

The Impact of Confucianism on Chinese Family Business: Ideology and Practice

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Abstract: The goal is to investigate the difference between Confucianism ideologies and practical performance of Chinese family business responding to the present changes. Interviewees from different firms are invited to present detail information based on a semi-structured interview. It has been found certain Confucianism features are common ideologies and different companies share similarities in treating employees and customers. Besides, it is identified that social changes challenge the traditional Confucianism ideologies. Therefore, leaders in family enterprises begin to decentralize power and start to count remuneration on personal performance to enhance motivation and efficiency.

Keywords: Confucianism; Chinese Family Business; Social Change

1. Introduction

Family business is a typical commercial group with multi generations involved who have been tied with blood or marriage (Zhang and Wang, 2012). It is a common belief that family members' participation in daily business management will increase loyalties and strengthen synergies (Weidenbaum, 1996). Chinese Family Business has several unique features profoundly affected by Confucius, the most respected teacher and philosopher who shapes the fundamental culture and ethics in ancient and modern Chinese society (Tsang, 2002). Centralized authority and strong hierarchy with little participation from subordinate, and extensive networks constitute key Confucianism values in Chinese Family Business. In recent decades, globalization, political, social and cultural reforms exert pressure on Chinese family enterprises and force them to transform. This article aims to investigate the difference between Confucianism in Chinese family business and the practical performance responding to the present challenges.

2. Confucianism values presenting in Chinese business culture

The core of Confucianism involves Ren (benevolence), Yi (righteousness), Li (courtesy), Zhi (wisdom), Xin (trust) and He (harmony) which define the basic moral ethics and behavior standards essentially expressed in Chinese society (Po, 2009). Apart from these, Confucianism advocates guanxi (network) used in Chinese culture, which requires loyalty to seniors and leaders. Special guanxi is frequently used to expand business networks. However, misused guanxi can lead to severe corruption and unequal distribution of social wealth and even nation disability. In addition, there are four key features closely linked to Chinese business culture affected by Confucianism: collectivism, particularism, paternism and authoritarianism (Po, 2011). Wang (2008) argues that organizational structure in traditional Chinese firms are highly centralized: centralized control of power and ownership generates a management of men rather than modern policies and rules; most guanxi is established and maintained by personal relations. Moreover, as in Confucianism system, women are subjugated to their male counterparts. This status continues in present Chinese society, where the percentage of female employees is lower than that of male staff in any institutions, including national companies, government and private firms. Confucius supports the notion of education without discrimination as well.^[1]

3. Key Confucian culture in Chinese Family Business

Over thirty leaders from different Chinese family enterprises have been interviewed to identify key Confucianism in current family Business and further investigate the influence of social challenge, based on semi-structured interview. Generally speaking, they regard Confucianism as an implicit culture embedded in both managers and employees' routine work. Initially, the most important is He, which emphasizes the importance of shaping and maintaining good relations between subordinates and rulers, customers and employees, firms and governments.

Additionally, all of the interviewees stress the importance of guanxi in daily management, as internal guanxi is significantly common in SMEs, where most of employees were founder's relatives or close friends. From external viewpoint, the most crucial benefit is to obtain convenience and shorter administration period. It is a considerable push when gaining support from local government such as Tax Department and Industrial and Commercial Department to achieve reciprocal benefit. For instance, the normal period of establishing a new company is up to one year and the founder is required to go through twenty procedures in different department, however, this time could be reduced to half if someone has relations in local government^[2].

Thirdly, male superior status is another key issue arisen in the interviews. As one of the interviewee is the only female in her family, she is brought up accompanied with gender discrimination from her family. She argues it is more complicated for a businesswoman to creating her own business due to social stereotype thought in gender and most social resources such as networks and capital is possessed by male. Ultimately, all interviewees claims that Confucianism supports a rigorous hierarchy system where the standard and rules are underlined and centralized control thought is delivered in an organization.

4. The Challenge and Risks in Modern Society to Confucianism

Challenging traditional male superior status, an important campaign, 'She consciousness' rises in work places of China as female are requiring equal status as male (BBC, 2006). China was used to be a patrilineal society however in modern society, people began to aware female right and power. Different from gender-based selection, current recruitment process is based on individual experience and capabilities without gender bias^[3].

The second challenge occurred at the end of 2012 when Chinese President Xi launched a anti-corruption campaign to rebuild public relations and government legitimacy in which thousands of businessmen and officers involved. It reduced the demand for banquets and up-scale gifts and caused inconvenience for Chinese family enterprises in financial and resource aid.

The ultimate issue originates from technological progress which influence market development, challenge traditional business modes and centralized hierarchy system and lead to the rise of individualism. To some leaders in family business, it is difficult to require any change in this matter, since power cannot be decentralized due to trust issue, while other firms begin to realize the importance of decentralized power which would facilitate corporate further development. When referring individualism, fewer workers prioritize group benefit, and focus more on personal interest. Collectivism disappears in younger generation, hence they become loose and seldom follow company rules. By contrast, experienced workers aged between 50s to 60s are passionate and keen to help. It is believed by most interviews that poor corporate culture and incomplete promotion channels lower down employees' incentives, and insufficient management capability lead to weak communications from the executive level to the normal level^[4].

5. Present and Future Measurement

Firstly, confronted with the impact of anti-corruption on maintaining relations, there is only one way Chinese family business can take, that is to upgrade products and services in order to comply with current need, and most importantly, rebuild solid relationship with external business partners, such as suppliers, social media and customers.

When analyzing relative-employee related issues, the reason of using relatives or close friend in the Chinese Family Business is due to the lack of adequate trust on external people, who are recruited externally. This status might be changed in

a short period, as trust and modern management system cannot be established within few days, hence companies have to adopt traditional management techniques and rely on unprofessional technicians in a relative long period. From long-term time, recruiting talent based on their ability is a necessity^[5].

Thirdly, centralized power is the foundation of family business as the leader is ought to have foresight and steer the boat into appropriate direction. A leader should confirm the general control of management and financial power while other specific issues can be distributed to managers and professional personnel who can undertake daily operation affairs. In order to tackle the problem of individualism, some companies plan to introduce a new measurement linking performance and benefit together in supporting departments.

6. Conclusion

Overall, this study provides findings to identify the impact of Confucianism on Chinese family business. Ren, Yi, Li Zhi, Xin(trust), He and guanxi are common values shared in Chinese business culture to build employees' loyalty, promote customers' satisfaction and expand business lines. Confucianism ideologies is deeply rooted in corporate organization structure and daily business management: they endeavor to providing quality guaranteed products and services, and being honest and kind to both employees and customers, pursuing etiquette in all occasions. Guanxi is another crucial aspect as enterprise maintain positive relations with institutional officers to acquire resource and reduce governmental administrative expense.

However, classical Confucianism values have been challenged. Externally, influenced by President Xi's anti-corruption campaign, most government officers avoid direct relations with merchants which therefore influence resource acquisition; internally, most important positions occupied by leaders' incapable relatives, which not only against Confucianism' appointment on merit theory, but also increase dissatisfaction among other employees. Moreover, modern Chinese culture also encourages the rise of individualism, which fosters employees' little concern on group interest. Firms have gradually launched their countermeasures against changes. Confronted with the anti-corruption activities, they consider upgrading products and services to achieve industrial transmission. Besides, leaders tend to employ incapable relatives in supporting departments while the ones who have rich experience in core activities. Finally, in order to re-build collectivism values in the company, employees' remuneration is closely linked to their performance and the contribution to the whole group.

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