

The Dao of CSR: Towards a Holistic Chinese Theory of Corporate Social Responsibility

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Abstract:

Widespread corporate scandals involving corruption, environmental pollution, IP theft, and food/product safety demonstrate that Corporate Social Responsibility (CSR) has not yet taken root among Chinese business firms. One major reason is that Chinese managers view CSR as a foreign concept, an externally imposed set of rules, that fails to resonate with their internal worldview. This paper proposes a new approach to CSR based on “vital energy” (*qi*) circulating within an organically-integrated moral cosmos (*dao*) – a traditional Chinese ecological worldview that overcomes cultural barriers to acceptance, while simultaneously drawing on insights from contemporary behavioural economics and materials science. The paper provides Chinese conceptual tools to transform an externally imposed burden on business firms into an internally generated, ecologically situated, creative and productive corporate evolution.

Introduction

The concept of Corporate Social Responsibility (CSR) was initially transplanted to China in the 1990s, mainly through multinationals concerned about reputational damage caused by poor working conditions in their global supply chains.¹ Initially it remained a niche concern, but during the 1990s,

¹ Jingchen Zhao, *Corporate Social Responsibility in Contemporary China* (Edward Elgar, 2014), 69. Li-Wen Lin,

it steadily gained traction among Chinese academics, and since around 2000, stung by numerous corporate scandals involving corruption, food and product safety, and environmental degradation, the Chinese government has attempted to promote CSR through revisions to the *PRC Company Law*, through peak business bodies such as the China Enterprise Confederation, and through SASAC, the regulator of state-owned enterprises (SOEs), which released two sets of guidelines on CSR in 2011 and 2016.² Local provincial and municipal governments around China have also issued numerous regulations and pushed corporations to improve their CSR performance.³

“Mandatory Corporate Social Responsibility? Legislative Innovation and Judicial Application in China,” 8-9, forthcoming in *American Journal of Corporate Law*,

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3361448

² SASAC, “Guidelines to the State-owned Enterprises Directly under the Central Government,” issued 6 December 2011, http://en.sasac.gov.cn/2011/12/06/c_313.htm; and SASAC, “Guiding Opinions on Better Fulfilling Social Responsibilities of State-owned Enterprises,” issued August 2016,

<http://csr2.mofcom.gov.cn/article/policies/national/sasac/201709/20170902653924.shtml>

See also Lei Wang and Heikki Juslin, “The Impact of Chinese Culture on Corporate Social Responsibility: The Harmony Approach,” *Journal of Business Ethics* 88 (2009): 433–451, pp.436-7. The 2005 amendment to the PRC Company Law included a new provision (Article 5) requiring all registered Chinese corporations to be “socially responsible.” However, this provision has rarely been enforced as it is vaguely worded and there is no corresponding penalty: Jingchen Zhao, *Corporate Social Responsibility*, 79-81, 136-7. In an empirical study of Chinese court judgments, Li-Wen Lin found 169 cases in the ten-year period from 2007 to 2017 that mention “corporate social responsibility,” although only 91 of these expressly cited Article 5 of the *PRC Company Law*, and of these, only four cases explicitly stated that CSR went beyond regular legal compliance. In other words, most courts seem to view Article 5 as supporting a minimal legal compliance view of CSR. Lin, “Mandatory Corporate Social Responsibility?” part III.

³ For a good survey of around 25 local government CSR regulations, see Hao Qin, “Difang zhengfu qiye shehui zeren zhengce fenxi” (Analysis of local government CSR policies), *Zhongguo shichang* vol.11 (2013), pp.721-6.

As a result, the majority of listed Chinese corporations now publish regular CSR reports or discussions of their socially beneficial activities on their corporate websites,⁴ and one survey found that over one hundred thousand Chinese firms have been through some form of CSR certification process.⁵

Despite this official acceptance of CSR concepts in China and the frenetic efforts by Chinese corporations to trumpet their socially and environmentally friendly practices, countless examples of harmful Chinese corporate behaviour continue to emerge, with seriously negative social and environmental consequences. These include unsafe medicines and “health supplements”,⁶ contaminated foods and tainted milk sold widely to Chinese consumers, including infants and children, with large-scale damaging health impacts;⁷ poisonous toys and pet foods exported to the international market;⁸ intellectual property violations on a massive scale, including fake brands,

⁴ Virginia Harper Ho, “Corporate Social Responsibility in China: Law & The Business Case for Strategic CSR,” *South Carolina Journal of International Law & Business* 12.1 (2015): 1-40, p.21.

⁵ Cited in Wang and Juslin, “The Impact of Chinese Culture on Corporate Social Responsibility,” p.437.

⁶ Laurie Chen, “12,000 Chinese blood plasma treatments contaminated with HIV Traces found in batch used for immune deficiencies caused by illnesses including leukaemia, hepatitis and rabies,” *South China Morning Post*, 6 Feb, 2019, <https://www.scmp.com/news/china/society/article/2185178/12000-chinese-blood-plasma-treatments-contaminated-hiv> ;

Phoebe Zhang, “Chinese health product firm Quanjian scandal widens as public anger grows,” *South China Morning Post*, 6 Jan, 2019,

<https://www.scmp.com/news/china/society/article/2180749/chinese-health-product-firm-quanjian-scandal-widens-public-anger>

⁷ “China court upholds death sentences in milk scandal” March 27, 2009

<http://english.people.com.cn/90001/90776/90882/6623525.html>

⁸ Emily Stewart, “China Has a History of Selling Dangerous Products to U.S. Consumers,” *The Street*, Mar 3, 2015, <https://www.thestreet.com/story/13063992/1/china-has-a-history-of-selling-dangerous-products-to-us-consumers.html>

pirated products and theft of proprietary software;⁹ and catastrophic environmental pollution that has degraded China's arable land,¹⁰ swathed hundreds of Chinese cities in dangerous particle-laden smog, and left nearly half of the country's rivers and lakes with water that is unfit even for human contact.¹¹ In some Chinese cities like Beijing, despite rising average incomes and standards of living, this pollution has led to a significant drop of around 15 years in average life expectancy, on average.¹²

Corporate corruption is inseparable from all these harmful practices, allowing them to continue in some cases for decades, until their social consequences become so dire that the central government has to step in and belatedly try to correct the problem.¹³

⁹ United States Trade Representative, "2016 Report to Congress On China's WTO Compliance," (January 2017) 134-9, <https://ustr.gov/sites/default/files/2016-China-Report-to-Congress.pdf>

¹⁰ Daniele Brombal, "Accuracy of Environmental Monitoring in China: Exploring the Influence of Institutional, Political and Ideological Factors", *Sustainability* (2017) 9.324: 1-18, p.6.

¹¹ Sheng Keyi, "China's Poisonous Waterways," *New York Times*, 4 April 2014, <https://www.nytimes.com/2014/04/05/opinion/chinas-poisonous-waterways.html>

¹² See Zachary Boren and Adam Withnall, "Beijing issues smog warning as scientists say pollution 'cuts life expectancy by 15 years'" *The Independent*, 16 January 2014, <https://www.independent.co.uk/news/world/asia/beijing-issues-smog-warning-as-scientists-say-pollution-cuts-life-expectancy-by-15-years-9065204.html>

¹³ To be sure, corporations should not bear sole responsibility for China's pollution problem – the enormous growth in car ownership and continuing use of coal for power generation and heating are other key causes of air pollution. However, the vast majority of *illegal* pollution cases do involve business corporations, generally acting in collusion with corrupt local government officials who are more concerned with short-term economic gains and personal career benefits than the long-term health of the wider Chinese community. See Minxin Pei, *China's Crony Capitalism* (Harvard University Press 2016), pp.231-42.

The nationwide anti-corruption campaign, ongoing for the past six years, may have addressed some of the most egregious cases, but it has also revealed the massive scale of the problem: over two million corrupt Chinese officials investigated and disciplined so far, with hundreds of thousands criminally prosecuted, including hundreds of “tigers” – senior state and military officials – right up to the highest levels of the government and the Chinese Communist Party (CCP).¹⁴

Corporations are inextricably bound up with these corruption cases: numerous senior executives and managers of Chinese state-owned corporate groups have been prosecuted; private entrepreneurs have been tied to recent vote-buying scandals at local people’s congresses; and virtually all cases of official corruption have involved bribes given by corporations for favours, or corporate assistance of corrupt government officials with money-laundering and other illicit financial transactions.¹⁵

Corruption scandals have even engulfed corporations that claim to have rigorous CSR programs. To give just one example, at least sixteen senior executives of the major telecom service provider China Mobile and its subsidiaries have been sentenced to lengthy jail terms since 2009 for taking bribes in

¹⁴ For a recent summary, see William Zheng, “No let-up for corrupt ‘tigers’ in 2018 as China’s graft-busters claim more big scalps,” *South China Morning Post*, 1 January 2019, <https://www.scmp.com/news/china/politics/article/2180294/no-let-corrupt-tigers-2018-chinas-graft-busters-claim-more-big>. For academic analysis, see Hualing Fu, “China’s Striking Anticorruption Adventure: A Political Journey toward the Rule of Law?” ch.10 in Weitseng Chen, ed., *The Beijing Consensus? How China Has Changed Western Ideas of Law and Economic Development* (Cambridge University Press, 2017).

¹⁵ Li Hui, “Inside China’s corruption epidemic: Data survey shows who is taking what,” *Caixin Online*, 8 December 2018, <https://www.caixinglobal.com/2018-12-08/in-chinese-corruption-cases-whos-taking-what-101356912.html>; Choi Chi-yuk, “Behind the NPC vote-buying scandal: how Beijing went on the warpath after its preferred candidates lost,” 4 October 2016, <http://www.scmp.com/news/china/policies-politics/article/2024604/behind-npc-vote-buying-scandal-how-beijing-went-warpath>

return for influencing China Mobile's purchasing decisions or guiding business to favoured suppliers.¹⁶ Amongst other miscreants, Zhang Chunjiang (Deputy Chair of China Mobile Ltd and Vice President/Party Secretary from 2008-9) was given a suspended death sentence in 2011; Lu Xiangdong (Vice President and Director) was sentenced to life imprisonment in 2013; and Xu Long (Executive Director and Chair/Party Secretary of China Mobile's Guangdong Division) was expelled from the Communist Party and prosecuted in 2014 for commercial corruption.¹⁷

There is an incongruous contrast between the apparently comprehensive governance and CSR frameworks of firms like China Mobile and the systemic corruption revealed by ongoing criminal prosecutions of senior executives. Reading the "Corporate Governance Report" from China Mobile Ltd's *2008 Annual Report*, when both Zhang Chunjiang and Lu Xiangdong were directors of the company, we find language such as: we "implemented our corporate social responsibility (CSR) strategy, made major strides in each of our five main CSR programs," ... "conducted a variety of anti-corruption disciplinary activities," and promoted a "corporate culture that emphasizes honesty and integrity."¹⁸ But the company's internal controls apparently failed to spot the enormous bribes being received by Zhang and various other executives, and Lu was not removed as a director until 2012, having received over 25 million yuan in bribes between 2003 and 2011. The investigation that

¹⁶ Jiehua Liao, Yong Chen & Qiaofa Wu, "Unfinished Business: China Mobile's Corruption Woes Roll On," *The Economic Observer* (2 September 2013); Yi Chi, "China Mobile Corruption Scandal Continues to Unfold," *The Economic Observer* (26 April 2013); and Sophie Song, "Two Former China Mobile Ltd Executives Sentenced for \$67 million in Bribes Involving an Acquisition by Australian Firm Telstra Corporation Ltd," *International Business Times* (8 April 2014).

¹⁷ Ibid.

¹⁸ China Mobile Ltd. *2008 Annual Report*, p.42-3, 48.

uncovered the corruption was not carried out by the company itself, but by the Chinese government's National Audit Office.¹⁹

Clearly, China Mobile's case is by no means an isolated one, and the widespread incidence of corporate scandals points to the fact that CSR principles have not yet taken root and become embedded into Chinese corporate culture. For example, one survey of China's three hundred largest business firms found that almost 62% were "bystanders" when it came to implementing CSR – in other words, they did not have any CSR program to speak of – and another 14% had serious gaps in their disclosure of CSR. So around 76% of China's largest firms still fall short when it comes to CSR practices.²⁰ As for small and medium enterprises (SMEs), another survey reported that SMEs in China discharged over 60% of total emissions of industrial pollutants in 2013, but the vast majority of SMEs still fail to invest more than a negligible percentage of their sales revenue in environmental protection measures.²¹

This paper will address these problems by identifying one key reason for the failure of CSR implementation in China, namely, the fact that it is viewed by many Chinese business managers as an externally-imposed foreign concept, one that can be ignored or superficially satisfied by ticking compliance boxes without changing their short-term, profit-maximizing mindset.

We then critique previous scholars' attempts to propose a "Chinese" or "Confucian" approach to CSR. While agreeing that such a culturally informed approach is essential to positively influence

¹⁹ Yi Chi, "China Mobile Corruption Scandal Continues to Unfold."

²⁰ Chen Jiagui, Huang Qunhui, Peng Huagang, and Zhong Hongwu, *Research Report on Corporate Social Responsibility of China* (Berlin, Heidelberg: Springer, 2015), pp.16, 33, 36, 39.

²¹ Survey conducted by the China Council for International Cooperation on Environment and Sustainable Development, cited in Khaled Mohammed Alqahtani and Pingping Song, "Corporate Social Responsibility of Chinese SMEs: Implementation and Challenges," *Studia i Materialy*, 1/2016 (20): 65-79, p.68, available at <https://ideas.repec.org/a/sgm/resrep/v1i20y2016p65-79.html>

corporate behaviour, we argue that the existing literature merely replaces a set of externally-imposed moral rules with an equally inappropriate set of imposed “Confucian” moral rules based on a narrow and misleading interpretation of traditional Chinese philosophy. Instead we present a more holistic approach based on the ecologically and morally resonant philosophy of vital energy (*qi*) developed by Neo-Confucian thinkers.

The fact that this philosophy of *qi* still strongly impacts behavioural decisions made by millions of Chinese people today suggests that incorporating it as the basis for CSR programs will be more effective than a narrow moralistic approach.

Difficulties of Implementing CSR in the Chinese Context

Of course, in every country there are obstacles to implementing CSR, not the least of which is defining what the term CSR actually means.²² Likewise, few jurisdictions have solved the problem of creating effective incentives or legal sanctions to encourage corporations to internalize the costs of acting in the broader community interest. As a result, in many corporations CSR appears to be simply window-dressing.²³

Yet a further complication with implementing CSR in China is ideological: many Chinese corporate managers and employees view CSR as an imported “foreign” idea that cannot be seriously practiced in the current Chinese economic and socio-political context. They may see value in ticking some of

²² For one useful meta survey, which divides the “controversial, complex and unclear” terrain of CSR into four main groups of theories – instrumental, political, integrative and ethical – see Elisabet Garriga and Domènec Mele, “Corporate Social Responsibility Theories: Mapping the Territory,” *Journal of Business Ethics* 53 (2004): 51–71.

²³ Corporate Watch, *What’s Wrong with Corporate Social Responsibility?* Corporate Watch Report 2006, <https://corporatewatch.org/wp-content/uploads/2017/09/CSRreport.pdf>

the CSR boxes in their public image-making, but they do not connect the external requirements of CSR theories to their own personal values or worldview, or the day-to-day decision-making of their corporation.²⁴ It is part of a much broader tendency of larger Chinese corporations to import Western-style corporate governance principles to comply with international investor expectations – especially in their listed subsidiaries – while simultaneously subverting those principles in their day-to-day financial and governance practices.²⁵ The global financial crisis only added to doubts among Chinese executives and government officials about the wisdom of following Western models in regulating and managing their corporations.²⁶

Of course, it is not just the “foreignness” of CSR concepts that prevents their wholehearted acceptance in China. Several studies of Chinese managers’ attitudes towards CSR over the past decade have found that the perceived financial burden and lack of government incentives are also key factors, especially among small and medium-sized enterprises (SMEs) and firms based in poorer Chinese regions. For example, one recent study of over eight hundred larger Chinese firms from various provinces concluded that the main focus of CSR programs was on environmental sustainability, especially energy efficiency, as it helped to reduce costs, but managers’ interest in environmental protection and other CSR initiatives diminished when they believed those measures might reduce profitability.²⁷ The authors also found that interest in CSR was lowest among firms in less-developed regions such as the North-East and Western hinterland due to perceptions of high

²⁴ Ho, “Corporate Social Responsibility in China: Law & The Business Case,” pp.22-3.

²⁵ Colin Hawes and Thomas Chiu, “Flogging a Dead Horse? Why Western-Style Corporate Governance Reform Will Fail in China, and What Should Be Done Instead,” 20.1 *Australian Journal of Corporate Law* (Dec. 2006): 25-54.

²⁶ Jingchen Zhao, *Corporate Social Responsibility*, pp.146-7.

²⁷ Kun Li, Nasrin R. Khalili and Weiquan Cheng, “Corporate Social Responsibility Practices in China: Trends, Context, and Impact on Company Performance,” *Sustainability* 11,354 (2019), pp.1, 14,

implementation costs.²⁸ Another study of SMEs concluded that the absence of economic incentives was one of the strongest barriers preventing Chinese SME managers from adopting environmentally cleaner production practices.²⁹ Finally, a survey of SME managers from Guangdong Province found that the lack of capital and available resources was the main reason given for failing to adopt CSR practices beyond mere compliance with the law.³⁰ Interestingly, however, most firms that had adopted CSR practices reported positive impacts on their business, including attracting more consumers and long-term profitability, which suggests that the prior perceptions of managers about the costs of CSR may be incorrect.³¹ The fact that SMEs now comprise 98% of Chinese business firms and provide 85% of China's total non-agricultural employment means that it is particularly important to transform these negative attitudes of SME managers towards CSR.³²

To obtain buy-in and implementation of CSR practices by Chinese corporate owners, managers and employees, it is essential, first, to present CSR in terms that are meaningful and convincing within the Chinese cultural and social context, and second, to demonstrate that CSR practices will benefit, rather than jeopardize, the interests of the majority of corporate stakeholders within that context.

In China, this means that true acceptance of CSR may only occur if the underlying principles are explained using concepts and values that have become part of the Chinese cultural lexicon or socio-

²⁸ Ibid. p.12.

²⁹ H. Shi, S.Z. Peng, Y. Liu, and P. Zhong, "Barriers to the implementation of cleaner production in Chinese SMEs: government, industry and expert stakeholders' perspectives," *Journal of Cleaner Production* 16 (2008): 842-52, p.847.

³⁰ Alqahtani and Song, "Corporate Social Responsibility of Chinese SMEs," p.72. This study also found that those SMEs that provided products for international buyers were more likely to adopt higher-level CSR practices in order to meet the demands from their customers.

³¹ Ibid. p.74.

³² For these statistics on SMEs in China, see *ibid.* p.68.

mental toolkit.³³ In particular, the concepts of “vital energy” (*qi*) and “patterned structure” (*li*) within an organically-integrated moral cosmos (*dao*) provide a fertile ground for a Chinese theory of CSR that integrates both traditional philosophy and contemporary scientific developments.

If CSR principles are integrated in this way with deep-seated Chinese values and worldviews that still resonate in the contemporary world, it is much more likely that they will exert a real and positive impact on corporate behaviour from the inside out, especially if they are reinforced by clear legal obligations and market incentives.³⁴ CSR will no longer be viewed as a “foreign” or externally-imposed concept but rather as the normal behaviour of a good Chinese (corporate) citizen rationally seeking its own sustainability and well-being.

Certainly, other scholars and business commentators have proposed “Chinese” or “Confucian” approaches to CSR, and we do not claim that this idea is original in itself. However, previous proposals share some major defects that would prevent them from broad acceptance by Chinese corporate managers.

Previous Attempts to Create a Chinese CSR Theory: A Critique

We can group the problems with previous “Chinese” CSR theories into several main categories: (1) A failure to base the theory on reliable sources by experts in Chinese culture or philosophy; (2) Lack of awareness of the diversity of Chinese cultural values and the complexities of Confucianism; (3) Inappropriate attempts to shoe-horn “Confucian family values” into a contemporary corporate environment; (4) Neglecting the influence of materialistic Chinese and foreign worldviews that

³³ Paul DiMaggio, “Culture and Cognition,” *Annual Review of Sociology* 23 (1997): 263–87, pp.267-8

³⁴ Ho, “Corporate Social Responsibility in China: Law & The Business Case,” p.24; Doreen McBarnet, “Corporate Social Responsibility Beyond Law, Through Law, For Law,” Edinburgh University School of Law, Working Paper Series 2009/3.

strongly influence Chinese peoples' behaviour today; (5) No convincing explanation as to why contemporary Chinese managers would embrace traditional Chinese or Confucian values.

Analysing these problems in more detail will help to throw into relief what an effective Chinese CSR theory should look like.

1: Failure to base theories on reliable sources by experts in Chinese culture or philosophy

Surprisingly, much of the literature on "traditional Chinese" or "Confucian" thought in English-language business and management journals does not cite widely available primary texts and secondary sources by scholars who specialize in Chinese philosophy and religion. Some studies do include a few isolated quotations from the Confucian *Analects* or Daoist texts like the *Daodejing* and *Zhuangzi*, but frequently without proper citations or reference to reliable translations.³⁵ Others seem to assume that traditional Chinese ideas can be grasped without venturing beyond their own discipline: they cite previous articles from business and management journals, which themselves may lack proper sources, but ignore the wealth of scholarship by experts in the field.

For example, Low and Liong, in an article published in *Asian Journal of Business Research* entitled "Confucian Leadership and Corporate Social Responsibility (CSR), The Way Forward," quote frequently from the Confucian *Analects*, but apart from that, no other traditional Confucian thinkers are cited, and it's not clear which of the numerous Chinese texts or English versions of the *Analects*

³⁵ There are many reliable English translations of these texts by scholars. Those by Burton Watson and D.C. Lau are especially good for combining readability with reliability. See Confucius, D.C. Lau trans., *The Analects* (Hong Kong: Chinese University Press 1992); Laozi [Lao Tzu], D.C. Lau, trans., *Tao Te Ching* (New York: Penguin Books 1963); Burton Watson, *The Analects of Confucius* (New York: Columbia University Press 2007); and Burton Watson, *The Complete Works of Zhuangzi* (New York: Columbia University Press 2013). The Chinese University Press editions of D.C. Lau's translations conveniently include parallel Chinese texts.

they are using.³⁶ Wang and Juslin, in an article in the *Journal of Business Ethics* entitled “The Impact of Chinese Culture on Corporate Social Responsibility: The Harmony Approach,” cite numerous sources from the management literature, but their traditional Chinese sources are again limited to the Confucian *Analects* and a very brief mention of two Daoist texts.³⁷ James Weber, writing in *Business and Society Review*, does briefly cite two reputable studies of Neo-Confucianism, but his account of Confucianism is again narrowly focused on a handful of moral terms. In places, he paraphrases what he claims are sayings of Confucius, but it is not clear where they came from. The following is a typical example, where “Confucius” is transformed into a kind of business guru:³⁸

Confucius framed his philosophy with a series of anecdotes or maxims that could easily be understood as the basis for a business ethic and often have parallels in business and other religions, such as: ... Do not wish for quick results, nor look for small advantages. If you seek quick results, you will not attain the ultimate goal. (This could be considered contrary to the quarterly performance bias found in many publicly held businesses). Nobler persons first practice what they preach and afterwards preach according to their practice. (Similar to the

³⁶ Patrick Kim Cheng Low and Ang Sik Liong, “Confucian Leadership and Corporate Social Responsibility (CSR), The Way Forward,” *Asian Journal of Business Research* 2.1 (2012): 85-108. Low has published numerous other articles applying Confucian principles to business, but they share the same defect of insufficient citation of Confucian texts or studies by experts in the field. For example, his entry on “Confucian Business Ethics” in the *Encyclopedia of CSR* does mention two other classical Confucian texts apart from the *Analects*, namely the *Book of Mencius* and the *Great Learning*, but without giving proper citations to these texts or making clear that they were not written by Confucius. There is no hint that Confucianism developed and changed enormously in the 2500 years since Confucius lived: see Samuel O. Idowu, Nicholas Capaldi, Liangrong Zu, and Ananda Das Gupta, *Encyclopedia of Corporate Social Responsibility* (New York: Springer, 2013) pp.437-443.

³⁷ Wang and Juslin, “The Impact of Chinese Culture on Corporate Social Responsibility.”

³⁸ James Weber, “Using Exemplary Business Practices to Identify Buddhist and Confucian Ethical Value Systems,” *Business and Society Review* 114.4 (2009): 511–540, p.522.

“walk the talk” and “actions speak louder than words” axioms preached to executives). Wealth and rank are what people desire, but unless they be obtained in the right way they may not be possessed.

At some point, a paraphrase becomes so different from the original that one wonders if it is really Confucian at all, especially if no citations are provided.³⁹

Reading several of these kinds of business review articles, one gets a sense of déjà vu, as they tend to cite each other to support their interpretations of Confucian ideas without apparently realizing the shaky foundations of their sources. Miles and Goo, for example, cite both Weber and Wang & Juslin in support of their claim that “Confucian values ... can help companies fulfil their corporate social responsibilities, because Confucian values require directors to think about the well-being of all people.”⁴⁰ The only Confucian specialist they cite in their article is the work of the great modern scholar Tu Wei-ming. Yet inexplicably, they mention only his books on Japan and South-East Asia and

³⁹ As far as we can tell, the Confucian “maxims” cited here are the following, from the Analects: “The Master said, ‘Do not be impatient. Do not see only petty gains. If you are impatient, you will not reach your goal. If you see only petty gains, the great tasks will not be accomplished’” (Lau, *Analects* XIII.17); “The Master said, ‘The mark of the benevolent man is that one is reluctant to speak. ... When it is difficult to act, is it any wonder that one is loath to speak?’” (Lau, *Analects* XII.3), or possibly, “The Master said, ‘In antiquity people were loath to speak. This was because they counted it shameful if their person failed to keep up with their words.’” (Lau, *Analects* IV.22); and finally, “The Master said, ‘Wealth and high station are what people desire but unless I got them in the right way, I would not keep them.’” (Lau, *Analects* IV.5).

⁴⁰ Lilian Miles and S. H. Goo, “Corporate Governance in Asian Countries: Has Confucianism Anything to Offer?” *Business and Society Review* 118.1 (2013): 23-45, pp.33-4. The authors also include a few quotations from the *Analects*, but without indicating which text or translation they used.

ignore his most important work on the major developments in Chinese Confucianism after the Song Dynasty, which is highly relevant to modern ecological concerns, as we explain below.⁴¹

Miles and Goo's shaky grasp of Chinese thought is revealed in their statement that "Confucius' main legacy consists of a collection of texts that he edited and promoted" including "his Four Books (The Analects of Confucius, The Mencius, The Great Learning, and The Doctrine of the Golden Mean)."⁴²

Confucius (551-479BC) could not have edited or promoted the book of Mencius, or Mengzi (c.372-289BC), as Confucius died a century before Mencius was born! It was the Neo-Confucians of the Song Dynasty, especially Zhu Xi (1130-1200), who edited and promoted these four ancient books along with the *Classic of Changes (Yijing)* as part of their project to reinterpret Confucianism as an ecologically embedded worldview based on vital energy (*qi*), and thereby make it more meaningful to people of their time.⁴³

⁴¹ See Miles and Goo, "Corporate Governance in Asian Countries," p.44. The works by Tu on Chinese Confucianism that they fail to cite are: Tu Wei-ming, *Neo-Confucian Thought in Action: Wang Yang-Ming's Youth (1472-1509)* (Berkeley: University of California Press 1976); Tu Weiming, *Humanity and Self-Cultivation: Essays in Confucian Thought* (Berkeley: Asian Humanities Press, 1979); Tu Wei-ming, *Confucian Thought: Selfhood as Creative Transformation* (Albany N.Y.: State University of New York 1985).

⁴² Miles and Goo, "Corporate Governance in Asian Countries," p.41 n.9.

⁴³ Mary Evelyn Tucker, "The Philosophy of Ch'i as an Ecological Cosmology," in Tucker and John Berthrong, *Confucianism and Ecology* (Harvard University Press, 1998): 187-207, esp. pp.188-90; Xinzhong Yao, *An Introduction to Confucianism* (Cambridge University Press 2000), p.97; Ian Johnston and Ping Wang, *Daxue and Zhongyong* (Chinese University of Hong Kong Press, 2012), p.1; Mengzi (Mencius), trans., D.C. Lau, *Mencius* (Hong Kong: Chinese University Press 2003); and for a convenient one-volume translation of the Four Books, see David Hinton, *The Four Chinese Classics: Tao Te Ching, Chuang Tzu, Analects, Mencius* (Berkeley, California: Counterpoint, 2013).

More seriously, beyond simple historical errors, the lack of reference to experts on Chinese thought leads these business scholars to make over-simplified, superficial and misleading interpretations of a highly complex, sophisticated, and dynamically evolving intellectual tradition.

2: Superficial interpretations of Confucianism and “Chinese” cultural values

There are several ways in which a superficial understanding of traditional Chinese thought has prevented previous scholars from identifying its true creative potential as a spiritual/philosophical foundation for corporate social responsibility. We will focus on Confucianism in the next two sections, and then introduce other influential streams of thought in section 4 below.

(a) Narrow Moralistic Focus, neglecting broader ecological concerns

Many of these “Chinese theories” of CSR or business ethics focus on Confucianism, sometimes with a brief mention of Daoism or Buddhism to supplement. They generally introduce five or more core “Confucian moral values” – humanity, righteousness, propriety, integrity, etc. – yet they ignore the fact that Confucianism evolved and changed over the centuries, incorporating cosmological elements from Daoism (in the Han dynasty) and meditative self-cultivation practices influenced by Buddhism (in the Song dynasty with Neo-Confucianism), to give just two examples. This evolution greatly enriched Confucian thought, transcending the rather dull moral and political focus of its originators and linking individuals to the living, breathing cosmos through their vital energy (*qi*), shared with all other creatures and objects between heaven and earth.⁴⁴

⁴⁴ Xinzhong Yao, *An Introduction to Confucianism*, pp.83-5, 97-8. For some representative examples of Song Dynasty Neo-Confucian thought, see Zhu Xi (1130-1200) and Lu Zuqian (1137-1181), *Jinsi lu*; translated by Wing-tsit Chan, *Reflections on Things at Hand: The Neo-Confucian Anthology* (New York: Columbia University Press 1967).

(b) Ignoring the Diversity of Views within Confucian Tradition

Previous accounts also neglect the major disagreements between traditional Confucian thinkers in different schools or at different historical periods. For example, some Confucians believed that human beings are fundamentally good-natured, whereas others concluded we are selfish, and still others that we are neither good nor bad. These differences led to contrasting views about whether human beings can simply follow their own inner voices when deciding how to behave (so-called self-cultivation), or they need strict education and moral training by qualified masters to avoid succumbing to their selfish and evil tendencies.⁴⁵

Another key disagreement was between those Confucians who believed that meditation, or “quiet sitting,” was a crucial part of cultivating the mind of a sage and those who dismissed such airy fairy “Buddhist” practices as irrelevant, preferring to focus on “rituals” instead: correct dress, respectful behaviour, polite speech, and family ancestor worship.⁴⁶

Each iteration of Confucianism modified previous interpretations to respond to current sociocultural and psychological trends, while claiming to be more authentic than its predecessors.

What this means is that any attempt to apply Confucianism to contemporary business practices must also be selective, and its choice of Confucian values must resonate with contemporary scientific, psychological and social practices in order to be effective, as we argue further below.

⁴⁵ Xinzhong Yao, *An Introduction to Confucianism*, ch.2.

⁴⁶ Stephen C. Angle and Justin Tiwald, *Neo-Confucianism: A Philosophical Introduction* (Cambridge, UK: Polity Press 2017), pp.140-3, 145-51. “Quiet sitting” was favoured by Song dynasty thinkers like Zhu Xi, Cheng Yi (1033-1107) and Cheng Hao (1032-85) as an adjunct to learning the daily rituals of human interaction; whereas thinkers who gave total primacy to rituals, like Sun Fu (992-1057) and Ling Tingkan (1757-1809) viewed quiet sitting as a harmful Buddhist practice. However, most mainstream Neo-Confucian thinkers saw it as one indispensable way of learning about one’s original nature (*xing*).

(c) Ignoring Anti-Mercantile Tendencies in Classical Confucianism

A further inconvenient fact about Confucianism glossed over by most business scholars is that for much of its history, Confucian thinkers showed great disdain for what they called “merchants,” in other words, anyone focused on making a profit. As the *Analects* put it: “The Master said: ‘If profit guides your actions, there will be no end of resentment’”.⁴⁷ Likewise, the *Book of Mencius* begins with this exchange between Mencius and King Hui of Liang:⁴⁸

“Don’t talk about profit,” said Mencius. “It’s Humanity and Duty that matter. Emperors say ‘How can I profit my nation?’ Lords say ‘How can I profit my house?’ And everyone else says ‘How can I profit myself?’ Then everyone high and low is scrambling for profit, pitching the nation into grave danger. ... Just talk about Humanity and Duty, and leave it at that. Don’t talk about profit.”

It is true that in the late Imperial period, especially the Qing Dynasty (1644-1911), some progressive Confucian thinkers recognized the importance of private commerce and trade in providing necessary goods and services to a rapidly expanding national population, and suggested moving merchants from the lowest rungs of Confucian social status (below peasants and artisans) up to second place – though still below Confucian scholar-officials, of course.⁴⁹

During the same period, the rich and influential clan-based traders of Anhui and Jiangsu (the Huizhou region) and Shanxi began to refer to themselves as “Confucian merchants” (*ru shang*). They made a conscious effort to incorporate Confucian values such as “right behaviour,” “propriety,”

⁴⁷ David Hinton, *The Four Chinese Classics*, p.253; Yang Shuda, ed., *Lunyu shuzheng* (Shanghai: Guji chubanshe 1986), p.98; Lau, *Analects* IV.12.

⁴⁸ Hinton, *The Four Chinese Classics*, p.396; Lau, *Mencius* I.A.1

⁴⁹ Richard John Lufano, *Honorable Merchants: Commerce and Self-Cultivation in Late Imperial China* (Honolulu: University of Hawai'i Press, 1997), pp.44-5.

“integrity” and “reciprocity” into their commercial practices.⁵⁰ In published business manuals, they justified these Confucian values on several grounds, not dissimilar from the more recent attempts to provide a business case for CSR: it was good for their reputations as trustworthy business partners, and beneficial for the long-term sustainability of their firms; it improved relationships with customers, especially those of higher social status and wealth; and the discipline and mental focus required for Confucian self-cultivation meant they were less likely to be tempted by common merchant vices of gambling, whoring and opium smoking, or cheated by con men.⁵¹

While keen to appropriate Confucian values to guide their behaviour, these Qing Dynasty merchants also adapted their meaning to ensure that their business interests were not harmed. For example, Lufrano cites a Qing business manual explaining how Confucian values such as honesty/integrity could not be inflexibly applied to business negotiations:⁵²

The good merchant never quoted the actual price at the outset but instead began negotiating with a price roughly 30 percent higher. The author points out that even if the shopkeeper were to sell his goods at cost, the customer would still try and bargain him down. ... Thus the tradesman was again forced by circumstances to deviate from the path of the gentleman and behave slightly dishonestly.

Besides these interesting modifications of Confucian morality, merchants showed no interest in the broader ecological aspects of Neo-Confucian thought. In China’s pre-industrial society there was no clear conception of the harmful impacts that manufacturing, resource extraction and transportation businesses might have on the environment, or the need for businesses to be environmentally

⁵⁰ Lufrano, *Honorable Merchants*, pp.42-4, 49, 52-5.

⁵¹ Lufrano, *Honorable Merchants*, pp.62-5.

⁵² Lufrano, *Honorable Merchants*, p.127.

sustainable.⁵³ This means that, while interesting as a practical adaptation of Confucian ideas to the business context, the approach of Qing dynasty Confucian merchants would be too narrow to apply to the contemporary world, where ecological concerns can no longer be brushed under the carpet.

To summarize, Confucianism was a highly complex and continuously evolving thought system adapted by different groups of thinkers and merchants over the centuries to promote their own world views. Through this constant evolution and pragmatic adaptation, Confucianism was able to keep up with the times and maintain its relevance, at least until the collapse of the imperial system in the early 20th century.

Due to this complexity, any contemporary theory of CSR that draws on Confucian ideas must also be selective, drawing on those aspects of Confucianism that still resonate powerfully in the totally transformed, post-industrial Chinese society of today, and putting aside those that are no longer relevant.

At the same time, this selective approach must not entirely throw out the Confucian baby with the bathwater, which is a third major problem with previous scholars' attempts to apply "Confucian values" to contemporary business management.

3: Forcibly shoe-horning "Confucian family values" into a contemporary corporate environment.

Several studies note the importance of ordered human relationships in Confucianism, especially the "five relationships" (*wu lun*) of ruler-subject, parent-child, husband-wife, elder-younger brother, and

⁵³ Robert P. Weller and Peter K. Bol, "From Heaven-and-Earth to Nature: Chinese Concepts of the Environment and Their Influence on Policy Implementation," in Tucker and Berthrong, *Confucianism and Ecology*, 313-41, pp.336-7.

friend-friend.⁵⁴ In these relationships, the family was clearly central, and respectful love for parents (*xiao*) was fundamental.⁵⁵ This is because the parent-child nexus provided the earliest training in proper behaviour for children, and once internalized, respect and affection could then be extended to all other relationships.⁵⁶

Yet Confucians disagreed with those who advocated “universal love” or “boundless compassion for all living creatures,” such as Buddhists and Mohists. For Confucians, there should always be an appropriate gradation of affection, with the highest and most natural love reserved for one’s parents, followed by other close family members, and lessening (though still maintaining humaneness) as one moves further from the family circle.⁵⁷

For Confucians, it would be totally inappropriate to treat work colleagues with the same affection as one’s own family, and immoral for a son to neglect his parents for the sake of his own work or career.⁵⁸

⁵⁴ Wang and Juslin, “The Impact of Chinese Culture on Corporate Social Responsibility,” p.441; Miles and Goo, “Corporate Governance in Asian Countries,” pp. 31-3.

⁵⁵ Tu Wei-ming, *Confucian Thought: Selfhood as Creative Transformation*, pp.123-4, 138-9.

⁵⁶ Tu Wei-ming, *Confucian Thought: Selfhood as Creative Transformation*, pp.138-9. This idea of extending outwards from one’s closest family relationships has its origin with Mencius: see Lau, *Mencius* I.A.7, II.A.6, IV.B.19, VI.A.8.

⁵⁷ Feng Youlan, *A Short History of Chinese Philosophy* (New York: Macmillan; Free Press, 1948), pp.70-2, referencing *Mencius* VII.A.45 and 1.A.7; cf. Angle & Tiwald, *Neo-Confucianism: A Philosophical Introduction*, p. 159.

⁵⁸ In fact, during imperial times, officials whose fathers died were automatically granted a lengthy leave period to engage in mourning rituals. This period was traditionally referred to as “three years of mourning,” although the time varied depending on one’s social status, and generally would be shorter than this: see Patricia Buckley Ebrey, trans., *Chu Hsi’s Family Rituals* (Princeton University Press 1991), pp.xxiii and 142.

Attempts by business scholars to “adapt” Confucian relationships to contemporary business management often ignore this distinction completely. A particularly ambitious effort is made by Wang and Juslin in their table of proposed correspondences:⁵⁹

The five Confucian relationships	Modern business relationship
The ruler and subordinate relation	The relation between governmental administration, NGOs and company
The father and son relation	The relation between customers and company
The husband and wife relation	The relation between company and employees
The elder brother and younger brother relation	The relation between managers and ordinary employees
The friend and friend relation	The relation between company and business partners (supplier, distributor, etc.)

Apart from the fact that some of these parallels are ludicrous – such as comparing the company-employee relationship with the husband-wife relationship – the truly fatal flaw with this method is that it replaces real families with fictional corporate families. This causes major tension between employees’ duty to the corporation/managers/customers and the fundamental Confucian value of giving top priority to their real families.

In other words, this re-mapping of relationships distorts the core Confucian values so much that it can no longer be called Confucian in any recognizable shape or form.

⁵⁹ Wang and Juslin, “The Impact of Chinese Culture on Corporate Social Responsibility,” p.441.

Wang and Juslin make this displacement of the real family explicit when summing up their approach to CSR: "Following the Confucian concept of family, Chinese enterprises often try to ... deliver messages to their employees such as: You are a family member of the big "family", the enterprise; your greatest responsibility should be to serve the "family" and contribute to "family" development."⁶⁰

It is true that some contemporary Chinese business firms have publicly praised "dedication" to the "greater corporate family" over and above employees' "small families". China Datang Corporation, a major power provider, posted a series of articles on its website describing its star employees. One of these, entitled "Late Carnations," praises Pu Minghai, the deputy production manager of a power generating subsidiary, for working so hard to prepare for the corporation's "safe production month" in mid-2004 that he regularly stayed up till three or four a.m. to finish things off in the office. Not only that, he was so busy during this period that he couldn't go back to his parents' rural home to visit them, even after receiving a message that his mother was at death's door and "she would really like to see you if you are not too busy ..." By the time he finally makes it back home, his mother is already dead and buried, so he leaves the Mother's Day carnations that he brought for her on her grave instead. His father dies of grief three days later. But does that stop Pu Minghai from returning to work straightaway? No! Because, as he puts it: "I can never let my own personal problems get in the way of the Corporation's important business. My parents would certainly have understood this."⁶¹

An editorial comment on this piece clearly states the moral:⁶²

⁶⁰ Wang and Juslin, "The Impact of Chinese Culture on Corporate Social Responsibility," p.442.

⁶¹ M. Qiao, "Chilai de kangnaixin" (Late carnations), cited in Colin Hawes, *The Chinese Transformation of Corporate Culture* (Abingdon: Routledge, 2012), p.79.

⁶² *Ibid.*, 79-80.

Putting aside one's small family [i.e. one's blood relations] for the sake of the greater family [the Corporation] is the spiritual essence of Datang employees. It is only because there are innumerable other Datang employees like Pu Minghai, who are willing to offer their spirits wholeheartedly [to the Corporation], that ... we have ignited the hope of breaking into the top five hundred corporations in the world!

As if to try and top this, a further piece posted two days later describes one Ye Liming, a female supervisor at Datang's Huainan Tianjia'an Power Station. During a particularly busy maintenance session, Ye leaves her five-year old daughter sleeping alone at home while she does the night shift for several nights in a row (her husband is also working night shifts). When her remarkably sensible daughter calls to say she is sick, Ye tells the daughter to "try and find some medicine yourself, and put up with it a bit longer." The next day, when Ye is still at work, having "forgotten about her sick daughter at home" because she is so busy, her mother calls to say that the daughter is now in the hospital diagnosed with a serious case of pneumonia. The daughter had realized that Ye had no time to take her to the doctor, so she called her grandmother instead, and finally got some medical attention. But even then, Ye needs to stay at work to test all the generators, so she tells her daughter to stay with her grandmother until all the repairs are completed. The editorial concludes: "We should all admire this devotion to the job and to the workplace family. It is millions of outstanding employees like Ye Liming, sacrificing their 'small families' for the good of the 'greater family,' who make Datang's business so dazzling and glorious!"⁶³

Of course, the main purpose of all this self-sacrifice (or family and child sacrifice) is to increase the corporation's profits. Yet these kinds of stories rarely make it clear exactly how corporate profits translate into increased rewards for the individual employees. The main focus appears to be on

⁶³ Z. Zheng, "Mama, ni zaodian huilai!" (Mum, come back home soon!), cited in *ibid.*, 80.

creating a sense of urgency or constant crisis, so that employees are willing to sacrifice their individual interests for the sake of the collectivity.

Placing the collective needs of the workplace before one's family is actually a common Communist trope – a sign that one has transcended bourgeois concern for selfish private gain. It also occurs regularly among those who wish to get ahead in a contemporary capitalist business environment. But to call it Confucian would be extremely misleading: a true Confucian would view such family-denying behaviour as uncivilized and inhumane, a sign of serious social decay.

Any truly Confucian-influenced theory of CSR would seek to minimize tensions between work and family duties, not push those tensions to breaking point.

4: Lack of awareness of other Chinese worldviews that strongly influence behaviour today

We noted that Neo-Confucian thinkers incorporated aspects of Daoist and Buddhist philosophy to expand Confucianism beyond a purely moral and political focus. Yet these two streams of thought independently influenced the Chinese socio-mental universe in other important ways too.

(a) Daoist influences

Daoist thinkers and religious practitioners, for example, strongly promoted the idea of physical and mental balance, in other words, holistic well-being; and a keen awareness and reverence for the complex natural cycles of growth and decay (yin and yang) occurring at both macroscopic and microscopic levels. Human beings are simply one small part of this cosmic natural dance (or *Dao*), and if we wish to prolong our lives and avoid internal and external tension, we must learn to go with

the flow of the natural order.⁶⁴ Nature is also understood as an interconnected web, so if we pollute the environment it will threaten the health of the whole natural-human ecosystem.⁶⁵

Daoists frequently pointed to nature as a model or guide for human virtues. Water was a key image used to describe the power of quiet persistence, generosity, spiritual vision and integrity.⁶⁶ And getting in touch with heaven/nature (*tian*) was the only way (*dao*) to attain true humanity and engage in right behaviour.⁶⁷

The Daoist vision of human smallness in the face of eternal natural cycles balances the recurring Confucian tendency to prioritize formal social rituals, reminds us of the inseparable bond between society and environment, and inspires the creative spontaneity that comes from contemplating nature within and around us. These aspects should be an essential part of any ecologically-informed Chinese theory of CSR.

⁶⁴ Livia Kohn, *Daoism and Chinese Culture* (St Petersburg, FL: Three Pines Press), pp.21-3; Diane Dreher, *The Tao of Inner Peace* (Plume, 2000); and Norman J. Girardot, James Miller, and Liu Xiaogan, *Daoism and Ecology: Ways within a Cosmic Landscape* (Harvard University Press 2001), part II. As with Confucianism, there were contradictions within Daoism too, with some practitioners believing that they could prolong their lives indefinitely (transform into immortals) through imbibing rare herb concoctions or chemical potions (Kohn, *Daoism and Chinese Culture*, ch3). Interestingly, Daoist alchemical experiments led to some important Chinese scientific advances in the fields of chemistry and biology: Joseph Needham, *Science and Civilization in China*, vol. 2 (Cambridge University Press, 1956), pp.437-43. Wang and Juslin, "The Impact of Chinese Culture on Corporate Social Responsibility," p.444-5, do briefly discuss Daoism, but their account is highly reductive, basically coming down to advocating 'harmony,' which conveniently fit with the 'harmonious society' campaign of Hu Jintao, China's president when their paper was published.

⁶⁵ Girardot et al, *Daoism and Ecology*, part IV.

⁶⁶ Derek Lin, *Tao Te Ching: Annotated and Explained* (Skylight Paths, 2006), pp.16-17. Lau, *Tao Te Ching*, 1.VIII.

⁶⁷ Karyn Lai, *An Introduction to Chinese Philosophy* (Cambridge University Press, 2008), p.95.

(b) Buddhist influences

Buddhism spread from India in the Han Dynasty (206BC-220AD) and was thoroughly embedded and integrated into Chinese society by the Tang Dynasty (618-907).⁶⁸ Besides its spiritual practices, like meditation and yoga, which are increasingly popular in China today despite being suppressed during the high Communist period (1949-77), the Buddhist ideas of karma and compassion and their corollaries of building up merit through good deeds and financial donations have strongly influenced the worldview and behaviour of numerous Chinese business people, politicians and ordinary citizens.⁶⁹ These ideas have obvious relevance for CSR, especially in the area of corporate philanthropy.

Clearly, there are contradictions between various Chinese streams of thought that cannot be reconciled into a single set of principles for ethical behaviour. Through Buddhist meditation, for example, one gains awareness of the non-duality of all things in the universe, dissolving the arbitrary distinction between self and other, which should lead one to treat all living creatures with equal compassion.⁷⁰ This goes against the Confucian emphasis on family, and not surprisingly, Neo-Confucian thinkers strongly criticized Buddhists for encouraging believers to abandon their parents, leaving human society and becoming monks or nuns.⁷¹

⁶⁸ Heinrich Dumoulin, *Zen Buddhism: A History, India and China* (New York & London: Macmillan 1988), 64-8; Kenneth K.S. Ch'en, *The Chinese Transformation of Buddhism* (Princeton University Press 1973).

⁶⁹ Laliberté, André, "Buddhist Revival under State Watch" *Journal of Current Chinese Affairs* 40.2 (2011) 107-134.

⁷⁰ Dumoulin, *Zen Buddhism*, p.31.

⁷¹ Angle & Tiwald, *Neo-Confucianism: A Philosophical Introduction*, pp.158-9; and *Jinsi lu*, ch.XIII (Chan pp.280-88).

The majority of Chinese Buddhists found a compromise, however, perhaps influenced by the ancient Chinese concept of the “middle way” or “mean” (*zhong yong zhi dao*). They became “lay Buddhists”, visiting temples regularly to pray, meditate and hear sermons, yet without giving up their regular productive livelihoods to become monks/nuns or neglecting their Confucian duty to their families.⁷²

This concept of the “middle way” as a method of resolving contradictions and avoiding the harm caused by extremism reappears throughout the history of Chinese philosophy and religion in both Confucianism and Buddhism.⁷³ As we note further below, it would be an essential element in any Chinese theory of CSR.

The other element that gave Buddhism broad appeal was its ability to adjust its teachings and practices to the differing levels of its audience. Beginners and less educated believers were given simple mantras to recite and encouraged to pray to various compassionate Buddhist deities such as Guanyin, Goddess of Mercy, whereas educated elites or advanced practitioners were engaged with philosophical discussions on the illusory nature of objective reality and paradoxical sayings (*gong’an* or koans) to meditate on, breaking down their attachment to an impermanent individual self-consciousness and to any religious icons.⁷⁴

This kind of adaptive teaching method would be highly useful in spreading Chinese CSR principles throughout a diverse corporation with differing levels of employee education and responsibility.

(c) Influence of Naked Self-Interest

⁷² Ch’en, *The Chinese Transformation of Buddhism*, pp.18, 240-55, 286.

⁷³ Feng Youlan, *A Short History of Chinese Philosophy*, pp.72-4; Dumoulin, *Zen Buddhism*, pp.68-71.

⁷⁴ Dumoulin, *Zen Buddhism*, pp.252-6; Ch’en, *The Chinese Transformation of Buddhism*, pp.6-8.

Apart from these orthodox philosophical and religious traditions, a number of other traditional and modern ideas have impacted the Chinese socio-mental universe in both positive and negative ways, and cannot be ignored when formulating a Chinese theory of CSR.

Some early Chinese schools of thought, such as the legalists and military strategists, promoted a utilitarian, self-serving, and arguably amoral, worldview. Meting out rewards, and more commonly harsh punishments, was the best way to govern people, and defeating one's enemies and competitors required a wide range of cunning and deceptive strategies. This strategic worldview has strongly influenced the behaviour of numerous Chinese businesses faced with fierce domestic and international competition in recent decades. Many Chinese executives quote from Sunzi's *Art of War* or the *Thirty-Six Strategies* and treat their business environment as a battlefield. Morality is only applied when it produces a clear material benefit.⁷⁵

To be convincing, a Chinese theory of CSR must provide a compelling argument to challenge this kind of naked amoral utilitarianism.

(d) Capitalist and Socialist Influences

In the modern period, especially since the 19th century, China has willingly embraced or reluctantly accepted various Western ideologies, and we should not assume that the Chinese socio-mental universe has remained static and totally discrete from these foreign influences. Just as certain

⁷⁵ Brahm, Laurence J., *Doing Business in China: The Sun Tzu Way* (Boston, Mass.: Tuttle Publishing, 2004); Rena Hanxi He, Nian Liu, Joe Jiang Xing, translated by Celine Tng, *36 Stratagems for Investors: Timeless Financial Wisdom from a Chinese Classic* (Singapore: John Wiley & Sons, 2009); George T. Haley, Usha C.V. Haley, and Chin Tiong Tan, *The Chinese Tao of Business: The Logic of Successful Business Strategy* (Singapore: John Wiley & Sons [Asia] 2004). Classic Chinese legalist and military strategy texts include *Han Feizi*; *Sunzi bingfa*; and *Sanshiliu ji*. See *Han Feizi Jiao Zhu* (Nanjing: Jiangsu ren min chu ban she 1982); Yang Shanqun, *Sunzi Bingfa Jianshang Ci Dian* (Shanghai: Cishu chubanshe 2012); and Li, Bingyan, *San shi liu ji xin bian* (Beijing: Xin hua shu dian, 1981).

Buddhist concepts and practices were previously integrated into Chinese society and strongly influenced the Chinese psyche, so during the 20th century, Communist and capitalist ideologies struggled for ascendancy and they are currently combined in an incongruous ideological melange called “socialism with Chinese characteristics for a new era.”⁷⁶

These imported “foreign” ideologies, now well rooted in China, have influenced the mindset of Chinese people, including business entrepreneurs, in both positive and negative ways that are highly relevant for CSR. On the positive front, successive Communist governments have stressed the importance of educating not just elites but the ordinary “masses” of working people too, and Chinese state-owned enterprises (SOEs) have been expected to play a role in providing educational opportunities for all employees to better their status and raise their “cultural” level. Larger private firms have followed suit, introducing “corporate culture” programs that provide a variety of vocational and cultural/social activities to improve their workforce’s quality of life.⁷⁷

On the negative side, excessive central planning and government interference in decision-making by SOEs, combined with too easy access to finance, has led to inefficiency, lack of market awareness, and corruption.⁷⁸

Most small and medium-sized private firms, by contrast, have embraced capitalism in its most naked form. Facing discrimination in obtaining basic finance including bank loans, they must maximize their

⁷⁶ BBC Monitoring, “His own words: The 14 principles of ‘Xi Jinping Thought’” 24 October 2017, <https://monitoring.bbc.co.uk/product/c1dmwn4r> ; and Xi Jinping, “Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era,” Delivered at the 19th National Congress of the Communist Party of China October 18, 2017, https://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-11/04/content_34115212.htm

⁷⁷ Hawes, *The Chinese Transformation of Corporate Culture*, ch.3-4.

⁷⁸ Minxin Pei, *China’s Crony Capitalism*, pp.69-71, 163-82.

short-term profits in order to pay off unofficial high interest loans from the shadow banking market, to develop protective relationships with local government officials, and still hope to increase their personal wealth and participate in the “China dream”.⁷⁹ They are extremely efficient, but not necessarily aware of the social and environmental harm caused by their businesses, as we noted earlier.

This brings us to the final problem with many previous accounts that propose a traditional Chinese approach to CSR.

5: No explanation why contemporary Chinese managers and entrepreneurs would embrace traditional Chinese values.

Many scholars argue correctly that Anglo-American and European corporate governance theories developed in a very different socio-political environment from China, and they are based on a Western liberal ideology and individualistic values that are foreign to the Chinese cultural context.⁸⁰ However, after presenting their reinterpretation of traditional Chinese values as an alternative, especially the basic Confucian moral virtues, they generally do not explain why such “ancient” values would be any more palatable than Western values to contemporary business managers in the totally transformed Chinese political and social context of today.

In much of the imperial period before the collapse of the Qing Dynasty in 1911, Confucian texts and values were embedded within the education system, memorized by all children, and Confucian

⁷⁹ Linda Yueh, *Enterprising China* (Oxford University Press), pp.191-3; Kellee S. Tsai, *Back-Alley Banking: Private Entrepreneurs in China* (Cornell University Press 2002).

⁸⁰ Wang and Juslin, “The Impact of Chinese Culture on Corporate Social Responsibility,” p.435; Miles and Goo, “Corporate Governance in Asian Countries,” pp.23-6.

rituals were part of every family's daily life.⁸¹ The legal system strictly enforced punishments against anyone who breached those values and rituals, such as children disobeying their parents.⁸²

This whole Confucian edifice was dismantled during the post-imperial period, and under the Communists since 1949, Confucianism was regularly attacked as an outdated and harmful ideology that upheld an unjust, exploitative class system. Though recent decades have seen a Mainland Chinese revival of official and popular interest in the Confucian classics and other Chinese philosophical traditions, the socio-political system within which Confucian moral values operated has disappeared.⁸³

Some contemporary scholars imply that ethnic Chinese people are naturally Confucian for all time, and will automatically embrace Confucian values once they become aware of them,⁸⁴ but this kind of cultural essentialism has been widely discredited by sociologists and anthropologists, and it is belied by the wide diversity of beliefs, values and moral choices made by Chinese and other East Asian peoples.⁸⁵

Others favour a highly traditional, externally imposed moralistic approach, which demands that everyone in a corporation follow fixed Confucian rules of behaviour whether they like them or not, and even if they gain no personal benefit (apart from the fortunate leaders at the top of the pyramid of respect).⁸⁶

⁸¹ Ebrey, *Chu Hsi's Family Rituals*, pp.31-3.

⁸² Ch'u Tung-tsu, *Law and Society in Traditional China* (Paris: Mouton 1961), pp.41-4, 118-27.

⁸³ Angle & Tiwald, *Neo-Confucianism: A Philosophical Introduction*, pp.208-12.

⁸⁴ Low and Liong, "Confucian Leadership and Corporate Social Responsibility, The Way Forward," pp.90-1.

⁸⁵ Amartya Sen, "Universal Truths: Human Rights and the Westernizing Illusion" *Harvard International Review*, 20.3 (Summer 1998): 40-43.

⁸⁶ Wang and Juslin, "The Impact of Chinese Culture on Corporate Social Responsibility," p.441-2.

Even if such an approach may theoretically benefit the broader society in the long term, if this is the solution to implementing traditional Chinese values in corporations, it surely would not be any more effective than the Communist approach of demanding that everyone follow the Party and act selflessly, or Western-style exhortations to be good corporate citizens. Indeed, most Chinese employees may prefer a less hierarchical, Western-style approach to running a business rather than re-imposing outdated Confucian social structures!

Other vague suggestions are that if businesses follow a combination of Confucian and Daoist values, it will naturally lead to a harmonious world and society, but it is not really clear how this will happen, and how it is different from a Western ethical approach to business.⁸⁷

In fact, there seems to be a blind spot or false comparison in many of these accounts, which assume that Western values only consist of economic theories based on maximizing individual or shareholder self-interest, whereas Chinese or Confucian values are based on non-economic moral values promoting group harmony, mutual trust and respect, not doing to others what one would not want them to do to you, and so on.⁸⁸ This is misleading. The true Chinese parallel to “Western” economic self-interest maximization would be the amoral utilitarian thinking of the strategists and legalists, discussed above, which is very much alive and well in the contemporary Chinese business environment.

By contrast, a fairer parallel to the idealistic and non-economic values of Confucianism would be Western enlightenment values based on the Judaeo-Christian tradition, which have strongly influenced stakeholder corporate theory and CSR, and place a similar emphasis on working selflessly

⁸⁷ Admittedly, these scholars do also note the difficulties of implementing Confucian values, and that this requires further research: Wang and Juslin, “The Impact of Chinese Culture on Corporate Social Responsibility,” pp. 444-6; Low, “Confucian Business Ethics,” p.442.

⁸⁸ Miles and Goo, “Corporate Governance in Asian Countries,” pp.23-6.

in the interests of the broader community. The key difficulty in both China and other countries is not so much to create a set of ideal moral values but to provide a compelling reason why business managers and owners should transform their thinking and behaviour from short-term, socially and environmentally destructive, profit maximization to a more “enlightened” approach. Merely attempting to revive traditional Confucian moral values to improve the behaviour of Chinese business corporations is no more likely to achieve broad success than reviving Christian values would in Anglo-American corporations, unless employees already believe in those values independently, or they see a personal benefit in embracing them.

Finally, we should note that there is enormous variation among successful Chinese business entrepreneurs, ranging from Western-educated Ph.D. holders to rural entrepreneurs without even a high school graduation certificate.⁸⁹ This means there is also extreme diversity among the cultures of Chinese business corporations, and it would be impossible for a single CSR theory to encompass the whole range of business types and sectors.

Instead, the following sections will offer a provisional theory as to how CSR might be integrated more smoothly into Chinese corporations by drawing upon traditional Chinese ideas, especially those from Neo-Confucian and Daoist thinkers, that still have powerful resonance today, while also taking account of recent social changes in China and contemporary scientific and ecological developments.

Towards a Holistic Chinese CSR Theory Based on *Qi* -- Patterned Vibrant Matter

Our proposed theory would start with the basic premise that providing an environment where each individual can maximize their personal wellbeing, both materially and spiritually, is an ideal way to

⁸⁹ Bruce Dickson, and Jie Chen, *Allies of The State: China's Private Entrepreneurs and Democratic Change* (Cambridge, Mass.: Harvard University Press, 2010), pp.36, 42.

run a sustainable and successful business and to benefit the broader community. Whether it is possible to do this in practice is another matter, but it should at least be the aspirational goal.

Our second premise is that in order to exert the greatest appeal and to work effectively in a contemporary Chinese business environment, the theory must select aspects of traditional Chinese thought that resonate with the latest scientific research in systems theory, ecology and psychology. In other words, it must be Chinese yet also globally cutting edge.

The third premise is that while corporate CEOs and controlling shareholders will be the initial audience in introducing a new CSR theory, it will have little impact without broad understanding and acceptance by employees. Ongoing incentive programs and training of employees must therefore accompany any corporate rollout of the theory.

A final premise is that transforming internal corporate practices may not be sufficient in themselves; changes may also be necessary to the broader Chinese legal and regulatory environment to prevent corrupt external interference from frustrating CSR initiatives.

In creating such a Chinese CSR theory, the Daoist and Neo-Confucian philosophy of *qi* and *li* would be particularly useful for translating CSR ideas into a Chinese socio-mental context. This is because there is a correlation between contemporary scientific observations about the circulation of matter-energy and Chinese ideas about *qi* (vibrant matter, or vital energy) and *li* (self-organizing pattern). In particular, scientists have demonstrated that all objects and phenomena are patterns or clusters of constantly dancing energy, and at the level of energy there is no fundamental distinction between living creatures and “inert” matter. Sometimes those energy patterns are highly stable, as with rocks, and other times they are obviously dynamic, as with boiling water evaporating into steam, but at their core atomic level, all such patterns involve active energy transforming itself into other states.⁹⁰

⁹⁰ Michael C. Kalton, “Asian Religious Traditions and Natural Science: Potentials, Present and Future,”

The English language developed its scientific vocabulary based on a dualistic worldview, and there is no single word to describe the fundamental force within all things, hence the rather awkward compound terms “matter-energy” or “vibrant matter,” both of which suggest two separate states rather than a single patterned dynamic dance or process. The ancient Chinese concept of *qi* encompasses in a single term the sense of vital and dynamic energy within all objects, phenomena and people – the reality that, at their core, there is no differentiation in their elemental constituents. We literally embody the same *qi* as stars, rocks and oceans.⁹¹

If we share the same energy, why do differences then arise between and among objects, phenomena and people? It is because the continuous dynamic circulation of energy creates patterns that interfere with each other and evolve into more complex patterns, producing new elements that combine into new molecules and interacting with other powerful sources of energy to create organisms. These organisms interact with their different environments, evolving separately or symbiotically into complex living creatures and systems, and eventually into human beings, who not only use their brains and technological skills to exert a powerful impact on the environment but can even see and understand the consequences of their actions.

In Neo-Confucian terms, this dynamic evolutionary process is described in a symbolic way: as *qi* giving rise to *yin-yang* cycles of change, growth and decay, which produce the “five elements” (*wu xing*), a pre-scientific idea of the basic constitutive elements that make up the universe, and these in turn produce the “ten thousand things/creatures” (*wan wu*).⁹²

presented at International Conference on Science, Theology, and Asian Religions, Seoul, January 2002.

⁹¹ Mary Evelyn Tucker, “The Philosophy of Ch’i as an Ecological Cosmology,” pp.189-90.

⁹² Tu Wei-ming, *Confucian Thought: Selfhood as Creative Transformation*, pp.41-2, citing Neo-Confucian thinkers Zhang Zai (1020-77) and Wang Fuzhi (1619-92). See Zhang Zai, *Xi ming* (Western Inscription), in *Zhangzi quanshu* (Guo xue ji ben cong shu si bai zhong, v.45: 1968); and Wang Fuzhi, *Shangshu yinyi* (Commentary on the Classic of History), in *Chuanshan yishu*, 3:6a-7b.

What has this philosophy of *qi* to do with CSR and human relationships within a corporation?

A key insight of the Neo-Confucians, which distinguished their thinking from earlier *yin-yang* cosmologists, was to observe that there are self-organizing, yet dynamic, patterns at every level, from the simplest object or organism to the most complex phenomena, and that includes human society, ethical behaviour, and what we would today call ecological systems. They called these patterns *li*, and the fundamental self-organizing principle holding everything in the universe together was *dao*, the “Way.”⁹³

Human beings are viewed by Neo-Confucians as the most complex of living creatures with great power to impact the world. Because of this, we have a special responsibility to regulate our own behaviour to ensure that it does not cause imbalance and disharmony, both among human beings in social relationships or corporations, and between human beings/corporations and the “organismic world” in which we live and from which we obtain all our needs. As the Song Dynasty thinker Zhang Zai (1020-77) put it: “Heaven is my father and earth is my mother, and even such a small being as I finds an intimate place in their midst. Therefore that which fills the universe I regard as my body and that which directs the universe I regard as my nature. All people are my brothers and sisters, and all things are my companions.”⁹⁴

Why would human beings, including today’s corporate managers, decide to act in a way that promotes social harmony and ecological balance? There are two reasons, according to mainstream Neo-Confucian thinkers. The first is a practical reason: it will allow their community – in this case, the corporation and its stakeholders – to thrive and achieve great success. Some contemporary business and legal scholars would agree with this claim. They have found business firms that promote trust

⁹³ Tu Wei-ming, *Confucian Thought: Selfhood as Creative Transformation*, pp.41-2; and Zhu Xi and Lu Zuqian, *Jinsi lu*, s.1.1.

⁹⁴ From Zhang’s *Xi ming*, cited in Tu, *Confucian Thought*, pp.42-3.

among their employees discover a huge efficiency dividend that directly translates to major time and cost savings in running their businesses.⁹⁵ In terms of ecology, promoting awareness of our shared *qi* energy and interdependent connection with the natural world around us will encourage us to reduce harmful pollution contaminating food, water and air supplies. If carried out intelligently, the switch to green production can also directly reduce costs, improve productivity and open up new markets for businesses to expand into.⁹⁶

The second reason originates from the Neo-Confucian belief that human beings have a natural or spontaneous tendency to do the right thing, and if they are encouraged to cultivate that tendency, it will create a deep inner feeling of harmony or wellbeing. This psychological reason answers the question why corporate leaders might choose this path even if it requires changes to habitual organizational practices and initial transitional costs.

The earliest justification of this innate human moral compass was made by Mencius, who illustrated what he called our natural “heart of compassion” using the example of a small child crawling towards the edge of a deep unfenced well. Any person who saw that child getting dangerously close to the edge, about to fall into the well, would naturally experience a feeling of concern for the child’s safety, and have a natural inclination to stop the child falling in.⁹⁷ This shows that human beings

⁹⁵ Covey, Stephen M. R., *The Speed of Trust: The One Thing That Changes Everything* (New York: Free Press, 2006); Margaret M. Blair and Lynn A. Stout, “Trust, Trustworthiness, and the Behavioral Foundations of Corporate Law” University of California, Los Angeles School of Law, Research Paper No. 01-15, http://papers.ssrn.com/paper.taf?abstract_id=241403

⁹⁶ Magali A. Delmas and Sanja Pekovic, “Environmental standards and labor productivity: Understanding the mechanisms that sustain sustainability,” *Journal of Organizational Behaviour* 34.2 (Feb 2013): 230-52.

Orsato, Renato J. “Competitive Environmental Strategies: When Does It Pay to Be Green?” *California Management Review* 48.2 (Winter2006): 127-143.

⁹⁷ Hinton, *The Four Chinese Classics* p.430; Lau, *Mencius* II.A.6.

have an incipient tendency to care about other people, and later Neo-Confucians agreed with Mencius that this tendency included not just compassion (or humaneness), but also righteousness, propriety and wisdom too.⁹⁸

Of course, after this initial spontaneous emotional response, various obstacles might arise to prevent us from following through, such as our own incapacity to help, or the fact that the child's parents have abused us and deserve punishment. Neo-Confucians recognized that our in-built "good nature" required continuous "cultivation" through our own practice and through learning from wise teachers in order to develop ourselves into fully realized human beings. Those who failed to practice self-cultivation or continuous improvement would soon find their innate goodness obscured by selfish and harmful desires, causing them to lose their capacity to respond to each situation with spontaneous wisdom.⁹⁹ The key objective of Neo-Confucianism was to practice listening to one's inner good nature as it spontaneously responded to external situations, and then to act creatively with total focus, doing the right thing to bring about social and ecological harmony.¹⁰⁰

⁹⁸ Angle & Tiwald, *Neo-Confucianism: A Philosophical Introduction*, pp.55-7; and see Zhu Xi's commentary to the book of Mencius: Zhu Xi, *Meng Zi* (Shanghai : Gu ji chu ban she 1987), II.A.6.

⁹⁹ Tu Wei-ming, *Confucian Thought: Selfhood as Creative Transformation*, pp.46-7)

¹⁰⁰ Angle & Tiwald, *Neo-Confucianism: A Philosophical Introduction*, pp.103-6, 149-51; Tucker, "The Philosophy of Ch'i as an Ecological Cosmology," pp.194-5. As with most spiritual traditions, over time the spontaneity of Neo-Confucianism was replaced by a series of written classic texts that students had to memorize to pass examinations and seek official government positions, and a complex, inflexible system of family and social rituals was created, backed up by harsh penal codes, to enforce correct behaviour. Yet the best-known Neo-Confucian thinkers of later imperial times, such as Wang Yangming and Wang Fuzhi, all emphasized the need for responding spontaneously to each different situation with flexible action based on one's naturally positive inner wisdom. Wang Yangming's famous term is *liangzhi*, which has been variously translated as "good knowing" (Angle & Tiwald, *Neo-Confucianism: A Philosophical Introduction*, pp.60-1) or "full realization of one's primordial awareness" (Tu Wei-ming, *Confucian Thought: Selfhood as Creative Transformation*, p.131). For

When applying these insights to contemporary business management, it is crucial to discard those aspects of traditional Confucian societies that are no longer relevant or effective, such as inflexible patriarchal social hierarchies that stifled creative innovation.

Instead, the contemporary emphasis should be on assisting all employees to develop their own vital energy (*qi*), their connections to other people and the natural world outside, their innate goodness, and their personal potential in a way that sustainably benefits both themselves (including their families), the organization, and the broader ecosystem.¹⁰¹

A corporation is essentially a hub that focuses a range of energy systems, including the energy of people working together in groups and their personal energy as individuals; the energy of capital flowing through and being transformed into products or services, which then create more capital energy in the form of income; the energy of natural resources and utilities; the energy of interactions between the corporation and stakeholders such as the government and investors, and so on. A CSR program based on *qi* would identify any blockages or imbalances among these sources of energy, and then provide forums for employees and managers to suggest life-enhancing ways to remove those blockages.

Space does not permit us to provide a detailed program for stimulating the natural creative energies and “good natured” behaviour of employees to enhance the firm’s long-term growth and success. But it would surely include sharing stories of people who have successfully promoted harmonious relationships and ecological awareness, or have creatively channelled energy in their own work sphere, while maintaining or even increasing the firm’s revenues.

Wang Fuzhi’s reinterpretation of Confucianism, see Nicholas S. Brasovan, *Neo-Confucian Ecological Humanism: An Interpretive Engagement with Wang Fuzhi (1619-1692)* (Albany, NY: SUNY Press 2017).

¹⁰¹ It is possible to maintain both high levels of productivity and high environmental/ecological standards: see Magali A. Delmas and Sanja Pekovic, “Environmental standards and labor productivity” 230-52.

Unlike the extreme accounts of corporate heroes sacrificing their families for the “greater corporate family,” discussed earlier, these stories and suggestions would focus on creative ideas for maintaining work-life balance, and on innovations that save time and improve productivity while allowing employees to spend more time with their families or recharge their spiritual batteries. In other words, seeking a “middle way” between work and life that benefits and enhances both spheres.

Finally, while it may not be possible for individual Chinese corporations to remove all external imbalances due to continuing political corruption, two recent political reforms have opened up opportunities for creative engagement (or *qi* circulation) with local governments. The first is the massive and ongoing anti-corruption campaign since 2013 that has already snared over two million Chinese government officials at all levels,¹⁰² and gives corporations a large set of cases to point to when refusing to accede to local government demands for extra-legal payments. The second is the reform of the annual evaluation and promotion system for government officials to include mandatory performance indicators for environmental sustainability and social harmony, unlike the previous system that focused mainly on short-term economic growth.¹⁰³

Corporations that wish to introduce their own sustainability practices and clearly contribute to the welfare of their local communities should find out how their local government officials are evaluated, and wherever possible, cooperate with them on CSR projects to ensure that they meet or exceed their annual performance targets. The aim would be to create a “community of mutual interests” (*liyi gongtongti*) whereby the corporation, the environment, local governments and

¹⁰² Hui, “Inside China's corruption epidemic: Data survey shows who is taking what.”

¹⁰³ Alex Wang, “The Search for Sustainable Legitimacy: Environmental Law and Bureaucracy in China,” 37 *Harvard Environmental Law Review* (2013): 365-440.

communities all benefit without engaging in economically, socially and ecologically destructive corruption.¹⁰⁴

Conclusion

We have proposed a holistic Chinese approach to CSR based on the Neo-Confucian concept of patterned vital energy. We have not advocated a more prescriptive set of legal or regulatory provisions for several reasons. First, China has legally required all registered companies to behave in a “socially responsible” way since 2006, when Article 5 of the *PRC Company Law* was introduced, yet this provision is vague and judges have rarely cited it except as a supplement to other more concrete legal rules in the *Company Law*.¹⁰⁵ When more detailed CSR rules have been introduced, such as those by SASAC in 2011 and 2016, they do not appear to have solved the problem of implementation either. While they may have encouraged a tick-the-box approach, they have failed to prevent substantive problems of internal corruption, environmental pollution, work-life balance and employee wellbeing.

This ineffectiveness of prescriptive regulation should be no surprise, as regulatory theorists have discovered a similar dynamic among European and American corporations: vague legal principles generally lead to calls for detailed guidelines, which corporate lawyers then use as a tool to find legally justifiable ways of avoiding substantive compliance, leading to ever more detailed rules in a

¹⁰⁴ The term *liyi gongtongti* was popularized by Huawei Technologies CEO Ren Zhengfei, as a way for private Chinese firms to deal constructively with the state: see Hawes, *The Chinese Transformation of Corporate Culture*, p.120.

¹⁰⁵ Lin, “Mandatory Corporate Social Responsibility?” p.30.

kind of arms race of regulation versus evasion.¹⁰⁶ This dynamic eerily echoes a saying from 2500 years ago attributed to Confucius: “If you use government to show them the Way and punishment to keep them true, the people will grow evasive and lose all remorse. But if you use Integrity to show them the Way and Ritual to keep them true, they’ll cultivate remorse and always see deeply into things.”¹⁰⁷

As legal scholars, we are certainly not about to concede that laws are unnecessary. For companies that seriously overstep the boundaries of socially acceptable behaviour, it is important to have a broad requirement for social responsibility within the corporate law statute to prevent the kind of destructive and evasive behaviour noted above. And in fact, as Blair and Stout have argued from a behavioural economics perspective, broad legal principles that promote trustworthy behaviour, such as fiduciary duties and CSR, if publicized through education and training of legal practitioners and corporate managers, may perform a kind of signalling function that leads to more trustworthy behaviour, even when they are not actively or regularly enforced.¹⁰⁸

It is also crucial that the Chinese government continues to reform the legal system to regulate its own behaviour and weed out official corruption while avoiding abuses of power in the process, and to improve the effectiveness of environmental and food/health/product safety regulation. This broader legal reform effort will provide a more fertile ground in which individual firms’ CSR efforts will thrive rather than being crushed or wilting away.

Yet in order to embed CSR practices within the corporate culture of individual Chinese firms, legal provisions and external rules based largely on foreign models are not sufficient. A more culturally

¹⁰⁶ McBarnet, “Corporate Social Responsibility Beyond Law, Through Law, For Law,” 51-3; Doreen McBarnet, “After Enron: Corporate Governance, Creative Compliance and the Uses of Corporate Social Responsibility,” in J. O’Brien, ed., *Governing the Corporation* (Wiley, 2005), pp.205-22.

¹⁰⁷ *Analects* II.3, in Hinton, *The Four Chinese Classics*, p.239; Yang, *Lunyu shuzheng*, p.37.

¹⁰⁸ Blair and Stout, “Trust, Trustworthiness, and the Behavioral Foundations of Corporate Law,” pp.70-2.

embedded and psychologically informed program of training and incentives is required. Moreover, this program should not prescribe a one-size-fits-all set of guidelines, but should promote individual firm autonomy and employee creativity in proposing life enhancing adaptations.

While such an approach may seem far-fetched and exotic to non-Chinese corporate theorists – especially those who still espouse the mystical mantra of “rational self-interest” – the fact that a similar vital energy (*qi*) perspective strongly influences Chinese peoples’ thinking and behaviour today in diverse areas, including medicine, diet, architecture and design (*fengshui*), consumer product selection, and scheduling important events or meetings, demonstrates that it is deeply rooted in the Chinese socio-mental reality.¹⁰⁹ Making use of this perspective, with its in-built ethical and ecological associations, should overcome psychological resistance to implementing CSR within Chinese corporations, and may even transform an externally imposed burden into an internally generated, ecologically situated, creative and productive corporate evolution.

¹⁰⁹ Weller and Bol, “From Heaven-and-Earth to Nature,” pp.327-33.