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HR's CRUCIAL ROLE FOR SUCCESSFUL CSR

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Abstract: Corporate social responsibility (CSR) is a multifaceted initiative that is increasingly recognized as strategically important for organizations and has broad implications in a number of organizational areas. However, not much has been systematically written on one of the key players – human resources (HR). This paper will address the gap by looking at HR contributions to CSR and providing a framework on the HR role in planning, implementing, monitoring and institutionalizing CSR. HR challenges involved in undertaking this crucial role are also discussed.

Keywords: CSR, CSR audit, CSR framework, HR planning, Strategic human resource management

The increasing importance of Corporate Social Responsibility (CSR), one that emphasizes social, and environmental dimensions in addition to financial ones (the Triple Bottom Line), has been widely recognized by both academia and business organizations (Joseph, 2009). The majority of the US Fortune 500's company websites now have reports on CSR initiatives and an executive study in 2000 found that "69% of companies planned to increase future commitments on social issues" (Kotler & Lee, 2005, p.4-5). CSR provides a paradigm shift from the traditional organizational emphasis based solely on economic aspects to incorporate broader stakeholders' interests both inside and outside the organization that can have long range implications affecting sustainability (Fuentes-Garcia, Nunez-Tabales & Varoz-Herradon, 2007; Maon, Lindgreen & Swaen, 2008; Turker, 2008). For example, CSR can help to raise an organization's legitimacy and reputation in the eyes of external stakeholders, such as customers, suppliers, financial backers, etc., which can lead to higher sales and revenues, lower costs of materials and financing, as well as long-term sustainability (e.g., Lee, Faff & Langfield-Smith, 2009; Ruf et al., 2001; Slater & Dixon-Fowler, 2008).

CSR-oriented organizations are also more capable of attracting, retaining, and motivating their internal stakeholders – the employees - enhancing their self-concept and giving rise to greater job satisfaction, organizational commitment, productivity as well as improving behavior towards colleagues (Korschun, Bhattacharya & Sen, 2009; Turker, 2008). Although empirical evidence on the financial benefits of CSR is not completely unequivocal, many researchers have found a positive relation between organizations' social and financial performance (e.g., Simpson & Kohers, 2002; Waddock & Graves, 1997). In a PricewaterhouseCooper survey of global CEOs, 69% believed that CSR was vital to company profitability (Argenti & Forman, 2002, p. 107). Hence, CSR is not only considered the "right thing to do" to contribute to the societal good, but also the "smart thing to do" as it can benefit the organization in a number of ways (Smith, 2003, p. 52).

As CSR involves multiple dimensions that affect almost all facets of an organization, it is easy to lose sight of who the key organizational contributors may be. Leaving the responsibility for units to handle on an ad

hoc basis can not only lead to sub-optimization of efforts and overall inconsistencies across the organization, but the transfer of learning and tacit knowledge arising out of the CSR activities could be severely limited and even lost with employee attrition and leadership transitions (Kang, 2009). For CSR to be successful, it needs a systemic process with top management commitment and support as well as the concerted and collective efforts of organizational members (Maon, Lindgreen & Swaen, 2008; Szekel & Knirsch, 2005).

While there is little doubt that operations and quality assurance departments have a major role to play in contributing to CSR, such as in designing procedures that are more socially and environmentally friendly and establishing appropriate performance measurements, the CSR role of Human Resources (HR), which can have the potential to foster an organization-wide CSR-oriented culture as well as develop competencies to enhance CSR, has been understudied. This paper will fill this gap by first examining why HR is particularly appropriate in taking on CSR responsibilities. Using a framework similar to the Deming cycle of “Plan, Do, Check and Act” (Deming, 1986), we will discuss the specific roles HR can play in CSR, including the design and implementation of HR systems that can positively affect CSR changes. The paper will conclude with the identification of the challenges and limitations encountered by HR in the CSR process and comment on what can be done about them.

HR SUITABILITY FOR CSR OVERSIGHT OR COORDINATION

There are many reasons why HR is suitable to lead and/or play a coordinating role in various aspects of CSR. First, social responsibility relates to organizational values (Strautmanis, 2007), while the social and ethical dimensions of CSR naturally involve people and their relationships. Any contributions made to society or in how people treat each other are based on the values of the collective culture organization members foster within the organization. As Fernandez, Junquera & Ordiz, (2003, p. 636) have noted, organizational culture and HR decisions are essential elements for creating a sustainable competitive advantage for the organization because they are “the linking mechanism for the rest of the company’s resources”.

According to the top-down approach, leaders’ philosophy, abilities, and actions have a major impact on CSR effectiveness. From the bottom-up perspective, CSR can be driven by employees who have direct knowledge about the materials, processes, and impact of their work and who are thus able to provide good input on CSR (Fernandez, Junquera & Ordiz, 2003). As leadership and employee influence fall squarely on the HR and organizational behavior arena, who other than HR would be in a better position to be involved?

Second, many guiding CSR principles directly involve HR and employees. These include the efficient and effective use of human resource capital, development of intellectual and knowledge capital that contributes to sustainable development, and equity with human rights assurance or distributive justice among people (Sage, 1999; Wilkinson & Hill, 2000). Indeed, according to the Global Reporting Initiative, which provides 79 environmental, social, and business performance indicators measuring sustainability, there are as many as 24 of them that fall under HR’s responsibility (Fox 2008, p. 46). For example, HR is certainly well-equipped to handle human rights and equity matters, which are not only legal issues, but relate as well to moral principles of diversity and inclusiveness that can contribute to a company’s competitive advantage (Cox & Blake, 1991). As increasing human capital inevitably involves aspects of training and development, it is logically an area for HR.

Third, prior CSR research has generally under-considered employees as a central contributor and key stakeholder group (Korschun, Bhattacharya & Sen, 2009; Lamberti & Lettieri, 2008). CSR initiatives should

start at “home” – within the organization - as employees are the connectors to the outside stakeholders. The employee perspective on CSR can be summarized to include “fair remuneration, effective communication, learning and development opportunities, fulfilling work, a healthy and safe working environment, equal employment opportunities, job security, competent leadership, community spirit, [and] social mission integration” (Spiller, 2000, p. 154). These areas will be further discussed later in the paper when the specific HR roles are examined.

Fourth, as CSR requires a radical change in philosophy and behavior, HR can act as the change agent for change management (Pettigrew, 1985). HR should be most familiar with what motivates behavior, how to unfreeze previously not-so-desirable behavior, encourage the change, and then refreeze the desirable behavior (Lewin, 1952). Proper work design, training, performance and rewards management are just some ways to facilitate the change.

In the next section, we will look at how HR’s contribution to CSR can lead to the betterment of humanity, starting from its internal stakeholders and extending into the community, while at the same time benefiting the organization via cost saving, increased productivity, and an improved company image. It will be shown that HR is not just a cost centre or a support function but rather a strategic business unit that can help steer a company’s direction in order to achieve its objectives.

THE HR-CSR FRAMEWORK

The HR-CSR framework proposed below has a specific focus on the role of HR in CSR development. Based on the Deming (1986) cycle and the Maon, Lindgreen & Swaen’s (2008) general CSR model, the framework consists of four stages: (a) planning and awareness, (b) implementation and process development, (c) monitoring and feedback, and (d) revision and institutionalization.

Planning and Awareness

Vision, mission and values. For CSR to be successful, it must be integrated into the organization’s strategy, structure, processes and culture. The highest level of CSR achievements would generally require CSR issues to be legitimized as “an integral part of corporate identity” (Fernandez, Junquera, & Ordiz, 2003, p. 642). The organization must also be transitioned from a target-driven culture to a value-driven culture that can sustain CSR (Lyon, 2004). In order to make this a reality, an organization can start with revisiting its vision, mission and value statements as they provide an explicit message to both the external and internal stakeholders about the organization’s goals and priorities, which in turn drive actions and behaviors. Developing green products, engaging in fair trade, valuing diversity, and investing in employees are just some of the examples that could be incorporated into such statements.

How does HR contribute to this particular area? First, as a strategic partner in the organization, HR should be actively involved in the setting of organizational objectives and any revisions of its strategic statements. As a department that is regularly liaising with all facets of the organization, it is well positioned to provide a balanced view across divisions, with particular empathy for social and human-related matters that are key areas of CSR. Researchers (e.g., Fernandez, Junquera & Ordiz 2003; Kang, 1999) have suggested that a centralized unit/staff should be in charge of the CSR initiatives. If a steering committee is to be formed, HR should be playing a critical role on it.

Leadership. In addition to aligning CSR strategies with corporate objectives and values, senior

management must “walk the talk” in bringing CSR initiatives to fruition (Chong, 2009). Leaders are responsible for the management of meaning, that is, “orchestrating the process that engages the entire organization in crafting and identifying with the vision to create a compelling future” (Ready, 1995, p. 19). They play a major role in creating and managing the organizational culture and climate (Schein, 1985). As figureheads and controllers of resource allocation, they have a strong influence on employee behavior and their commitment to CSR can “set the tone for the rest of the organization” (Rocha, Searcy & Karapetrovic, 2007, p. 89). As an example, Ramus and Steger (2002) found that supervisors’ behavior strongly influenced employees’ response to environmental issues – the “eco-initiatives”.

HR can have a major impact on CSR through its role in the recruitment of leaders and managers. Its recruitment advertisements can emphasize the corporate values on CSR and job specification involving knowledge, skills and abilities regarding CSR, while its screening process can focus on finding candidates with good CSR backgrounds and values that are consistent with the organization’s CSR-oriented ones. Ideal candidates to advance CSR initiatives may need to have both transformational leadership characteristics to provide vision, engage stakeholders and drive changes (Portugal & Yukl, 1994; Szekely & Knirsch, 2005), and transactional leadership qualities to coordinate tasks, manage information, control finances, set objectives and monitor efficiency (Egri & Herman, 2000). Once leaders/managers are hired, by carefully selecting or formulating leadership development programs, HR can further help to foster CSR-oriented values amongst top management.

Education and communication. CSR relies on the commitment and contributions of many organizational members, not just top management. Hence, the first step in mobilizing the collective employee effort towards CSR is to raise the overall awareness of employees on CSR matters. Fernandez, Junquera & Ordiz (2003, p. 644) comment that “an increase in awareness and knowledge of process and materials” are some of the critical factors for CSR management particularly at the environmental front. Increasing awareness can be accomplished mainly through communication and education (Maon, Lindgreen & Swaen, 2008), like company statements and policies, employee newsletters/bulletins, formal training sessions, townhall meetings or other divisional/departmental discussions. Providing examples of CSR activities and success stories in its own organization or outside organizations would help in the establishment of values, norms and expectations.

More specifically, CSR awareness exercises can be developed to serve the dual purpose of educating employees/increasing their self-awareness as well as evaluating the current level of overall CSR awareness amongst employees. An exercise can ask employees to describe what they know about CSR and what more they want to know about it; what CSR means to them, the organization, and the society; what they think about the progress of CSR and what may need to be done about it.

Alternatively, a survey form can be developed along these dimensions, providing employees with statements or rating scales to check off. Serving the educative role in raising social consciousness is certainly part of the function of human resource development. As Bierema & D’Abundo (2004, p. 449) noted, such an educative and supportive role would “help organizations uphold implied contracts and expectations of the organization, promote ethical management and leadership, advocate for stakeholders, broaden definitions and measures of organizational performance, challenge and revise socially ‘unconscious’ policies and practices, analyze and negotiate power relations, and promote the use of organization resources to create social benefit and improve social welfare.”

Implementation and Policy Development

Almost all HR policies and processes have CSR implications as CSR sustainability requires a “more holistic and integrated approach to people management” (Wilkinson & Hill, 2001, p. 1497). Indeed, the effectiveness of CSR initiatives depends largely on the design of related policies and processes as well as the ability of the employees in implementing them. In this section, we will discuss the implementation aspects in four main areas, namely, talent acquisition and development, employee involvement, performance and rewards management, and ethics management.

Talent acquisition and development. The implementation of CSR initiatives relies on knowledgeable and devoted employees with CSR-oriented values. As a 2002 Corporate Citizenship survey conducted by Cone Inc. indicates, 80% of US respondents would likely not work for an organization with a negative CSR reputation (Kotler & Lee, 2005, as cited in Chong, 2009, p. 107). Hence, having a good CSR reputation is important to attract CSR-talented individuals, but how does an organization newly embarking on CSR get to find and hire such individuals? The most obvious way is to have job advertisements clearly indicating the overall values of the organization and any CSR-specific job requirements (e.g., knowledge on quality control on environmental emissions, involvement in community projects, etc.). With the popularity of the internet as an informational tool and the net-generation coming into the workforce (Tapscott, 2009), designing a good website with easily accessible organizational and CSR-related information can be a very cost-effective way to improve the chances of finding the right individuals.

The organization may also have identified some comparable organizations which provide a benchmark for its CSR initiatives. For senior level positions, it may be worthwhile for HR to use professional recruitment firms to find individuals who have prior CSR management experience from such organizations. Employee referrals can also be effective to find individuals with values compatible with those of the existing organization, although it may significantly restrict the applicant pool.

In screening applicants, HR can make use of well-validated personality tests to help reveal the applicants’ characteristics and values. Employing behavioral-anchored interviews is another good way to learn more about actual past CSR experience. It is often easy for one to just talk about what one values, but not so if HR requires the applicant to substantiate the claim with real past actions, which can be confirmed through reference checks. The reference check list should specifically include questions on the CSR area. After acquiring the proper talent, it’s the organization’s responsibility to help the employee understand, adopt and contribute to progress in CSR initiatives. Training and development programs should, therefore, focus on:

- creating a CSR knowledge base (on social and environmental issues surrounding the organization, stakeholders’ interests, industry CSR norms and standards, etc.)
- teaching the necessary skills for CSR initiatives (letting employees learn the various working processes and methods so that work can be done most efficiently and effectively in a CSR-friendly way)
- developing the cognitive ability for handling complex CSR activities (so employees can see the big picture and inter-relations of CSR dimensions)
- promoting employee enthusiasm in CSR (by showing how they can make a difference that can positively impact the organization, themselves, and others)
- developing talent and skills serves a double rewarding purpose for CSR, namely promoting competencies needed for successful CSR initiatives, and increasing overall human capital, which in itself, is one of the goals of CSR

Employee involvement and empowerment. Employee involvement and empowerment contribute to CSR in multiple ways. Allowing employees to be involved and empowered gives them better control over their work, which will improve their quality of work-life, an important social component of CSR. Workers knowledgeable about their work are often the best people to determine the way forward operationally on CSR, such as on waste reduction and equitable and efficient distribution. Workers' input into process improvements can also directly improve the organization's productivity and profitability, which may in turn allow the organization to allocate more funds to CSR initiatives.

Employee involvement can take many forms. At the lowest level, employees are simply informed of CSR decisions and initiatives. The next level may involve some solicitation of input or feedback on the CSR initiatives, such as through open meetings, suggestion boxes, quality circles, joint-committees between employees and management, etc. This is followed by employee empowerment in which employees make autonomous CSR-related decisions in their work such as in autonomous work teams. An even higher level involvement will see employees serving on the organization's board to provide strategic CSR directions. According to Bansal (2002), allowing employees to have a voice in CSR could have a bandwagon effect that can change other organizational members' mindset.

Employee empowerment is largely dependent on the autonomy and feedback dimensions in work design (Hackman & Oldham, 1980). By working closely with line departments, HR can serve as the advisor/coordinator for matters on job descriptions and specifications, as well as for job evaluation, and therefore, can assert a significant degree of influence over the work design. This aspect is intertwined with performance and rewards management areas that will be covered in the next sub-section.

Performance and reward management. The old saying "what gets rewarded gets done" tends to be quite applicable to organizational settings. Particularly, the Expectancy Theory postulates that employee motivation is a function of expectancies (probability of success in doing the job), instrumentality (probability of receiving a reward for the job performed), and valence (the value the employee placed on the reward) (Vroom, 1964). So, providing employees with rewards they value, either extrinsic or intrinsic, can motivate behavior for achieving the objectives of a task.

Performance management is closely related to rewards management. It is a forward-looking and holistic system where management and employees jointly work to improve their performance by not only appraising past performance, but also focusing on future development. In recent decades, the Goal-setting Theory has been gaining prominence. It suggests that people are motivated if there are clear and attainable goals for them to achieve as goals help to instill "purpose, challenge, and meaning" into work, and provide intrinsic incentives for getting the work done (Latham, 2004, p. 126). Clear goals and targets can also serve as the basis for rewards determination. Hence, properly set goals can drive desirable behavior, while constructive and timely feedback with good development plans will help in continuously improving employee performance.

How do theories in these areas specifically help to promote CSR implementation? Knowing that goals as well as both extrinsic and intrinsic rewards are both important factors influencing behavior, one can design appropriate performance and rewards systems to reflect the organization's emphasis on CSR (Maon, Lindgreen & Swaen, 2008). Some examples of CSR related goals and targets are: reducing waste materials by a certain percentage; being involved in specific community activities such as fund-raising for charities or providing a number of hours of community services; designing an equitable and more efficient distribution system that reduces the wait time for people in need of the product/services by a certain number of days; and providing

mentoring and coaching sessions to other more junior employees on a periodic (e.g., weekly) basis to enhance their work-life experience.

Such CSR related goals should be jointly set between the supervisor and employee so that both feel a sense of commitment to the goals and accountability for their achievement. On-going performance feedback, reasonable resources, and other support should be provided to employees to assist them in realizing their goals. Goals can be quantitative or qualitative, since it is just as important to get a job done well as having a number of tasks performed. According to the Expectancy Theory, letting employees know in advance the rewards for the goal achievement can positively influence the instrumentality factor in the motivation equation. Rewards for CSR can then be linked to the achievements of either group or individual level goals. For example, if an employee unit is able to significantly reduce waste, a certain percentage of the savings could be distributed to the relevant employees, like in the case of a gain-sharing plan. Also, an employee doing well in the assigned CSR task can be given additional incentives like bonuses or even promotions.

Non-monetary rewards can include better CSR training and development opportunities to increase the employees' skills and competencies, more challenging and meaningful CSR work, or simply award recognitions like CSR Employee of the Month. A well developed performance and rewards management system to support CSR can signal to the employees the company really values their CSR contributions and is not just paying lip services. On the other hand, CSR-related misbehaviors, such as obstructing CSR initiatives or other unethical conduct (like making CSR misrepresentations that serve self-interests), also need to be addressed. Mechanisms can be established for the reporting and investigation of CSR non-compliance, such as anonymous reporting hotlines and a well-represented/neutral investigation unit. Corrective and/or disciplinary actions may then be appropriately determined.

Ethics management – Promoting ethical practices. Houghton, Gabel and William (2008, p. 478) suggest that the internal face of CSR involves not just legal compliance, but also “ethical behavior that goes beyond the letter of the law”. Areas of internal ethics management include respect for human rights, embracing diversity and providing equal employment and rewards opportunities to employees and job applicants irrespective of their demographic characteristics. More important is the building of an organizational culture that supports ethical behavior in general that will impact both the organization and its external stakeholder community.

HR can be the “keeper and voice” of ethics in organizations (Mathis, Jackson, & Zinni 2008, p. 25) as ethics is almost an inherent part of all HR policies and processes affecting employees' work-life and livelihood. For example, without a good ethics culture and fair policies and processes, favoritism in staffing and rewards could easily set in, unsafe work conditions could be overlooked, misbehaviors could be condoned, and disciplinary actions could become arbitrary. To foster an ethical culture, ethics itself must be an integral part of the organizational values. If an organization is overemphasizing only the financial aspect, employees may be tempted to adopt unethical practices such as providing misleading information to customers to get sales or making up fictitious accounts to fool management into believing their superb performance.

Ethics management is involved with both the ends and the means of achieving the organizational goals (Blanchard & Peale, 1988). That is, there should be not only distributive justice in organizational decisions (i.e., substantive outcomes), but also procedural justice in processes designed to minimize biases and promote transparency in decision making. This can be achieved through, for example, fair representation of stakeholders on decision bodies and clear communication of decision criteria and processes. Through developing policies and procedures manuals on employee terms and conditions, as well as on expected

employee conduct to guide behavior, and a performance and rewards management system to encourage and monitor ethical standards, HR can play a good “keeper and voice” role in the overall management of ethics.

Monitoring and Feedback (CSR Audit)

While the management of individual or group CSR-related performance has been discussed above under performance management, CSR monitoring and feedback involve a broader look at the overall CSR processes and outcomes, which can be called a CSR audit. Traditionally, audits are associated with ensuring compliance to legislation or proper financial reporting for the sake of the shareholders. With the pressures for more socially, environmentally, and ethically conscious organizations, CSR audit has emerged as a major trend, with many major consultant firms already offering such services to clients. Before an organization employs an external consultant to review its CSR performance, it should first look internally and do an HR audit with a focus on how well HR has contributed to the CSR initiatives. If the HR part is done right, the chances of success in other CSR endeavors outside of the organization can be expected to substantially increase. Table 1 shows some examples of CSR audit questions for various HR involved areas discussed in the above sections.

Table 1. CSR Audit Questions for HR

Planning	<ul style="list-style-type: none"> • To what extent has HR been involved in the strategic integration of CSR into organizational strategies? • Have the CSR values been incorporated into the explicit values of the organization? • Are there good bases for setting the organizational CSR goals, such as benchmarking to CSR successful organizations or adopting generally accepted practices and standards? • Has there been a centralized unit to take charge of CSR planning (steering committee)? • Is the representation on the steering committee well-balanced, includes HR representation? • Are the leaders' actions and behaviours congruent with the CSR goals and values?
Education and Awareness	<ul style="list-style-type: none"> • What types of CSR educational programs are in place? • What types of communication channels are available for CSR information and how effective are those channels (e.g., how many employees read the bulletins or attend open meetings?) • How well do employees perform in the CSR awareness exercises? • To what extent are employee CSR values congruent with those of the organization?
Talent Acquisition and Development	<ul style="list-style-type: none"> • Are potential job applicants well informed of the organization's CSR objectives and values? • Are necessary CSR-related knowledge, skills and abilities included in the job specifications? • How well do new hires match the CSR-related job requirements? • What types of training programs are available for employees to develop their CSR knowledge and skills? • Are there CSR mentoring or other programs within the organization for employees to share their CSR knowledge and experience
Employee Involvement	<ul style="list-style-type: none"> • What is the level of employee involvement on CSR matters (e.g., one-way top-down communication, employees' suggestions boxes, formal consultation, joint committee decisions at operational level, employee representation at strategic level?) • How serious does management take the employees' CSR input? • What avenues are available to turn employee suggestions into reality? • How much autonomy do employees have in their CSR related work?
Performance and Rewards Management	<ul style="list-style-type: none"> • Are CSR goals for individuals congruent with those of the organization? • Are CSR goals set jointly between the employee and supervisor? • Are CSR goals specific, measurable, relevant, attainable and time-bound (SMART)? • What level of resources and support are available to help employees realize their CSR goals? • Are appropriate and adequate rewards (extrinsic and intrinsic) available for employees with good CSR performance?

	<ul style="list-style-type: none"> • Is feedback on CSR performance on-going and timely? • Are development programs available to help employees improve on CSR weaknesses identified?
Ethics Management	<ul style="list-style-type: none"> • Are human rights well respected in the organization? • Do the HR policies support diversity and inclusiveness? • Are both procedural and distributive justice important components in HR policy design? • Is the workplace a safe and healthy one? Are procedures in place for continuous improvement in health and safety? • Are corrective actions rather than just disciplinary actions available for misconduct?

The list is far from exhaustive, but should provide a good basis for gathering information for assessing CSR performance from the HR perspective. Such information may be obtained by seeking feedback directly from employees involved in CSR or influenced by CSR activities, through interviews or surveys. Information can also be obtained by CSR auditors and experts in the field reviewing policies and procedures to see if there is congruence amongst the CSR initiatives, whether they are aligned with the organization's goals, and whether the intended CSR outcomes are realized, such as in terms of cost savings, greater diversity, better safety and human rights records, etc. With such information in hand, HR could compare the organization's CSR performance against generally accepted or pre-set standards and organizational core values, as well as against the specific needs of stakeholders (Sillanpaa, 1998) to determine what areas are doing well and what areas need improvement.

Revision and Institutionalization

For areas that are not meeting the performance standards, it is important to investigate the root causes and rectify them. Is it due to a lack of support or resources, inadequate employees' skills or knowledge, or some systemic policy and process issues? To make the changes, again top management commitment is needed. Sometimes, more realistic CSR goals may need to be set for the next period and increased resources may be required to support initiatives such as education and training. Policies and processes may need to be revised to rectify previous inadequacies and oversights and to address changing circumstances. In other words, weaknesses identified in the CSR audit provide a basis for revisiting and revising the planning and implementation areas.

For areas that are done well, many organizations make the mistake of just leaving things as is without making a purposeful effort to institutionalize the initiatives and their associated structures, processes, learning, and support systems. By institutionalization, we mean having the initiatives become a formal, integral and sustainable part of the organization, often with explicit documentation on how it is supported and how things are done. Success does not come easily and when it does, it is crucial that the tacit knowledge from it will not be easily lost through changes in personnel or simply memory loss. Formal mentorship programs or establishing channels for information sharing can help the CSR knowledge transfer. Oftentimes, new initiatives tend to be seen as a novelty backed by enthusiasm. If the organization does not build on its initial momentum, the novelty will wear off and CSR initiatives will become ad hoc projects with little integration and consistency. It is important to note that failed CSR attempts can also provide good learning opportunities (on what not to do).

In Figure 1, a summary illustration of the relationships of all the four stages of the HR-CSR framework as discussed above is provided. It shows the flow of the stages and the feedback loops, as well as the dimensions involved in each stage.

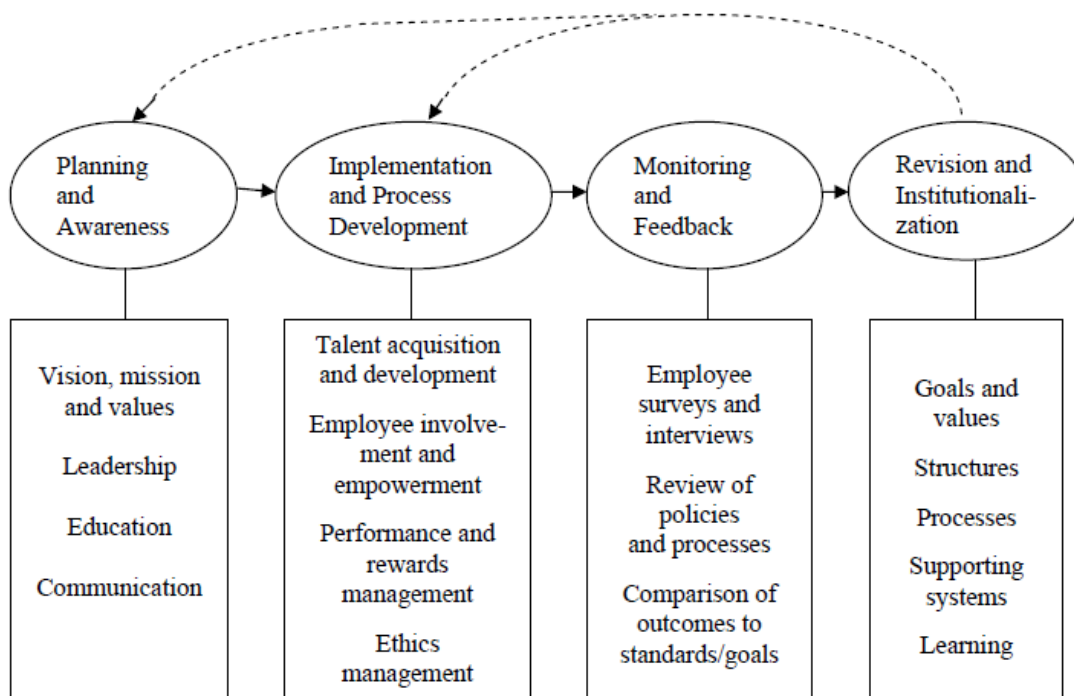


Figure 1. The HR-CSR Model

HR CHALLENGES

The challenges for HR to spearhead CSR are two-fold. One comes from the lack of support and commitment from top management and employees. The other comes from the internal HR community. In a Chicago-based accounting firm survey of 500 executives in 2007, half said the environmental and sustainability issues were for operational departments rather than HR (Fox, 2008, p. 46). In the same year, a CSR Pilot Study conducted by the Society of Human Resource Management in the US found that only 34% of HR respondents monitor the environmental aspect of business, which is one of the key dimensions of CSR (Fox, 2008, p. 46). Similarly, in a UK survey of 127 HR Directors, even though most regarded HR as having an important role to play in addressing the opportunities and challenges presented by CSR, there was quite a gap in making this a reality (CSR One Year On, 2009).

Moreover, Hine and Preuss (2008) found in their study of managers in organizations with CSR programs that the main motive for CSR was instrumental, that is, while CSR was seen as important, the allocation of resources still largely depended on how well the CSR initiatives supported commercial objectives. More surprisingly, Fenwick and Bierema (2008, pp. 24-29) found in their qualitative study that the HR development (HRD) area “appeared to be only marginally involved or interested in the firms’ CSR activities”, with the HRD managers in six of the eight firms studied saying that CSR was not relevant to their work.

To overcome these challenges, HR practitioners must first of all recognize CSR as a fundamental responsibility within its arena. Academia, HR professional associations, as well as organization and HR leaders can all contribute to a change in HR practitioners’ mindset and attitude, by educating them the rationale, principles, and impact of CSR and exposing them to real organizational examples. Publications, online

resources, course lectures and discussions, conference presentations, workshops, lunch and dinner speaker sessions, etc., are just some of the ways to raise overall HR awareness of CSR. Only when the HR professionals themselves fully appreciate their critical CSR potentials within their organizations will they be able to convince organizational leaders to give them the CSR champion role.

If organizational leaders really want CSR to flourish, they should have HR and the CSR steering committee directly reporting to the CEO. When they are subordinated to other departments, such as finance, non-CSR issues will easily take priority. Making an impact on the organization's CSR is not something that can happen overnight. It takes organizational initiative, effort, and perseverance in addition to individual knowledge, skills, and ability. Ever since the debut of "strategic human resource management" about three decades ago, HR has increasingly been gaining recognition as an organization's strategic partner, but there is still a long way to go. Being able to take on a crucial role in CSR, which has a trend towards prominence in the management world, will provide HR a great opportunity to raise its strategic profile and have a deeper and broader positive influence on employees and humanity overall.

CONCLUSION

This paper discusses the significance of HR in ensuring success of CSR initiatives, in terms of its contributions to planning and awareness, implementation and process development, monitoring and feedback, as well as revision and institutionalization. It also looks at some of the HR challenges in moving forward on this front. As HR's involvement in CSR is still in its infancy stage, there is a lot more that needs to be understood and learned before the HR-CSR integrated model will take hold and more positive HR impact can be made. With CSR being a broad multi-dimensional concept, future research will help to provide further insights into HR's specific involvement in separate dimensions of CSR such as the social aspects, environmental aspects, and ethical aspects. Qualitative studies can help identify exemplars in HR involvement in CSR and provide good examples from which organizations can learn. Quantitative studies can help to set up appropriate metrics for measuring various components of HR's contribution to CSR as well as the company's overall CSR awareness. However, the essential prerequisite to all these is the recognition that HR should be a main player in the journey towards CSR excellence.

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BUSINESS ETHICS IN THE PERSPECTIVES OF CHRISTIAN SOCIAL TEACHING AND CONFUCIAN MORAL PHILOSOPHY: TWO SHIPS PASSING IN THE NIGHT?

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Abstract: In what follows I will offer a comparison between Christian social teaching (common to both Protestant and Catholic communities) and Confucian moral philosophy, showing basic convergences as well as diversity in their views of morality in the marketplace, what it is and what it ought to be. Inasmuch as business ethics naturally unfolds in three dimensions focused on individual, corporate, and social concerns, the comparisons will highlight basic moral expectations for each of these dimensions: from Christian social teaching, I will discuss the meaning of “vocation,” “covenant,” and “stewardship”; from Confucian moral philosophy, “the Mandate of Heaven” (天命, *tianming*), “the constant Mean” (中庸, *zhongyong*) and “People as the basis” (民本, *minben*). The comparisons are meant to map a space for mutually beneficial reflection, in both China and the West, on the nature of moral excellence and leadership in business.

Keywords: business ethics, Christian social teaching, Confucian moral philosophy; individual, corporate and social responsibility

“Ships that pass in the night...”, I’ve chosen this metaphor as my subtitle because I think it helps dramatize the curious modesty that has so far characterized the encounter between Christian social teaching and Confucian moral philosophy. Though I have been involved in the study of Christian social teaching—particularly the social doctrine of the Roman Catholic church—for over forty years, and have been a student of Confucian moral philosophy for nearly half that time, rarely have I found scholars either in the Chinese or the English speaking worlds interested in serving as matchmakers in order to bring these two perspectives into a mutually illuminating conversation. And yet I can’t help urging them once more to become more than two ships passing in the night. Such a fruitful outcome is precisely what the poet leads us to expect, for the lines just quoted only foreshadow what might have been, had Longfellow’s Elizabeth Haddon never revealed her heart to John Estauagh, and had John not been moved to return to the Wayside Inn and marry her once his mission overseas had been accomplished. Christian social teaching and Confucian moral philosophy, will they one day be wed like Elizabeth and John? Their courtship, if that is what their dialogue turns out to be, goes back at least as far as Matteo Ricci’s (利瑪竇, *Li Madou*) sojourn in this city. He, for one, certainly hoped they would not end up like ships passing in the night.

But how, one might wonder, can two parties enter into fruitful dialogue and collaboration, if they have nothing in common? However unlikely, Longfellow’s Elizabeth and John at least have their Quaker spirituality in common.¹ By contrast, Christian social teaching² is one of the younger and more impetuous daughters of European (and American) Christianity. Confucian moral philosophy, on the other hand, is an old man, a “laoshi” (老師) no doubt still seeking wisdom. Christian social teaching was born out of the struggle to develop a normative sociological basis for resisting the economic and social injustices that accompanied the

advent of modern industrial capitalism. Confucian moral philosophy³ was born out of the struggle among the Chinese to overcome the administrative chaos and corruption identified initially with the Warring States period. Christian social teaching sought to extrapolate from the basic Christian moral principles—the Natural Law, the Ten Commandments, the virtues of faith, hope and charity—a vision of social transformation in which achieving social justice and the common good might approximate the ideals of the Kingdom of God. Confucian moral philosophy sought to apply the wisdom of the Chinese people—with their age-old reverence for benevolence, reciprocity, and the achievement of personal integrity—to the challenge of governing consistently according to the Mandate of Heaven (天命, *tianming*).

Christian social teaching assumed that government was part of the social problem, and not in and of itself the solution, unless it submitted to the rule of Law, that is, democratically enacted laws meant to insure the accountability of rulers as well those over whom they rule. Confucian moral philosophy sought to support the powers of government by training government officials in the proper Way of ruling which was evident to all in the universal and ordinary practices of filial piety. Christian social teaching has tended to identify its practical consequences with the struggle for universal human rights; Confucian moral philosophy has tended to focus on internalizing moral duties and cultivating virtues through social practices that enable people to fulfill these more or less spontaneously and generously. Christian social teaching, though clearly humanitarian and socially progressive in its intentions, is emphatically theocentric, inasmuch as it seeks to discern the will of God in and for public affairs; while Confucian moral philosophy, like the teachings of Socrates—and, of course, Confucius himself at best is agnostic about any moral claims based on the alleged will of God.

What reason is there to hope, then, that Christian social teaching and Confucian moral philosophy can be anything more than two ships passing in the night? On closer inspection, they actually have much in common. Both believe that human progress is possible and both seek social improvement, primarily through moral education. Both assume that since good government is indispensable for social progress, moral education should also be focused on the responsibilities of rulers, or, in contemporary terms, on the responsibilities of politicians and the professional, social and economic elites, whose practices help determine whether or not the common good is achieved. One important area where there is a high degree of moral consensus is in their specific perspectives on the role of business in society and the ways in which the business ethics can be developed constructively. In what follows, I hope to suggest some points regarding where and how their specific perspectives on business ethics can be brought into harmonious convergence.

Let us begin with an overview of what Christian social teaching has to say about the role of business in society and, in particular, its general orientation to business ethics. As I indicated earlier, Christian social teaching is a relatively recent development in the history of Christianity. Though in retrospect, the ancient and medieval traditions of Christian theology, beginning with the Bible, can be reinterpreted as contributions to Christian social teaching, the fact is that Christian social teaching as such emerges only after Christian theologians became painfully aware of the so-called social problem. I refer, of course, to the emergence of a Western civilization that seemed aggressively post-Christian in its commitment to modern science and technology, with their profound consequences for the social organization of politics (democracy) and the economy (capitalism and/or socialism), and their transformative impact on religion and the family. In short, Christian social teaching emerged as a response to the processes of industrialization, urbanization, and modernization that accompanied the rise of market capitalism. As a response to these processes, Christian social teaching in the late 19th century—a European world in which the unity of Christendom was already a

distant memory—became conceptualized primarily in distinctively Protestant and Catholic forms, as the Social Gospel and as Catholic social doctrine. In either form, Christian social teaching exhibited an unstable mix of reactionary and progressive elements, giving birth either to social protest movements seeking to restore certain pre-modern idealized social conditions, or to revolutionary experiments, often utopian that sought to realize peoples' perennial dreams of justice and peace.

Within Christian social teaching the moral meaning of business was itself controversial. As Max Weber memorably argued, the Protestant ethic gave rise to the spirit of capitalism. By offering a religiously significant interpretation of business as a vocation, or “calling” from God, the Protestant ethic idealized the prudent and thrifty entrepreneur seeking to serve God and provide for his family through diligence and hard work. But once the waves of industrialization began to transform Europe, praise for the Christian entrepreneur—which still reverberated in John Wesley's 18th century sermon, “On the Uses of Money”—soon was drowned out by the Social Gospel preachers, who denounced “Big Business” and the “captains of industry” who organized and managed the newly emerging industrial corporations designed to exploit the economies of scale made possible by advances in science and technology.

These “robber barons” became fabulously rich, apparently at the expense of their workers, whose families—often immigrant laborers uprooted from their ancestral villages—seemed to be sinking deeper and deeper into poverty, illness, ignorance, and desperation. Since both the Social Gospel and Catholic social doctrine began in protest against the appalling social conditions that “Big Business” apparently brought in its wake, both were hard pressed to see businessmen and women as anything more than greedy hypocrites determined to put profits ahead of any residual moral concern for either their workers or the common good. Both generally supported the Progressive Era reforms that relied upon government regulation to curb the abuse and exploitation of working people, as well as upon government social programs to provide benefits, such as quality education, health care, and social security, beyond the reach of even the most benevolent of businesses.

Nevertheless, however skeptical Christian social teaching may have been about the possibilities of appealing to business leaders to reform themselves voluntarily, neither Catholic social teaching nor the Protestant Social Gospel advocated class struggle as the appropriate road to progress. Marxist social philosophy was repudiated in principle because it was atheist, and therefore incapable of analyzing correctly the moral and spiritual dimensions of the human condition. By demonizing business leaders and corporate executives as class enemies, Marxism only further polarized the situation and thus ensured that it could not be resolved except through revolutionary violence. It is useful to recall that even when the struggle between “labor and capital” was at its height in Europe and the USA—during the years leading up to World War II—Christian social teaching held out hope that business people—the capitalists, or if you will, private investors and the managers who worked for them—would discover that “enlightened self-interest” would lead them to align their own goals with the common good, with economic justice and peace.

However greedy and short-sighted their practices may have been in the past, business people were still human, and thus capable of repentance and reform. It therefore made sense, when the Christian churches sought to establish labor unions, settlement houses, hospitals, schools and orphanages, and other institutions seeking to improve the desperate conditions of the poor, they were careful to ensure that these efforts were open to participation of all people of good-will, regardless of their class background. Inspired by the basics of Christian social teaching, the churches continued to promote various forms of philanthropy as well as innovative programs in corporate social responsibility at a time when many dismissed such efforts as both

dangerously naïve and counterrevolutionary.

When international business ethics as we know it today first took shape, it did so at a time when the reforms of the Progressive Era seemed to have outlived their usefulness. In China, as well as in Europe and the USA, the late 1970s witnessed a shift away from government regulation, in the hope that deregulation might make business and industry more competitive in the emerging global economy. Business ethics slipped out of the shadows of corporate social responsibility, as once again it was hoped that businesses could reform themselves, and thus, with moral values internalized within the corporate governance system, they would contribute to the common good in a more cost-effective way than was possible through rigorous enforcement of external government regulation.

Not surprisingly, there was a corresponding shift in public attitudes toward business men and women. Once again, they were respected as leaders, as heroic innovators, and indeed, as moral exemplars. While the shift was hardly as dramatic in the way Christian social teaching regarded business people, it was clear that the churches once again were appealing to them as partners and collaborators, making their own indispensable contribution to the common good. One important indication of this shift was the pastoral letter of the Roman Catholic bishops of the USA, “Economic Justice for All” (1986), which adopted a common Biblical terminology, long familiar to Protestants, in acknowledging that business itself was a “vocation,” and thus as such, on the same plane, theologically and morally, as other worldly occupations.⁴

The American bishops’ pastoral letter was also significant for adopting two other Biblical terms, “covenant,” and “stewardship,” to underscore the theology that they believed Catholic social teaching provided for international business ethics. The three terms are not only interrelated, but as an ensemble they are emphatically theocentric. God’s relationship to individual persons was highlighted in the notion of “vocation”—each human being is made to the image and likeness of God—an affirmation that lies at the root of Christian social teaching’s modern emphasis on “human dignity” and its advocacy of universal “human rights.” The Biblical language of “vocation” now common to both Protestant and Catholic perspectives illuminates the moral agency of business people, their personal responsibility for their decisions, policies and practices in the workplace.

Working for a corporation does not absolve people of responsibility, it actually heightens it. People embarked on careers in management, or aspiring to become business leaders are not mere cogs in a machine. However difficult it may be to untangle the complexities of corporate decision-making, ultimately it is people who make those decisions. They cannot excuse themselves by saying that “Business is business.” What the notion of “vocation” adds to common sense expectations of moral agency and accountability is the awareness that each person’s decisions, attitudes and actions, are directly involved in their unfolding personal relationship with God, a relationship in which they stand equal with all other human beings as “children of God,” no more and no less.

This assumption not only affirms the moral dignity of going into business and the legitimacy of attempting to succeed in business, now experienced by Christian believers as a personal “calling” from God, it thereby also raises expectations about a business person’s standard of morality. Aspiring to business leadership in response to a “calling” from God means becoming the kind of person capable of exemplary moral leadership. Going into business no more exempts people from moral responsibility than does assuming any other role in society. No one stands either above the law of God, or beyond God’s personal invitation to fellowship or partnership with God, for the sake of the common good.

What recognizing business as a “vocation” may mean in the specific challenges of one’s own career or occupation is not immediately obvious or strictly entailed in the notion itself. “Vocation” simply defines one’s career or occupation as the venue in which one’s personal encounter with God will unfold. One’s ordinary work routines thus are included among the situations where Christian believers must seek an answer to the question, “What is God enabling me (us) to be and to do?” Nevertheless, the Bible also gives some general indications of what may be required in business. The other two terms that are now common in both Catholic and Protestant forms of Christian social teaching, “covenant” and “stewardship,” provide further orientation.

“Covenant” refers, of course, to the Biblical paradigm of social and institutional relationships historically identified with God’s rescue of the Israelites from slavery in Egypt and creation of a homeland of their own in the territories once known as “Canaan” or, in contemporary terms, Palestine. Given the perennial instabilities of politics in west Asia and north Africa—the territory familiar from textbooks as “the Fertile Crescent”—it is not surprising that the Israelite kingdom(s) suddenly appeared and just as suddenly disappeared from the historical atlases. But during their existence, they provided an ongoing experience of how and why God’s will can and should be reflected in human institutions as well as in personal decisions. “Covenant” becomes an extended metaphor suggesting that the creation of institutions should respond creatively and affirmatively to the acknowledged presence of God. In the English-speaking world, “covenant” is contrasted with “contract,” and signals the intent to institutionalize business relationships on the basis of values higher than short-term profitability. While “covenants” share with “contracts” the elementary moral structure of creating mutual obligations through promise making and keeping, they are motivated by a range of ethical considerations not normally defined by “self-interest” or through narrow interpretations of “mutual consent.”

Marriage, for example, involves a “covenant” between two parties as well as God, undertaken in order to establish a new family in response to God’s “calling” them to do so. “Covenant,” when applied to businesses, can mean many things, ranging from the experiments of Christian entrepreneurs who dedicate their businesses to God, or name God as their C.E.O., to the development of policies, particularly in human resource management, that seek to honor the human dignity of all employees by setting exemplary standards for humane treatment, including an end to any form of employment discrimination, the establishment of fair compensation practices, innovative efforts to preserve and enhance occupational health and safety policies, educational benefits, profit-sharing schemes, as well as programs designed to advance the long-term social and economic development of all employees and their families—all, of course, consistent with their overall business plan. While none of these practices are unique to “covenantal” businesses, one or more of them are usually recognized as signs of committing one’s enterprise to the “kingdom of God.”

If “covenant” signifies the institutional implications of a theocentric business ethic, “stewardship” illuminates its larger social possibilities. The language of “stewardship” emerges primarily from the New Testament parables of Jesus, where Christian discipleship—or a commitment to following the Way revealed in one’s sense of “vocation”—is compared to the role and responsibilities of a household manager. The steward (*oikonomos*) is neither a lowly servant (*doulos*) nor the owner of the estate; but he does have fiduciary responsibility for managing the household’s resources for the benefit of its owner(s). Beyond noting Jesus’ apparently paradoxical attitude toward stewards, whose shrewd business practices are praised in order to challenge his disciples to go deeper in their attempts to dispel—even and especially in themselves—the worship of Money (*mamona*), the term, “stewardship,” has been expanded to convey a general orientation to

the proper attitude toward and usage of material resources.

Here, too, the theocentric logic of Christian social teaching is evident. As the Creator and Lord of the Universe, God is the only One who literally and exclusively owns anything. Human beings hold anything they possess in trust, as a gift from God. Accepting gifts—as was so clearly understood in traditional Chinese culture—inevitably incurs obligations. We have been entrusted with the resources of this earth, in order, like stewards, to manage them consistently with their Owner’s will, which urges us to glorify God by serving not only the people, but all living creatures. “Stewardship” thus suggests an attitude toward managerial responsibility that includes care for the environment, and respect for the needs of animals and plants, as well as past and future generations of all living things. Clearly, if “stewardship” were a governing ideal in business it would require a basic change in orientation from short-term to long-term thinking, and a shift in priorities from an exclusive emphasis on return on investments (ROI) to a more inclusive understanding of a firm’s responsibilities to all its stakeholders, including the so-called “silent stakeholder,” namely, the natural environment of life on this planet.

“Vocation”, “covenant”, and “stewardship”—such are the semaphore flags flying from the mast of the ship bearing the registry of Christian social teaching. How, then, might these signs be acknowledged from the wheelhouse of that other one registered under the name of Confucian moral philosophy? Do these ships pass each other in silence or can they converge on a single path toward a safe harbor that is hospitable to both of them?

We have already recounted the reasons why a useful comparison between Christian social teaching and Confucian moral philosophy is highly unlikely. If Christian social teaching is a relatively recent development, responding to the moral challenges and social disruptions of modernization, urbanization, and industrialization in the English-speaking world, Confucian moral philosophy is almost timeless in its antiquity, with origins that predate the establishment of an imperial China, yet also with possibilities not yet exhausted, even in a self-consciously post-imperial phase of China’s ongoing development. Confucian moral philosophy is a living tradition that is older than the Bible. The tradition is codified in classics, not just the collections claiming the authority of Confucius, but also the scholars and commentators whose contributions ensured that the philosophy lives on, and not simply as an artifact of a distant past. Nevertheless, Confucian moral philosophy may be compared with Christian social teaching, not only because the basic concepts characteristic of that teaching are rooted in the Bible, but also because both traditions are currently being explored as possible ways forward for international business ethics.

Let us begin, as in our sketch of Christian social teaching, with the shifting attitudes toward people who earn their living by routinely engaging in business, the merchants, familiar to all who visit the marketplace, if only occasionally. One may begin by observing that Confucian moral philosophy is even more wary of merchants than is the Bible. The basic attitude is similar to that expressed by Aristotle, who regarded buying and selling as a dishonorable way to make a living since the habits of the heart engendered by business activity are motivated by greed (*pleonexia*), a passion for possessing things that knows no inherent limits. Similarly, in Confucian moral philosophy, what makes the small-minded person (小人, *xiaoren*) small is precisely the dominance of this attitude—the habit of approaching any situation with a narrow focus on what I stand to gain from it. The large-minded or exemplary person (君子, *Junzi*) is exemplary precisely to the extent that following the Way (道, *Dao*) progressively liberates oneself from greed and enables him to practice the virtues, particularly Humanity (仁, *Ren*), and Righteousness (義, *Yi*). The first question to take up in reconstructing a

Confucian perspective on business is whether, on account of the way merchants make their living, they can ever become “Junzi.”⁵ Though the degree of skepticism about the moral capacities of business people varies from one era to another, the tendency is to assume that only exceptional business people—such as Confucius’ own disciple, Zi Gong, who had great success as a merchant, could achieve the degree of self-cultivation required to overcome greed or selfish desire. Nevertheless, Confucian moral philosophy does not condemn wealth and profit-seeking as such. These are permissible, provided they have been attained in the proper way. Here is the governing text from the Analects (論語, *Lunyu*) of Confucius:

Confucius said, “Riches and honors are what all men desire. But if they cannot be attained in accordance with the Way they should not be kept. Poverty and low status are what all men hate. But if they cannot be avoided while staying in accordance with the Way, you should not avoid them. If a Gentleman departs from ren, how can he be worthy of that name? A Gentleman never leaves ren for even the time of a single meal. In moments of haste he acts according to it. In times of difficulty or confusion he acts according to it.” (Analects 4.5)⁶

The proper Way, of course, is in a manner consistent with the cultivation of the virtues characteristic of a “Junzi.” Over the centuries in which Confucian moral philosophy was the primary influence upon Chinese imperial policy, merchants and business people were heavily regulated to one degree or another with increasingly favorable attitudes becoming more prevalent in periods such as the Song (960-1279 CE) and Ming (1368-1644 CE) dynasties when commerce was valued for its overall contribution to the Empire’s prosperity.

Despite the virtually inevitable distrust between merchants and the Confucian government officials who regulated them, Confucian moral philosophy did not—and arguably could not—condemn business people as such without contradicting some of its most basic principles. Three of these are relevant here, because they help convey the close parallels between Confucian moral philosophy and Christian social teaching. They are “the Mandate of Heaven” (天命, *tianming*), “the constant Mean” (中庸, *zhongyong*) and “People as the basis” (民本, *minben*). Let us attempt to understand how these might be resources for business ethics.

Tianming (天命), or “the Mandate of Heaven” is usually thought of in political terms. The Emperor, as the Son of Heaven (天子, *tianzi*), enjoys the Mandate of Heaven, which confers legitimacy on his rule. It is a sign, recognizable by the Chinese people, conveying that they will prosper—be kept safe and secure—because the Emperor is acting benevolently, consistent with Heaven’s “Mandate.” The Emperor is not above Heaven, for the Mandate can be lost. Malfeasance in office, particularly the failure to conduct the rituals (禮, *li*) appropriate to his office, is prima facie evidence of corruption, and indicates a departure from the path of self-cultivation by which exemplary moral leadership is exercised. Such moral failure may be made visible through the occurrence of natural disasters—like earthquakes, famines, and floods—that tell the people that Heaven’s Mandate has been withdrawn, and a new “tianzi” will soon emerge. The relevance of “tianming” should be clear to anyone exercising executive leadership.

The authority of top management ultimately expresses a Mandate of Heaven, but the legitimacy, and hence the stability, of any leader’s rule can easily be undone by failing, so to speak, to “walk the talk.” Given the nature of “Tian” (天)—as it is made clear in the Neo-Confucian classic, the *Zhongyong* (中庸), chapter 12—each person has a “Tianming”, insofar as each person by nature is capable of apprehending and following the “Dao” (道). In principle, if even the lowliest of human beings is gifted with “Tianming,” then clearly even merchants or business people are capable of recognizing it within themselves and beginning the processes of

self-cultivation by which it might be realized fully. “Tianming,” then, is a quasi-metaphysical or ontological concept implying that everyone has it within themselves to do whatever it takes to cease being a “xiaoren” (小人) and start becoming a “junzi” (君子).

Understood in its universal moral implications, “tianming,” then, appears to be a useful parallel in Confucian moral philosophy to the notion of “vocation” in Christian social teaching. To be sure, though both concepts affirm the dignity—and hence the moral accountability—of all human beings, they do so in different ways, and with possibly different practical implications. The greatest divergence occurs at the level of ultimacy. Heaven is not God, at least, not God as understood in the Biblical tradition, the One who revealed Himself to Abraham and the Patriarchs, to Moses, to the Hebrew Prophets, and—in Christian perspective—finally and exhaustively to Jesus Christ who taught us to regard God as our Heavenly Father. While “tian” is often described in anthropomorphic terms—and is clearly a living reality capable of interpreting and intervening responsively in human affairs—it is not regarded as a person, or worshipped as a god or goddess.

Thus, while there is personal interaction between a Christian believer and God, as he or she attempts to discern an answer to the vocational question—“What is God enabling me (us) to be and to do?”—the process of Confucian self-cultivation by which one’s personal “tianming” is exercised is not centered on interpreting the will of an ultimate Other, but on going further along the path of self-realization. The practical difference this makes is roughly analogous to the difference between west Asian modes of prayer—as understood and practiced by the great Abrahamic faiths of Judaism, Christianity and Islam—and east Asian modes of meditation—as understood and practiced in Daoism, Buddhism, Neo-Confucianism, as well as the Vedantic traditions of India.

If making one’s living by going into business, in principle, presents no ultimate obstacle to the cultivation of humanity (仁, *ren*), and righteousness (義, *yi*), then the question shifts to precisely how this process of becoming a “junzi” may go forward. Here our second concept from Confucian moral philosophy, “the constant Mean” (中庸, *zhongyong*), may help us along. “Zhongyong”, apparently, is untranslatable. The title to one of the classics canonized by the Neo-Confucian sage, Zhu Xi (朱熹) (1130-1200 CE), “Zhongyong” has been translated variously as “The Doctrine of the Mean” (James Legge), “the Constant Mean” (A. Charles Muller), and more recently and controversially as “Focusing the Familiar” (Roger Ames and David L. Hall).⁷ It is this new translation that enables me to see clearly the parallel with the Biblical “covenant” in possible convergences between the approaches to business ethics given in Christian social teaching and Confucian moral philosophy.

“Covenant,” you will recall, is a metaphor that focuses our concern on the role of institutions, and the prospects for establishing policies and practices within businesses, which seek to embody the moral expectations discerned within a Biblical faith perspective. A covenantal approach to business ethics seeks to go beyond the minimum required by law and common sense, and thereby aspires to the kind of moral leadership implicit in surrendering oneself to the will of God. By focusing the familiar, “zhongyong” specifies the Way in which the moral exigencies of acknowledging one’s “tianming” can be realized, particularly, in positions of administrative responsibility. To appreciate how the focus shifts from personal processes of self-cultivation to the establishment and maintenance of ethical business practices, we have to recall that the Confucian self that is cultivated—even in discovering its “tianming”—is always already and primordially relational. There is no self to be discovered apart from the relationships from which it emerges, beginning with the family. Focusing the familiar is simply an attempt to penetrate more deeply the Confucian logic of “the rectification of names”

(正名, *zhengming*). The names are the familiar five basic relationships—parent\child, older sibling\younger sibling, husband\wife, older friend\younger friend, and ruler\subject. Each of these describes one of the five primary relationships from which a person's sense of self and his or her moral responsibilities emerge. The list is meant to be expansive, and can be extended to the point where all of a person's roles and responsibilities can be acknowledged under Heaven. While each of these is both natural and conventional, they all need to be rectified in the sense that their inner moral logic is easily obscured and distorted, thus disrupting the natural harmony that Heaven intends and consequently sliding headlong into chaos. The “rectification” (正, *zheng*) involves bringing the actual situation into line with its ultimate completion, symbolized in its own proper name (名, *ming*). The “names” or social roles that we assume in life are familiar—they constitute, in Ames and Hall's apt phrase, “the ordinary business of the day.”⁸ Such business, if it is to be accomplished in ways that promote social harmony rather than chaos, in Confucian perspective must be governed by the rituals (禮, *li*) appropriate to each relationship.

As in every other walk of life, etiquette is important in business. How things get done is at least as significant as what gets done. “Zhongyong” assumes that institutions—like business organizations—are constructed of rules and roles, in which responsibilities are assigned and performances monitored. “Zhongyong” means learning how to get things done properly, with the implication that the most effective Way is one in which the “rituals” appropriate to a particular role are observed, so that the action undertaken can be understood and properly responded to.

That the Zhongyong, like much of Confucian moral philosophy, was intended as a moral education or instruction for government administrators is evident from the passages that comment specifically on the Way of governing properly. Here is perhaps the most memorable of such passages:

12. “All who have the government of the kingdom with its States and families have nine standard rules to follow;— viz. the cultivation of their own characters; the honoring of men of virtue and talents; affection towards their relatives; respect towards the great ministers; kind and considerate treatment of the whole body of officers; dealing with the mass of the people as children; encouraging the resort of all classes of artisans; indulgent treatment of men from a distance; and the kindly cherishing of the princes of the States.”

After showing how following each of these rules brings specific benefits to both rulers and ruled, the text concludes with an affirmation of the process of spiritual self-cultivation required to practice any of them effectively.⁹ Though Confucian moral philosophy gives no definitive treatment of the rituals appropriate to the conduct of business, that is, those that ought to govern the ordinary affairs of business people, it seems reasonable to assume that such a discussion can readily be extrapolated from a study of the Zhongyong's meaning for government administrators.

How, then, are we to make a comparison with the covenantal interpretation of business ethics that may be supported by Christian social teaching?¹⁰ What “zhongyong” allows us to see is that both traditions take seriously the question of institutionalizing ethics in the ordinary routines of business. Both “covenant” and “zhongyong” are open-ended metaphors allowing us to focus on the familiar, that is, to focus on the task of designing institutional structures—rules, roles and responsibilities—that embody a moral vision of business relationships that goes well beyond the minimum standards enshrined in business law and genuinely seeks to foster practices conducive to human flourishing, or as Confucian moral philosophy terms them, the virtues of

humanity (仁, *ren*), and righteousness (義, *yi*). Where they differ, once again, lies in the divergence between their quasi-metaphysical or ontological presuppositions. Like “vocation,” “covenant” discovers clues to propriety in our institutional routines in the Biblical interactions between God and His people, starting with the paradigmatic experiences of ancient Israel.

The Ten Commandments, for example, are a good place to begin the discernment process as to what a covenantal ethic for business would entail. The commandments are the stipulations, or mutual promises enacted between God and Israel, that will be regarded as tokens of their love and loyalty to Him who liberated the people from slavery in Egypt. In various places, the Biblical narratives are quite specific about what business practices are and are not compatible with a serious intent to keep one’s promises to God. By contrast, “zhongyong” is both the way and the outcome of Confucian self-cultivation. The stipulation of practices—rules, roles, and responsibilities—consistent with a “junzi’s” Way of becoming an exemplary moral leader, as well as a success in business, is not rendered in specific detail, though it can be inferred from what is specifically recommended for good and effective governance. What is clear is that these specifics do not follow the structure of promise making and keeping that is presupposed in the logic of covenantal business ethics.

Promises may be made and kept, but not with God, though possibly with one’s deepest Self, and more likely with the various stakeholders with whom one’s business seeks to maintain and develop an ongoing relationship. Zhongyong, like the Biblical covenant, means deliberately seeking to go beyond the minimum requirements of law or common sense or what the market will bear. Zhongyong, like the Biblical covenant, involves a rectification of existing or otherwise conventional relationships, in an attempt to complete these consistent with what they were meant to be.

The third feature of Confucian moral philosophy that facilitates comparison with approaches to business ethics oriented to Christian social teaching is the notion, classically explored by Mencius¹¹, of “minben” (民本, translated as “popular consent” or “the People as the basis”). As with our previous two terms, “minben” originally emerges in Confucian political philosophy. Mencius is asked how the Mandate of Heaven (*tianming*) actually can be known. He makes it clear that the Mandate is not something that the Emperor can withhold or confer, but it must be recognized as such by all. The way in which this occurs is indirect, since Heaven does not speak. Nevertheless, when the gods (or spirits) and the People agree to something, say in their acceptance of a new Emperor, one can safely infer that Heaven’s Mandate thereby is manifest through their harmonious concurrence. Mencius supports his opinion by quoting from an apparently lost book of the Classic of History (書經, *Shujing*):

“The T’ai shih says, ‘Heaven sees with the eyes of its people. Heaven hears with the ears of its people.’ This describes well what I meant.” (Mencius, Book V, Part A, Section 5)

The notion of “minben” then, conveys the idea that the dispositions of the People are the basis for knowing and acting consistent with the Mandate of Heaven. To be sure, appeals to “minben” can be problematic, for it may legitimate appeals to a “mass line” in which the immediate concerns of the vast majority are allowed to drown out the voices of minorities and unpopular individuals. Mencius’ formulation has its own defense against demagoguery, insofar as the People and the gods must be in agreement. The consent must be genuinely harmonious or it is not consent. As a concept, “minben” would first of all address the People’s need for safety and economic security. It can safely be assumed that the People want peace so that they and their families may flourish. Any government that makes economic and social development for the

common good its top priority will find favor with the People and, through them, with Heaven. The lesson for business ethics should be obvious: enterprises that are genuinely benevolent, that do well while doing good, will naturally be favored by the People, so long as they stay on that path.

One could easily illustrate this point by examining the changing nature of public opinion about Wal-Mart—China's main retail outlet for selling its consumer products in the USA. Wal-Mart has generally gotten a very positive response for its commitment to lower prices as well as its convenience and its generally welcoming attitude toward its customers. But as the downside of Wal-Mart's business plan has become increasingly apparent, so has the resistance of the People, particularly in communities where Wal-Mart hopes to open more stores. It is now well documented that in the USA, at least, Wal-Mart is destroying local businesses that can no longer compete with its prices, and is generally having a depressing effect on wages and salaries among retail employees. Furthermore, Wal-Mart's policies, especially its refusal to provide health insurance or other benefits to its ordinary employees has resulted in an increase in the overall burdens of state and local governments attempting to address the needs of the working poor. One might well ask the question whether the People, once they are aware of Wal-Mart's negatives, remain willing to accept these costs in order to get the benefit of the firm's lower prices.

The organized opposition that Wal-Mart is beginning to encounter in many local communities illustrates the relevance of "minben" to business ethics. Without the People's consent, no business can survive for long. But what must be done to earn the People's consent? A Confucian approach to business ethics would advise Wal-Mart and other enterprises to look within themselves to rediscover the Way that perhaps they have somehow lost. What "minben" may specifically contribute to business ethics—as it clearly was meant to do with reference to the ethical challenges of governing an Empire—is a sense of the importance of acknowledging and responding to the People's demands for corporate and social responsibilities. Not only are these responsibilities as urgent as they are real, they cannot be addressed by trying to deceive or short-change the People. Eventually the People will realize that they are being manipulated, patronized or lied to, and then they make take their vengeance out upon the businesses that are abusing them. If you need another lesson about the relevance of "minben," think of what has happened this past year to BP (British Petroleum) after the disaster in the Gulf of Mexico.

Such examples, I hope, will suggest why and how a comparison between "stewardship" and "minben" is both possible and appropriate for international business ethics. The Biblical "stewardship" concept, like "vocation" and "covenant" is emphatically theocentric. But its theological orientation should not hide the fact that it is also profoundly social, for the love of God does inevitably, for Christians, require the love of neighbor. "Stewardship" requires Christians to manage resources, as if they were held in trust from God, for the sake of His people. Similarly, "minben" suggests an approach to business that must be responsive to the needs of all stakeholders, and ultimately to the People (as well as the gods and spirits) through whom Heaven is aware of our activities. "Minben" and "stewardship," though diverging in their quasi-metaphysical or ontological presuppositions, both provide powerful incentives for businesses to take seriously their social responsibilities, and to enact policies and practices that genuinely advance the common good of all stakeholders, including all things under Heaven (as represented by Mencius' appeal to the gods and spirits) with whom we share our common home on earth.

What I have offered here is but a preliminary sketch of possible convergences between two different traditions of moral philosophy, both of which are rooted in religious and/or metaphysical concerns that defy

modern rationalistic analysis. Christian social teaching and Confucian moral philosophy need not be as two ships passing in the night. There are signals to be shared, and mutual illuminations to be explored. Anyone who embarks upon such an intellectual adventure is likely to find the task as daunting as trying to cross over between two ships when the water between them is anything but calm. The comparisons made in such crossings will inevitably reveal that the voyagers involved are at home on one ship, while being strangers on the other. While it is obvious that I am but a student of Confucian moral philosophy, and thus likely to make mistakes that someone more familiar with it would never make, I'm hoping that even my blunders here will at least be sufficiently interesting to provoke further discussion. It has long been my view that Confucian moral philosophy and Christian social ethics, despite their substantive differences over the nature of ultimate reality, have more in common with each other than either of them has with the narrowly secular rationalism of applied ethics as we know it. As we continue our conversation, now safely deposited on a distant shore, perhaps we will find a path through the forest, dark and damp, that leads to an inn, generously lit as well as warm in its hospitality, such as the one that John Estauha found when he returned to claim his Elizabeth Haddon.

NOTES

1. Even considered as an allegory Longfellow's poem can only take us so far. The "Theologian's Tale" about Elizabeth and John is a Christian romance. Elizabeth first notices John at a Quaker meeting where he had spoken with an eloquence that gave her the confidence that one day, in God's own design, they would meet again. Meanwhile as Elizabeth had managed her household so that all strangers found a welcome there, the day came when John arrived looking for shelter overnight. They, of course, remembered each other from that earlier meeting, and spent the evening in friendly conversation, with Elizabeth retelling the story of her own spiritual conversion. The next morning when John was about to leave, he promised to return for the quarterly meeting in May. Upon his return, Elizabeth took him aside and revealed that "I have received from the Lord a charge to love thee." John in turn, seemingly unperturbed by this revelation, confides that "I have yet no light to lead me, no voice to direct me." Nevertheless, he promises to look for a sign, once "the Lord's work is done...." Not at all taken aback by his cautious response, Elizabeth will wait for John, believing that God will enlighten him, even as he begins his mission overseas. It is at that point that Longfellow makes his observation about ships that pass in the night. For he knows, as we all do, that such promises rarely are fulfilled. Nevertheless, John receives a sign and, upon his return, they are reunited and married. The tale, then, is not primarily about the serendipity of cross-cultural encounters and their usually disappointing outcomes, but about discerning the will of God and responding faithfully to it, no matter what the obstacles may seem to be. No doubt, Li Ma Tou and his disciples love China and Confucian moral philosophy much as Elizabeth loves John, but China may be forgiven for being even more cautious than John was in responding to this offer of love coming from foreigners as impetuous as Elizabeth.

2. For purposes of this presentation, "Christian social teaching" refers to the body of official statements issued by both Roman Catholic and Protestant churches focused on questions of economic justice and social reform, as well as the body of academic literature offering further critical reflection on these statements. Christian social teaching, therefore, is inclusive of both the series of Papal social encyclicals that began with Pope Leo XIII's *Rerum novarum* (1891), and the various declarations of the World Council of Churches beginning with its 1st Assembly in 1948, as well as the occasional declarations of various Christian denominations on these same questions, for example, the USA's National Conference of Catholic Bishops' 1986 pastoral letter,

“Economic Justice for All: Catholic Social Teaching and the US Economy,” and the United Church of Christ’s 1987 statement, “Christian Faith and Economic Life.” While Christian social teaching is not reducible to this extensive collection of documents, they do form a crucial reference point for the treatment of the issues raised in them by the scholars who work in the field of Christian social ethics. Key statements from both the Catholic and the Protestant traditions of Christian social teaching form part of the collection edited by Max L. Stackhouse, Dennis P. McCann, and Shirley J. Roels, On Moral Business: Classical and Contemporary Resources for Ethics in Economic Life (Grand Rapids, Michigan: Wm. B. Eerdmans Publishing Company, 1995).

3. For purposes of this presentation, “Confucian moral philosophy” refers to the body of Chinese reflections on the ethics of human relationships inspired by the canon of Confucian classics, beginning with the *Analects* (*Lun yu*) of Confucius, and including the *Book of Mencius* (*Mengzi*), the *Doctrine of the Mean* (*Zhongyong*), and the *Great Learning* (*Da Xue*). The four canonical books are supported by five other classics, notably, the *Book of Changes* (*Yi Jing*). Confucian moral philosophy consists of various scholarly commentaries and additional reflections that seek to interpret the meanings of these texts as a living tradition that remains relevant as an authoritative orientation to the ethical and social questions of China today. The various debates and divisions among scholars doing Confucian moral philosophy, such as ongoing controversies over the meaning and authenticity of “neoConfucianisms” of various sorts, is beyond the scope of this brief presentation. Attempted here is merely a preliminary sketch of the ways in which certain themes found throughout the traditions of Confucian moral philosophy may be compared critically and constructively to certain equally salient themes in Christian social teaching, the both of them converging on the question of what basic moral attitude one should take toward business and the responsibilities of those who engage in business.

4. Cf. Dennis P. McCann, “Business as a Vocation: A Catholic Contribution toward a Global Ethic?”, a paper presented to the 5th International Symposium on Catholic Social Thought and Management Education, Bilbao, Spain, July 15-18, 2003

5. This question was the point of departure for the study on Confucian business ethics that I co-authored with Joanna Lam Kit Chun, “Markets, Merchants, and Government Regulation: Resources for Business Ethics from the Comparative Study of Premodern Confucian and Western Philosophy.” It was published in Chinese in Shichang Jingji Yu Shangye Lunli (*Market Economy and Business Ethics*), edited by Ip King-tak, Shanghai: Fudan University Press., 2003. ISBN: 7-309-03433-3, pp. 16-46.

6. Cited from *Analects of Confucius*, Translated by A. Charles Muller, available online at <http://www.acmuller.net/con-dao/analects.html#div-5#ixzz12bnxj3fS>.

7. Roger T. Ames and David L. Hall, Focusing the Familiar: A Translation and Philosophical Interpretation of the Zhongyong, Honolulu, Hawaii: University of Hawaii Press, 2001 (ISBN: 0-8248-2460-1)

8. *Ibid.*, p. 86-87.

9. Cf. Zhongyong, Chapter 20, Sections 10-15. Quoted from James Legge’s translation of the Zhongyong, which is available online at <http://www.nothingistic.org/library/confucius/mean/>

10. For an example of what specifically a covenantal emphasis might entail, see Stewart W. Herman, Durable Goods: A Covenantal Ethic for Managements and Employees. South Bend, IN: University of Notre Dame Press, 1998 (ISBN-10: 026800885X)

11. Cf. Mencius (translated by D. C. Lau). London: Penguin Books, 1970. See in particular, Book V, Part A, Section 5.

ECONOMICS, ETHICS, AND THE LIMITS TO EFFICIENCY THEORY

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Abstract: This paper develops a substantial critique of the normative background assumptions that are not only the formulation of fundamental economic theories but are also, in part, those which sociological/ political theories are based on. However, this does not lead up to any “supplement to efficiency considerations” which up till now has dominated economics; it rather supersedes them. It will be demonstrated that the supposed rationality behind the cost-benefit analysis used by economists – in correspondence to neo-classical economic theory – in order to calculate, mathematically for instance, the ideal climate policy is based on wrong normative assumptions. The idea behind terminologies like “ethics” and “theories of justice” that most social scientists have adopted will be corrected in the process of this review. Furthermore, these ideas are neither “vague”, nor do they solely correspond to the will of “majorities”, “governments”, or “cultures”. In the end, preference theories have to be qualified as (less convincing) ethics themselves.

Keywords: fundamental economic theory, sociology and political theory, preference theory

INTRODUCTION AND PROBLEM SPECIFICATION

Science is the methodical and rational search for truth and justice – in the end, for its own sake. In the case that “facts” are to be found objectively, we are talking about “truth” and in the case that “norms” are to be justified objectively, we are contemplating “justice”. For some years, economics have played a more and more prominent role within the debate about both “facts” and “norms” in regard to which should appropriate policy be based on. One of the most important examples¹ is climate policy, especially the economical ideas of Nicholas Stern and IPCC, as they have been very important and helpful for the climate debate during the last years. Even though there is more than one scientific approach to climate economics, all of them -at least if they can be assigned to the neoclassical approach to economics- are subject to more or less substantial and often simply over-looked criticism.

Climate economics deals with the calculation of the most cost-efficient climate policy. This idea also underlies the economical parts of the IPCC-Reports. Looming damages of climate damage, climate policy costs and climate policy benefits (translated into monetary values) are thus generally netted in economics to come to an optimal path of climate protection.² The underlying principle is the idea of efficiency. This traditional welfare economic cost-benefit method, however, has a fundamental problem. “Exact data” in climate economics and in the IPCC may be convenient for many politicians and media representatives, and

especially appear to be so. Seemingly “exact data”, however, disguises concealed facts and assumptions about climate facts and normative goals. If these assumptions are wrong or questionable, the figures are worthless and ultimately a dishonored suggestion of objectivity. Even if “exact data” scientifically - and even more politically and for reasons of media coverage – may appear seemingly attractive, we shall see below that the economic approach is a disguised theory of justice, namely, the dominant theory of the climate debate. Unfortunately, the theory proves untenable in important parts. Along the way this paper, thus, criticizes the restriction of the term “science”, which is commonly reduced among natural scientists and economists to descriptive statements and especially to quantifiable information.

The problematic descriptive assumptions of climate economics have been analyzed elsewhere.³ (Important aspects of this analysis were that economists (a) tend to underestimate the expectable climate damages (with regard, e.g., to wars on natural resources), that they do not really manage (b) to include uncertain, future events and developments “precisely” into cost calculations, and (c) that they do not realize the impossibility of “unlimited economic growth” in a physically limited world. We also showed that climate policy so far was not successful at all, measured against a global (!) minus 80 % climate gas emissions goal by 2050 – at the moment, we have had plus 40 % since 1990!) Nevertheless, the focus of this article is not on the descriptive aspects (which seriously damage economic climate policy analysis), but on the normative assumptions of economics. Why should we care about climate change and its terrible consequences for future generations (and people in developing countries which were not the major pollutants) at all? Why don’t we let consumers decide (by their factual preferences)? This paper aims to criticize this point of view which eventually leads to a review and a critique of the preference based decision theory typically used in economics.

EPISTEMIC AND THEORETICAL BASIS

Thesis: The Core of Sustainability Ethics

This leads to not towards none (natural) scientific or empirical, but rather a normative question, i.e. a question of “ought” or judgment. To what extent ought the (uncertain, but possibly drastic) negative and irreversible consequences, possibly after a consideration of present interests, be prevented or accepted? Because from an empirical nature, observation as such does not logically follow that this observation is normatively welcome or unwelcome; even this basic fact is not sufficiently present in the economic and scientific debate.⁴ This leads us into the field of ethics or theory of justice (the terms are used here interchangeably). In the following, it will be shown that climate economical models are not only based on question-able descriptive assumptions (see above), but also questionable normative and ethical assumptions. However, many economists would argue that their discipline has nothing to do with ethics at all when cost-benefit calculations or the efficiency of certain paths of possible climate policy are examined.⁵ It will be seen below, however, that this is probably incorrect.

To see this, some more general thoughts are necessary. Let’s assume the following thesis: A society is just where everyone can live according to their own ideas, and everyone else can too - where everyone alike (!) has a right to freedom, and conflicts of freedom are resolved through democratic means such as a separation of powers. Human coexistence would be just if human rights or liberties (Freiheitsrechte), the rights to the basic preconditions of freedom, and certain other freedom supporting arrangements (“additional freedom conditions”), respectively, were optimally achieved, including the ever-necessary balancing conflict resolution between the competing spheres of freedom. The considerations in the following sections will briefly try to show that this is the only necessary and possible criterion of justice, if only one interprets it right. Suffice it say

that with a proper (re-)interpretation of democratic legal systems with respect to all of the following statements there is convergence of a genuinely ethical and (in free democracies) legal perspective, since human rights are the subject of international treaties and national constitutions.⁶ The right to freedom is often referred to as human rights themselves, which could be split up as general freedom of action, freedom of assembly, freedom of occupation, freedom to own property, religious freedom, freedom of speech, etc.⁷ Legal and ethical traditions, however, often only parenthetically consider the protection of fundamental preconditions of freedom such as life, health, and subsistence (e.g. a basic access to energy, a sufficiently stable global climate) as well as the freedom of future generations and people in other parts of the world.

However, there is a strong argument that the protection of fundamental preconditions of freedom is already logically inherent in the concept of freedom itself: For without those basic preconditions there can never be freedom. An argument for the expansion of freedom in an intergenerational and global dimension will be given below. More detailed, ethical and legal arguments for this “new” freedom - different from the classical liberal model of the West and in the sense of freedom worldwide and for all generations - were subject elsewhere.⁸ The whole concept may be called sustainability ethics. Sustainability means the idea to strengthen intergenerational and global justice in politics, law, and ethics.

A key Distinction: Anthropology (homo economicus) versus Normative Preference Theory (efficiency) Theory

The important thing is this: all these considerations are part of a theory of justice. In contrast, a theory of action describes the purely factual behavior of humans, unlike a normative (moral or legal) consideration based on the theory of justice, which refers to how people ought to behave and how societies should be arranged. Instead of action theory one can also use the terms anthropology or the idea of man. Unfortunately much confusion is linked to a common misunderstanding that an idea of man erroneous was something normative, a picture of how man should be or how the society should be. This leads to a blurring of anthropology and the theory of justice. That the economists’ common theory of action, which assumes that man is only self-interested, is oversimplifying what has widely been noticed in the last decades, though some economists might still use it. This is a theory of action saying “man is purely factually (almost) only self-interested”, i.e. Thomas Hobbes’ theory of the homo economicus, is the focus of controversy in many discussions with economists. This doctrine, however, which helps economists explaining and forecasting possible factual development will not be analyzed here. Elsewhere it was shown in this regard how companies, voters/ consumers, and politicians are often linked in vicious circles to each other - and how factors such as conformity, emotional perception problems with spatiotemporal long-term consequences of own actions, self-interest, incorrect traditional values, technical-economic path dependency and structures of collective interests have thwarted drastic climate protection efforts.⁹ Even though economic anthropologies do not always reach this necessary differentiation, their reference to the human tendency to self-interested behavior makes a valuable contribution (in fact the concepts of the homo economicus has correctly been modified in the last few decades and today is quite close to the ideas just presented).

Therefore, the real problem of economic theory is not what Marxist economists often target: (a) the empirically reasonably accurate descriptive anthropology of the mainly self-interested man. The problem is neither (b) any theory of happiness of life. With respect to the principle of freedom, such a theory of happiness lacks any general standards, so that there cannot be such a theory at all. Hence, an analysis of the dispute

between some economists, who may see a particular increase in happiness as the result of economic struggle for profit, and their Marxist-inspired critics, who instead deem living a life of solidarity (as is allegedly a true human desire) happiness increasing, is unnecessary on a theoretical level. In that regard, a freedom based democratic ethical and legal framework does not set any defaults, since there is no objective criterion for “happiness”, and freedom allows no binding idea on happiness, too. However, a less “resource focused” ideal of happiness would help many people recognize that their own freedom be restricted for the intergenerational and global freedom’s sake.

However, the problem is rather the (not only climate) economics underlying theory of justice, i.e. the efficiency theory or normative preference theory, as it is called in this context. Thus, the problem is not mainly descriptive anthropology but the normative theory of how human beings and societies should be.

Why the Economic Efficiency Theory (Normative Preference Theory) Is Ethics Itself – Also on the Concepts of Objectivity and Rationality

In order to show that an objective theory of justice is possible and that it must have the content that was briefly mentioned above - and that the efficiency theory and normative preferences theory is a different but incorrect theory of justice – we first have to consider a question following from the given arguments on freedom: Is there a reason to deem the principle of freedom and its consequences (perhaps globally equal per capita emission rights) objectively just? Justice in this sense means the general rightness (Richtigkeit) of any social order. Thus justice is not something “additional”, which can be formulated after demanding prosperity or something similar. Any idea of how a society should be (even a simple “a society should be as rich as possible, and the distribution of wealth does not matter” or just “right is whatever the sum of the empirical preferences is”), is inherently a concept of justice, no matter whether it is right or wrong.

Theories of a successful society – as can be found work in moral philosophy, law, normative politics or moral theology – are per se concerned with justice, like physics or biology or sociology deal per se with a descriptive truth (even if some research might result in untrue findings, and therefore fails to meet the claim). The basic idea of neo-classical (including climate) economists that it was necessary to maximize wealth as expressed in valuable goods, is thus neither trivial nor can even be classified as “empirical”. This basic idea is rather a normative concept - it is an ethics (of efficiency), which appears for the first time in Thomas Hobbes, like the homo economicus. Unlike anthropology it is not meant to explain or predict anything, but rather propose right decisions. It follows:

- “Efficiency versus justice” or “efficiency versus ethics” as an alternative, as some economists¹⁰ and their critics are used to state it, is just wrong. The interesting question – see above – is whether the ethics of efficiency is right or wrong. Consequently, there is no point, if the IPCC in its fifth progress report wants to include an ethics or theory of justice analysis (the terms are synonymous) “in addition” to the efficiency analysis. This is again erroneously assumes, that ethics (or justice) was a kind of diffuse part of the questions of social life, such as issues that seem somehow “very important” or even appear to have a religious connotation.¹¹
- The controversy “ethics versus efficiency” rather concerns the question whether to a greater extent social equality in certain material goods as defined by increased redistribution should be reached. However, this is a more specific question. We come back to this shortly at the end of the paper.

But is there an objective ethics? Are there any objective, universal standards in a post-metaphysical, global, multi-cultural world (regardless of whether they are called “ethical” or “efficient”)? That statements of fact, e.g. as regards anthropology or climate data, although partially uncertain and hard to prove, can be basically true and therefore objectively reason-able, i.e. rational, is seldom contested. Less clear is whether moral and legal norms may be correct and objective/ rational. Many economists, including Stern, implicitly assume that only economic and empirical (natural) sciences can be rational. It will therefore be outlined briefly, that there are indeed rational and objective norms and that freedom is their basic principle.¹² But first we have to define the following terminology¹³:

- “Objective” means “not subjective”, thus not subject to special perspectives, cultural backgrounds or settings - that is universal and valid everywhere.

- Reason, respectively rationality refers to the ability, to decide questions with reason, i.e. objectively. When it comes to the question of the rightness of moral and legal principles of justice – here freedom and the rules for balancing conflicting freedoms that can be derived from it – this is called normative reason. On the other hand, instrumental reason and theoretical reason are related to facts. Instrumental reason is concerned with the question what means can implement any norm which is assumed to be right, e.g. a specific climate target (or a very selfish target as a theft) most effectively – e.g. through an emissions trading. Theoretical reason regards the determination of facts without any concrete related action, such as the scientific climate research. Economist usually only accept the balancing aspect of normative rationality; the subject of this balancing, however, are preferences expressed in monetary values. That this is not convincing we will see in the further course of analysis.

Whether there are objectively valid, i.e. rationally provable, norms and facts, is distinct from the - correct - observation that factually humans are often biased by subjective views when trying to determine facts and norms. This tendency for a subjective point of view is a natural one. But this by no means proves that objectivity - for example through careful examination and discussion with others - is altogether impossible.¹⁴ We can consider the following example: It may be true that there are scientists who express their opinions for or against the presence of human-induced climate change because they expect financial benefits. Their statements were therefore not objective but subjectively distorted. But this does not mean that it is impossible to gain objective and unbiased insight on climate change. Furthermore, the finding that often perspectives are very “subjective” logically requires that there are objective perspectives – otherwise the subjective nature of those subjective perspectives could not reasonably be determined.

With respect to normative questions (unlike questions of fact) economists, sociologists, and political scientists mainly deny the possibility of objective statements altogether. For (not only climate) economists “norm” is usually just what people purely factually prefer. Rational were only quantifying (!) considerations, which transformed the not rationally verifiable preferences into a single “currency” (money) and thus made them comparable. If an economist asks for the right climate policy, he usually does not ask: What climate policy framework does freedom (including the freedom of those spatially and temporally far away as well as balancing rules derived from freedom) set under which then various political decisions are possible? Economists would usually rather ask: How much would people living today be willing to pay for a stable global climate and what would be the advantages and disadvantages of climate change on the one hand and climate policy on the other hand, expressed in market prices? Such a preference theory might get to the conclusion: Valid is what all can agree on. Or: Valid is the mathematical sum of preferences respectively

expressed in money. Political scientists often tend to say: Valid are simply the actual preferences of the respective major-ity.¹⁵ It is important to note that in any case even though these perspectives are founded on a theory of self-interested behavior or anthropology (*homo economicus*), as was mentioned above, they can still strictly separately be considered. To put it bluntly, one can use the following simple formula: "People are in fact purely self-interested" (= anthropology) - "and this is a good thing, and listening to the purely factual preferences of the people is the best order of society" (= theory of justice, specifically the normative preference theory).

PREFERENCE THEORY VERSUS DISCOURSE ETHICS

Why the Normative Preference Theory Is Not Convincing

The normative preference theory is the theoretical basis of how much climate change the respective economists deem objectively right, respectively efficient.¹⁶ Any other approach, especially a normative argument without "figures", as will be developed in the course of this analysis, is usually declared unscientific and irrational. There are, however, strong objections against the preference theory not only but also with respect to climate protection:

- Quite familiar in neo-classical is the objection is that the standard methods to identify the actual preferences as numeral values simply do not work. The relevant issues and the necessary balancing of interests just cannot adequately be represented through prices. And it is impossible to detect actual preferences from real economic transactions on the basis of some kind of "disclosed morality of markets" (not even if *de facto* preferences as such were normatively relevant!). And even if this somehow were possible, must future damages not be discounted. This whole aspect of "simply not functioning" is subject of a separate section. Instead, it shall be shown here – and this might come as a surprise to economists – that regardless of those "application problems" the preference theory as such is unconvincing:
- According to the preference theory, our purely factual will is *per se* right (one could only ask whether the average utility, the sum of utilities or a genuine consensus shall be accounted for). Any normative test of "how the world actually is" is no longer *pre-sent*. The theory of justice or ethics as independent discipline would be pointless and abolished *per se*.
- But we are not only facing a practical, but also a logical problem. For this is a naturalistic fallacy: Why should our purely factual preferences ("is") be considered to be correct *per se* ("ought")?
- Furthermore, the question arises: Should the factual ignorance as to the needs of future generations who cannot express any preference today *per se* be correct?
- If one pleads for majority rather than average preferences, there is the further question: whose preferences are meant? Can 50.1 % of a society take any decision, or 73.4 %, or 84.5 %? And why should the majority *per se* always be right without any limits (as envisaged by a liberal democracy in the form of guarantees of freedom)?
- But particularly, the preference theory of justice entails a logical self-contradiction. For whoever says that there are no general normative propositions, and therefore general preferences should be determinative, makes a general statement about norms. The statement "everything is relative with respect to norms" refutes itself. The possibility of objective morality just cannot logically be contested. Its denial contradicts itself.
- It should be noted that all these arguments also apply with respect to some kind of ethics that is not

based explicitly on preferences, but goes something like: “Just is that society that represents the current de facto *national traditions*.”

All this does of course not mean that, for example, self-interested preferences - or de facto national traditions - do not play a major role for the factual enforcement, i.e. the governance of climate protection. It was only pointed out that a normative (moral or legal) justification of climate protection – or a normative limitation or refutation – cannot be based on those preferences. But the principle of freedom, including its rules of balancing might be suited for this purpose. This principle can take future generations into account, is not subject to any of the problems of the type just described, while retaining the basic intention - everyone should be able to determine themselves – and derives it compellingly.

The Case for A Theory of Justice Based on Discourse Rationality As A Better Alternative to the Preference Theory

However, this is correct only under a major condition: namely, if the principle of freedom, including all principles derivable from it, founds the universal standard for justice. But why should this be right? And why should such a statement possibly be “objective”? We can briefly consider the following: In a pluralistic world we necessarily argue on normative issues. Even fundamentalists and autocrats do so inevitably, at least occasionally. And they avail themselves of the human language. But who argues with reasons (i.e. rational, i.e. with words like “because, since, therefore”), who uses phrases like “X is valid because of Y” with respect to normative questions logically assumes (a) the possibility of objectivity in morality, and (b) the existence of freedom - whether he wants it de facto or not¹⁷:

1) We imply logically that normative questions can be decided using reasoning at all and ergo objectively and not only subjectively, preference based, otherwise we contradict ourselves. We assume this (a) even every day when we pose normative theses and justify them, that is, attach them with the claim of objective acceptability (rather than to present them only as subjective). And it would be almost impossible never to use words such as “because, since, therefore” with respect to normative questions. Thus there is no escape from the fundamental possibility (!) of objectivity in normative issues. We even logically imply the possibility of objective statements (b) if we say: “I am a skeptic, and say there are objectively only subjective statements about morality.” This statement can only be valid if there is objectivity. Thus, the criticism raised towards objectivity voids itself.

2) We also logically imply that potential discourse partners deserve equal impartial respect. Reasons are egalitarian and the opposite of violence and degradation, and they are addressed to individuals with intellectual autonomy. Without autonomy, one cannot assess reasons. No one could say: “My theory X and its reasons could easily be refuted by Mr. P, but you, Mr. Q, as a fool, should believe in it.” And no one could say: “After we had P silenced we finally were able to convince us that Y is a good reason for X.” Therefore, it contradicts the very meaning of “reasons”, to understand the act of reasoning as relative to the person of the addressee – a reason is convincing and can be tested by anyone. Someone who gives reasons in a conversation about justice (i.e. uses sentences with “because, since, therefore” etc.), but then disputes the other’s respectability ergo contradicts what he assumes logically.

This means, logically, whoever engages in the dispute of justice based on reason must respect the partner as equal - regardless of whether he is aware of the implications of his reasoning or whether he intends to reason only to persuade the other one, for it is all about strictly logical implications of our speech (but not about our

purely factual self-image which per se does not imply anything). The respect for autonomy as self-determination as required by reason must apply to the individual and therefore mean respect for individual autonomy: collectives as such are in fact no possible discourse partners. This is rather the individual human being arguing.¹⁸

This is the justification for the principle of respect for the autonomy of individuals (human dignity¹⁹). In addition, but hardly distinguishable this also founds the principle that justice means independence from subjective perspectives (impartiality/ Unparteilichkeit). From this in turn follows the right to freedom for all people²⁰ – and only the principle of freedom. Due to the lack of compelling reasons, other principles cannot interfere with the principle of freedom. Therefore, the same freedom based self-determination, along with its supporting pre-conditions, is the sole criterion of justice. Being man in general, after all, requires necessarily (only) the right to self-determination for all. And this right to freedom applies to all people, even if I never talk to them. For reasons in issues of justice (unlike statements made in private or aesthetic issues) are addressed to anyone who could potentially disprove them – therefore, I have to recognize all people as to be respected, as soon as I occasionally use reasons, and that everyone does. This in turn is made clear by the following control example. No one could seriously say: “The absent Mr. P could immediately refute my theses - but because of your stupidity you should believe them.” This, of course, is no valid reasoning.

The principle of freedom is thus universally founded. And because potential discourse partners are included, as we have just seen, I must also concede freedom to people living spatially and timely far away. This is (a) one of the key arguments for the extension of the principle of freedom to future generations, thus for global justice and intergenerational justice and hence for sustainability - in addition (b) to the idea that freedom as such implies protection exactly there, where freedom is threatened. A “Kantian discourse ethics” concept of reason and autonomy, as outlined here, in this case opts different from a “economic-Hobbesian” concept. However, both concepts are concerned with freedom. But for the discourse ethics, not just in the sense of consumer sovereignty and factual consumer preferences.²¹

The Balancing Processes – Efficiency Through Quantifications And Discounting?

Solving the generational and global conflict between many competing freedoms, i.e. determining the right amount of climate policy, is not an easy task. Both, the normative weighing or balancing itself and the relevant facts, which are necessary to find out in how far a certain normative concern is actually affected, are characterized by uncertainty. As regards the climate facts, we already encountered this problem supra. It is also possible to ethically and similarly legally derive rules of balancing (Abwägungsregeln) from the principle of freedom and infer institutions of balancing (as has been done elsewhere in more detail²²). A rule of balancing is, for example, that the factual basis of a decision has to be determined as carefully as possible.²³

Another rule is that only freedom and the (broadly understood) freedom conditions are possible concerns that are relevant for balancing. Another one is that freedom and its fundamental and “further” conditions may only be interfered with as far as it is necessary to strengthen other freedoms and freedom conditions. Yet another rule – again, already inherent in the very concept of freedom itself – promulgates that if someone shall be obliged ex ante to prevent or ex post to remedy impairment of a freedom, this should wherever possible be the causer of the impairment. Still another rule was derived elsewhere, namely the precautionary principle: even under uncertain circumstances, the interference with freedom or its conditions need be recognized, but possibly with less weight. Many other rules can be derived. In all this there generally is no “one correct” result

of balancing. This is true for climate policy as well. Consequently, there is certain leeway with respect to a just climate policy - but not arbitrarily large. And the bodies which have to use this leeway within the framework of the balancing rules are not arbitrary, too: Rather, an institutional rule can be derived from freedom saying that a decision maker which can be elected and deselected has to make the decision. Where necessary, further concretization must be made by authorities and courts obeying to the principle of the separation of powers; furthermore, there must be constitutional courts to verify compliance with the balancing rules.²⁴

Economists, however, quantify all interests concerned and calculate what the “right” level of climate protection is. Everything that has a value for people, i.e. that a respective factual preference exists, is translated into monetary terms, including life and health – or it is disre-garded.²⁵ Specific rules of balancing are unnecessary within the framework of such an approach. The facts of benefits and harm merge with the preferences. This sounds attractive insofar as no leeway is required – theoretically “exactly one” policy recommendation can be made and the results are “exact figures.” This, however, is problematic in several ways. First, the underlying normative preference theory in itself is not convincing. Second, already benefits and damages, which have a market price, lack sufficiently precise facts if, as with climate change, the entire world economy is involved with unmanageable numbers of individual actions, and also periods of more than 100 years. Third, there are, as already indicated and now further demonstrated, more insurmountable problems of application of the preference theory²⁶.

The calculation of climate change costs (and, in comparison, climate policy costs) disguises the fact that essential concerns cannot be quantified in monetary terms²⁷, e.g. (massive) damage to life and health. For the absence of damage to life and health from climate change has just no market price, neither has peace in the sense of “absence of conflicts over resources.” Thus both cannot reasonably be quantitatively be used to offset the economic effects of climate change and climate policy. Neither can an artificial market price be determined for concerns without an actual market price, as economists are doing by the “hypothetical willingness to pay” for life and health, i.e. the absence of hurricanes, wars, etc. This is already true since those willingness is fictitious and therefore not very informative (that no taking a preferences based on a “morality of markets” does not help is discussed immediately after when analyzing the discounting method). Moreover, the willingness to pay is of course limited by the ability to pay and would lead to the remarkable result that, e.g., Bill Gates’ interests are worth much more than a Bangladeshi’s, because Bill Gates can pay a lot and the Bangladeshi can pay nothing. This is also noticed by Stern, contrary to the economic mainstream, and yet he suddenly uses monetary values for “non-market effects”.²⁸ If he accounts the same amount for every human, this is in fact true (see below), but in the context of the preference theory without justification and therefore inconsistent.

Another problem of climate economics is discounting²⁹. Future damages are said to weigh less than today’s. This is understandable, at least superficially, if the victim today and in ten years is the same person. But why should a Bangladeshi’s damage in 50 years (1) per se be less important than my damage today? One could say: future people cannot express any preferences today, so they are uninteresting. This idea is, as has been indicated, inherent in the preference theory. But then, consequently, one would not have to discount, but to completely disregard someone’s damage, who is not yet alive. And compared to those living today the discounting is inconsistent with regard to the passage of time. Given the preference theory, why should an economist is allowed to dictate whether I have a present preference and should not care for the future? The expectation of perpetual growth (2) also cannot justify discounting, whether with respect to those already

living today or to future generations. The limits of growth shall be recalled. Also (3) the empirical observation of real market prices (“morality of markets”), which according to many economists expresses the preference for the pre-sent over the future, does not justify discounting. For (a) there are no observable market or interest rate developments that would say anything about what factual preferences exist in terms of damages over several centuries – and with irreversible character. Moreover, (b) drawing conclusions from market prices, only considers the preferences of today’s people.

Those preference determination based on a “morality of markets” is criticized by Stern (stating this as a criticism against most other economists)³⁰, but not the growth-oriented discounting. Stern certainly offers an argument for discounting which is at least worth considering: (4) the uncertain probability of future losses. However, whether this can be mathematically expressed is doubtful. At least where no mathematical probability can be determined, a supposedly clear discount rate is ultimately arbitrary, and therefore is not superior to general balancing rules as where introduced above. And even if all this could be disregarded, discounting would only be possible if the respective damage could actually be expressed in monetary terms despite the above criticism. And this is often not the case.

All this shows once again the fundamental problem of (not only but especially climate) economic approaches: behind seemingly clear mathematical results, assumptions are concealed which are far from universally compelling, but are rather contestable in important respects. This criticism is not limited to normative assumptions (e.g. to discounting and the preference theory) but is also directed at factual assumptions: e.g. on the extent of looming climate damage or the growth idea. Hence, it is impossible to calculate the correct amount of climate protection and the associated distributional issues required by morality and legal principles. It is rather necessary to make climate policy decisions within the limits set by the described rules of balancing - worldwide and nationally. As repeatedly indicated such a decision must mean more climate protection than previously.

Briefly stated³¹: (1) the existing climate policy is very often too optimistic and probably already disregards the balancing rule that its decisions must be based on a correct factual basis: In particular, the recent actions are probably erroneously deemed suitable to avoid the looming of drastic damage caused by climate change. (2) Furthermore, politics so far has not taken into account in its decision-making that the basic right of freedom also has an intergenerational and a global cross-border dimension and therefore the legal positions of future generations and the proverbial Bangladeshis have to be considered in parliamentary/ legal decisions.³² (3) The human right to a subsistence minimum as elementary precondition for freedom (which is a right of those living here and now, but also inter-generationally and globally) can be overcome in balancing only in limited areas because freedom is pointless without this physical basis.

But this right also includes a basal energy access and at least somewhat stable global climate. This in turn requires drastic climate policies. This, too, has currently not been taken into account by decision-makers. Similarly, it has not been considered that the scarce remaining emissions budget would probably have to be distributed equally in the face (a) of its scarcity, and (b) of the imperative nature of at least low emissions for human survival.³³ An egalitarian distribution is also proposed by Stern, but with the mistaken reason (relying on the uncertainty of the burden of proof) that there was ultimately no reason to argue against an equal distribution.³⁴ By the way, it should be mentioned once again that all this is meant as a both ethical and legal statement.

To verify the factual basis of a political decision, economic research is undoubtedly extremely valuable - and it also helpful for balancing to the extent that goods with a market price are concerned and unvarnished figures are generated which also account for, e.g., the costs of possible climate wars (this is not included in the Stern Report³⁵). If a calculation is done, one should at least try to include all the real monetary costs to the extent they are recognizable. In this way, economists can provide crucial factual material for balancing – within the frame-work of the overall balancing theory. It shows for instance that the actual monetary damage to the climate such as crop failures or other weather damage would be more expensive than an effective climate policy. These are key benefits of the IPCC reports and the Stern Report. Equally important are statements on the probabilities of events. In our view, however, economists and natural scientists can often only provide those probabilities with a lower degree of precision than one would expect.

The natural conditions of climate change and the global economy are simply too complex. A perhaps more modest, not normative, also less quantifiable and less focused on natural science – a climate economics which is merged with the other climate social sciences within the framework of a balancing theory could be a feasible consequence. Provided, however, that climate social science is concerned with these themes: limits of growth, a normatively and logically rigorous theory of justice, a theory of balancing, anthropology, also a governance and control theory which is based on more than purely economic perspectives. In governance, too, climate economics is and remains very important, but again not exclusive. It is therefore a welcome development that Stern admits the omissions of the economic approach – if only generally and without addressing the basic problems of growth and preference theory.³⁶

On the other hand, the efficiency theory must be defended against John Rawls' accusation stated under the (once again) misleading heading "efficiency versus justice." Rawls criticizes that the efficiency theory - in other words, the utilitarian and Hobbesian ethics – does not recognize absolute rights, i.e. rights that cannot be offset by other rights, not to be confused with universal rights meaning "everywhere applicable"!.³⁷ Even though this is true for the efficiency theory, just as it is for the balancing approach advocated in this study, given the many possible collisions of freedoms, which are at the heart of (climate) policy, there is little need to do so. Absolute guarantees of freedom are only rarely justifiable, mainly when balancing would undermine the liberal character of the system as a whole (for example torture in order to convict criminals).

CONCLUSION

Now, some key points on economics, efficiency, and ethics can be summed up as follows: (also climate) ethical findings are not empirical, and especially no natural scientific observations, they are rather normative (= judgment / ought) findings. Even though the application of an ethical or legal norm often refers to scientific (factual) questions, these facts do not infer as such any ethical or legal result. Furthermore, the basic principles of ethics, although normative in their nature, can objectively be specified. Ethics is not "subjective" or "mere convention", and is not founded on "axioms" with arbitrary starting points. On the other hand, the actual decision of specific ethical issues is somewhat blurry.

Yet, the balancing rules and the institutional competences limiting the discretion are again objective. Since ethics is generally concerned with the conflict between different interests, every ethical decision is ultimately a balancing problem between conflicting freedoms (and their preconditions). Absolute obligations or strict balancing prohibitions (e.g. an absolute right to environmental stability at any price which cannot be balanced with other interests) are ethically and legally hardly justifi-able.³⁸ This does not mean that the balance

can be resolved by a mathematical quantification - even though “figures” have the advantage with respect to politics and the media that they allow complex statements to be easily displayed. Therefore “figures”, even if they represent a new welfare index, as defined by Amartya Sen and others, for the “landmark gross national product” (the latter being calculated on the basis of valuable goods) as it is currently discussed in France, can only be symbols, but no replacement for complex balancing.

NOTES

1. In this article, this is only an example; for more details on climate change see Stern 2006; Stern 2009; Ekardt 2010; Ekardt 2011.
2. See, e.g., Posner 1986, p. 85 et seq.; Nordhaus, 2008, p. 5.
3. See Ekardt 2010.
4. Stern 2009, p. 86 et seq. only hints at that problem and immediately forgets about it again.
5. See, e.g., Nordhaus 2008, p. 175 et seq.; Bähringer/ Welsch 2009, p. 261 et seq.
6. Ethics is not only developing the principles of liberal democracies parallel to the law. In the following, it will be shown that it is also justifying them and, thereby, providing an ultimate basis for law; on the relation of law and ethics, see Ekardt 2010b, § 1 A. (Law always combines normative and instrumental rationality).
7. As regards content, there is no further significance for this differentiation – apart from the idea that the constitutional lawmaker has in parts (pre) structured the balancing of colliding freedoms (see below) by deciding about their weight within the catalogue of fundamental rights.
8. For a detailed analysis of the theory of justice, see Ekardt 2011, § 3-7.
9. For references, see supra fn. 40.
10. See e.g. Stern 2006; Stern 2009.
11. Unfortunately, the day-to-day and often even the scientific (if not philosophical) usage of the word “ethics” is rather arbitrarily. It does not make any sense, however, to classify medically assisted suicide or the protection of embryonic stem cells as “ethical problems” and to leave out other societal questions that are normative as well (e.g. the scope of economic freedom).
12. There are justification models that are (in parts) similar to the one we will develop here – yet, without the link to the questions of sustainability and climate protection. Cf. Alexy 1995, p. 127 et seq.; Illies 2003, p. 129 et seq.; Kuhlmann 1985; to some extent Habermas 1983, p. 56 et seq.; implicit Ott/ Döring 2004, p. 91 et seq. The classics Immanuel Kant and John Rawls remain, in contrast, at least incomplete with regard to the theoretical basis of their substantiations although basic terms like rationality, human dignity, freedom, impartiality and separation of powers can be associated with them.
13. See Habermas 1991; Ekardt 2011.
14. Berger/ Luckmann 1960, p. 2 have shown and advocated this differentiation in their classical (and often misperceived) analysis.
15. Many times this is not expressed openly but presupposed implicitly; cf. only Stern 2009, chapter 5; Panther 2006, p. 21 et seq.; differing Ott/ Döring 2004, p. 41 et seq. and passim.
16. See, despite their contrariness, Stern 2009, chapter 3 and 5 and Nordhaus 2008, p. 38 et seq. and 59 et seq.
17. So called negative or transcendental pragmatic arguments of the following kind have been used by Alexy 1995, p. 127 et seq.; Illies 2003, p. 129 et seq.; Kuhlmann 1985, passim; implicitly also Ott/ Döring 2004, p. 91 et seq. and passim. The structure of a negative (and not deductive) argument with which an infinite regress or a

“randomly chosen axiom” can be prevented goes back to Platon, Augustinus and Thomas of Aquin (as a logical figure but not referring to the issue at hand).

18. A whole set of fictive or real arguments against this justification of (1) the possibility of rationality and (2) of human dignity and impartiality as sole universal principles that can be deduced from rationality are discussed by Ekardt 2011, § 3.

19. The principle of human dignity itself is not a freedom right or human right. It is not a norm at all that refers to any kind of singular case, neither ethical nor legal. Human dignity is rather the reason for human rights (in contrast to being a norm/ a right on its own); it, therefore, guides the application of other norms – in our case, different types (realms) of freedom that belong to human beings – and proclaims autonomy as the central idea of our legal system. The “inviolability” of human dignity and its visible – in norms like Art. 1 par. 2-3 of the German constitution and the EU Charter of Fundamental Rights – character as a “reason” shows that all this is not only philosophically but also legally correct. For the current state of discussion, see Ekardt 2011, § 4 B.; Ekardt/ Kornack 2010; for a contrasting viewpoint, see Böckenförde 2003, p. 809 et seq.

20. That freedom exists because of dignity is, e.g., explicitly stated in Art. 1 par. 2 of the German constitution (it says “darum” (= therefore) exists freedom, i.e. because of human dignity, and is also supported by the explanatory documents (Gesetzgebungsmaterialien) on the EU Charter of Fundamental Rights; see Ekardt/ Kornack 2010.

21. Although following a different path, this is also the conclusion of Rothlin 1992 and Ott/ Döring 2004, p. 78 et seq. and 91 et seq.

22. Cf. supra fn. 40; similar Susnjar 2010.

23. The actual decision for a certain extent of climate protection policy based on the weighing and balancing of interests or efficiency thinking is itself a normative statement and not a factual one (even if, as demonstrated, within the limits of the above-mentioned rules balancing procedures have, this normative statement is to be regarded objective). Facts alone can never deliver decisions as they are only possible if normative criteria are available.

24. Furthermore, one can deduce that there should be a decision on the national or transnational level, whichever is suited best for it (the global level in case of climate protection policy); see Ekardt/ Meyer-Mews/ Schmeichel/ Steffenhagen 2009, chapter 1, 3 and 5.

25. Cf. Nordhaus 2008, p. 4; critical also Burtraw/ Sterner 2009.

26. Cf. Ekardt, Theorie, § 6; Mathis 2009, p. 113 et seq.; Otsuka, Philosophy & Public Affairs 2006, 109 et seq.; Meyer 2006, p. 136 et seq.

27. For a critique concerning this matter see Ekardt 2011, § 6; in parts also Mathis 2009, p. 113 et seq.; Otsuka 2006, p. 109 et seq.; Meyer 2006, p. 136 et seq.

28. Conceding to this is Stern 2009, p. 92.

29. For a detailed and critical analysis of the problem of discounting, see Unnerstall 1999, p. 320 et seq.; cf. also Rawls 1971; supporting the method of discounting is Birnbacher 1988.

30. Cf. Stern 2009, p. 80 et seq. and 95 et seq.

31. On a legal and ethical level that also implies: in case of actions against lawmakers constitutional courts have (or had) to decide in favor of the plaintiff and force lawmakers to rethink and re-decide on their respective climate protection policy with the following aspects in mind. In more detail, cf. Ekardt 2010a.

32. Focusing less on the preventive level and (in our opinion suboptimal) more on the subsequent level of

liability is Verheyen 2006.

33. With regards to ideas on a substantial climate change policy, including a (virtual) per-capita-distribution of emission-rights as the basic criterion for “climate justice” (with some modifications concerning the problem of the industrialized countries’ historical emissions), see Ekardt 2011, §§ 6, 7; Ekardt/ von Hövel 2009, p. 102 et seq.

34. The approach developed here, in contrast to Sen 1999, has justified (and not only asserted) universal freedom and, therewith, the relevance of its preconditions (and, furthermore, a theory from which rules structuring the balancing process can be deduced). These advantages also exist compared to “theories concerning basic human needs” (inspired by Marxist or Rousseauian ideas); in addition, the latter also have the flaw of mixing descriptive anthropology and normative theory of justice. Also, they do not have a method to determine its basic categories (what is there a “need” for?) and they mingle justice and conceptions of what a “good life” is supposed to look like (with potentially authoritarian tendencies). Viewed against this background, Ott/ Döring 2004, p. 78 et seq. seems to be problematic.

35. Stern 2006, p. 151, only very generally speaks about more and more „instability“.

36. Cf. Stern 2006, p. 149 et seq.

37. Cf. Rawls 1971, p. 19.

38. Based on what was demonstrated here one could also try to give an answer to the question whether the often repeated accusations of economic efficiency analysis to be blind on one eye for questions regarding distributive justice are correct. This answer would probably be: yes and no. Because, there is no way to deduct a strict imperative that says we have to redistribute extensively. Certain “social elements” result from theory of justice with respect to the balancing procedure, like a right to a subsistence minimum; beyond that the lawmaker has a wide margin for questions of distributive justice. Cf. Ekardt/ Heitmann/ Hennig 2010.

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IMPLEMENTING BUSINESS AND PROFESSIONAL ETHICS IN AN ASIAN CONTEXT: THREE STEPS TO INTEGRATION

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Abstract: This paper was presented at the conference on “Implementing International Business in an Asian Context”, held in August 2010 at the Ateneo de Manila University in the Philippines. Many of the participants in the conference were academics working in business schools in the Philippines, especially teachers in MBA programs. Other participants were drawn from the wider Asia-Pacific region. The conference enabled participants to exchange ideas and experience in two main areas: the first was the response of international business ethicists (especially teachers) to the changes resulting from the global financial crisis, and the second was to give specific attention to the Asian context for teaching and practicing international business ethics. As a presentation, the paper has been designed to contribute to immediate interchange, rather than serve as remote academic reflection.

Keywords: ethics, Asian context, business ethics, integration, international

INTRODUCTION

This meeting at the Ateneo de Manila University and organized by the Governor Jose B Fernandez (Jr) Ethics Center and the Center for International Business Ethics provides a timely opportunity to reflect on the issues facing teachers of business ethics and practitioners of business ethics. We gather from many countries, and we are sadly aware of the unethical practices of businesses in our different homelands. These problems become more complex as we do business internationally. Ethics is more than simply regulation, and even regulation becomes an uncertain tool across national boundaries. We need to find ways to teach and practice ethics in business which are both local and international, practical and yet without yielding from our values, and capable of speaking to business people and practitioners all over Asia.

I am grateful to those who have made serious efforts to arrange this seminar, and I am delighted to be invited so that I can learn from those who have come from many lands and regions. Of course, I look forward to our future co-operation if this is possible.

Integrating our Philosophies and Theologies

I cannot provide you with a statistical survey, but my experience is that many practicing and teaching ethicists, even in Asia, are likely to have a prior formation in Western (Graeco-Roman) rather than Eastern philosophies. One result of this is that the teachers are more likely to discuss (for example) virtue with a starting point from Aristotle rather than a starting point from Confucius.

Those who study in Catholic universities like the Ateneo de Manila University will find that Graeco-Roman philosophy has a special place. You usually study Plato to understand Augustine, and you usually study Aristotle to understand Aquinas. But you don't need to study Mencius, or the Upanishads. Yet this privileged place for Graeco-Roman philosophy can unfortunately lead to the exclusion or neglect of other

philosophies. Only a minority of authorities would give an equal place to non-Western philosophies. If there is a place for Asian philosophies, then it is usually as a supplement to Graeco-Roman philosophy, not as a core subject. This is particularly true for those who have taken philosophy as a preparation for studies in theology. Sometimes we have some local knowledge, or a deep cultural experience, of Asian philosophies and ethics, but this is not integrated. We operate in compartments.

I am not suggesting that we discard Graeco-Roman ethics. But we need to ensure in the future that Asian ethics find at least an important place in our work. We can look for the Asian ‘moral wisdom’ which provides the possibility for a genuine integration of philosophy and theology, of business and professional ethics, and of Asian life and experience. Even those who study ethics only from a secular standpoint can spend their entire academic careers studying ethics based in western philosophy. At most, there might be a single course, or just a couple of lectures, which provide a glimpse of Asian ‘moral wisdom’. Today, we can reverse the neglect of the past.

Such a suggestion cannot hide the difficulties: our conference title refers to our “Asian context” but the precise meaning of this might be disputed. What is ‘Asia’? Is it simply a geographical designation? Similarly, the content of the phrases “Asian ethics” and “Asian moral wisdom” is certainly not settled. At the very least, “Asian ethics” and “Asian moral wisdom” will include the great ethical traditions of China and India. These, and other more local traditions, have over centuries interacted with religious traditions from the Middle East (Judaism, Christianity, and Islam) and with major philosophical and intellectual trends from Europe. Let us take an example. Here in the Philippines, we are giving renewed attention to the ancient ethical traditions of the local peoples, as far as they can be known. These traditions are carried in many forms, including songs and folk tales. (Eugenio, 2001: xxxv) To these must be added the gradual adaptations to Indic civilization, to Islam, to Christianity, and to a variety of modern philosophies. At this stage, it is impossible to find a perfect substitute for the word ‘Asian’, or for its many derivatives, and we are likely to continue to use them for some time in our shared future.

Integrating our Ethics

The great sages of our traditions were not narrow people. The interests of a single individual might range from politics to law to aesthetics to agriculture. But the specialization of our modern university departments and academic or professional journals means that we often think in very small sections of life. I am reminded of the humorous definition of an expert: someone who knows more and more about less and less, until she knows absolutely everything about absolutely nothing at all! In fact the promotion of expertise can sometimes block the development of the broad education needed to be truly an international person.

My own field of research is professional ethics. This is a different label to business ethics or international business ethics. But professional ethics has different journals, different categories, and a different vocabulary. Because the profession which I study is the legal profession, I am in a different field to people who study or implement medical professional ethics or accounting professional ethics or neighboring fields. It is only occasionally that we look over the fences to see the neighbors. Yet international accounting firms or international law firms already occupy an important segment of international business in their own right. And they relate to international entrepreneurs from the time of formation to the time of winding up.

There is possibly a fascinating case study – or even a movie script – involving the ongoing proceedings for the winding up of the Akai Corporation. The dogged investigations by the responsible liquidators, led by

Cosimo Borelli, seem to have brought the international accounting firm of Ernst and Young to its knees, forced the resignation of one of its partners, Edmund Dang, and led to police raids and prosecutions. The saga has not yet come to its conclusion (Rovnick, 2009). The case involved exotic locations such as Bermuda and New York, surely a good excuse for a movie script or a telemovie cum case-study.

So my plea today is for an integration of ethics. Surely there is a place for specialization and for the knowledge of particular occupations. At the same time, it is important that we do not become narrow. Many of us teach or research in universities, and one vision of a university, promoted by John Henry Newman, is that universities can break down boundaries (Newman, 1858: 134). Unfortunately, the structure of university departments and schools and academic journals sometimes means that modern universities entrench these boundaries. I would like to see fundamentally the same ethics consistently taught across universities and business, law, and medical schools, and implemented across governments, businesses, and the professions.

Surely ethics is not simply about legal regulation, but some practitioners often try to reduce ethical responsibility to mere compliance with legal regulation. Scholars and practitioners who are working in the field of legal ethics (for examples, for lawyers and judges) are usually regularly working with the distinction between law and ethics. In practice the boundary between law and ethics is not a distinct border, but rather an area of overlap. Familiarity with this shifting boundary can be a special contribution to our integration across disciplines.

Integrating our Ethics over Time

One of the issues in implementing international business or international professional ethics in the Asian context is the necessity for a reasonable grasp of Asian ethics. Business ethics does not suddenly become Asian by adding a quotation or two from the Analects. Nor does an assignment written by a scholar in China really become international because that scholar adds a text from the Hindu or Christian sacred scriptures. More integration is needed, although this must necessarily be a gradual process.

A particular feature of some ethical writing is to compare apples with oranges, not apples with apples. Thus, to compare the modern developed western business ethics with traditional Confucianism is not reasonable. Yet talking about the ancient traditions can lead us to do this. Surely it is reasonable to compare classics and classics. And it is reasonable to compare (for example) modern Catholic social teaching with modern Confucian social teaching as it is taught in the Republic of Korea. Fortunately, there is a growing body of literature in English and Chinese (and perhaps in other languages) which seeks to make genuine comparisons of classical Chinese and Western ethics (for example, comparisons of Confucius and Aristotle) and relevant comparisons of modern ethics. But these are only a beginning. For readers in English, the *Journal of International Business Ethics*, and the *Journal of Business Ethics* are worth consulting.

One feature which I have noticed is that when ethicists seek to come closer to the Asian traditions, they usually choose only the older, canonical traditions. These are familiar, and canonical texts are available, even in translation. But there are new and fascinating developments across Asia. Permit me to give you one example.

My study of the legal professions in the People's Republic of China has given me insights into the attempt to create a modern socialist spiritual civilization, which would underpin socialist ethics. This is a work in progress, and it is surely very interesting. Perhaps it will fade into obscurity, or perhaps it will make a lasting contribution to ethics in Asia. At this stage, it is difficult to say. Nevertheless, it is currently the official ethic of

a country which is both the location for vibrant international business, as well as the source of ever-growing business activity abroad. So I would suggest that socialist ethics could well be included in any research or teaching which examines the implementation of international business ethics in Asia. But so far, I do not know of any university outside the China mainland which teaches socialist business ethics or professional ethics. Separately, I have provided a list of source materials in English and Chinese on socialist ethics in case you would like to follow up this topic.

Moreover, in recent years the creators of socialist ethics have begun to incorporate selected elements from the Chinese classical traditions. The principal source has been Confucian ethics, although Daoist ethics may be influential in environmental ethics. This blending is bringing some of the richness of traditional 'Asian wisdom' to a modern, secular ethics. And because of the overlap between law and ethics, this development may also contribute to the development of 'rule by law' as well as 'rule by ethics' in China.

It is not essential or even possible for the ethicist to know absolutely everything. But surely the ethicist must have more to hand than a few classics of western or eastern philosophies, religions, and ethics. The task for the ethicist is then to integrate these for modern international business, so that ethics may be truly international and genuinely modern.

CONCLUSION

Now I would like to suggest to you the model of an individual who chose to localize himself in Asia. This year, 2010, is the 400th anniversary of the death in Beijing of the missionary from Macerata, Matteo Ricci. Studies of Ricci's life and work abound at this time. And we know that he was able to integrate into his own life a number of what would today be specialized fields. He originally trained in law, then in philosophy and theology, and in the natural sciences. He could turn his hand to cartography, musical composition, mathematics, or languages. He immersed himself in the Chinese language, and wrote dictionaries. He immersed himself in Chinese philosophy, and translated and commented on the classics. He also worked at understanding the current interpretation of those classics.

Today I wish to mention only one aspect of Ricci's work, his little essay on friendship *Jiaoyou lun* (交友论). Recently this work has again been translated into English, and I commend it to you (Ricci, 2009). It is, after all, a book about ethics. Perfect friendship exists between virtuous people who love virtue in one another for its own sake. Perhaps maxim 16, adapted from Cicero, could serve well as an example:

"Each person cannot fully complete every task, for which reason the Lord on High commanded that there be friendship in order that we might render aid to one another. If this Way 道 (dao) were eradicated from the world, humankind would surely disintegrate into ruin."

Today, I am delighted to have come from afar, and yet I am sure that I am among friends. Together, we shall seek together the path of virtue in international business ethics. I offer you my paper, knowing that it is imperfect. The three suggestions which I have made about integration may not seem so good to you. Of course, you are invited to offer me your criticisms, even if they are stern. As Ricci wrote in maxim 78: "A gift from an enemy is worth less than a beating from a friend."

I look forward to learning from the varieties of Asian experience which will be expressed at this seminar, and again I thank the organizers for the work in making this seminar possible. The unethical practices which we experience across the region stir us to do the best that we can together.

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RETHINKING THE IMPACT OF RELIGION ON BUSINESS VALUES: UNDERSTANDING ITS REEMERGENCE AND MEASURING ITS MANIFESTATIONS

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Abstract: This paper argues that religious values have impacts on and in the workplace, as was suggested as early as Weber (1905), and that these impacts are still extant, worthy of continued research, and are possible to measure. Moreover, the recent emergence of intense scholarly interest in the study of the connections between religion/spirituality and the workplace is driven not only by a desire to understand the variables and interrelationships of the phenomenon, but increasingly also by other interdisciplinary questions of interest to scholars and practitioners alike, such as leadership studies, ethics, diversity and inclusion, cultural competence, human rights, globalism, and changes in immigration patterns, organizational and economic structures, and geo-politics. Finally, if religion/spirituality should be a going concern for business professionals, the paper suggests a comprehensive pattern of how religious/spiritual identity manifests itself at work, and understanding this would allow business professionals and management to potentially measure and adjust for the spiritual climate of their organization. The paper concludes by offering The Integration Box (TIB) theory as a means to understand and potentially evaluate how individuals integrate faith and work, as well as a means for organizations to understand, and respond constructively to the phenomena of religious values in the workplace.

Keywords: religious values, workplace, TIB theory, ethics, diversity, immigration pattern, religion, spirituality

Many in American business no longer ask “if” religious values¹ have an impact on employees and companies that comprise the modern economy. Rather, the question for many today is “in what ways” and “how does one measure the impact of religious values on organizations?” As a result, American business scholars and practitioners have developed a rich and growing strand of literature trying to understand the relationship between the variables of religious values and business performance. It is increasingly also a question of global interest, witness this conference in Beijing hosted by the Center for International Business Ethics and Caux Round Table, and many other academic and practitioner gatherings throughout other parts of the globe.

So the question before us is, “what types of impacts do subjective human values, specifically religious values, have on the marketplace?” and “is it possible to measure them?” This is not an American or a Chinese question; it is a crucial question for business leaders and scholars across all cultures and countries. As for answers, we inquire from a variety of academic and practitioner fields some proximal and subject to change,

while others are transcendent and eternal. Some are of secular origin, while others are sacred, drawing on religious texts, narratives, and traditions.

This paper argues that religious values continue to have impact on the economy and in the workplace, as was suggested early on by Weber (1905), and is experiencing resurgent practitioner interest and scholarly research in modern times. Moreover, the recent reemergence in the study of the connections and relationships between the marketplace and religion in the West and increasingly globally are due to changes in organizational and economic structures (as well as macro patterns and issues such as ethnic diversity and immigration, ethics, human rights, and globalism). And finally, if understanding the ethical and other practical impacts of religion on the marketplace should become a strategic concern for business professionals, the paper suggests The Integration Box theory and its ensuing scale as a measure of subjective human values, including but not limited to religious values, and their manifestations in their corresponding integration with work. This will, among other things to be later discussed, will allow business professionals and organizations to detect and understand various religious traditions and their manifestations at work in a meaningful way, and as appropriate adjust policies in light of the spiritual climate of their organization.

THE CHALLENGE OF MAX WEBER

Max Weber (1905) in his work *The Protestant Ethic and the Spirit of Capitalism* was one the first in modern times to observe the interconnection of religion and the marketplace. Author of many cross-cultural studies and theories, this is likely Weber's best known work in the West; most often cited and studied, and most frequently qualified and critiqued. Weber seminal insight was that a relationship existed between certain religious teachings and economic behavior. A brief review of his thesis, however later challenged, remains instructive for scholars of religion and society. In particular, and most controversially Weber observed that regions and countries that adhere to Protestant theology had the highest rate of business and capitalistic economic growth. Moreover, he asserted that attitudes and motivations toward engagement in economic activity and structures were shaped and informed by religious ideas as well as theologically informed ethics (Goldman 1990). Weber believed that among other factors, components of Protestant theology, specifically, its Calvinist and Puritan strands which developed in light of Luther's dramatic theological impact, was catalytic and elemental in the emergence of entrepreneurial activity.

Luther imputed religious meaning to daily work, traditionally considered profane and mundane, identifying work as a calling (*Beruf*), imbuing it with theological importance on the same par as priestly work (Holl, 1921; Miller, 2007). Calvin, building on Luther, had a broader view of work as a calling, allowing for social movement and self-betterment. Weber saw in Calvinism further theological motivations where hard work, sober and modest lifestyles, and reinvestment of profits into business led to material success. Commercial success was deemed a sign of God's pleasure and an indicator of eternal rewards, often known as the doctrine of predestination. Moreover, Weber observed the economic impact of Calvinist teachings that accented a "this worldly" asceticism, and that called for rational economic actions. Weber saw in Calvinist and Puritan forms of Protestant Christianity a historically distinctive "spirit," that when coupled with other variables led to a religiously motivated accent on rational economic engagement and production, and an ascetic protestant ethic (Goldman, 1990; Koch, 1993; Miller, 2007).

The spirit of enterprise was created where willingness to work placed the motivational burden on individuals, where each person's work was a gift of grace from God and therefore perceived as a calling to

which one responded with industriousness (Fleißigkeit), prudence, and rational economic behavior to maximize one's calling and seek evidence of God's pleasure. The presupposition was that God desired profitability as a means to demonstrate stewardship, that is, the person who fulfills a calling, does not waste time and resources (Hansin, 1963; Barbalet, 1980; Goldman, 1990; Koch, 1993). This belief in the connection between the values, beliefs, motivations of faith and the direct effect on entrepreneurial commerce in organizations has carried forward to modern scholarship. This "spirit" has been observed in modern times, as well as in alternate religious expressions.

MODERN APPLICATIONS OF WEBER'S THEORY

In modern times, Weber's methods, data, and conclusions have undergone a great deal of revisionism and critique. Yet his core observation - that there exists a relationship between religious beliefs and economic agents and their activities - remains widely accepted. Indeed, the phenomenon of "spirit" of capitalism is observed as wide-ranging; some scholars see evidence of its impact in religious traditions other than Protestant Christianity. For instance, Catholics have laid claim to similar influences (Novak, 1990; 1996). Woodrum (1985) observed the same phenomena in Japanese Americans who immigrated to America during, Japan's Tokugawa period (1600-1868). Woodrum argues that the Buddhist sect of Shinshu, had similar ethics to that of protestant Christianity, namely: asceticism, calling to work and legitimated stewardship. During this period large numbers of Japanese Buddhist sect of Shinshu migrated to the United States. Using data from 1964-1966 Japanese American Research Project (JARP) surveyed 18,000 immigrants who arrived in the U.S. before 1924. Those surveyed had high incomes and were self-employed. The studied correlated the success of the Shinshu immigrants with those Weberian religious indicators that contribute to increased entrepreneurship. The findings demonstrated that religious beliefs do in fact contribute to their economic achievements. Specifically of the two religious forms: Buddhism and Shinshu.

Finally, Redding (1995) argues that the spirit of capitalism is alive in China as well, suggesting that cultural values, in this case the religious values of Confucianism, have significant impact on economic behavior. Based on interviews with some 72 Chinese entrepreneurs and executives in Hong Kong, Taiwan, and South East Asia, Redding finds Confucian core religious values such as paternalism, collectivism, feminism and social hierarchy have created a significant context from which new ventures are fostered.

While some scholars ignore or dismiss the role religion plays in societies in general, we join those scholars who continue to study and debate the types of impact religious teachings and other subjective sources of human values have on motivations, attitudes, and behaviors, including on business ethics and values have on the marketplace. Some continue in the Weberian tradition with Western accents, while others accept the thesis that religious values impact organizational and economic life, yet write out of a more international perspective.²

So, if as observed by Weber in 1905, and despite decades of rigorous critique remains supported by the modern academic guild, there is an observed connection between religion and commerce, why hasn't this connection been given more attention by practitioners in previous generations? To determine this we need to turn back to Weberian conceptions of bureaucracy, as well as the economic evolution of the American economy.

THE BIFURCATING OF RELIGION AND WORKERS IN THE AMERICAN WORKPLACE

Different scholarly guilds come to the same conclusion, albeit drawing on different methodologies and frameworks. For instance, Miller (2007) draws on theological and sociological/ethnographic historiography to describe and explain the bifurcation and compartmentalization of faith and work in American business during the 20th century. Nash (2001) draws on sociological methodologies interviewing business people in management authority, Christian clergy and lay groups. Coming from the management guild, Pine and Gilmore (2010) believe that the present exclusion of spirituality in the workplace is due largely to an evolution in the historical organizational development. Historically, economic progress has passed through four stages: agrarian; industrial; service; and experience economy (Pine & Gilmore, 1989). They ascribe the past American separation between religion and the workplace as a byproduct of the industrial era.

The industrial era reflected Weberian conceptions of rational economic activity, atomization, and organizational bureaucracy which focused on specialization and the division of labor, worker's activities are governed by rules, a strict focus on technical competence and strict human impartiality in promotion and evaluation (Koch, 1993). The result was that the industrial era was dominated by rational repetitive labor, job fragmentation, increased worker output, and militaristic taking of orders. The production philosophy of Fordism was dominate, where mass consumption combined with mass production was intended to produce sustained economic growth.

The result was workers were "expected to check their brain at the door – managers were responsible for the thinking required" (Ashforth & Pratt, 2010, p. 61). This bifurcation created a division in the American worker's life. Thus, employees kept all aspects of their private life, including their faith, apart from their work life, learning to squelch or suppress their spiritual dimension while at work and in their public professional persona.

This condition was carried forward into the next iteration of the economy, the service economy. The perception carried by the employee was that they could not bring their whole selves to work. Mohamed, et al. (2001) illustrate the outcomes of the division in the American worker when the 80's and 90's bought massive layoffs and constant reorganization. One result, among others, was that workers began to turn to their faith as a source of stability and comfort during this era OF workplace dislocation and stress, often viewing the inclusion of spirituality at work as a panacea to their woes (p.102).

For Mitroff and Denton (1999) it created the Faustian Dilemma: "If you express your faith without a set of clear guidelines for its appropriate expression you may be punished, but if you do not express your faith, in the area where you devote the greatest amount of your waking hours, the development of the soul is seriously stifled if not halted" (p.7).

The reaction to this in the present economic era, the experience economy (Pine and Gilmore, 1998), was that most executives and consultants from various motivations realized the present organizational structure, in terms of its often oppressive and stultifying effect on employee well-being, was not sustainable for both workers and organizations (Ashforth & Pratt, 2010, p. 102). This resulted in a new exploration of organizational models which allowed people to be full participants in the workplace. Porter and Kramer (2006), Senge (1990), Covey (1989), and Block (1996) all envisioned a new paradigm where people in the marketplace could bring their whole self to work. While such consultants did not necessarily or always envision religion/spirituality as being included with the "whole self" concept, it logically opened the door to such questions and has become generally accepted, as religion is considered by many to be a constituent component of human anthropology. The change in orientation by executives and consultants fit well with the

present experience economy paradigm, which demands distinctive personal experience for the customers based on endemic human qualities such as human values. Ideally, then, organizational models which allow the whole person to come to work are sought as a means to empower employees and possibly in turn for those employees to meet unique and personal demands of the customers. For example, Mitroff and Denton (1999) held that companies that have a spiritual dimension and allow the whole person to come to work have employees with higher loyalty, lower absenteeism, and greater creativity.

There is a demonstrable and growing body of evidence presented in scholarly research (Fogel, 2000; Nash & McLennan, 2001; Williams, 2003; Giacalone & Jurkiewicz, 2003; Miller, 2007; Lambert, 2009), media stories (Conlin, 1999; Gunther, 2001; Grossman, 2008), and voices from the marketplace itself (Pollard, 2000; Julian, 2002; Maxwell, Graves & Addington, 2005; Beckett, 2006) which clearly demonstrate this change in the marketplace. Many employees of all levels, in all industries, and in all parts of the country (and increasingly the world) wish to live a holistic life and bring their whole self to work, including their faith. This is often called the Faith at Work movement or Spirituality and Work movement (Miller, 2007). The global economic crisis triggered in 2008 has, if anything, furthered strengthened this movement.

However, if the inclusion of religion in the workplace is to be a going concern for business professionals, then a means to detect universal religious manifestations must be developed which could allow business professionals to understand, measure, and as appropriate adjust the policies pertaining to the spiritual climate of and impacts on their organization. Is there a theory to understand this phenomenon particularly one that works in a multi-faith environment?³

THE INTEGRATION BOX (TIB): TOWARD AN UNDERSTANDING AND MEASUREMENT OF RELIGION/SPIRITUALITY IN THE WORKPLACE

In light of this question, Miller (2007) developed a theoretical model, called The Integration Box. The organizing principle of The Integration Box (TIB) is that men and women increasingly desire to live an integrated life, where faith (however one understands it) and work (of whatever kind) are integrated not compartmentalized. Increasingly, as suggested, people are no longer willing to lead a bifurcated life, where their spiritual identity is divorced from their workplace life. For many, living a healthy and holistic life includes integrating mind, body, and spirit in all spheres of life, including work. Indeed, few would advocate a return to the dark days of industrialization where workers lived fractured, atomized, and dis-integrated work lives.

Miller's research that led to TIB theory included literature reviews, field interviews, and an analysis of over 1,000 individuals and "faith at work" groups. Though largely a study on the United States marketplace, it did include evidence of similar such patterns developing in other countries and cultures around the globe. This research contributed to the theory that people of all levels and profiles increasingly desire to live a holistic life, which includes among other things their faith, and a desire to integrate faith and work. And the way in which people sought to integrate their faith and work - irrespective of religious identity, race, gender, or ethnicity consistently conformed to one of four manifestations or modalities.

As a result of Miller's research into the faith at work movement, it was posited that there are four manifestations or ways that people integrate faith and work (Miller, 2007). These different manifestations are referred to as "the Four E's." The Four E's are driven by the organizing principle of people's desire to integrate faith and work, whether consciously or subconsciously. Furthermore Miller's initial research suggested that

each person has a natural orientation toward one of the Four E's as their primary manifestation of understanding and living out the concept of integrating faith and work. Central to TIB theory is that all of the Four E's are theologically legitimate and valid, and that no one manifestation is better or worse than another. Each has their distinguishing features, strengths, and weaknesses. The Four E's or manifestations are: Ethics, Expression, Experience and Enrichment. See Table 1 for full definitions of the manifestations and their corresponding motivations. Within each of these four manifestations, there are also two orientations, which further help measure and define the primary manifestation. For example, some manifestations of how people integrate their beliefs are done in an outward, more visible, and overt manner, while others are done in an inward oriented, less visible, and more subtle manner.

Table 1. Definitions of the manifestations and their corresponding motivations (Source: Miller, 2007)

Manifestation	Description	Motivation
Ethics Type	Places high value on attention to ethical concerns.	One's faith/spirituality: guides one; compels one; and/or inspires one to take ethical actions.
Expression Type	Places high value on the ability to express their faith tradition and worldview to others.	Persuading others to join their faith tradition or worldview, as a response to religious obligation or freedom of expression.
Experience Type	Places high value on how they experience their work, often understanding it as a spiritual calling and having special meaning	A search for meaning in their work; purpose for their work; and value in the work itself.
Enrichment Type	Places high value on drawing strength and comfort from spiritual and/or consciousness practices,.	Draws strength and comfort for work; coping with pressures and problems at work; and finding wisdom and personal growth through work.

Another critical aspect of The Integration Box theory is that it is ecumenical in nature, designed to be reflective of all worldviews, be they theistic or secular. The Integration Box theory is conceived to apply to and be of use in a multi-faith organizational environment, whether a publicly traded company, a privately owned small business, an educational institution, or even a nonprofit. Further, understanding and using this theory is posited to be of benefit at the individual for people to become more self-aware and respectful of others at work and the plurality of religious traditions. And at an organizational level, an employer might profile their organization as a whole to notice patterns, policy congruency, support a diverse workplace, and to help shape and inform certain managerial decisions.

The prospective goal of TIB theory is to help individuals understand how people integrate faith and work, and for organizations who wish to understand, and respond constructively to the phenomena of religious values in the workplace. However, without a validated assessment, managers and employees are unable to understand or identify the constructive business benefits of faith and work which provide foundations for ethics, excellence, enrichment, and experience (meaning and purpose) in work. Nor would management be able to provide protections for legitimate religious practices, behaviors, and accommodations, as protected by law, even if they are unfamiliar or alien to the majority population. As seen with racism, sexism, and other forms of workplace discrimination and/or harassment, the law alone seldom provides management with analytical tools that lead to better understanding or business solutions. As such, it is further posited that TIB provides management a theory intended to educate and prevent maltreatment of religious peoples and vice versa in the

increasingly pluralistic workplace.

CONCLUSION

This paper argues that Weber's (1905) initial observation of the affect of religious values on marketplace activity, while for a time being suppressed due to organizational and economic structures and normative practices has, due to those same and other forces, resurfaced. Recognizing the integration of faith and work becomes timely and important because it encompasses issues such as ethics, leadership, diversity, human rights, and globalism. Furthermore, if this phenomenon can be assessed through an empirical instrument, managers and employees can benefit both corporately as well as personally.

Specifically, the paper posits the TIB theory as a potential theoretical framework, established in theological, historical and ethnographic research, as having the ability to diagnoses four universal manifestations of faith or religious identity (Four E's) at work. These four manifestations as posited in the TIB theory would help individuals understand how they integrate faith and work, as well as those organizations who wish to understand and respond constructively to the faith at work movement. The intent is for organizations and individuals to have a validated instrument that quantifies and classifies the relationship between people's individuals' orthodoxy (set of right beliefs) and their workplace orthopraxy (how their beliefs are manifested and lived out at work).

At the organizational level, if a company has composite information about manifestation patterns for faith and work integration, it may bring many potential business benefits, including increased diversity and inclusion; avoidance of religious harassment or discrimination claims, respect for people of different faith traditions or worldviews, and possibly a positive impact on ethics programs, employee engagement, recruiting and retention. These and other possible correlations, drawing on the TIB theory, will merit further study and working papers.

NOTES

1. The use of the words religion and religious throughout this paper will also be used to connote similar conceptions articulated by the words spirituality, spiritual, and faith.
2. Peter Berger's, *The Capitalist Revolution* (1998) and *(The Desecularization of the World* (1999); David Landes, *The Wealth and Poverty of Nations* (1989); Lawrence Harrison and Samuel Huntington's *Culture Matters: How Values shape Human Progress* (2000); *Spiritual Goods: Faith Traditions and the Practice of Business* (2001); *Handbook of Workplace Spirituality and Organizational Performance* (2003); Benjamin Friedman's *The Moral Consequences of Economic Growth* (2005); Robert Fogel, *The Escape from Hunger and Premature Death* (2004); and Gregory Clark, *A Farewell to Alms: A Brief Economic History of the World* (2007); Max Stackhouse's *On Moral Business* (1995); Robert Nelson's *Max Weber Revisited* (2010); and Paul Oslington's *Weber: Theology and Economics* (forthcoming, 2011).
3. Note: while many scales of religiosity exist (*Measures of Religiosity*, Hill & Hood, 1999), few pertain to the marketplace, and the few that do have different aims than this paper sets out. This will be discussed later in the paper.

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CORRUPTION AND ANTI-CORRUPTION IN CHINA: CHALLENGES AND COUNTERMEASURES

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Abstract: Like other developing countries, corruption is a serious challenge that China faces as it moves to modernize its economy and society. This paper examines what is different in the nature and extent of corruption in China compared to those of other nations based on its different political structure and reform policy. It differentiates the typologies of corruption and analyzes the causes and the dilemma that the country faces in wrestling with ways to eradicate corruption. Both theoretical explanation as well as empirical studies feature in the paper which concludes that for complete success in eradicating corruption, China would have to adopt the democratic system of checks and balances.

Keywords: corruption; anti-corruption; anti-corruption efforts

INTRODUCTION

Corruption and Anti-corruption has become a hotly debated issue in China, both among scholars as well as common people. No doubt, the scourge had existed since the founding of the PRC but most people, including the State and Party leaders, had not supposed that it would spread so fast and become so serious. The hatred of corruption in China is easy to understand. Despite this, however, its prevalence has resulted in two defeatist attitudes. The first is a pessimistic resignation that there is nothing that can be done and the second, an “ostrich” point of view that corruption is actually an efficient mechanism to smooth the path of development.

The latter perspective reflects an attempt at rationalizing the cost of corruption. Contrary to popular belief, this argument is based on the premise that corruption promotes economic development since it provides a way to get past the barriers erected by entrenched interests and status quo powers. (Li, 2009). This pessimistic viewpoint has arisen also because corruption still exists despite having had so many resources invested in countering it.

Many scholars have also noticed the connection between corruption and societies in transition (Zhou, 2009) and they picture the worsening of corruption as a phenomenon of a transitional society. Other scholars, however, have probed deeper and found more fundamental causes for the worsening of corruption. This paper studies the characteristics, forms and trends of corruption in China as well as the country’s anti-corruption efforts.

FORMS, FEATURES AND TRENDS OF CORRUPTION IN CHINA: OLD AND NEW

Corruption is not a new phenomenon in China. Even in the Maoist era, there existed varieties of corruption. But the corruption then was quite different from that in contemporary China (Ma, 2009). This actually illustrates the changes and continuity of corruption in terms of forms, features, and the extent and severity of it in the past and the present. Contradictory institutional arrangements and ideological doctrines shaped the forms and characteristics of corruption before the reform. Because of the need to promote state-building and

economic development, Chinese society was highly organized. This resulted in a hierarchical bureaucracy. Both the Party organs and the state organs were made powerful and strong so as to realize the grand goals of the communist state. Instead of efficiency, however, corruption took root.

The communist leaders, including Mao Zedong, had noticed the increasing danger of bureaucratic misconduct and corrupt behaviors and mandated a plain lifestyle for all party cadres and government officials. Strict rules were introduced. In addition, various mass movements were constantly mounted and succeeded in intimidating wrong-doers. In Maoist China, therefore, corruption was restrained. The forms of corruption in this period generally fell into the following categories. First was the advancement of personal interests resulting in an improved lifestyle for the corrupt official and his family.

Second were privileges for exchanging loyalty and substantial contributions from those who were in a patron-client relationship. Easy access to the so-called "back door" was the main specific right for the party cadres and government officials, especially for the senior cadres. The interests the corrupt cadres and officials gained were mainly commercial goods, sometimes including sexual favors.

The above-mentioned two types of corruption could be classified as forms of nepotism, power abuse and manipulation of patron-client relations. Third were graft and embezzlement. Though this form was highly dangerous and easy to lead to severe punishment, attempts to be engaged in it were not eradicated. But corrupt gains in the Maoist era were, to a great extent, constrained. Obviously, the rather limited corrupt gains were partly due to the shortage of luxuries because of the underdeveloped economic conditions. Other contributing factors were the strict political disciplines, the promotion of moral doctrines and the mounting of mass movements against corruption.

The forms, extent and characteristics of corruption have changed greatly in the reform era. To further illustrate the situation, a brief look at the typologies proffered by scholars is needed. One famous scholar specializing in corruption studies is Heidenheimer. Heidenheimer classified corruption in China in three categories:

Class A or "black corruption": The corrupt practices in this category, including graft, bribe, fraud, embezzlement, extortion, smuggling, tax evasion, etc, constitute an important part of "economic crimes." Because they are obviously illegal and the main purpose of those involved in these practice is to increase their personal wealth, government officials and the public generally agree that such practices are corrupt.

Class B or "grey corruption": The key characteristics of this category, into which more and more practices are being categorized, is of leaders of public institutions using their institutional power to increase the interests of their institutions and improve the welfare of their staffs through various legal, semi-legal and illegal ways. Such practices includes public institutions making profits by engaging in business activities (such as a public bank entering into the stock market, the bureau of environment protection selling environment protection facilities to their clients), setting up satellite companies, and imposing fines or collecting administrative fees or charging the so-called 'service fee' and then putting the income into their own coffers. Class B also includes such "unhealthy practices" as extravagance and waste, e.g., spending public money to support luxurious work conditions and/or life style by senior officials. Such extravagance and waste is manifested in many aspects: expensive entertainment, costly foreign cars for senior officials, magnificent and tastefully furnished office buildings, domestic or foreign travel in the name of official business, etc. Such "unhealthy tendencies" and the associated corruption, both significantly increasing the public's burden, have led to a significant public outcry.

Class C: or "white corruption": Class C practices constitute a kind of 'common practice' of social life. They include the nepotism and favoritism in personnel recruitment and promotion, bending the law in favor of relatives and friends, preferential treatment in resource-allocations for relatives and friends, fellow-villagers etc. Much of this is, in fact, a way of reciprocating previously given favors. Such practices have penetrated widely into public life, influencing the behavior of government officials and ordinary citizens as well, contributing to the operation and existence of networks of personal ties. Creating and maintaining such networks is accepted by most people, including government officials, as a 'normal' practice. However, such networks are condemned by those excluded from them although they will not hesitate to engage in such practice should they have an opportunity to do so.

The above forms of corruption are universally acknowledged in Chinese academic circles. In fact, the situation in current China is so serious that almost all the existing types of corruption can be spotted. Gerald Caiden has set forth a typology of corruption, cited in the list below, from which almost all the misconducts and malpractices can be found in contemporary China.

Table 1. Regularized forms of non-violent corruption¹

Political shortage and espionage; illegal surveillance; frame-ups
Electoral chicanery; gerry mandering; ballot stuffing; ineligible voters
Public employment; payroll padding; sinecures; nepotism
Legally bestowed monopolies
Non-competitive contracts; fixed/rigged bidding; profiteering
Expropriation of property; illegal search and seizure;
Favors, bribes, pay offs, kickbacks, commissions
Gratuities, gifts, presents, tributes, "service fees"
Discriminatory distribution of public monies
Preferential treatment in obtaining public services
Loans, grants, subsidies of public resources
Deceit, fraud, improprieties; unlawful detention; house arrests; forgeries
Tax avoidance and evasion; non enforcement of laws and regulations; unlawful orders
Conflicts of interest; influence peddling; use of confidential information
Illegal use of the mails and telecommunications
Misuse of official seals, stationery, residence and perquisites
Boondoggles; junkets; conspicuous consumption; self-gratification
File tampering; false evidence
Currency manipulation; smuggling; swindling the state and citizens
Undeserved pardons; remissions and suspension of sentences
Covering up, white washing and exonerating gross misconduct

The above list is taken from a description of the state of corruption in General Nuymayri's Sudan. The fact that scholars have used the list to compare it to corruption in China has raised serious concerns that China is following the model of General Numayri's Sudan where the evil of corruption in political and economic life eventually caused the collapse of the regime (Qin, 2002).

TYPOLOGIES OF CORRUPTION IN MODERN CHINA

Still, while corruption in contemporary China is a commonly recognized phenomenon and shares the primary characteristics of corruption in other countries, it is characterized by a transitional Chinese style that reflects its different social, cultural and political background. Below, this paper categorizes and describes the main corruption forms in China today:

The Form of “No.1 Leader Corruption” (Yibashou Fubai)

This form of corruption is caused mainly by the specific institutional arrangement of the political system of China. It is rather difficult to tell to the outsiders who “the No.1 leader” is in so many diverse types of political, economic and social apparatus and organizations in China. For a state-owned firm or corporation, say an economic organization, the general manager is “the No.1 leader”. For a jurisdiction, say a provincial, a prefecture or a county, “the No.1 leader” actually means two persons – the No.1 leader of the party apparatus and the No.1 leader of the government. But in the case of the state apparatus as a whole, the No.1 leader usually refers to the head of party apparatus, say the party secretary of a party committee. Generally, however, opportunities for corrupt behaviors are provided for both the so-called No.1 leader of the party and the No.1 leader of the government.

This is because under the specific institutional arrangement of “the collective responsibility but personally job allocated system”, administrators hold the power and responsibility of daily work, but actual strategic decisions and those decisions affecting personnel are discussed and decided jointly by administration and party apparatus, usually at the meetings of a level of the party committee where administrators hold positions of secondary importance. In state-owned economic organizations and other social organizations with less political concern where manager or corporation responsibility system is implemented, the managers or administrators are regarded as the key figures. But the heads of the party apparatus in such nonpolitical organizations are still of critical importance where the organizations are considered important politically and economically. In, say a province, a prefecture or a county, both the No.1 leader of the party apparatus and the government are equally powerful in decision making, resource allocation and interest distribution. But as the No.1 leader of the party apparatus usually keeps the power of personnel appointments, this affords him a chance to sell public positions, while the No.1 leader of the government is afforded the opportunities to gain from economic development such as public projects.

Both of these officials are in positions to take the advantage of their power to commit graft, bribery and embezzlement. Typical cases are those of party secretary of Beijing municipality, Chen Xitong, and that of the former chairman of the Guangxi Zhuang minority autonomous region and later the vice chairperson of the Standing Committee of the National People’ Congress, Cheng Kejie. For administrative apparatus and economic organizations, the biggest and typical No.1 cases of corruption are those of the Minister of the National Land Resources Ministry, Tian Fengshan, and the President of the Bank of China, Wang Xuebing who were both accused of abusing power and causing great loss of the state interests.

The Form of Personnel Management Corruption (Yongren Fubai) – Cash for Jobs

Though in China, all procedures and measures relevant to official selection are institutionalized, they usually mean guises not realities. Whether a person could be selected to an important position or promoted to a higher

position depends on whether the person has developed close ties with the leaders of high ranks. The ties could be those of relatives, friends, classmates or colleagues of high rank officials. Or they could result from providing substantial commercial interests to the leaders which nowadays means sending money to them. Selling and buying public positions is the main form of Personnel management corruption, of which the typical case is the case of a county governor of Hepu city in Guangxi Zhuang Minority autonomous region who sold public positions at precise prices according to the levels of the positions, set by him. The public positions are increasingly becoming sources for exchanging interests, support and loyalty in China today.

The Form of Collectively Practiced Bribery Corruption (Gonghui)

The resource and interest allocation system in China is rather affected by the paternalist way the government or government organs at higher levels treat departments, professions and localities at lower levels. Important power and resource are often centralized in the hands of those government or government organs in higher positions. Localities, enterprises and other social actors have to compete for administrative approval, special treatment and other favorable policies from those at higher levels. This even applies to some quasi-government organizations which monopolize the distributional power of resource and interest. The best way for the localities, departments, enterprises or other social actors to successfully compete is to develop close relations with government organs at higher levels or whoever holds positions of power. They turn the public relations into private ones by bribing those who are thought critical in resource and interest allocation or policy making.

Such a type of corruption is in the category of grey corruption because it is usually practiced collectively and for some kind of public interests of certain localities, departments, enterprises and other collective actors. It is becoming increasingly a critical way for resource and policy competition in China in the reform era because the competed targets, such as production materials, trade qualifications, capital circulation, land use and other administrative approvals are vital for the development of certain localities, departments, enterprises and other collective actors. The typical characteristic of such a kind of corruption is to use public money to bribe for public interests, but its harmful impacts are no less serious than those of other corruption forms.

The Form of Public Money Consumption Corruption or Power Abuse Corruption (Hangye Buzheng Zhifeng and Puzhang Langfei)

The political and administrative culture in China has inherited from Chinese feudalism based on the Confucian ideology, an emphasis on the importance of and reliance on the hierarchical system of authority. The political and administrative authorities have been thought to be powerful and capable of doing anything. This was exacerbated by the institutional arrangements characterized as power centralization and administrative arbitration. Both government and citizens are tolerant for power abuse and even apathetic to the phenomena of abuse, waste, extravagance of government and its officials. Few people think that the power in the hands of public servants are from the public, but rather take it for granted that government officials deserve the privileges.

In contemporary China, waste, extravagance and luxury are surprising. It is estimated that every year, the spending on official cars is 30 billion US dollars, and the total amount of government waste is approximately 250 billion US dollars. Government budget and public fund are the main sources of such a big waste, but they are obviously not enough. Government and its officials at all levels have to rely on illegal measures and malpractices to support their high lifestyle. Each of the government organs and departments has developed its

own ways of abusing power for raising fund. The notorious “three arbitrations” (San Luan) is an example, namely, illegal charges, illegal fines and illegal fund raising. In fact, every chance and every piece of public power can be privatized in contemporary China as a way to realize personal interest, by which, wealth and luxurious life facilities of government officials are growing extraordinarily fast, rapidly widening the gap in the lifestyles of government officials and common citizens. .

The Form of Public Project Corruption (Gongcheng Fubai)

China is now on track of economic take-off, so the whole country is like a huge construction site. It is admitted that public investment is the key pivot to promote economic development and this is especially true for China. Actually, nearly all public investment provides chances for government officials to extract money. This is because all public projects have to be contracted out, which means that government officials actually play a role of public agents responsible for bargaining with the contractors. Since the government officials responsible for certain public projects have the power to decide who are qualified for the job, and since they are entrusted to determine the baseline of bargaining with the contractors, they have enough incentive to turn traitor to public interest and to collude with the contractors.

In fact, the kickback of public projects is so high in China that it is estimated that 20 percent of a certain public project fund is utilized to bribe the relevant government officials. That is to say, for a public project of 1 million Yuan, 200 thousand Yuan is used to bribe the relevant government officials in the form of kickback. This is why so many key figures at every level of government have attempted to be involved in public projects and as a result, many of them have been accused and prosecuted.

The Form of Examining and Approval Power Corruption (Shenpi Fubai)

China is now in the transitional period, which means that the nature and the features of the old system will still last for a long time before China completes the course of transition. Indeed, many scholars, both at home and abroad, have cast doubts on whether China can be judged as a country practicing market economy since government intervention and administrative discretion are still playing critical roles in economic life. The prominent manifest of government intervention and administrative discretion is the examining and approval power in the hands of the government and government organs. In China, enterprises, citizens and other social actors find it difficult to navigate the large number of complicated administrative and approval processes and procedures. For example, if someone wants to open a small bookstore, he has to be examined and approved by a number of official departments, including the department of city management, the department of taxation, the department of industrial and commercial management, the department of city construction, the department of cultural affairs, the department of public security, the department of news and press management, the party's propaganda department, and so on.

The entrepreneur can be blocked by any of the listed official apparatus. Usually it is so hard to pass the examination and get the approval from the government organizations that it is regarded as a shared and tacit consent to “buy the road”, e.g. to bribe for the official approval. It has become a main way for the officials responsible for examining and approval to take the advantage of public power to blackmail and fraud their “served” enterprises and citizens to extract money. Actually, this popularizes a saying describing this phenomena as “no money, no approval; less money, slow approval; much money, fast approval”, which vividly pictures the situation of administrative corruption in China today. While the aforementioned forms of

corruptions are the prominent ones, there are three new trends that are worth noting (Lin, 2010).

NEW TRENDS OF CORRUPTION

While a great many of officials in the public sectors are involved in corruption, a new trend is that the families of a large number of senior cadres have become involved as well. Before the reform era, senior cadres were distinguished from others mainly in that they enjoyed a special lifestyle based on their rank and the state provided what they needed in the form of substances and life facilities, such as big houses, cottages, larger quota of food and meat, cars and other necessary commodities for their families, but rarely in the form of money. Things have changed greatly since China began market-oriented reform. The senior cadres no longer enjoy their previous privileges but now do so in the form of high salary and welfare. But what they have gained from the state seems rather trivial when compared with those in the private sector who have accumulated much wealth and rapidly become extraordinarily rich. Therefore they began to be more greedy and predatory in gaining wealth. The public power in their hands can be used as a tool and a medium for them to squeeze for graft. Power cohabiting with capital has rapidly created the crony capitalism in China.

Although the CPC has found it difficult to eradicate such corruption committed by senior cadres, when caught, punishment has become increasingly severe. A large number of senior cadres and their families involved in economic crimes have been exposed and prosecuted, among whom, Chen Xitong, a politburo member of CPC and the party secretary of Beijing, Chen Kejie, vice chairman of the Standing Committee of NPC and former governor of the Guangxi Zhuang Minority Autonomous Region, Hu Changqing, the vice governor of Jiangxi Province, Tian Fengshan, Minister of National Land Resource Ministry, Wang Xuebing, president of the Bank of China, Wang Huaizhong, vice governor of Anhui Province, Cheng Weigao, party secretary of Hebei Province, Li Jiating, vice governor of Yunnan Province, are the most notorious. The pessimistic view is that few senior cadres of the party and government are clean. This has harmed the reputation of the socialist party and state and greatly undermined the moral and political basis of the regime.

While petty cases of corruption are numerous, so-called big cases of corruption have increased in number. Corruption is a widespread phenomenon in China, not only in its variety but also because of the large number of officials of all ranks involved in it. Even worse, there has emerged a tendency that the number of big corruption cases is enlarging. In 1980s, an economic crime case of 10 thousand Yuan was judged as big case, but in 1990s, the figure has risen to 100 thousand Yuan. Within the first eight months of 2000, 23,000 graft cases were investigated and 1.6 Billion Yuan recovered. Four people holding minister-level positions were investigated. Prosecutors investigated a total of 5700 government and CCP officials (Xinhua, 15 Sept., 2000).

The President of the Supreme People's Court announced that 15,748 government officials and businessmen had been sentenced for corruption during 1999. In the first six months of 2000, the figures were reported to be up 7 percent, with the number of judges, prosecutors and judges prosecuted up 33 percent (SCMP, 22 July, 2000, Internet edition). Some big cases are so spectacular that people find it hard to believe. In the massive smuggling scandal in Xiamen, it is estimated that at least 80 billion Yuan has gone missing. A mixture of corruption, negligence and shady investments had caused losses of over 1 billion Yuan from Shanghai's medical, pension and housing funds. Such big cases have resulted in shocking impacts among the people and caused enormous outrages.

At the same time when single-person-committed corruptions are flourishing, cases of collective corruptions have become more popular and prominent. Due to the China's special political and administrative institutions as mentioned above, collective corruption is easy to organize, and officials in the same department

and organization are found to conspire for corruption in the name of public good. Actually, the bigger the corruption case is, the more possible for officials to cooperate in practicing corrupt actions. The typical example is the huge project to dam the Yangtze River at the Three Gorges, a project already billed at \$72 billion and designed to boost electricity by 10 percent and to tame downstream flooding. An audit of the resettlement project revealed that 473 million Yuan had been misappropriated (8.8 percent of the total funds audited) and used to build offices, dormitories and to set up companies (Xianhua, 28 January, 2000). In July 2000 it was reported that 97 government officials involved in the project had been found to have engaged in corrupt practices. One official was condemned to death for stealing 15 million Yuan to invest in a hotel, while another stole 650, 000 Yuan from one of the resettlement accounts. A further 425 million Yuan is still missing and while staff at the Three Gorges Economic Development Corporation had not been paid for 11 months, their boss had run away with over 1 billion Yuan (SCMP, 3 May 2000, Internet Edition). This case exhibits loopholes and weakness deeply embedded in China's political and administrative structure for which, without effective remedies, corruption will lead to its collapse.

ANTI-CORRUPTION EFFORTS AND MEASURES IN CHINA

The increasingly serious corruption situation in China today, has caused great social dissatisfaction and outcry. It has caught the attention of the central authorities as well. Great effort has been made and various measures have been taken to prevent the situation from worsening (Xin, 2010). Since the late 1980s and early 1990s anti-corruption is one of the primary themes of the Party's congresses and the sessions of the Central Committee of CCP. Decisions, regulations, disciplines and rules have been constantly initiated to curb the practice. Since China's social and economic transition might last for a long time due to the nature of incremental reform, more fundamental means should be taken into consideration in addition to the existing efforts and measures (Lin, 2010). Below are described three main categories of anti-corruption measures, A, B and C with sub-groups for each category where appropriate.

Group A: Strengthening and Improvement of Various Anti-Corruption Agencies and Institutions

Since 1978, the Chinese authorities have re-established various anti-corruption work agencies, which were suspended during the Cultural Revolution. At the end of 1978, the Central and local Commissions for Discipline Inspection of CPC, whose major function is to supervise party members and leaders in various political organizations on the basis of the party's disciplinary regulation, were re-established. The Supreme People's Procuratorate and local Procuratorates, whose major task is to supervise law-enforcement and investigate and prosecute economic crime, were re-established in 1978. The Ministry of Supervision and its local branches, whose major task is to supervise government officials and punish those who violate administrative discipline, was re-established in 1987.

The Anti-Corruption Work Bureau was established at the beginning of 1990's under the command of the Procuratorates to serve as the major anti-corruption agency. In order to strengthen the anti-corruption organs and enhance their independence in law and discipline enforcement, the Chinese government has taken several measures to improve the leadership system of these agencies. The Central Commission for Discipline Inspection and its local branches and the Ministry of Supervision and its local branches were merged into one body, and began work jointly in 1992. The government also worked to strengthen vertical leadership within the system of anti-corruption agencies although such leaders must still accept the party committee's leadership.

Finally, the central and local Commissions for Discipline Inspection of CPC have begun to play a coordinator role in anti-corruption work among various anti-corruption agencies. Other important institutional reforms that have helped to curb corruptions have been implemented within the past two decades. These include:

a. Increasing the transparency of the public decision making process. Beginning in the late 1980's, some local governments and departments began to experiment with making the procedures and results of handling official business decisions public so that citizens could supervise the government's work. Since the beginning of 1990's, such practices have spread to more and more local governments and departments.

b. Additional mechanism for internal control of institutional power, such as teamwork, overlap of duties, reduction of the power of individual officials have been implemented.

c. The so-called "regulation of avoidance (of relatives) and transfer of leading cadres" at various levels have been implemented. "The regulation of avoidance of leading cadres" has three provisions: first, avoidance of conflicts in appointment to official posts, namely, senior officials must avoid having their spouses, children or relatives hold important posts in their own work units. Second, avoidance of conflicts of loyalty in official business, namely, senior officials are not allowed to participate in official business or exercise influence on such activities if they are involved in their own or their kin's interest. Finally, the avoidance of such conflicts in regional assignments, namely, officials local to a specific county are not allowed to hold senior official posts in that county. The "regulation of transfer of leading cadres" requires that government officials be transferred regularly from one region to another or from one department to another in order to break whatever personal networks may have developed. This avoidance and transfer practice is inherited from the traditional Chinese imperial practice.

d. According to recent regulations, all senior officials at the county level and above must report their income from all sources every half-year. Although this should be an effective measure for detecting corruption, its effectiveness has been weakened in large part by the backwardness of banking and tax systems in contemporary China. For example, there are no special organs to verify such income registration. There is also no legal requirement to register and the requirement is only one backed up by party and administrative disciplinary regulations.

e. Report centers have been established and the reporting system improved: The report centers within the Procuratorates and the Supervision Ministry and its local branches were established in 1988. Citizens can report any evidence of economic crimes by phone, fax, letter, or orally to such centers. Citizens have provided a vast amount of such evidence to these centers. For example, from April to June 1988, the Ministry of Supervision's hotline received 1250 calls. Elsewhere, the report centers attached to the Shanghai Procuratorate received 15000 reports in one year. Of these, 11, 035 provided relevant information about graft, bribes and other such acts. The report system was recently improved through additional measures to protect and reward those citizens who reported evidence of corruption and informing them of the progress and results of the relevant investigations and trials (He, 2003).

Group B: Anti-Corruption Campaigns

Since 1978, the Chinese government has launched four anti-corruption campaigns. The first one, which began in 1982, targeted economic crimes with significant success. 136,024 cases of economic crime were investigated, of which 44,000 were wound up with 26,000 persons convicted and 44,000 persons surrendering themselves to the police. The second anti-corruption campaign, which began in late 1983 and lasted until early

1987, concentrated on consolidating party organizations. During this movement, a large number of party members who had violated party discipline or engaged in corrupt activities were punished, including 35,616 senior officials at the county level and above. The third anti-corruption campaign began in 1988 and reached its peak in late 1989. A large number of corrupt officials were punished or surrendered themselves to the anti-corruption agencies. According to official statistics, 11,763 cases of graft, bribery and other relevant crimes were accepted and heard by the Procuratorates in 1989, of which 58,726 cases were investigated and prosecuted, 20,794 criminals were arrested, and 482.86 million Yuan were recovered. 36,171 officials surrendered themselves to the anti-corruption agencies from August 15 1989 to October 31, 1989.

The fourth anti-corruption campaign began in late 1993 and has lasted to the present. This campaign has had three objectives: addressing the issue of self-regulation of senior officials; strengthening the investigation and prosecution of large-size corrupt cases and forcefully curbing unhealthy tendencies within government departments. The newest anti-corruption campaign has had some positive effects as indicated by the slight improvement in perceived corruption in China after 1995 as reported by Transparency International (TI). But the situation facing anti-corruption agencies is still very serious and there is no reason for optimism.

The four anti-corruption campaigns not only focused on cracking down on what were clearly Class A forms of corruption but also initiated some measures to combat the other Class B and C corruption. These measures include:

(a) Regulations prohibiting public officials and their institutions from engaging in business activities and running satellite companies. The separation of public institutions and their satellite companies became a central focus of the third anti-corruption campaign with considerable success. According to official statistics, by July 6, 1990, 11,934 companies run by party and government institutions (or 85.8% of the total) had been closed while the remainder was separated from the original public institutions. 49,292 government officials, including retired officials who held posts in enterprises, resigned from these posts.

(b) Implementation of budget management on the extra-budget income of various departments such as revenue from imposing fines and collecting administrative fees. This task has become a focal point of the fourth anti-corruption campaign. According to Wei Jianxing, former head of Central Committee for Discipline Inspection, the separation of government departments' income from their expenditure had been implemented as an important step in curbing unhealthy tendency within government departments.

(c) Regulations for restricting extravagance and waste within government organs. Such regulations include reducing the number of administrative meetings and files; limiting spending on banquets, cars and office furniture; prohibition of foreign and domestic tourism using public money; prohibition of luxurious entertainment and so on. The fight against extravagance and waste has become another field of battle since 1997.

Group C: Moral Education

Moral education constitutes an important element of these four anti-corruption campaigns. The second and the fourth anti-corruption campaign particularly attached great importance to moral education. The second anti-corruption campaign was also a moral education movement aimed at consolidating and strengthening party organizations. Since the third generation of political leaders has paid great attention to the moral education as a part of their anti-corruption efforts, moral education played an important part in their anti-corruption efforts. The methods for moral education include:

(a) The whole party, especially senior leaders, was asked to regularly study political theory, particular Deng Xiaoping's theory 'Building socialism with Chinese Characteristics'. Party organizations at various levels were required to educate their members with communist ideals, morality and faith. (b) Party members, especially the senior leaders, were asked to review their behavior against various anti-corruption rules and to criticize the misconduct of the other party members in party organization conferences. (c) Government officials who were honest and clean (most of whom are party members) were cited as models and all public officials were asked to follow their examples. (d) Corrupt officials were punished under the appropriate law, party or administrative disciplinary regulation and their behavior condemned by social opinion.

However, there are limits to moral education. Since senior officials and the ordinary party members are actually not equal within party organizations, the wrongdoings of senior officials are not easily criticized or checked by other party members. Moreover, because of the lack of check and balance of power, the lack of transparency in much of the behaviors of senior leaders and the limits of self-regulation, it is very difficult for senior officials to set examples, particularly when they are involved in corruption or are universally believed to be doing so. This undermines the effectiveness of moral education. Another limit is that the behavior of model officials is often too perfect to be followed by the other officials. The exemplary cases of model officials publicized by the authorities are unrealistic. These quote cases of those who are satisfied with low salaries, lead a simple life, work hard, renounce their family lives and handle official business impartially without any fear of offending their relatives and friends. Such perfect models are hard to accept as models, thus further undermining moral education.

CONCLUSION

Corruption and anti-corruption have become serious challenges to the party and the regime in China. In its long history, China developed its own tradition, culture, ethics, political heritages and administrative norms which differ from those of the rest of the world (Zhao, 1997). China has to find its own road to cope with mounting corruption. On the whole, the anti-corruption situation is not optimistic. Though more severe punishment has been introduced, and increasingly tough measures have been enhanced, the results produced seem disappointing. It is argued that the corruption and anti-corruption situation is actually a dilemma for China, therefore, the policies, measures and means of anti-corruption are doomed to be crippled. China has to try hard to deter the worsening of the situation, but it is unlikely to succeed in thoroughly eradicating corruption.

The primary reasons are as follows: First, the CPC as a leading political force has changed in its role as the representative of working class. It has, instead, become a political stakeholder caring most about its own interests and the stability of its regime. This is because a large part of its members have gained from the economic reform and development, and they have become a new social stratum superior economically and politically to other social strata. Actually the whole ruling elite – bureaucratic practitioners, administrative officials, and party cadres have been integrated into a privileged network of shared interest.

This determines the nature of the anti-corruption strategy of China. On one hand, anti-corruption policy has to be implemented to pacify the anger of common people and to maintain the moral image of the party and the regime. This will in turn benefit the ruling class itself. On the other hand, anti-corruption has to be limited within a scope that might not harm the immediate interests of the new stakeholders. Therefore, rather than taking anti-corruption as a strategy relevant to deepening reform and optimizing governability of the party and

state, sometimes anti-corruption has only been regarded as a political tactic for manipulating party cadres and government officials. These have negatively impacted the anti-corruption efforts and the results produced. Another consideration is that although the political structure and institutions are the main barriers to the anti-corruption efforts, they are not permitted to be changed. Indeed, a string of Chinese leaders have railed against the effect that widespread corruption has kept on undermining the legitimacy of the party. However, none has been willing to suggest the kind of structural reforms such as a system of check and balances that would resolve it (Saich, 2001, p. 299).

Therefore, though institutional arrangements, such as the Disciplinary Inspection Committee as a party organ, Ministry of Supervision and its branches as government departments, and the Supreme People's Court, the Supreme Procuratorate as legislature organizations, and varieties of other supervision institutions, have been established, their functions and practices are limited because of their dependent nature. Without the agreement and the coordination of the party committee, they find it hard to do anything. A typical dilemma can be seen in the function and work of the disciplinary inspections at all levels of the party organizations. They are in name responsible for checking and inspecting all the party members at certain branches. However, as they are under the leadership of the party committees of the same level, how can they supervise their own authorities? Without the necessary independence, no anti-corruption institution can function well. Third, leaders in China have always stressed the necessity of the rule of law. However, while rules, laws and regulations have been introduced in large numbers, too many loopholes and weaknesses allow them to be manipulated. Further, under the political guidelines of so-called unitary leadership of the party, laws, rules and regulations are easily distorted (Pang, 2010).

From the arguments above, it can be seen that China has not really achieved its goal of anti-corruption because it has neglected the basic weakness of its political structure and institutions. The most effective way to combat corruption is to build a check and balance power structure. And the most important factor of the check and balance power structure is the differentiation and independence of institutions. This vital element of differentiation and independence of institutions is the foundation of a democracy. Thus, democracy is the final remedy for corruption that China should resort to. Democratic conception, democratic polity, democratic lifestyle should be the primary factors that China should pursue if it wants to win the battle of fighting against corruption.

NOTES

1. Source: Gerald Caiden, 1993. Official Corruption and Political Stability. (Corruption and Reform), Issue 7, vol. 3, 1993.

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SIGNALS OF VIRTUE IN CHINESE CONSUMERISM AND BUSINESS

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Abstract: The paper is based on a literature review and adopts a reflective approach to the ways in which classical Confucian virtues may be understood as being connected with contemporary Chinese indigenous values and how the implicit presence of the virtues in Chinese society act as a restraint on the behaviours of a consumerist hedonic lifestyle. The role of business leaders and state-owned enterprises are also linked with the Confucian standard of the *Junzi* (gentleman-leader) archetype and the behaviours expected of business in Chinese society. The virtues of *Ren-Yi-Li* are offered as exemplary features of a management seeking to balance social responsibility with profitability.

Keywords: indigenous values, virtues, hedonic lifestyle, Chinese consumerism, business practice

INTRODUCTION

In his *A Rumor of Angels* (1969), Peter Berger, a sociologist of religion, presented five inductive arguments for God's existence; he called the arguments "signals of transcendence." Transcendence, not only has an association with God, but also with the human attributes of character known as the virtues which have been formulated with common themes and arguments by Plato, Aristotle and Confucius. The virtues are essentially about living the good and wise life; they are traits of character that require cultivation and practice and are a touchstone for human appeals for justice and harmony in human relationships. I shall discriminate between indigenous values and virtues because indigenous values have become detached from their ethical origin and, in contemporary language, are as likely to refer to behaviours or practices that are *non-ethical*. Virtues, by contrast, are distinctly concerned with personal and interpersonal ethical behaviour: courage, moderation, righteousness and benevolence, for example. The purpose of this paper is to show that despite the urban values and behaviours of a hedonic lifestyle we discover in Chinese consumer behaviour and business practices "signals" of the classical Confucian virtues offering tension and, perhaps, resistance to a self-orientated lifestyle.

It is widely held in Chinese society that Confucianism was responsible for the lack of economic, educational and political development in China and that Confucian values are incompatible with individualism, democracy and free enterprise. (de Mente, 1989:158). However, since 2007 the Chinese government has actively promoted the virtues of Confucianism to encourage the development of the "harmonious society", and to strengthen the "One China" ideal as a means of resisting societal fragmentation. Media and scholars express ambivalence and uncertainty about the rehabilitation of Confucius especially as many negatively associate Confucianism with the ancient hierarchical mandarin system of governance. The ambivalence may be observed in the media: Confucian-style television costume dramas illustrating moral leadership are popular (Lynton and de Bettignies, 2009) whilst the government-sponsored biographical film Confucius launched in January 2010

was poorly supported compared with a competing Western film. Yu Dan's popular *Confucius from the Heart: Ancient Wisdom for Today's World* first published in 2007 has sold more than 10 million copies in China. The Chinese press prints critical opinions of Confucius as well as acclaim by government leaders. Journalist, Raymond Zhou, for example, questions the value of Confucius to contemporary China:

Nobody can sit down and talk to Confucius. He has been dead for 2,500 years...Confucius was a great philosopher, but he was one of dozens of greats in his era. But just like our parents, he has become a symbol of authoritarianism, someone to be rebelled against and overcome (Zhou, 2010).

The governmental advocacy of the traditional Chinese virtues and their place in describing the "socialist harmonious society" arises from the growing socioeconomic tensions widely reported as a result of a minority affluent society emerging with spending power beyond the average citizen. Income inequality in China has risen steeply as consumerism has taken root: the Gini coefficient, measuring societal income inequality, has risen from 0.35 in 1979 to 0.47 in 2010.

CHINESE INDIGENOUS VALUES AS A RESTRAINT ON HEDONIC VALUES

Academic research has not caught up with the growing assertion of "Chinese Elements" or values in consumer culture and further research is required to establish the degree to which consumer and producer desires for brands and products with distinctive Chinese characteristics are guided by ethical norms derived from a person's "habitus". Habitus has been defined by Bourdieu (1986) as a set of cultural dispositions which are passed on through the family. In this paper I refer to the characteristics of the Chinese habitus as *indigenous values* which may be defined as cultural norms that may be ultimately traced from the classical (Confucian or Taoist) virtues. These values are widely diffused in the Chinese cultural system with central concepts such as: *Guanxi* (relationship networks¹), *Mianzi* (face), *Renqing* (favour) and *Bao* (reciprocation). (Wang and Lin, 2009:400). The distinguishing feature of indigenous values is that the motivation for their practice is less driven by the high ideals of the *Junzi* archetype (the virtuous gentleman / leader²) but rather by self-interested behaviours or social and psychological pressures to maintain *Guanxi* relationships and individual prestige, dignity and status (*Mianzi*).

The advent of the consumer society in China has led to the development of what has been termed "hedonic values" in which brands and products have become symbols of financial success and *Mianzi* (Wei and Pan, 1999; Wang et al, 2000; Zhou and Hui, 2003; Hui et al., 2003; Wang and Lin, 2009). Hedonic values have been described by Wang and Lin (2009:404) as: fun, pursuing instant gratification and spending expressively or symbolically³. In this paper I use hedonic values to mean lifestyle choices that promote personal gratification, pleasure and social prestige through the acquisition of products and services that require an above-average income. The proliferation of western luxury brands and showcase retail shopping malls are signs of consumerist hedonic values which represent a shift towards individualism and a more egoistic view of life and work generally and a means for the individual to build material wellbeing and social prestige.

In recent years, China's booming market economy has been partly spurred by the proclivity of Chinese consumers to purchase Western brands and for Chinese manufacturers to copy them. Of China's largest cities, 24 are expected to see a doubling of consumption between 2008-2015 and another 25 cities are expected to see their consumption increase between 50 per cent and up to 100 per cent over the same period. (McKinsey, 2009). The Chinese consumer society is producing higher disposable incomes and consumers are displaying

greater particularity in their preferences for quality and for wider product selections through a proliferation of distribution channels. (McEwen et al, 2006).

However, despite the apparent Westernisation of consumer markets there is a growing and identifiable demand for modern Chinese products and brands across all sectors. The first public signs of this demand may be dated from the International Contest for Chinese Elements in Creative Work in 2006 which was designed by China's marketing community to regain Chinese culture ("Chinese Elements") which, according to some commentators, had been disregarded by the new Chinese consumer society. (Wang and Lin, 2009:405). The advent of "Chinese chic" in the Chinese fashion industry illustrates a challenge to the market dominance of "traditional Western couturiers" and a sign of growing self-confidence by Chinese designers and marketers. (Moody, 2010; Tianyu, 2010). The Mao suit fashion collection launched in Beijing in 2009, for example, was acclaimed in the media as a "very good chance to express our Chinese culture" (Kennedy, 2009).

In their 2010 China Consumer Survey, McKinsey & Company reported that one of the clearest messages was "that as Chinese consumers become more like their developed-market counterparts, they are also creating a distinct identity. They have not only distinctive tastes and priorities but also unique ways of choosing and buying products." (McKinsey, 2010:12). The survey reported two characteristics in Chinese consumer behaviour that connect with the indigenous values of thrift and 'face': firstly, a greater search for value, and, secondly, the "word-of-mouth channel" was significantly more important to them than for Western consumers thus displaying a greater need for peer and family approval in the purchase decision.

Chinese indigenous values both promote and restrain hedonic values. Consumption spending is used to buy favour within *Guanxi* relationships which has been described as a "rent-seeking" use of *Guanxi* (Yang, 1989; Leung and Wong, 2001; Chan, 2008). In Chinese culture, consumption is not just meant to meet basic needs but also to fulfil a social need for identification, status and social recognition. The possession of Western luxury brands acts as a social signal of an individual's financial success and further enhances the individual's *Mainzi* (face) within his or her social network. (Li and Su, 2007; Faure and Fang, 2008:199; Wang and Lin, 2009:402). Despite media accounts of bling in China and the proliferation of luxury brand malls, hedonic values have generally not been adopted in an unrestrained way. (Guo, 2005; Li, 2007). Hedonism is restrained by thrift and the preference to save rather than to use credit. Researchers have found that the traditional value of thrift acts as a restraint to the hedonic pull (Wang and Lin, 2009:401; Faure and Fang, 2008:200). However, care is needed to discriminate the ever-present media displays of hedonic values geared towards more affluent groups with the values held by other sub-groups. Only a small but growing fraction of China's population is willing and able to spend their money on prestige products and brands (Roberts, 2007). The largest sector of the Chinese population are the 689 million people living in rural China in 2010⁴ for which there is virtually no attitudinal data available. Empirical research shows the importance of identifying demographic sub-groups in defining differences in attitudes, beliefs and preferences in China. Attitudinal research, for example, reveals significant differences between age groups and cities. Forty-one per cent of urban 18-24 year olds have bought western branded clothing compared with 15 per cent of 25 year olds and over. Forty-eight per cent have read a Western book, newspaper or magazine compared with 16 per cent of over 25s (McEwen, 2005). Shanghainese, for example, show stronger preferences for Western products and well-known brands compared with Beijing and the Xiamen-Fuzhou cities (Wei and Pan, 1999:86; McKinsey, 2009⁵).

One of the chief features of Chinese indigenous values is the closeness of the family unit and the clearly

understood roles and responsibilities of children towards their parents. The sense of respect and obligation to parents remains strong even amongst younger urbanite groups (“Generation Y”) who are usually associated with holding hedonic values. Lynton and Thøgersen’s (2010) attitudinal study of Generation Y in China for example, found that from a list of nine choices, family was by far the most important part of their lives. When asked: “If you had one wish to make your life better?” 82 per cent said: “make my parents’ life easier.” Filial piety (*Xiao*) is one of a number of Confucian virtues that may be recognised within the indigenous values of contemporary Chinese society. The Confucian virtues of benevolence (*Yi*) and righteousness (*Ren*) provide a moral character to the indigenous values of trust and harmonious relationships. Benevolence (*Ren*) is widely regarded as the source of the Confucian virtues which orientates and unifies the indigenous Chinese values (Hsu, 1970:270; Romar, 2002:123; Xin-Hui, et al, 2008:33-35; Lam, K. J., 2003:154). In Confucius’ words: “If a man were to set his heart on benevolence, he would be free from evil.” (Confucius, 1992:29). *Ren* focuses on an individual’s relationships within the community, defined in terms of sociability, security, and status (Wang and Lin, 2009:400). Righteousness (*Yi*) means a sense of moral rightness and discernment: *Yi* and *Ren* “often work together in unison to define morality and to guide actions.” (Ip, 2009:464). The moral tension to be righteous and to be wealthy or profitable is expressed throughout all versions of Confucianism and is originally stated in the *Analects* as: “The gentleman can be reasoned with what is moral. The common man can be reasoned with what is profitable” (*Analects*, Book 4:16) and in the words of Mencius (Mengzi, 371-289 BC): “What is the point of mentioning the word ‘profit’? All that matters is that there should be benevolence and rightness....if profit is put before rightness, there is no satisfaction short of total usurpation.” (Mencius, 2004:3). Neo-Confucians warn that desires can encroach on morality and that making a profit must be subject to the morality of *Ren* and *Yi*.

SIGNALS OF CONFUCIAN VIRTUES IN SOCIETAL EXPECTATIONS OF GOOD BUSINESS PRACTICE

Cheung and King (2004) explored the practice of righteousness (*Yi*) with profitability by “Confucian entrepreneurs” against an archetypical Confucian entrepreneur called Jin Yuan-shan (1841-1903) who followed the aims of Confucianism with religious devotion. They interviewed 47 Confucian entrepreneurs between 1997-2000 and quote one entrepreneur as being motivated “not so much for the money as for the opportunity to do something that was meaningful and significant” (Cheung and King, 2004:250). This comment illustrates the distinguishing feature of the Confucianist approach: rightness or righteousness before profit and not the other way around. Cheung and King concluded that

...moral virtues are pursued not for the sake of generating more profits but as an end in itself. It is a way of life organised around the search for meanings and a sense of commitment. All businessmen aim at making money. But Confucian entrepreneurs do not do so in indiscriminant fashion. Even within legal boundaries, they distinguish between moral and non-meaningful practices and try to encapsulate their profit-making activities within the boundaries of their moral beliefs. (Cheung and King, 2004:258)

Despite the advent of market capitalism in Chinese society, societal expectations reflect the idea of *Yi* and *Ren* before profitability is the firm’s responsibility. This is especially the expectation of society and government towards State-Owned Enterprises (SOEs). Yiyi, Xu and Phan (2007) found that SOEs and the state

institutions that own them “do not emphasise the maximisation of operational profit or investment returns” but rather the primacy of maintaining social stability towards their employees. “Their fiduciary duty as agents of the State owner is to uphold the government’s policy on societal stability in economic enterprise” to refrain from profit seeking at the expense of job cuts. (Yiyi, Xu and Phan, 2007:19).

It may be argued that beyond *Guanxi* is the virtue of trustworthiness. Trustworthiness or social capital is built through reciprocal behaviour and, in the words of Fukuyama, (1999:17) “must substantively include virtues like truth-telling, the meeting of obligations and reciprocity.” For Chinese or non-Chinese negotiators in market exchange, the principle of reciprocal trust is recognised even if the cultural *modus vivendi* might vary. One way of managing the tension between righteousness and profitability might be to explicitly set these principles formally under a memorandum of understanding for contractual negotiations. The “righteousness with profitability” principle based on the building of trust in a social network does offer management an alternative discourse to the organisation’s code of ethics.

If the classical virtues are recognised as a guide for managerial values, then ethical management would recognise, in the words of Chan (2008:351), that “business activities (based on profits) are only a part of the whole life (based on human virtues) one ought not to seek material wealth at the expense of human virtues.” This fundamental values tension is being articulated through key opinion leaders and a number of leading business people in China. Zhang Jindong, the chairman of the Suning Corporation, for example, has stated that personal value is “not about the amount of treasure one holds, but the added value he creates”⁶.

Chinese management will seek harmony with stakeholders (Han and Altman, 2009) although traditional hierarchical management styles frequently lead to employees not being given the benevolence recommended as the chief of the classical virtues. (McEwen, 2006:73) Ip (2009) brings *Ren-Yi-Li* together as core elements for a *rational reconstruction* of a Confucian firm focusing on the core essentials as an *ideal type*. In his model the responsibilities of the firm’s leaders are to conform to the thoughts and deeds of the *Junzi* whilst all goals, operations and stakeholders relations are to be governed by the principle of *Ren-Yi-Li*. Profit-making is accepted as a legitimate goal insofar as it is consistent with *Ren, Yi* and *Li*. (Ip, 2009:467). In highlighting the downsides of the model (collectivism, particularism and paternalism), Ip asks whether *Junzi* as a corporate leader could save the Confucian firm from such downsides. He concludes that in the real world many people in authority lack all the good traits of a *Junzi* and the less ethical side of ‘Guanxism’ may co-exist alongside the virtues and therefore reasonable norms need to be established that clearly define acceptable conduct and guide behaviours. (Ip, 2009:471). Yang (1989:35) refers to the art of *Guanxi* being “the skilful mobilisation of moral and cultural imperatives such as obligation and reciprocity in pursuit of both diffuse social ends and calculated instrumental ends.” However there is evidence that the strength of *Guanxi* in business and in shareholder-dominated enterprises in particular is waning. (Anderson and Lee, 2008:782, 778; Dunfee and Warren, 2001:200). In their empirical research, Anderson and Lee (2008:784) find that *Guanxi* is seen more as a “lubricant” with few respondents enjoying *Guanxi* but recognising its utility.

Large corporations in China are beginning to reflect the requirement to show greater sensitivity to Chinese indigenous values in their business operations and practice, especially those corporations that require good governmental relations and ‘key opinion leader’ goodwill. This ethico-cultural sensitivity should be distinguished from the mainstreaming of CSR activities by corporations in China which are carried out for a wide variety of reasons by corporations but generally not connected with the Chinese classical virtues or indigenous values. One example of the way in which indigenous Chinese values have been utilised in

corporate communications in China has been by CapitaLand, one of the largest real estate companies operating in China. CapitaLand launched a communications campaign in China in January 2010 with the tagline: “When we build buildings we build people too.” The CapitaLand campaign (figure one) features five of the classical Confucianist virtues: benevolence, righteousness, wisdom, trustworthiness and decorum (propriety). In the CapitaLand TV commercial, the message links CapitaLand with the motifs of virtue and character:

Isn't a good building like a good person.

Its roots run deep so it's stable with strength of character.

It's sensible to what's around.

It knows its heritage and its future.

A good person is steadfast, sturdy and strong.

Someone you can always count upon.

Someone who listens.

At CapitaLand we take the same approach to building the two because we understand when we build buildings, we build people too. (CapitaLand TVC script, 2010)



Figure 1. CapitaLand TVC 2010: We build people too

The CapitaLand campaign implicitly invites its audience to judge its corporate behaviour against a defined set of virtues that are distinctively Chinese in origin. The campaign is an explicit recognition by CapitaLand that the classical virtues have inspirational value and provide guidance for the organisation and the way in which the organisation relates to its stakeholders. In a similar, but less explicit way, the Ceragem Corporation has integrated Confucian virtues within its health products business pointing out that benevolence (*Yi*) and honesty (*Cheng-Xin*) and the functions of the product were the key success factors of the business (Guo and Zheng, 2009:75).

Consumer choices, a growing confidence and the emergence of Chinese consumer marketers and designers are all signs that businesses and products that incorporate “Chinese Elements” are in the ascendancy. Studies are showing that the presenting consumerist landscape of hedonic values led by Western consumerist trends is a thin socio-cultural layer over deeper and more enduring indigenous values that indicate that a Chinese ethic influenced by the Classical virtues is present. There is ambiguity and uncertainty about the use of Confucian teaching in contemporary society but the virtues are being retold. China’s president, Hu Jintao and prime minister Wen Jiabao continue to refer to Confucian themes positively in speeches about the “socialist harmonious society” (Lam, 2006). Hu has also applied what he refers to as the “traditional Chinese virtues” to support the practice of moral restraint: “...Selfishness, slacking, corruption, seeking the limelight and so on, is the most despicable; and fairness, positive efforts to exercise restraint and abide and hardworking spirit, is to respect.” (Hu, 2007). However, as Solé-Farràs has pointed out, Confucianism and Chinese socialism are now undergoing redesign and adaptation of their respective traditional values and “New Confucianism” is evolving around the comprehensive and universal ideal of social harmony. (Solé-Farràs, 2008:21). The extent to which this redesign results from the instincts of wider society for the practice of greater virtue by government and business and the extent to which the classical virtues are being used instrumentally for governmental purposes requires further research.

NOTES

1. *Guanxi* is a network of personal relationships emerging from the fundamentals of Chinese culture, traditions and social organisation. It is a network arrangement of personal connections involving reciprocal obligations to exchange favours (Anderson and Lee, 2008:776, 778).
2. *Junzi* in the classical Chinese tradition is the gentleman, a figure of magnanimity and wisdom.
3. Wang and Lin (2009) quote an empirical study by Wang, Chen, Chan and Chen (2000) which revealed that more consumers have accepted buying for hedonic reasons rather than only to fulfil utilitarian needs.
4. The UN News Centre, 25 March 2010. Source: <http://www.un.org/apps/news/story.asp?NewsID=34202&Cr=urban&Cr1>. Accessed 8 June 2010.
5. 52% of consumers in Shanghai prefer well-known brands compared with 36% in the Xiamen-Fuzhou city cluster. The McKinsey *ClusterMap* clusters China’s 800 cities into 24 city clusters defined by income, location, economic linkages and common consumer attitudes and preference (McKinsey, 2009)
6. Zhang Jindong, Chairman of the Suning Corporation, 2010. Source: <http://www.cnsuning.com/include/english/jiyu.html>. Accessed 11 June 2010.

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BOOK REVIEW

Moral Capitalism

by Stephan Young

ISBN-10: 1576752577

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Publisher: Berrett-Koehler Publishers; 1st edition (October 2003)

Hardcover: 226 pages

Book Reviewer: Hengda Yang

Although almost seven years have passed since it was published, the significance of Stephen Young's *Moral Capitalism* is becoming more and more profound and far-reaching, which is closely connected with the fact that it does not only admit the reasonable necessity of seeking private interest in the modern global context, but also reconciles it with public good. It gives a new insight to the issue of maximizing private interest as the necessary goal of a business on the one hand, and doing public good as a social responsibility for a corporation on the other hand.

The entitlement of the author in writing on the topic of moral capitalism is obvious. Stephen Young, as Global Executive Director of the Caux Round Table, has direct contacts with many top trans-national companies and the experience of making deep-going researches on them. His academic background of law, management, and philosophy has provided him with extensive knowledge and a penetrating insight to analyze capital, capitalism and the combination of capitalism and morality.

According to Karl Marx, capital comes dripping from head to foot, from every pore, with blood and dirt. The rationality of such a judgment lies in the fact that capital, no matter in the stage of its primitive accumulation or in mature capitalism, always seeks the maximization of profit, by the way of expansion, plunder, and conquest. Stephen Young holds that the capitalism taking survival of the fittest as the fundamental principle is brute capitalism. Early industrialization in the form of brute capitalism produced great wealth for a few capitalists and miserable working conditions for a new class of proletarians. Now another form of brute capitalism has made American economy pay great costs, and brought a violent assault to the world market.

But the regular development of economy and finance depends none the less on capital. Capital is so important in the development that we cannot do without it if we need to keep going a modern civilization, as well as a modern society to match it. Capital itself contains something that requires development to be sustainable. Any shortsighted profit making runs opposite to a stable long-termed development. As Stephen Young says, "To sustain our profits over time, we need to replenish the capital we invest in the business. That capital comes in five different forms: social capital, reputational capital or 'goodwill,' finance capital, physical capital, and human capital. These forms of capital are the essential factors of production." (p.2)

When a decision is to be made or a plan of development is to be designed, all these factors should be taken into consideration, which all together constitute the foundation of the moral capitalism Stephen Young and his colleagues of the Caux Round Table advocate as something totally different from brute capitalism. If modern civilization is not able to change the nature of capitalism which is to seek maximum profitability

through brute ways, the quick development of economy will not eliminate poverty, it will even make the gap between the rich and the poor greater, and at the same time, curb market economy, which will cause stagnancy of economy. Then, to explore the possibility of that capital in five different forms and advocate moral capitalism as mentioned by Stephen Young in his book comes to the foremost.

He expounds the seven general principles of the Caux Round Table, the advocate for moral capitalism, and the stakeholder ethic they forthrightly embrace. He specifies the concept of stakeholder as containing six relevant groups: customer, employees, owners and investors, suppliers, competitors, and community. To treat these groups with virtues and put the relationship with them in a win-win situation under the guidance of the governing ideals, which come from faith, and values, able to be commonly shared by whole mankind, such as the idea of *kyosei*, is the social responsibility of a corporation.

In his analysis of relationship between a corporation and these six relevant groups in terms of CSR, Stephen Young attempts to throw away the simple pattern of a corporation in profit-making, and change thoroughly the position of these groups in the mind of the management of a corporation, making them stakeholders in the right sense. The responsibility assumed by a corporation to them is not only morally but also has a far-reaching significance for their and the corporation's current and future benefit. Confucius says: "Now the man of perfect virtue, wishing to be established himself, seeks also to establish others; wishing to be enlarged himself, he seeks also to enlarge others." This way of treating others with perfect virtue in dealing with the reciprocal relationship between a corporation and the stakeholders is the basis for moral capitalism to replace brute capitalism necessarily, making all corporations and their stakeholders benefit from market economy.

That the moral capitalism advocated by Stephen Young and the Caux Round Table has such a necessity is because its principles are never utopia in lack of practical values. They have two kinds of universality as their firm support. Firstly, they are principles that can be universally accepted by all corporations and their stakeholders, and the Caux Round Table has a set of ways of assessment that can be operated effectively as well, to urge a corporation to do better in terms of CSR. Secondly, they are based on the universal values commonly shared by Christianity, Buddhism, Confucianism and all other religious and secular communities, representing the common pursuit for universal values by all people in the context of globalization.

Moral capitalism as a great ideal is now changing into reality. The challenge faced by it from the old ideas of brute capitalism cannot stop the great efforts to put moral capitalism into practice when people realize at last its values, to the understanding of which, this book of Stephen Young contributes a lot.

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Partner Organizations

CAUX ROUND TABLE
moral capitalism for a better world

Founded in 1986, the Caux Round Table advocates comprehensive global ethical principles for businesses, governments, non-profits and those who own wealth. CRT management approaches bring ethics and social responsibility into focus as praxis and not just moral theory.

China Credit Research Center, Peking University (CCRC)

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The Stillman School collaborates with the Center for International Business Ethics to produce JIBE, together forming JIBE's joint editorial board, and awards scholarship to the winners of the annual CSR Essay Competition hosted by the Center for International Business Ethics.

Center for International Business Ethics, Beijing: Academic Activities 2010.

Future City Design Competition

The “Future City Design” competition, with the support of Bentley Systems, Inc., aims to support the search for solutions to the challenges emerging from urbanization, inspire the imagination of China’s young people, increase their awareness of the sustainable urban design, and sustainable development generally. The competition aims to provide students a platform to show off their creative talents and interest in this increasingly relevant field.

College students majoring in architecture, engineering and public planning are encouraged to participate. They should show their abilities, such as problem-solving, teamwork skills, creativity, research, presentation skills, applied math and science and computer skills. Winners will have the internship opportunities in Bentley headquarter in the US.

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