REFLECTIONS ON CONFUCIANISM AND WESTERN BUSINESS

The Confucian tradition appears to offer a great deal in matters of society, culture and business if we are to draw comparisons with the West, which I will do in this short paper.

We might compare it to the tradition of Plato, and Platonism, which is a subterranean current in Western culture, reappearing intermittently, and occasionally coming to the surface. Plato’s Theory of Forms suggested that there were actual ideal forms of things -they actually existed- such as goodness and beauty. Their existence had the effect of drawing everything up towards themselves, like a kind of upward-moving gravity, towards the ideal. The inborn knowledge of those ideals also caused human beings to review all activity, as if it might be better, or improved, and gives the sense that the standard of excellence is somehow lacking in everyday life. These views are not much in evidence in the West today.

The Confucian tradition also frames things in the context of excellence, so that what is done is not based on opportunism or partial, sectional interests, but on the basis of a whole picture which is in balance, and which exhibits excellence. Jen is the highest virtue, from which all virtues flow, and it is a gift from heaven. It therefore comes from above, but is not transcendent in the way of the Platonic ideals: it may be inherent in society, and inherently possible to achieve even though it comes “from above”. The Confucian ideal is an ideal within the real, and is realisable for the real.

Some commentators have stressed that the ceaseless pursuit of perfection in Confucian society comes from the principle of Jen, and so by way of example it has been linked to the interest in quality assurance characteristic of Japanese manufacturing, and the relentless pursuit of defect reduction in Japanese manufacturing: the pursuit of quality, I suppose best known with Toyota, reached a peak unknown in the West, until the West itself began to imitate Japanese methods. The pursuit of zero defects became the emblem of Japanese manufacturing, and has been referred to as the pursuit of the "last grain of rice in the lunchbox". One may then ask whether the same pursuit of same interest in quality assurance and the same pursuit of zero defects is characteristic of the Confucian culture in China, and it is not clear that this is so. One could argue that the one could argue that if the pursuit of quality assurance is missing in China, relatively speaking, that this may be a symptom of the breakdown of traditional Confucian culture.

Framing culture in terms of ideals means that society is seen as a whole, not as a set of independent parts which may struggle with each other for ascendancy. A holistic view of the effect of certain strategies could well be a characteristic of the Confucian approach to business.

The Western approach to business is often devoid of such a holistic view, and argues for a narrow focus on shareholder value irrespective of the environment, of unemployment statistics, or of social objectives. The question of business ethics is often treated as a narrow question, applied simply to how business is conducted between the partners, rather than as a broad question which might look at the contribution of business to the whole of society. This is not entirely true, but where business contributes to society as a whole by providing such things as rescue helicopters, or contributing to indigenous social objectives, these things are probably expenditures that are merely tolerated and
may often be regarded simply as marketing initiatives, no doubt disguised under budgets as "corporate affairs". The focus on shareholder value is a kind of mantra which suggests a very narrow agenda.

**Three questions about the difference between the East and West...**

**Firstly, profits.** Where does the emphasis on making profits come from in the West? We have the famous book of Max Weber, *The Protestant Ethic and the Rise of Capitalism*, and almost and a century of literature following it and quoting it. The Protestant reformer Martin Luther regarded interest rates as the work of the devil, but Calvin seems to be the Protestant thinker at whom is pointed the finger of suspicion about profits being a good thing.

Does Confucianism oppose profit-making? Mencius (Mengzi) did rebuke the King of Liang, when the King asked whether he had come with some ideas to profit the state. Mengzi said in response "Why must your Majesty say profit? Let there be benevolence and righteousness and that is all. Your Majesty says “How can my state be profited... Those above and those below mutually compete for profit and the state is endangered... But if righteousness is put behind and profit is put ahead one will not be satisfied without grasping [from others]".

Commentators point out that Mencius does not condemn profits but rather advises that other priorities should be predominant: he says that if one acts with profit as one’s goal, one will incur much resentment. One of the Cheng Brothers, according to the commentator Zhu Xi, says that “the noble never fails to profit, but if one single-mindedly thinks of profit there will be injury. If there is only benevolence and righteousness in one’s heart then one will not seek profit, but will never fail to profit”.

So we do not find opposition to profit here, but it is all a matter of placing it in context. What is right in the holistic sense of *ren*, should be the predominant motive, and then by virtue of the principle of doing things well, profit will follow. To take a sports analogy, it is like the cricketer who focusses on making runs: his coach will be telling him to focus on the process itself, and the runs will follow. This is quite different from the view of the Protestant reformer Calvin, who recommends the accumulation of wealth in its own right as a moral purpose, in a single-minded kind of way.

One American commentator describes corporations as psychopaths, that is to say that they exhibit the same characteristics as the individual psychopath in contemporary psychological theory, namely those of the person who is completely self-interested, who displays no responsiveness to the needs of others and displays no ability to empathize with the emotions of others. It is implied here that a single-minded robotic pursuit of profit is characteristic of the modern American corporation.

The Confucian tradition does not oppose the making of profits but locates it in an overall moral framework. Importantly it does not see the making of profits as an end in itself.

**Secondly, animal spirits.** Spokesmen about capitalism often speak about the need to revive "the animal spirits" in order to provoke an economic recovery. This is a reference to the stimulating of the risk-taking appetite and the animal-like energy which drives the entrepreneur and the business leader. The governor of our Reserve Bank in Australia has used this term, but so have many others across the spectrum, and interest in it has grown in recent years. The economist JM Keynes coined the term, and used in the “General Theory”, defining it as the “spontaneous urge” to action: he
contrasted it with a carefully reasoned response based on data and quantitative analysis of all sorts. Without the animal spirits, he thought they would be no recovery from the depression. Economists have used the term ever since.

This appeal to raw, uncultivated animality is not compatible with the thought of Confucius, which emphasizes the importance of culture, human social culture, as a taming and civilizing influence over the raging beasts which human beings in their raw form might represent. Hence the importance of Li, "the observance of the rites" in the Analects and the tradition. If a man returns to the observance of the rites through overcoming himself, then benevolence follows [Analects 12 1]. The observance of the rites is an important part of self-control and leads to behavioural changes, but it does require self-discipline, and is contrary to the idea of allowing the animal nature of human beings to fan itself into flame. Even such a matter as etiquette is important in this this positive development of the social personality.

All this is somewhat reminiscent of Roman Stoicism, which emphasises the control of behavioural externals, such as shouting when angry, as a means of achieving personal individual self-control, and is quite different from the modern Western emphasis on self-expression as the pathway to mental health.

**Thirdly "creative destruction":** this term is particularly associated with Schumpeter and suggests that there will need to be, from time to time, a form of destruction of the company, say laying off thousands of workers, in order to preserve the company for the future. According to Schumpeter, creative destruction describes the "process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one". Whilst Schumpeter derived his idea from Marx, it was turned into a view about useful destruction by liberal commentators.

This process of “burning off” is regarded as a virtue by fervent capitalists, in that the positive value of allowing a company to continue to exist, and possibly to begin to flourish and re-employ, is regarded as a noble objective. This is an article of faith in the West: one may quote the recent words of Warren Buffet at the Berkshire Hathaway annual general meeting, in 2015. When asked about the brutal layoffs or sackings at the 3G company, Mr. Buffett replied that 3G had bought some companies staffed with considerably more people in the job than needed, but that the layoffs spurred those same companies to perform exceedingly well. In other words something had to be destroyed for new life to eventuate. It is doubtful whether there is anything like Schumpeter’s mutated view in the Confucian approach to business, which strongly emphasizes treating the company in a family-like way. The Confucian approach would place an emphasis on humaneness.

Mengzhi speaks of the four hearts, the heart of compassion, the heart of disdain, the heart of difference, and the heart of approval and disapproval. These four hearts are the fount of wisdom and all must be kept in view at all times: again we see an emphasis on a holistic and multifaceted approach to society and culture.

All elements are to be present at once in the mind’s eye. There is a deep contrast here with the Western emphasis on single-mindedness: putting aside all other concerns and preoccupations is thought to be a virtue.
Keeping all balls in the air at once could well be seen to be a problem in a western business, and probably might well be categorized by some as a psychological impairment, like attention deficit disorder. The title of the Danish philosopher Kierkegaard’s book tells the story of the West most simply: “Purity of Heart is to Will One Thing”.

The holistic and multifactorial approach of Mengzhi could not be more different.

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