue, such as calligraphy, flower arrangement, painting and etc., which have "procured the basic elements of its training from Zen" (Durlabhji, 1993[1990], p. 70). Both are aimed at training employees for endurance, concentration and detachment.

The other aspect of the Zen influence on Japanese enterprise is the ambiguous and implicit communication style. Christopher (1984) notes that "Japanese shun explicit, clearly reasoned statements in favor of indirect and ambiguous ones basically designed not to communicate ideas but to feel out the other person's moods and attitudes" (as quoted in Durlabhji, 1993[1990], pp. 70-71), and "this is what Ouchi calls 'subtlety,' and
what Pascale and Athos refer to as tolerance for uncertainty and ambiguity" (Durlabhji, 1993[1990], p. 71). In Durlabhji's (1993[1990]) words, this is the unconscious dimension in Japanese thinking (p. 58).

In Pascale's understanding, the ambiguity in management has its usefulness in certain situations. For example, "a Japanese manager conducts the dialogue in circles, widening and narrowing them to correspond to the subordinate's sensitivity to the feedback," which will help to save "face" (p. 156); additionally, it allows "time and space for certain situations to take clearer shape or reach an accommodation of their own," and "a certain looseness in the definition of the relationship between things can permit a workable arrangement to evolve" (Pascale, 1998b[1978], p. 157). This has some Daoist flavor mentioned in the chapter on Chinese management, considering Pascale's explanation:

Managers, of course, do not have to watch torrents of frustration and energy needlessly build up behind an organizational obstruction. But perhaps the solution is not always to dynamite away the obstruction; sometimes it is to trace a way around it with a light touch, enough to get a trickle flowing. Let the flow of events do the rest of the work. (Pascale, 1998b[1978], p. 161)

Durlabhji (1993[1990]) also suggests that Zen Buddhism and Confucianism "reinforce each other" (p. 74). His reasoning is that while unconscious energies may be engaged at work, the contents of the unconscious are a function of the conditioning that the Japanese are subjected to in their early socialization. In fact, this conditioning consists of a heavy dose of Confucianist rules of propriety. In other words, considerations of propriety are deeply imbedded in the unconscious of the typical Japanese individual and hence operate in the organizational environment. (Durlabhji, 1993[1990], pp. 73-74)

I think this is also applicable to the discussion in Chinese and Korean cases, as we notice implicit and indirect communication patterns in these two countries to varying degrees. It is very likely that this sense of ambiguity is more prevalent in China, as Daoism has introduced the sense of flexibility and "going with flow," and perhaps
Buddhism has also instilled unconscious thinking into the more rigid Confucian thinking in China.

**Bushido influence.** Bushido, the spirit of Samarai, is said to have influenced "Japanese entrepreneurial ideology from the Meiji era" together with Western management philosophy (Yoshino, 1968, as cited in Dunphy, 1998[1987], p. 273). Bushido has left "strong nationalistic attitudes" and "traditional Japanese paternalism" in Japanese firms (Tanaka, 1969, as cited in Dunphy, 1998[1987], p. 273).

Samurai, which means "warrior" in Japanese, was the highest social class in Tokugawa period, followed by peasants, handicraft workers, and merchants (Hayashi, 1988; Durlabhji, Marks, & Roach, 1993b). Strict moral codes, many of which are assimilated from Confucian teachings, were observed by samurai (Durlabhji, Marks, & Roach, 1993b). These are referred to as bushido, characterized by "fierce loyalty," "a strong sense of self-esteem," and "high standards of ethics" (Hayashi, 1988, p. 174; Durlabhji, Marks, & Roach, 1993b, p. 17). These attitudes also set standards for Japanese people from other classes. In particular, Hayashi argues that although the merchant class was formally at the bottom of the status order and punctiliously deferred to the samurai, many merchants, because of their wealth, were actually more powerful than daimyo. They also had formal standards of behavior—codified as house rules and equivalent to bushido—and a strong sense of self-esteem. (Hayashi, 1988, pp. 174-175, notes added)

In fact, considering the development of bushido and modern Japanese capitalism, Bushido could serve as a bridge to connect Confucianism and modern businesses in Japan. It is not only because many principles in bushido are from Confucianism originally, but also due to the reinterpretation of Confucianism by Shibusawa, the father of Japanese capitalism. Seeing that the traditional Confucianism would put merchants in a low social status, Shibusawa realized the importance to "make Confucianism serviceable to their new way of thinking" (referring to the Meiji Reformation), and he

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2 *Daimyo* is "a Japanese feudal baron" ("Daimyo," n.d.). [notes added]
cleverly "coined the term 'shikon shosai,' literally a union of *bushido* and commercial talent" (Tai, 1993[1989], p. 47).

In doing so, Japanese business has kept the "Japanese spirit," insisted by Shibusawa, whereas China deliberately "break[s] with Confucianism in order to modernize," as evidenced by the May Fourth Movement and the Cultural Revolution (Durlabhji, Marks, & Roach, 1993b, p. 17; Hayashi, 1988). This could shed light on the reinterpretation for Confucianism in Chinese society for decades to come.

"Closed" Society? The "closed" nature of Japanese society (Sasaki, 1990, p.1) is another source to which scholars often relate Japanese culture. It is not an ideology, but rather demonstrates a perspective from a historian and an anthropologist. Sasaki explains that:

Being "closed" is part of the Japanese people. Whether they belong to a "closed" organization or not, the Japanese are not socializers. The origin of this may be traced to various features of an ethnic and anthropological nature. [...] Thus, in addition to geographical isolation, Japan has formed, as mentioned above, a culturally isolated island through promoting Westernization with a resultant detachment from Asia, while strengthening her characteristics as a racially homogeneous society of a sort rarely found in world history. (Sasaki, 1990, pp. 1-2)

Sasaki (1990) further argues that "group cohesiveness" is a result of being a "closed" society, and there could be "stubborn barrier[s]" between organizations (p. 2). Although evidences exist for the barriers, using "closed" to describe Japan can be a bit extreme. Rather, Hayashi's (1988) "close-knit" communities are better at explaining the "groupism" or "group cohesiveness":

The early Japanese, isolated from the Eurasian continent, lived in small villages organized around cooperative work in rice farming. The prototype of contemporary Japanese groupism was the *mura*, a self-contained community whose members, all of roughly equal status, toiled diligently year after year at the same communal tasks. (Hayashi, 1988, p. 104)
Because of the close-knit communities, Hayashi (1988) further notes that "over the centuries Japanese society developed an antibody to alien influence," which "bent foreign things into new, compatible shapes, never losing its own identity" (p. 104).

Odaka (1993) also has descriptions about the close-knit communities of the Edo period, serving as rationales for many characteristics in Japanese firms, such as "lifetime employment, seniority-based promotion and rank, and the ideology of selfless devotion to the company" (as cited in Durlabhji, Marks, & Roach, 1993b, p. 16). The discussion of potential roots from the "close-knit" community will be in parallel with the potential Confucian origins when some of the characteristics in Japanese firms are investigated.

**Differences and Challenges**

When I was gathering evidences for Confucianism in Japanese firms, there is considerable less research directly touching on the topic of Confucianism and Japanese enterprises and management in English literature, compared with Chinese and Korean cases. I have been pondering about the reasons behind this, and have come up with several.

Firstly, since Confucianism came to Japan the latest among the three countries and was not placed as high of a place as in Korea and China, it has the least amount of influence to Japanese organizations compared to China and Korea.

Secondly, Confucianism is in "disguise" and hidden behind other forms of Japanese culture. It has been fully assimilated into bushido, along with Buddhism and Shintoism. As bushido is a more distinct and unique feature in Japan, it is examined more than Confucianism itself, especially to Western scholars in management.

Thirdly, it has mingled well with Zen Buddhism, as many Confucian classics were actually taught inside Buddhist temples in ancient times. The amalgam of Confucianism, Buddhism and Bushido spirit has produced a unique hybrid. Thus, in discussions of management, less literature is devoted specifically to Confucianism. It is mostly investigated as "Japanese culture" as a whole. When he investigates the time orientation of the Japanese, Hayashi (1988) in fact uses "Japanism" to describe the
distinct Japanese religious perspective and consider it as a foundational belief system besides Buddhism and Confucianism for Japan (p. 25).

The challenge of the investigation also lies at the fact that Confucianism is often not the sole and dominant cultural basis for some of the characteristics. Even if some of these features are similar to those of Korean and Chinese firms, it is very likely that they have different cultural origins.

**Characteristics**

Some researchers have argued that following characteristics of Japanese firms are Confucian influenced: "the long run planning horizon, a commitment to lifetime employment and the Japanese sense of collective responsibility" (Dollinger, 1988, p. 579) While others, such as Matsumoto (1991), argue that Confucianism bears no relation to firms at all because it did not support merchants originally.

When Ouchi uses "Type Z" organization to describe Japanese management, he did not touch on the cultural basis much. However, features such as "long-term employment," "collective decision making," "individual responsibility," "infrequent evaluation and promotion," "implicit, informal evaluation," "nonspecialized career paths," "wholistic concern for people" (Ouchi & Johnson, 1998[1978], p. 98), can serve as a general guideline for us to investigate the potential Confucian influence. Not all of the items will be examined, and we will also bring in other characteristics.

**Family Businesses**

Family businesses went through the least amount of interruption in Japan compared to the ones in Korea and China. Although they had "widely existed long before capitalism was established" in Japan, the Meiji Restoration in 1868 allowed them to become more powerful as the connections between "government and enterprise, between enterprises, and between enterprise and individuals" were established (Lee & Li, 2009, p. 138). These companies were referred to as "plutocratic" family enterprises by Lee and Li, and "life-long employment, seniority and organized family enterprises in terms of kinship" were initially practiced in these organizations (Lee & Li, 2009, p. 139).
Before World War II, these plutocratic family enterprises were often managed through a stock holding company on top of other group companies, controlled by "clan members circled around the key family member" (Lee & Li, 2009, p. 139). After the holding companies of these groups were banned after World War II, "many consortia had been divided into two and even hundreds of small companies" (Lee & Li, 2009, p. 139). However, many new postwar corporation groups, formed through "a series of purchases and amalgamations," "still possessed the nature of family enterprise" (Lee & Li, 2009, p. 140). These large Japanese family enterprises, are referred to as keiretsu. They have the following features:

Firstly, in the aspect of association mode, they have established the cross stock-holding relations, rather than the vertical stock holding mode of pre-war plutocratic family enterprises; secondly, Japanese enterprise groups form an echelon economic circle centering financial capital; thirdly, within the enterprise groups, individual corporations rely on each other, rather than adhere to each other, which means that although the combination is loose, it will not fall apart.

There are two types of family enterprises in Japan: one is united enterprise groups, represented by Mitsui, Mitsubishi, Sumitomo and Yasuda; the other is large-scaled enterprise groups evolving from a single family enterprise, represented by Toyota and Panasonic. (Lee & Li, 2009, pp. 140-141)

In Japan, business groups have been gradually losing their family flavor after going public with large amount of social capital coming into the enterprises (Lee & Li, 2009). But family influence still remains. In 1933, Toyota was established by Toyada Sakichi, and the administration rights were subsequently inherited by his son, his nephew, his grandson and his great-grandson (Lee & Li, 2009, p. 143). Even if when the CEO is not a member of the family, he or she will be appointed by the senior members of the family. Additionally, families still have influence as they hold stock shares of their own enterprise, as well as holding stocks for other enterprises (Lee & Li, 2009). Since 2009, Akio Toyada, Sakichi's great grandson, have been the president of Toyota Motor Corporation.
"Networking" principle is said to be fundamental to *keiretsu* (Koizumi, p. 96, 1996). Koizumi writes that it "may take the form of a group of firms organized around the main bank, or a group of parts suppliers organized around the main manufacturer," and this networking could be formed by "explicit contract or implicit understanding" (Koizumi, 1996, p. 96). In Dore's words, it is "relational contracting between equals" for the group of firms "organized around the main bank," and "relational contracting between unequals" for the ones "organized around the main manufacturer" (Dore, 1998[1983], pp. 27, 29; Koizumi, 1996, p. 96). Toyota, with "40,000 small- and middle-sized enterprises working together" is a typical example for the second type of business groups (Lee & Li, 2009, p. 145).

From an economist's view, Dore (1998[1983]) attributes the emergence of these smaller subcontractors to the lower wage in smaller firms, advantages in "tax avoidance" in smaller family businesses, technology specialization, and improved ability for management and accounting to run businesses (p. 25). He notes the stability maintained by both sides of the relational contracting is crucial to lower the transaction cost. This brings in opportunities for "particularistic personal relations" (Dore, 1998[1983], p. 27) and reciprocal activities involved in sustaining the relationships, which are analogous to *guanxi* networks in Chinese business. Dore further notes that this "relational contracting" might due be the fact that Japanese tend to be planning for long-term at the expense of near-term losses, and they often try to avoid uncertainty and risks (Dore, 1998[1983], p. 31). It also demonstrates the continuity dimension Japanese traditions cherish (Durlabhji, Marks, & Roach, 1993a).

The tradition for family businesses in Japan can be traced in several origins: "rice culture" is one of the sources, which encourages "mutual cooperation in the group" and "family operation" concept at first; additionally, "authority of the family elders" is legitimizied as "patriarchs possess irreplaceable authority" (Koizumi, 1996, p. 99; Lee & Li, 2009, pp. 143-144). Agreeing with the two authors, Koizumi (1989) reminds us that "what is not be neglected in this connection is the legacy of Confucian culture in Japan, for society, in the Confucian conception, is a system of well-defined networks of mutual
obligations" (as cited in Koizumi, 1996, p. 99). Therefore, mutual responsibilities among its members within one *keiretsu* can be seen as being related to Confucianism.

**Blood succession.** In Japan, bloodline succession has a single and vertical family sequence, and they usually adopt the system of inheritance by the eldest son, rather than equal division among sons in the ancient time (Lee & Li, 2009; Hayashi, 1988). Comparatively, Korean families are often "led by the most capable or prestigious male" (Hayashi, 1988, p. 86).

However, it is actually acceptable in Japan since "the eighth century" that the "family name and emblem" is succeeded by "a male with no blood ties" (Hayashi, 1988, p. 178). This male figure (usually male) fulfills the responsibility of a son, and filial piety could simply mean loyalty to the family business (Kim, 2002, p. 86). Both Kim (2002) and Hayashi (1988) have commented that "family lineage" and "extended kinship organizations" in Japan may entail different notions from those in Korea and China. It is observed that Japanese prefer "succession of the business" (Kim, 2002, p. 86) than "a pure pedigree" (Hayashi, 1988, p. 176), which meant Japanese family business owners put more emphasis on transmitting "reputation and knowledge to the next generation" (Hayashi, 1988, p. 176) compared to Korean and perhaps Chinese family enterprises. This might partially explain why there are more professional managers in Japanese family businesses compared with Korean and Chinese ones besides they have longer history.

It might be surprising to read Hiroshi's (1996) comments: "in the context of Japanese culture, Westernization thus entailed, among other things, an emphasis on natural lineage" (as quoted in Kim, 2002, p. 86). This is because some Japanese scholars "who visited the West in the 1860s and 1870s" observed the widespread phenomenon of blood succession in Western family businesses (Kim, 2002, p. 86), whereas succession in Japan at the time did not need to have strict blood ties.

**Family-Like Environment**

It is common to cultivate family-like atmosphere within East Asian firms. In Japan, one can also spot evidences in the corporations. Durlabhji (1993[1990]) attributes
a range of characteristics as "familylike": "lifetime employment, mostly seniority-based rank and promotion system, extensive employee welfare programs, frequent and intensive attempts to inculcate in employees a sense of community, and an almost total absorption of the individual into the 'collective conscience' "(p. 63). Some of the characteristics will be discussed in detail later.

As harmonious interpersonal relationships are valued in Japanese organizations, "intensive socialization" is encouraged and it starts with a training period for new employees (Hatvany & Pucik, 1998[1981], pp. 67-68). The continuous training opportunities and job rotation throughout the employment also allow more chances to get to know more people in the company, which are beneficial to creating the family-like environment (Hatvany & Pucik, 1998[1981]).

To some extent, employees' private life is intertwined with the corporation. Keeley observes that Japanese firms would organize a variety of recreational activities such as outings to hot springs and athletic events for bonding (2001). They would also put their employees to family housing so that private life is also tightly related with your colleagues (Keeley, 2001). Additionally, specific financial resources are allotted to family related benefits and welfare, such as "a family allowance and various commuting and housing allowances," "company scholarships for employees' children," and "credit extension" (Hatvany & Pucik, 1998[1981], p. 71).

Both harmony and reciprocity related to family-like environment have potential roots in Confucianism. Hatvany and Pucik (1998[1981]) hold that among the norms of family life, wa (harmony) is the component most often emphasized in company philosophies. [...] Reciprocally, the commitment of the 'family' to the employee is expressed in company policies of avoiding lay-offs and providing the employee with a wide range of supplementary benefits. (Hatvany & Pucik, 1998[1981], p. 67).

Yet, as we discussed earlier, this expectation of family-like environment could be influenced by the groupism encouraged by the rice culture and close-knit communities (Hayashi, 1988).
Paternalistic Leadership and Management

In a family-like working environment, or family businesses, paternalistic management and leadership can be observed quite frequently. For example, the social activities that companies organizes and the welfare system that firms adopt, mentioned in the previous paragraphs, are evidences for paternalism in Japanese firms. Additionally, most of the discussion on PL in Chinese management is applicable to Japanese firms. Therefore, the discussion here will be brief.

As an example for paternalistic behaviors in Japanese firm, Sasaki (1990) observes that

this is not at all unusual in Japan where plant managers and supervisors concern themselves with the private affairs of their workers or subordinates. Frequently managers invite their staff for a drink after work, and it is not rare when a manager is transferred to another plant or office that his workers and subordinates come to the house to help with the packing, cleaning and other activities, and on the day he leaves they line up at the railway station to see him off. (Sasaki, 1990, p. 9)

Additionally, the "managerial godfather" concept, used by Drucker (1998[1971], p. 59), also relates to paternalism. These are mentors who take care of the young employees by giving advices in both work and non-work related issues, and serve as informal evaluators (Drucker, 1998[1971]).

Uhl-Bien et al. (1990) state that "company paternalism is central to the effective functioning of the Japanese system and that the right type of worker in Japan would be someone with strong beliefs in company paternalism" and they also suggests that "paternalism fosters trust among workers and managers, affective motivation versus economic motivation, cooperation throughout the organization, group harmony, and lifetime employee commitment" in the case of Japan (as cited in Pellegrini & Scandura, 2008, pp. 571, 577). It is evident that Uhl-Bien et al. hold that Japanese employees think positively about company paternalism (as cited in Pellegrini & Scandura, 2008, p. 577).
As we recall from the discussion on paternalistic leadership in Chinese firms, Farh and Cheng (2000) think that "paternalism stems from Confucian ideology, which is founded on social relations, such as 'benevolent leader with loyal minister' and 'kind father with filial son'" (as cited in Pellegrini & Scandura, 2008, p. 571). The benevolence is emphasized in these sets of relationships. Sasaki uses "familyism" to describe the paternalistic behavior, and he argues that "the father or the leader should not have or even wish to have authoritative power" (Sasaki, 1990, p. 9). This is contradictory to the authoritarian type of paternalistic leadership, mentioned in the previous chapter on Chinese firms in this thesis. He argues that group leadership gave rise to paternalistic behavior, which can be traced back to the political traditions from Tokugawa era:

It is the inheritance of a long political tradition, which can be traced back to the thirteenth century when the political body already had a power-sharing system. In the Tokugawa era, prior to the Meiji Restoration, this system of group leadership was developed to its full extreme. Again, after the Restoration, the new leaders continued its practice. In Japan "unlike the situation in most countries undergoing rapid change, there was never any one dictatorial leader, nor did any person ever attempt to gain such powers". (Sasaki, 1990, p. 10)

The last statement of Sasaki's argument might be controversial that people could have different definitions on who qualifies as "a dictatorial leader" (Sasaki, 1990, p. 10).

**Japanese Work Ethics**

Traditionally, Japanese workers are usually described as diligent, hardworking, loyal, and collaborative. These values might have shifted in recent decades, but the general perception still persists.

While many authors have focused on the positive aspect of the work values themselves, Kumazawa Makoto provides a view that there are "control mechanisms which regulate work and the lives of Japan's employees," which "seems to indicate that workers have been socialized or goaded into accepting that control" (as cited in Mouer & Kawanishi, 2005, p. 63). These aspects lead to "self-censorship and excessive self-discipline," could produce a stressful environment where "workmates [are] in constant
competition," and "one's best efforts are never good enough" (Mouer & Kawanishi, 2005, p. 63).

Some scholars argue that these values are left from the culture for rice cultivation (Hayashi, 1988; Lee & Li, 2009). In particular, "diligence, the merit of constant toil, is a fifth legacy of rice cultivation" (Hayashi, 1988, p. 91); and "this habit of mutual cooperation had been formed during long hours of hard work, which also evolve to the Japanese conception of recognizing hard work and cooperation" (Masonori, n.d., as cited in Lee & Li, 2009, pp. 143-144).

Hayashi (1988) argue that the Japanese work ethic is native, and had been so before Confucianism was spread to Japan (p. 91). On the other hand, he notes that:

*Makoto* was the central concept in the Emperor Meiji's Imperial Rescript to Soldiers and Sailors (1882), a fascinating source on traditional values. Five virtues essential to soldiers are listed: loyalty, respect, valor, faithfulness, and simplicity. Then they are all distilled into *makoto*. (Hayashi, 1988, p. 123)

The values are also embedded in the spirit of *bushido*, which is impacted by Confucianism. Therefore, Confucianism has reinforced the work ethics in contemporary Japanese firms through *bushido*, even if it is not the inception for Japanese work ethics.

**Decision Making**

Many researchers hold that decision making in Japanese company is "bottom-up," "consensus-based," and "participatory." They agree that the *ringi* system was used substantially in Japanese firms. Lincoln describes the process:

At the management level, they involve less formal delegation of authority to individual managers and more informal networking (*nemawashi*) to draw people into the decision process. The ironic result is that the formal structure of Japanese decision making appears quite centralized. High-level executives bear at least symbolic responsibility for many decisions which, in U.S. firms, are typically delegated.

The *ringi* system exemplifies this pattern. A middle-level manager drafts a document proposing a course of action (*ringi-sho*). It then circulates up through
the hierarchy, acquiring the "chops" (personal stamps) of other managers symbolizing their participation in the decision and willingness to commit to it. (Lincoln, 1998[1989], pp. 369-370)

Scholars disagree on whether Japanese decision making is more "participative" than Western counterparts. For example, Pascale (1998a[1978]) finds that "managers of Japanese firms were not found to utilize a consultative decision making process more extensively than American managers do" (p. 127). On the other hand, Hatvany and Pucik (1998[1981]) argue that decision making is not bottom-up, "rather it is a top-down or interactive consultative process, especially when long-term planning and strategy are concerned" (p. 70). Hattori (1977) holds that "the usual procedure for management decision making is that a proposal is initiated by a middle manager, most often under the directive of top management" (as cited in Hatvany & Pucik, 1998[1981], p. 70). Then the middle manager will start the ringi process by "engag[ing] in informal discussion and consultation with peers and supervisors," then "request[ing] for a decision" formally, and end "in a ceremonial group meeting" because of the earlier discussions and consultations (Hatvany & Pucik, 1998[1981], p. 70). While the processes described by two sides ("top-down" decision making and "bottom-up" decision making) are mostly similar, the difference is on whether the order from the top management is symbolic or not, which can be difficult to distinguish under varying situations and standards.

Furthermore, Drucker (1998[1971]) notes that the different definition on "making a decision" might have led to the commonly perceived stereotypical "consensus" decision making in Japanese organizations: "The important element in decision making is defining the question. [. . .] And it is in this step that the Japanese aim at attaining 'consensus' " (Drucker, 1998[1971], p. 45). He also explains the potential benefit of this consensus-seeking process that "the Japanese, by contrast, need to spend absolutely no time on 'selling' a decision," compared with the Western way of "selling" the idea in order to execute (Drucker, 1998[1971], p. 46). Essentially, the time consumed is shifted from "selling" the idea to reaching the consensus.

Sasaki provides a historical explanation for "the Ringi system":

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It is believed that the feudal political order in Japan gave birth to this system when the substantial job of policy-making was left to the lower-upper or upper-middle level members of the hierarchy. This made it possible for the top to escape from taking the responsibility by imputing it to those who made the drafts of the policies. [...] When Japan started her modernization and industrialization in the Meiji Era, the Ringi system was smoothly brought into the new bureaucracy of the Meiji Government. (Sasaki, 1990, p. 60)

One might recall that during the Tokugawa Era, Neo-Confucianism was promoted to be the state religion. The power structure during this period was partially backed up by Neo-Confucianism.

Additionally, group consensus could also trace back to the collective orientation embedded in the 'rice culture' and the harmony dimension sought by Confucianism, Zen Buddhism and Shintoism.

Long-Term Employment

Long-term employment is a stereotypical phenomenon in Japanese firms. It usually refers to an employee stops to be a "permanent" employee until age fifty-five and stays on as a "temporary" worker when there is enough work.

There are a number of disputes on lifelong employment in Japan. Ouchi (1981) holds that lifelong employment is a "unique" outcome of Japanese unreplicable "social and economic structure": "The combination of bonus payments, temporary employment, and satellite firms provides a substantial buffer against uncertainty that makes stable, lifetime employment a reality for the male employees of major firms" (pp. 20, 22).

Scholars such as Odaka (1993[1986]), and Lee and Li (2009), argue that lifelong employment was first started in the family businesses during Tokugawa period, during which the three conditions Ouchi mentions were not completely in place yet. Additionally, others disagree on when the practice of lifelong employment actually starts and whether it is a unique phenomenon in Japan. For example, Hayes (1998[1981]) comments that:
dates in its current form only from the end of World War II and is still not the rule in all Japanese companies. Even today, less than a third of all Japanese workers are lifetime employees. Only the elite companies (that is, the biggest and most successful, whose products typically appear in international markets) usually practice it - and even they dilute it by using both subcontractors and large numbers of temporary workers hired on a monthly or yearly basis. (Hayes, 1998[1981], pp. 90-91)

While the percentage of lifelong employees needs careful examination, a general sense is that larger firms have more opportunities to have lifelong employees than medium and small firms, because they are more stable. Furthermore, Hashimoto and Raisian (1985) conclude that "in the 1960s and 1970s long-term employment was indeed more prevalent in Japan than in the United States" by comparing "the 15-year job retention rates of male employees between the two nations" (as cited in Kato, 2001, p. 498).

**Roots for lifelong employment.** There are a number of reasons on how lifelong employment came about. Here are a few economic reasons: lifelong employment helps retain the value of the employees, which companies invested a lot of resources on (Sasaki, 1990); together with the seniority promotion and wage system, it is believed to increase flexibility in labor costs of the company and serve as a buffer for the labor structure because employees become "temporary" workers after 55 (Drucker, 1998[1971], p. 48).

On the other hand, scholars such as Sasaki (1990), notes both cultural roots and economic reasons:

The combination of paternalism and familyism, as well as the need for the firms to keep skilled workers and good managers when they were scarce in the early stage of development of the Japanese economy, produced the lifetime employment system. (Sasaki, 1990, p. 70)

It is often mentioned that lifelong employment is connected with the seniority promotion and wage system in Japan, that is the reward and salary structure based on age. Considering its connection with Confucianism, several linkages can be observed:
paternalism, family values, respect for elders, harmonious interpersonal relationship. These values, however, are also connected with Shintoism and Buddhism to varying degrees.

Lastly, lifelong employment is also said to be linked with the "closed" nature of Japanese society (see discussions in the earlier section), as it does not encourage mid-age career change and forms barriers for "job hopping."

**Change in lifelong employment.** It is often believed that in recent years, the phenomenon of lifetime employment has been gradually fading in Japanese firms (Guirdham, 2009). However, with national survey and field research, Kato finds that "little evidence for serious erosion of the practice of lifetime employment" after the economic bubble in the 1990s, for "the burden of downsizing during the economic slowdown in the 1990s appears to have fallen disproportionately on young employees and middle age employees with short tenure, in particular middle age female employees with short tenure" (Kato, 2001, pp. 494-495).

As a closely-linked system for lifelong employment, seniority wage and promotion system is said to be challenged after the economic growth starts to slow down in mid-80s (Chen, 2004, p. 160). Sasaki (1990) acknowledges that it may be true that some businesses in Japan have recently started to introduce meritocracy into their salary and wage systems. This is mainly because the stagnant economy of recent years and the increasing percentage of older people in the population have made it a financially growing burden for business to maintain the seniority system. (Sasaki, 1990, p. 3)

If the change in seniority promotion and wage system were significant, it would bring gradual shift with respect to lifelong employment within Japanese firms.

**Continuous Training**

Drucker (1998[1971]) notices that accompanied with the life-long employment is "continuous training" for everyone including top executives, which could explain the phenomenon that Japanese employees are less reluctant to change compared to Americans (Drucker, 1998[1971], p. 52).
Continuous training throughout the employees' whole career might be a result of the "generalist" approach adopted in Japanese firms. As when they recruit university-level students, the job descriptions are usually quite vague and general and they are often not recruited for a specialized job. Tracing its historical root, Drucker (1998[1971]) writes that plants in Japan had to recruit and teach young people, who had not been trained before, when most Japanese craftsmen did not want to work in the factory setting during the early industrialization phase (p. 55).

Confucians' relationship with continuous training lies in its emphasis on education. This could be spread to the whole society through bushido during Tokugawa Period. Additionally, both swordsmanship and calligraphy requires a samurai to practice "lifetime training" in order to achieve and maintain mastery (Drucker, 1998[1971], p. 54), which also impacts the aspect of continuous training in Japanese firms.

Furthermore, the "continuity" aspect of the training could be related to the general preference for continuity in Japanese culture. Durlabhji, Marks, and Roach (1993a) comment that

in terms of the change versus continuity theme, Japanese culture urges continuity almost as much as American culture encourages change. At the core of the explanation for this difference lies the Japanese understanding of time as cyclical, more allied to the ebb and flow of the seasons than to the inexorable and linear march of events. (Durlabhji, Marks, & Roach, 1993a, p. 11)

"Change" and "continuity" differ in the rate of which development occurs. The first one is more abrupt, and the second one has a finer time resolution.

This sense of continuity is related to preserving family reputation embedded in both Shintoism and Confucianism. It is noted that "the more ancient the family name and the good work associated with it, the greater is the honor it brings to the current generation," and Shintoism is behind this tradition because "ancestors are a palpable living presence in Japan, not merely memories but a spirit or kami that watches over its descendants" (Durlabhji, Marks, & Roach, 1993a, p. 11). Additionally, it is argued that "the resignation to destiny" in Buddhism also encourages the pursuit for continuity...
among Japanese people (Durlabhji, Marks, & Roach, 1993a, p. 12). Therefore, when change happens in Japanese firms, it is usually "incremental and deliberate"; yet, continuous training also helps Japanese firms to be more flexible than American companies for the simple reason that it exposes employees with new technologies and perspectives constantly (Durlabhji, Marks, & Roach, 1993a, p. 12).

**Informal Appraisal and Mentor System**

As an element of lifelong employment and continuous training, as well as an informal evaluation system, "godfather"-like mentors (this is what Drucker (1998[1971]) calls them) are often involved in the development of the young employees. This practice has a flavor of paternalism.

The first thing to understand is the promotion system under the lifelong employment and seniority wage system. It is observed that until they reach age 45, they will be promoted and paid by seniority and by seniority alone.

There seems to be no performance appraisal, nor would there be much point to it when a man can be neither rewarded for performance nor penalized for nonperformance. Superiors do not choose their subordinates: the personnel people make personnel decisions, as a rule, often without consulting the manager to whom a subordinate is being assigned. (Drucker, 1998[1971], p. 58). However, around 45, a small number of employees make it to top management (Drucker, 1998[1971], p. 58). Most of them retire after 55, while few of them stay at the top management well past 55 (Drucker, 1998[1971], p. 58). In fact, it is the responsibility of the "godfather-like" mentors to informally evaluate young people with the top management (could happen over a drink) about the work assignment and whether they get promoted around 45, and these "managerial godfathers" are chosen among "the most highly respected members of the upper-middle management group," yet, "not anyone in a direct line of authority over the young man or his department" (Drucker, 1998[1971], p. 59). Mentors are supposed to "know the young man, see him fairly regularly, be available
to him for advice and counsel, and, in general, look after him," and again, the interactions could happen at a casual setting like a bar (Drucker, 1998[1971], p. 60).

Several elements can be discerned in this practice: firstly, paternalistic relationship between the mentor and the young employee; secondly, implicit evaluation system existing in Japanese firms, which reflects both paternalistic and harmony-driven group culture among Japanese. In fact, caring for the young employees is the reciprocal side for the seniority system in Japanese firms. Both elements could be traced back to Confucian family values and role responsibilities, which have been mentioned when examining paternalistic leadership and management previously.

**Group Collectivism**

Scholars generally agree that Japanese employees work well in a group. It is often described as "group-oriented," "groupism," or "collectivism." Employees are generally expected to make the group look good, instead of being conspicuous as an individual. This is also facilitated by other characteristics in the firm such as lifelong employment, seniority wage system, and traditional work ethics.

The group-oriented culture could also be seen at a higher social level. Japanese companies might not necessarily put making profits as their first priority (Guirdham, 2009). Company values and visions (especially in those large business groups) are important factors to the operation of Japanese firms, often times related to national interests. In this case, the "group" is the country as a whole. You can find a similar view in Korean firms, with *sahoon* being frequently used in the company. In both countries, this phenomenon could be contributed to the government and business connection with the large business groups, which are established due to both historical and cultural reasons.

Scholars, such as Hayashi (1988) and Matsumoto (1991), hold that Japanese workers are better at group activities and Koreans are often better at individual effort (which was also mentioned in the section on Korean management). It is perceived that South Koreans are more individualistic despite they rely more on family ties than the Japanese (Hayashi, 1988, p. 85). Koreans themselves seem to agree with this perception:
"One on one, we can beat the Japanese. But if three-man teams from each country are pitted against each other, the Japanese always win" (as quoted in Hayashi, 1988, pp. 85-86).

Matsumoto (1991) thinks that the long-term employment system, which limits the extent to which Japanese "join or leave a company at their own convenience," has encouraged employees to pass on their knowledge and fostered the group consciousness (p. 185). Lack of such institutional arrangement has made Korean employees perform worse in group activities than the Japanese (Matsumoto, 1991, p. 185). On the other hand, Hayashi (1988) has provided some rationales behind this comparison from the cultural perspective:

For centuries Korea was a staunchly Confucian country, in some ways of a stricter persuasion than China itself. In recent years the number of Christians in South Korea was increased to a reported 25 percent of the population. Christianity spread partly because of the fertile soil of individualism. [...] Among agricultural peoples leadership positions were usually hereditary; among the nomadic peoples of northern Asia, however, ability was the criterion for leadership. (Hayashi, 1988, p. 86)

It is not to be ignored that groupism and collectivism could be coming from both Japanese family values influenced by both Shintoism and Confucianism. Additionally, they are also advocated in bushido, where another Confucian connection is established.

A few researchers have linked personal incentives with groupism and collectivism manifested in Japanese enterprises from the economic perspective. Koike (1989) thinks that personal economic incentives are the main motivators for the perceived Japanese group collectivism and its management system has been "cleverly" designed to maximize this individual incentive; therefore, it is a system that is transferable to other societies (as cited in Mouer & Kawanishi, 2005, p. 56). Inagami Takeshi agrees with Koike that the "Japanese sense of community was more in terms of a shared economic fate," and the prospect of each individual has close connection with others in the firm and the firm itself (as cited in Mouer & Kawanishi, 2005, p. 59). Additionally, Nomura holds a convergent
view with Inagami and Koike that "self-centered materialism" is the major drive behind "the employee's commitment to their firm" (as cited in Mouer & Kawanishi, 2005, p. 62). This is where individualism and collectivism, which are seemingly contradictory, start to overlap. Matsumoto holds the view that "as long as one remains faithful to the original meaning of individualism, it is completely possible for a Japanese-style labor structure, which emphasizes positive contributions to the group, to be in harmony with the individualism ethic" (Matsumoto, 1991, p. 184). In fact, this insight might potentially offer some opportunities in marrying individualism with Confucian traditions.

Hierarchy and Rank

Hierarchy, one of the major themes in Confucian traditions, is differentiated by age, gender, and historically class (refer to the four classes in Tokugawa period mentioned previously) in Japanese society (Durlabhji, Marks, & Roach, 1993a, p. 8). Recently, education is another addition (Durlabhji, Marks, & Roach, 1993a, p. 8). It appears in Japanese enterprises in terms of deference to elders, seniority wage system, and tall structure of ranks, and etc.

Aoki (1998[1990]) mentions that "Japanese firms have developed rank hierarchies as a primary incentive device," with "separate rank hierarchies for blue-collar workers, white-collar workers, and engineers, as well as one for the supervisory and managerial employees above them" (p. 206). We can recall a similar structure in South Korean firms, which is possibly a legacy from Japanese colonization in South Korea. The pay is determined by the rank, not the "specific job" (Aoki, 1998[1990], p. 206). Ouchi (1981), classifying Japanese enterprises as "Type Z" organizations, comments that "unlike utopian communities, [they] do employ hierarchical modes of control, and thus do not rely entirely upon goal congruence among employees for order" (Ouchi, p. 70).

Durlabhji, Marks and Roach (1993b) traces the rank hierarchy to "the strongly hierarchical, seniority-based society" of the Edo period (p. 16). In their perspective, Japanese modern society possesses an interesting hybrid of "egalitarianism with a pervasive rank structure based primarily on age" (Durlabhji, Marks, & Roach, 1993b, p. 16). Mouer and Kawanishi (2005) note that "vertical social linkages (which were
contrasted to horizontal emphases believed to exist in an individualistically oriented
West)" have come from traditional Japanese culture (p. 54). Regarding its relationship to
Confucianism, Durlabhji, Marks and Roach (1993a) argue that because hierarchy is
"natural and unavoidable" in the "Confucian ideal of family and society," thus, "Japanese
culture does not set out to eliminate differentiation but to legitimize it" (p. 8). They point
out that even the language itself has "connotations of differentiation" (Durlabhji, Marks,
& Roach, 1993a, p. 8). The roots of such difference can be traced in the proper role
responsibilities within the hierarchy in Confucian teachings (such as the "Five
Relationships").

Hierarchy of rank is said to be relaxed during informal settings after work, such as
bars and entertainment venues by Ouchi (1981). He comments that "the beer bust, [...] is
similar to the cocktails after work shared by bosses and subordinates in Japan. [...] The
hierarchy of work, somewhat relaxed in this setting, gives people the opportunity to
interact more as equals" (p. 68). From this description, we can discern that there are some
buffering to the rigidity of hierarchy in Japanese firms.

Harmony

Harmony has been repeatedly brought up in the earlier sections, as well as the
discussions on Korean and Chinese enterprises. In discussing Freedom versus Order,
Durlabhji, Marks and Roach (1993a) notice that "the Japanese quest for freedom for
individuals is subordinate to a far greater emphasis on order and harmony that prevails
throughout the society" (p. 4). It is argued that "among the norms of family life, wa
(harmony) is the component most often emphasized in company philosophies" (Hatvany
& Pucik, 1998[1981], p. 67), which is comparable to embedded inwha (harmony) in
Korean sahoon.

It is not surprising as harmony is sought after by not only Confucianism, but also
most of the other ideologies influencing East Asian countries. In Japan, harmony is called
wa, and it has "a prior claim in every circumstance" (Durlabhji, Marks, & Roach, 1993a,
p. 3). Confucians' persistent search for harmony inevitably is linked with management
and social behaviors in Japanese firms, for example, hierarchy in Japanese firms is a
means to harmony in Confucian standards. In other aspects, family-like environment, such as the social activities; continuous training program; and the benevolent paternalistic leadership, such as the "managerial godfathers," all foster the development of harmony among employees.

In addition, harmony is accomplished through somewhat ambiguous, implicit and informal communication style, even if the "face-to-face interaction" within Japanese firms is more frequent compared to American firms because limitation of work space often allows employees of different ranks to interact (Pascale, 1998a[1978], p. 143). In East Asian cultures, people tend to make things less explicit and controlled in consideration of "face." Implicit appraisal system for young people, mentioned in the previous section, is a result of this harmony-driven communication style. The implicit and informal dimension are also mentioned in the chapters on Korean and Chinese management.
Chapter 6: Conclusion

Overview

This chapter is devoted to tying the themes and thoughts together, including general observations of Confucian characteristics in firms, and a comparative view among the three East Asian countries. I will summarize some of the findings from previous chapters, assess the strength of Confucian influence in different countries, discuss the pros and cons of some of the Confucian features in firms. In addition, I will address the thesis question on whether Confucianism has brought more benefits than harms to business development. Recommendations to managers and business owners in China are generated, and future research directions are also proposed.

Findings and Discussions

In the previous chapters, the identified Confucian characteristics in firms from the three East Asian countries are slightly different. Since many features within a country overlap, not every one of them was discussed at length. Even if the same or similar features appear in all three countries, they could be coming from different or more than one cultural and ideological roots. Additionally, the degree of influence to which Confucianism has cast in the same feature could vary from country to country, even firm to firm. Therefore, generalizations had been difficult to achieve with the existing literature.

Through evidence from literature sources, we will be able to compile some features together, either in a general sense, or based on the three country comparison. It is hoped that the new ways of data presentation and categorization would provide some fresh perspectives and might inspire future research directions.

Although it is difficult to obtain a quantitative measure of how "Confucian" a firm is, I have attempted to estimate the strength of Confucian influence in firms from several
perspectives in a qualitative way, with consideration of the evidence from the literature presented in previous chapters.

Summary of Confucian Themes and Characteristics in Firms

Table 1 summarizes the relationship between the characteristics found in firms that are related to Confucianism and their roots in Confucian teachings. The symbol "×" indicates a connection according to the analysis in previous chapters.

Table 1
Confucian Themes and Their Connections with Features in Firms

<table>
<thead>
<tr>
<th></th>
<th>&quot;Five Relation -ships&quot;</th>
<th>Loyalty</th>
<th>&quot;Doctrine of the Mean&quot;</th>
<th>Emphasis on Education</th>
<th>Filial Piety</th>
<th>Benevolence</th>
<th>Reciprocity</th>
<th>Rituals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family business</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Family-like atmosphere</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Paternalistic leadership</td>
<td>×</td>
<td></td>
<td></td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Top-down decision making</td>
<td>×</td>
<td></td>
<td>×</td>
<td></td>
<td>×</td>
<td></td>
<td>×</td>
<td></td>
</tr>
<tr>
<td>Implicit communication style</td>
<td></td>
<td></td>
<td>×</td>
<td></td>
<td></td>
<td>×</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confucian work ethics</td>
<td>×</td>
<td>×</td>
<td></td>
<td></td>
<td>×</td>
<td>×</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuous training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>×</td>
<td></td>
</tr>
<tr>
<td>Weak governance</td>
<td>×</td>
<td></td>
<td>×</td>
<td></td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Guanxi</td>
<td>×</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>×</td>
</tr>
</tbody>
</table>
**Strength of Confucian Influence on Each Characteristic**

The characteristics we have mentioned in the previous chapters are not uniquely Confucian. To what degree has Confucianism influenced these aspects in firms from South Korea, China and Japan?

I have assigned three degrees for the strength of influence on aspects of firms from each of the three East Asian countries, represented by "strong," "moderate" and "weak" (see Table 2). However, these three degrees belong to a comparative scale among the three countries, not an absolute scale. That is to say, when it is indicated that Confucianism has a "weak" presence on "communication style" in Japanese firms, that means that its influence is the weakest there in comparison with the other two countries.

Table 2

*Estimated Strength of Confucian Influence on Aspects of Firms from South Korea, China and Japan*

<table>
<thead>
<tr>
<th></th>
<th>South Korean Firms</th>
<th>Chinese Firms</th>
<th>Japanese Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family business</td>
<td>strong</td>
<td>strong</td>
<td>moderate</td>
</tr>
<tr>
<td>Firm atmosphere</td>
<td>moderate</td>
<td>strong</td>
<td>weak</td>
</tr>
<tr>
<td>Leadership</td>
<td>strong</td>
<td>moderate</td>
<td>weak</td>
</tr>
<tr>
<td>Decision making</td>
<td>strong</td>
<td>moderate</td>
<td>weak</td>
</tr>
<tr>
<td>Communication style</td>
<td>strong</td>
<td>strong</td>
<td>moderate</td>
</tr>
<tr>
<td>Work ethics</td>
<td>strong</td>
<td>moderate</td>
<td>strong</td>
</tr>
<tr>
<td>Education and training</td>
<td>strong</td>
<td>strong</td>
<td>strong</td>
</tr>
<tr>
<td>Governance</td>
<td>moderate</td>
<td>strong</td>
<td>moderate</td>
</tr>
</tbody>
</table>

This estimated strength presents a general trend according to perceptions from the literature research. For example, in the category of "family business," Japanese firms are assigned as "moderate" because comparatively, their family businesses are less bound by Confucian family values. In the "governance" category, Confucian influence in Chinese
firms is strong because of the lack of respect for law, whereas South Korean and Japanese firms follow more regulations and rules.

**Estimated Strength of Ideological Influence**

Confucianism is not the only ideological influence in the firms of these three countries. To what degree have the ideologies influenced the firms from the three countries?

Similar to Table 2, I have evaluated the influence in firms on a basis of relative strength. The category "uncertain" means that the degree of influence is difficult to determine based on the literature research in this thesis.

Table 3

*Estimated Strength of Ideologies in Firms from South Korea, China and Japan*

<table>
<thead>
<tr>
<th></th>
<th>South Korean Firms</th>
<th>Chinese Firms</th>
<th>Japanese Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confucianism</td>
<td>strong</td>
<td>moderate</td>
<td>weak</td>
</tr>
<tr>
<td>Buddhism</td>
<td>uncertain</td>
<td>uncertain</td>
<td>strong</td>
</tr>
<tr>
<td>Taoism</td>
<td>uncertain</td>
<td>strong</td>
<td>uncertain</td>
</tr>
<tr>
<td>Shintoism</td>
<td>none</td>
<td>none</td>
<td>moderate</td>
</tr>
<tr>
<td>Christianity</td>
<td>moderate</td>
<td>uncertain</td>
<td>uncertain</td>
</tr>
</tbody>
</table>

For Confucianism, influence in Japanese firms is the weakest because some of the features are collectively derived from other cultural origins.

It is worth noting that the estimated Confucian influences on firm characteristics of the three countries in Table 2 is consistent with the relative strength of Confucian influence in Table 3. If we sum up the estimated Confucian influences on all characteristics from Table 2 by country, Japanese firms are assigned three "weak" estimations, three "moderate" estimations, and two "strong" estimations; whereas South Korean firms have six "strong" estimations and two "moderate" estimations. Chinese firms have five "strong" estimations and three "moderate" estimations.

One potential explanation for the stronger Confucian influence in South Korea than China is that Confucian traditions in South Korea have not been interrupted as much
as in China. Moreover, South Koreans focus more on the rituals and proprieties, whereas Chinese concentrate more on the Confucian spirit, and less on the Confucian "form." Therefore, it is logical to conclude that Confucianism has impacted South Korean companies the most.

**Pros and Cons**

Table 4 summarizes the potential advantages and disadvantages of the Confucian influenced features of firms. The listed features below are generalizations that consider the characteristics from all three countries. It is likely that some of the features are present only in one or two of the three countries.

<table>
<thead>
<tr>
<th></th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family business</td>
<td>Flexibility; asymmetric information; trust; low cost for family members working overtime</td>
<td>Lack of professional managerial expertise; interest conflicts within the family</td>
</tr>
<tr>
<td>Family-like atmosphere</td>
<td>Welcoming atmosphere</td>
<td>No clear separation between personal life and work life</td>
</tr>
<tr>
<td>Paternalistic leadership</td>
<td>Welcoming atmosphere</td>
<td>Discourage opinions</td>
</tr>
<tr>
<td>Centralized and top-down decision making</td>
<td>Fast</td>
<td>Difficult to challenge decisions</td>
</tr>
<tr>
<td>Implicit communication style</td>
<td>Flexible</td>
<td>Cause confusion</td>
</tr>
<tr>
<td>Confucian work ethics</td>
<td>High productivity and good collaborative effort</td>
<td>Might discourage creativity</td>
</tr>
<tr>
<td>Education and continuous training</td>
<td>Adaptive to changes; increase knowledge base</td>
<td>Time consuming</td>
</tr>
<tr>
<td>Weak governance</td>
<td>Flexible</td>
<td>Cause confusion and inefficiency</td>
</tr>
<tr>
<td>Guanxi</td>
<td>Trust; low transaction cost; shared information</td>
<td>Might lead to corruption and favoritism; low transparency</td>
</tr>
</tbody>
</table>
Confucian Influence in Different Types of Chinese Firms

The general trend in the estimated strength of Confucian influences in Chinese firms is ranked from high to low as follows: family businesses, state-owned enterprises, joint ventures, and foreign direct investments. Complications might arise when joint ventures and foreign direct investments are with South Korean and Japanese companies. This reasoning is dependent on how much Western management influences there are to Chinese firms. It is generally accepted that the more Western influences there are, the less Confucian a firm is.

Structure-Related Findings

Hierarchy. Hierarchy is the vertical structure found in firms. In South Korean and Chinese firms, it can be connected to Confucian's "Five Relationships" concept. In Japanese firms, the hierarchy is mostly believed to come from the class system in the Tokugawa time, and family structure from its "rice culture." However, it can be argued that Confucianism was impacting the formation of the class system, as well as family values during the Tokugawa period.

Ranking of hierarchy in firms is usually differentiated by education, age, and gender in modern East Asian corporations. In both South Korean and Japanese firms, evidence of coexisting hierarchies could be observed. For example, blue-collar workers, white-collar employees and female employees (in particular) are arranged in separate hierarchies, and there could be another separate managerial hierarchy on top of them. In Chinese firms, the situation is more complicated, due to different types of corporate ownership. Yet, it is quite certain that female employees are not put into a separate hierarchy formally. In a sense, the hierarchy in East Asian firms can be considered as "mixed, " partially reflecting the role responsibilities of Confucian teachings.

Reciprocal relationship, mentioned in the Confucian "Five Relationships," gives this hierarchy somewhat asymmetric weights from both ends. Superior-and-subordinate relationships demonstrates this, as Farh and Cheng (2000) mentions that "the intensity of role obligations for the superior and the inferior is not symmetrical. [. . .] Even when
superiors behave in contradiction to their role requirements, inferiors are still expected to fulfill their role obligations" (p. 104).

Network. Confucianism has influenced different types of networks related to businesses. In terms of formation of business organizations, the network concept appears in Korean chaebol groups, Japanese Keiretsu, and Chinese overseas family businesses, which attaches with family values from Confucianism. Confucianism is also related to interpersonal network, such as guanxi affiliations in Chinese firms, and ties with families, regions, colleagues, and alumni in Korean companies and to some degree in Japanese companies (some scholars also refer these connections as guanxi despite guanxi being a Chinese word.)

Reciprocal relationship, with a relatively more equal position of the connected two nodes in the network, compared to the reciprocal relationship in the hierarchy of a firm. The two structures arguably produce different effects: the hierarchy structure may be an alienating force among a group, with the network structure producing a unifying force in a group and several groups.

Harmony

Harmony generally overrides other themes in Confucian cultures. We also know that order and hierarchy are some of the Confucian approaches to achieve harmony. However, where does chaos go? What are the channels that the non-orderliness is expressed?

Reciprocal relationship is the first level of buffering from the rigidity, even if these reciprocal relationships could be unequal, as we discussed earlier.

The doctrine of the Mean is the second level of buffering. It suggests that one should try not to stand out, including the person who has the centralized power at the top. One should not go to extremes, and this is a way to minimize risks. Being in the middle is the safest, and the more deviation from the middle, the riskier it is. As for individual's personality, it could be going towards both ends, traditional Chinese way of living is to have this modesty.
Implicitness and vagueness is the third level of buffering. It might not have roots from Confucian teachings itself, but it is a natural response and outcome when one does not want to take a position on how much one deviates from the "mean," as we discussed in the previous paragraph.

Informal communications in an unstructured setting are the fourth channel for buffering. People may want to express their opinions, but they prefer in an unofficial setting.

Lastly, the passivity of Daoism and Zen Buddhism can be the last resort. Inaction is action.

In sum, despite the rigidity Confucian social order might appear, there are several ways Confucianism itself, or reactions to Confucian teachings that relax the rigidity. In this front, Chinese businesses appear to be more flexible than Japanese and South Korean firms. However, it is also likely because of the weak governance during this transitional period in China.

**Thesis Question**

**Hypothesis: Confucianism brings more benefits than harm to the development of East Asian businesses.**

Considering the advantages and disadvantages of the Confucian-influenced firm characteristics, we believe that the "Confucian" way of management brings more benefits than harm to the development of East Asian businesses at the initial stage of the business when the size of the business is small. Confucian features such as a strong and paternalistic leader, centralized decision making, personal relationships and weak governance, are more controversial than features such as continuous training, Confucian work ethics, and family-like environment. However, these seemingly controversial features exhibit more benefits than harm at the beginning stage of a business.

When the business develops further and grows bigger, it is uncertain whether Confucianism brings more benefits than harm. Aspects such as guanxi networks would facilitate its growth, however, the exact same feature could hinder the growth such as a
fair selection of talents. Yet, there are also channels for relaxation from Confucian rigidness in firms, such as implicit and informal communications. Therefore, it deserves further investigation on whether the Confucian way of management in its current form is sustainable past the initial stage of firm development.

However, modifications and reinterpretation can be made towards Confucianism in firms. People may pick and choose the desirable features. The development history of South Korean and Japanese firms shows that a hybrid system with both Confucian features and Western management features could reinforce the advantages of the Confucian features, and minimize the harm from the Confucian management.

**Recommendations**

The recommendations are geared towards Chinese businesses. During the recent 30 years of Economic Reform, values held by Chinese people are gradually changing as new ideas, products and other ideologies are flooding into China. This impact is also evident in enterprises. Child and Warner (2003), after examining a range of studies, conclude:

Younger managers in urban coastal locations are adopting new values. This points to the impact that modernization and increased contact with the rest of the world may be having on Chinese managerial values. However, the extent to which traditional Confucian values are being diluted or forsaken remains open to question. (Child & Warner, 2003, pp. 38-39)

Considering the uncertainty in the larger social and political environment, Chinese businesses and managers have a lot of room for development, growth, change, even experiment. The following recommendations are proposed for Chinese businesses:

1. Learning from Japanese and South Korean businesses

   As some of the Korean *chaebol* groups and Japanese business groups have grown into prosperous world-renowned enterprises, there are much to learn for Chinese businesses. Some of them handled the transitions from small businesses to large groups in a remarkable way.
2. Designing a Confucian model for business with consideration of new global contexts.

Since global contexts have been changing rapidly, and there are already known constraints Confucianism brings to companies, a better Confucian model for a sustainable business development should be designed. The major concern is on ensuring that opinions of employees are expressed and encouraged. Setting up formal channels to ensure opinions are heard while protecting others' "face" is crucial to the development of a business, especially in areas such as design and product development.

**Future Research**

There are several directions that future research could take on:

1. It would be interesting to add Taiwan, Hong Kong and Singapore in the comparative study. The significance is that they all subscribe to strong Chinese culture, yet, have different kinds of political systems.

2. In this thesis, evidence is mainly gathered from literature sources written in English. Although some scholars from the three East Asian Countries have written or translated their work into English, there still remains much literature to expand the perspectives.

3. Direct interviews with company employees regarding their views on the linkages between Confucianism and firms. However, this type of interview might not be an accurate depiction of the actual characteristics as employees nowadays do not learn Confucianism to a great detail. Therefore, providing direct behavior examples from our research, might serve as a framework for the interview.

4. If we were to assign Confucianism a quantitative scale, how should we approach it? Instead of estimated strength, how about assigning several of the key features and deriving scores for an organization? If a "Confucian" scale is developed, it would be easier to investigate questions such as how the size of a firm affects its Confucian strength.
5. With a consideration of modern context, a complete reinterpretation of Confucianism will be beneficial to modern Chinese businesses, as it could serve as a development and management model in an active way.

There is no doubt that Confucian culture will still persist in East Asian countries. Therefore, an adequate reexamination of Confucianism will help the firms to integrate Western management concepts while retaining some of the best Confucian traditions.
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