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## **Challenges in Pursuing Confucianism in Globalized Business Scenarios – Reflections of few Native Confucian Organizations: A discourse through meta-analysis**

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### **ABSTRACT**

*Confucianism is defined by many scholars in different ways, looking at different dimensions of Chinese way of life as existed and also based on the preaching of Confucius during 500-400 BC. Today, looking at near stabilization of global market dynamics by mid 2015, by when, Chinese and Indian businesses found their own place in global markets, management researchers started to examine the secrets of the success of Indian and Chinese businesses and recognize the distinct differences between western management theories and concepts and models that had been operational till then and Indian and Oriental models.*

*It is in that context, that the author studied a few Chinese businesses –using Meta-Analysis methods to document their core basis of existence, their extent of believing and following Confucianism as a management doctrine.*

### **Introduction**

Confucianism is defined by many scholars in different ways, looking at different dimensions of Chinese way of life as existed and also based on the preaching of Confucius during 500-400 BC. Reading through the literature, author chose to depend on the meaning provided by Yao, though it precipitates an over-simplification, that Confucianism conveys an idea of a way of life that is simple and humanistic (Yao, Xinzhong, 2000). While the history documents the growth, popularity and wide acceptance of Confucianism for a long period, until late 19th century, it was

noted that it witnessed a decline with new ideologies dominating Chinese life during the cascading decades of the 20<sup>th</sup> century. The resurgence of the Confucian ideology was noted by acknowledging the influence of Confucian work ethic in the rise of East Asian economy in the late 20<sup>th</sup> century (Wikipedia, as visited on 25 Jan, 2018; Elman et al (ed), 2002).

The rise of Maoism in mid-20<sup>th</sup> century and the sweeping economic changes across the globe under globalization forces later, gave a new opportunity to Chinese businesses to participate and precipitate into the supply chains of global businesses

and raise to seek market domination pursuits during the 21<sup>st</sup> century. The advent of BRICS on one-side; near collapse of Russian economy; and multiple bouts of recession in US economy, gave rise to increased chances to Chinese businesses to succeed during the late 20<sup>th</sup> century (Acharyulu, 2007).

Looking at near stabilization of global market dynamics by mid 2015s, by when, on one side Chinese and Indian businesses found their own place in global markets, on another side American and European companies felt challenged to retain their dominance in dictating the forces of globalization, it started dawning on management researchers that the secret of the success of Indian and Chinese (not necessarily in that order) remain elsewhere than the western management theories and concepts and models that had been operational till then. It is interesting to note that Walter Kiechel III lamented in 2013 itself, that since 1995, there is no new noteworthy theory that emerged from the western business research on Strategy crafting and execution (Aurik et al, 2014).

If we look at the pioneering efforts of Subhash Sharma on documenting and propagating various distinct perspectives of Eastern/ Indian Management Concepts and theories, and relate them to the present day (Sharma, 2006), it becomes clear that certain layers of Indian, Oriental, Asian management philosophies have a distinct tenor to drive business success, and sustainability. The persistent efforts of Sharma and Anantha Giri in pushing

through a series of initiatives to bring together research from distant corners of the world, in understanding the significance of Confucianism and Vedanta in the realms of social theorization in general and in the domain of management theory specifically, offer some pertinent answers to the sustained successful business management would get unfolded from the Eastern philosophy, thought and theories as days go by.

### **Objectives of the study**

It is in that context, that the author attempted studying a few Chinese businesses –to decipher their core basis of existence, their extent of believing and following Confucianism as a management doctrine guiding their businesses and see if such a study could motivate a deeper pursuit in developing a new paradigm of business strategy using Confucianism and Vedanta. The exercise is a beginner's attempt, using meta-analysis of existing literature as the methodology adopted, by random search of business cases of companies that identified themselves as following "Confucianism" in the conduct of their business. The exercise lead to noting some challenges similar to businesses that pursue competitive strategies, while few challenges were distinct to the organizational frameworks that are built around Confucian philosophy, and a brief snapshot of these challenges were offered and a discourse on their uniqueness or otherwise was made, to argue that businesses are not immune to the forces of globalization today, and that

their ability to face these challenges and sustain their core ideologies is hinged on the beliefs and values that the leadership brings into the organization's daily operations and hold their sustenance.

### **Methodology – Meta Analysis of Cases on Confucianism**

The study pursued identification of cases on organizations that followed Confucianism and analysis of them for business culture, ethos and organizational philosophy – with special reference to Confucianism and probe them for their success or otherwise, in relation to the business philosophy and business approaches of these organizations. A Boolean search using the terms Confucianism, Chinese Businesses resulted in listing of four cases in Harvard Business Publishing repository (HBSP). These cases were then studied, analysed and an argument on their management is documented for the purposes of this research.

### **Significance of Business Case Study and Cases written through Case Research**

In business management education, it is now an established fact that case study pedagogy drives a majority of teaching-learning activity and teachers depend on some of the global case houses and some local country level case repositories; prominent of these, Harvard Business Publishing (HBSP), and Case Center (erstwhile ECCH); and within India, IIMA Case Center, IIMC Case Research Center, IIMB center for Development of

Cases etc. These Institutions promote case research, make available registered cases to teachers and students desirous of learning through real life scenarios and situations of a given organization, industry and economy. Cases presuppose that they are picked up from business happenings, deal with authentic organizational scenarios and business challenges handled by people who dig their hands into managerial decision making and demonstrate their managerial leadership.

It is an accepted and established fact that case study method requires a well written, and peer reviewed article before it is registered and published by one of the case registries and it authenticates documentation of real life scenarios and brings to the fore managerial challenges. In a majority of scenarios, cases are: problem oriented, descriptive, provided with facts and figures; they support both diagnosis and prognosis, and offer multiple dimensions of an organization's activities, functions, their environment, leadership and basic approach to business from a third person perspective. It is also acknowledged that an analysis of business cases, helps mirror their realities.

As such, the author premised that there exists an opportunity to view Confucianism from a pragmatic view of doing business when it is attempted to do a meta-analysis of a few leading Confucian businesses whose organizations are documented as business cases in the world's leading business case repository, Harvard Business Publishing (HBSP).

### **The Study basis**

Briefly stated, the four cases that are studied in this exercise of meta-analysis are from diverse industries and with diverse organizational characteristics. Briefly stated, they are:

- A firm that was exploring making stone paper (M/s Tethia Lungmeng),
- A port machinery making firm (ZPMC),
- A power investment Corporation (James Bowman), and
- A kitchenware manufacturing and marketing company (Nigbo Fotile Kitchenware).

Each of these business organizations showcase challenges and approaches in their entrepreneurial pursuits, business development choices and their people management approaches and leadership. The paper attempts at finding the core structure of each of these firms from Confucian perspective and present the learnings of the author.

### **Confucianism – a thought, a way of life or a philosophy?**

The term Confucianism evokes several impressions into the thinking of a person; vividly presented by images of oriental life, a predominantly rural or agrarian society and simple living modes manifested by Chinese people of various classes. The foremost of these thoughts conjure an understanding of a centuries old way of life, known to have been put to back-burner in 20<sup>th</sup> century discouraged by

current polity, however, leads to a surprising inquiry of how it made a silent come back during the globalization era in China.

Other countries in East Asia, continue to believe in Confucian way of life, show success in competitive world, and offer a re-look at Chinese way of life and management. Such a flow of economic processes in these countries, tacitly encouraged Chinese to re-discover Confucian philosophy in order to develop their own existential prowess and offer their own answer to the western management concepts and models.

It is interesting to note here, that in India too, the last few decades witnessed a resurgence of Indian management philosophy, providing the Indian businesses an offer of a new paradigm of understanding business and social leadership. Approaches of SK Chakraborty, Subhash Sharma, RC Sekhar, Ananth Giri, Albuquerque, Mascarenhas and others have opened thinking and probing into Indian as well as Eastern managerial thinking to gain insights into their influence in shaping current mainstream discourse of management theories.

It is also the period when Western management theorists recognized the lament that no new strategy concepts have come up to lead and shape global corporations since 1995. Walter Kiechel III, who was the editorial director of HBSB from 1998 to 2002 observed in one of his

interviews, and quoted by Aurik, Fabel and Jonk that "It's tough to identify any big new strategy ideas since 1995".

The History of Strategy and its future Prospects (Aurik et al, 2014), gave a very detailed chronological overview of how the management thought has progressed in western academia, however, it has not taken into account the growth of alternate management thought and their increasing relevance to understand the significance of these ideologies in firming up of the strengths of Indian, Oriental and Asian businesses.

The author, observed over the last two decades, the reference to and use of Indian, Chinese, Korean and Middle East business successes as cases for study by the top global business schools across the world and within India has increased in leaps and bounds. A majority of the top authors of business management textbooks started including Indian teachers and practitioners as co-authors and encouraged including increased number of non-American/ non-European Cases as integral components of the text books as well as reference resources for analysis and shaping management thought and learning. This has happened predominantly in the areas of strategy, marketing, leadership and ethics and corporate governance, while other subject areas too followed suit, with increased frequency. It was noted that such a process and approach, not only was showcasing western powerhouses, but also articulating how the home-grown business houses of

regions across the world succeed with their own special and unique management models and approaches. Such an expansion of vistas of learning, prompted the author to confidently pick the task of learning and understanding the Chinese businesses which follow Confucianism as the basis and fulcrum of their business management, duly acknowledging that they are part and parcel of various courses by some of the best business schools and that they were frequently patronized by several instructors who access HBSP as the core resource base for instructional material, with a hope and belief that the results will be found relevant and meaningful.

### **Meta-Analysis of Confucian Business Organizations**

The meta-analysis follow the below pattern for each of the studied cases:

- Brief profile of the company;
- Challenges of the firm;
- Core tenets from the perspectives of Confucianism; and
- Managerial challenges in terms of practicing Confucian values.

### **Overview of the Cases studied**

The four cases studied presented the below four scenarios.

The first case was of a Chinese firm – which was developed, led and made a leader in its industry – following Confucian philosophy from the beginning to end, by a Chinese entrepreneur, who picked the gauntlet of entrepreneurial challenges after

his prime work life, motivated by the nationalistic zeal and a fervor acknowledging the opportunities thrown open by a globalized international economic scenario, in China and across the globe.

The second case was a Chinese firm – founded and built in a competitive environment, inspired by the successes of competitive strategies in Western and European economies and emulating them in Chinese globalized economy. This organization, on crossing its learning curve in competitive business management, chose to transform into a Confucian organization – managerially addressing the conflict between competitive forces and native Confucian principles and practices, so as to consolidate its existence as a Chinese business, serving Chinese.

The third one was a Chinese firm – founded and built on Confucian principles, by a descendent of Confucian clan, to prove the beliefs and values of Confucius are relevant even in late 20<sup>th</sup> Century, facing fork in the road, addresses the challenges of competitive pressures and seeks an answer to the pulls of western management approaches which seemingly offering a contrarian stand to the Confucian perspective. The case acknowledges the perils of temptations of a profit and competition oriented approach and acknowledges the need for restraint to resolve the dilemmas of leadership.

The last one was a case of an American firm – attempting to partner with a

Confucian organization, finding difficulty in reconciling between the two philosophies while attempting to build the bridges between the two.

### **Case 1: ZPMC**

#### **Brief profile of the company**

ZPMC is an organization set up by a Confucian disciple, Guan Tongxian, whose firm, ZPMC, makes port machinery and container machinery. Guan Tongxian started off his enterprise at an age of 59, with a motto that “any important port in the world that has container handling operations should have container machinery made in China”.

With this motto, Guan Tongxian, 59, came to Shanghai in 1992, leading thirteen people from Shanghai Port Machinery Company to start a difficult venture with one million US dollars. As of 2009, ZPMC has assets of over 7 billion US dollars. However, the owner-promoter, Guan Tongxian, makes only 50,000 US dollars a year without holding any equities. He has kept such a low profile that even MBA programs in top Chinese universities might not be aware of his success. Chinese traditional culture has been playing an influential role in the personal growth of Guan Tongxian. Guan was influenced by the old generation of intellectuals in his childhood: “At that time, there were old Xiucui and Jinshi in Beijing, and I followed them to learn Chinese poems and listen to them speaking of Confucianism that promotes an idea of ‘cultivating oneself, putting family in order, ruling the country and giving peace to the world.’”

### **Challenges of the firm**

ZPMC is a firm that exemplifies that the Confucian way of enterprise is respected, supported and has potential to thrive and contribute across the world. The growth of the firm to become a 7 billion US dollar company, with owner holding no equity, earning a frugal salary of 50,000 USD per annum, pursues a silent player philosophy, with a firm approach of not opening up to the media and public relations exposure for the company, which it is noted, is a core tenet of Confucian discipline.

The leadership of Guan Tongxian was further articulated by emphasizing “an idea of ‘cultivating oneself, putting family in order, ruling the country and giving peace to the world’”, in that order, as reflective of Confucian principles.

The key challenges are centered on the challenges of leadership succession at the time of the announcement of his retirement and raises the question of “How can this firm maintain the legacy after the retirement of Guan Tongxian, and continue to be Confucian organisation?”

### **Managerial challenges in terms of practicing Confucian values**

While this question has implications in addressing the managerial challenges, it also throws open the need to understand how Confucius attempted to explain the methods of handing over wealth from one generation to the next, which need to be interpreted in deciding and accepting the succession of leadership in this organisation. How far and how well they

will be pursued and with what results, is required to be studied, by attempting the dsaga of post-Tongxian pursuits and functioning of this company. The case highlights the corporate culture that was nurtured by Tongxian, where, the framework for decision making is entrenched into every organisational hierarchy and business responsibilities, thus giving an implicit direction to the company’s way forward.

### **Case 2:**

#### **Ningbo Fotile Kitchenware Co:**

#### **Brief profile of the company:**

Ningbo Fotile Kitchenware Co, is a high-end kitchenware making and marketing firm, the market leader in the country, built on competitive strategy foundations, across the last twenty years, starting from the early years of a globalized Chinese economy. The case describes the company during 2008 – 2013 period, and recognizes it as an organization that actively introduced philosophies of the traditional Chinese culture - such as benevolence, justice, courtesy, wisdom and faith - into its management. The company pursued these as part of its core management values, with a firm belief that they will offset (m)any deficiencies the company felt, were inherent to practicing western management concepts in business operations and the company wanted to create a new Chinese enterprise management model that steers clear of the deficiencies of western models of management.

### **Challenges of the firm**

The company, as it grew, realised that at the core of the business philosophy lies a Confucian mind-set, but at the operational level, they emulated western methods leading to competitive pressures at multiple levels - as its decision making process and approaches and business problem resolving methods were critically debated as contradictory to Confucian values and as those that evoked intense discussions and reflections.

The key challenge of the firm revolves around a core question: “whether its philosophy is sustainable and applicable to modern enterprises generally in China? How can one integrate the western management philosophy with traditional Oriental culture? Is it really possible?”

### **Core tenets from the perspectives of Confucianism**

It was observed that the company built its business with a simple competitive business model in the early years of promoting modern kitchenware, emulating a western lifestyle among its customers, and as such, practiced many western management models in its marketing and sales operations, even though it had a strategic intent in developing the firm as a Confucian culture-based management model in a world of market competition. It first introduces the company’s background, including its start-up and development processes. It next describes the transformation of FOTILE’s management model from western philosophy to one

based on traditional Oriental concepts. It then shows how Confucianism is applied in FOTILE’s management. In particular, it describes the applications of Confucianism in FOTILE’s HR management and performance evaluation. The case offers information and description of management situations that may be used to analyze the company’s cultural management in comparison with the western corporation cultures. Another focus of the case was the relationship of the company’s development strategy and its cultural construction, as well as the HR management.

### **Managerial challenges in terms of practicing Confucian values**

The case presents a multitude of challenges, as it was initially founded as a competitive enterprise and its staffing, directing and control methods were all developed around competitive business model. As a competitive enterprise, that pursued western model of business conduct, created and nurtured competitive strategies in an emerging economy, it faces immense challenges in moving away from these, due to the cultural mores created around the performance parameters

The organization, realizing the need to relate to the larger society in which it functions and does business, in this context, China, attempted to become a Confucian organization and deal with its customer and supplier base, on the foundations of Confucian tenets, especially with regard to handling quality complaints, after-sales



service, where, while the recipients of the service felt better responded, the staff started finding difficulties, mainly because of the cost considerations, depleting margins and lost sales opportunities. A narrowly defined implementation of the Confucian beliefs at workplace, without duly supporting the acceptance and adoption of the values into practices, leads the company face conflicts and lead to a temporary state of confusion in its work force and their competitive demands on the management and also in terms of their own competitive performance in a market where new players threaten the dominance of an existing market leader

The company actively advocated benevolence, justice, courtesy, wisdom and faith - into its management, so as to diffuse the staff- management conflicts. However, while these were practiced with complete dedication at the top and its methods of percolating the ideology into lower layers was rather slow, and brought in only as a tool to resolve conflict in an aggressive competitive environment;

There was an apparent dichotomy in performance measurement approaches of the top management and the perceived lack of understanding of how to practice Confucian principles in day-to-day business activities drew the middle management into a state of confusion on how to conduct daily business operations—

In terms of providing customer service, in terms of compensation to staff and workers; in terms of profitability and even

in terms of considerateness to competition, the clarity of who benefits in the short run and in the long run, was not communicated, thereby creating a bipolar division between field work force and management team.

The case leads to discussion of how to implement change and what are essential in managing change, as advocated by Confucian analects, which sound akin to the principles of moulding group opinion through a leader's honesty in the midst of competitive forces of profiteering by competing firms in the business.

### **Case 3 :**

#### **Tethia Lung Meng: Brief profile of the company**

TLM, a real estate firm that evolved into a diversified business conglomerate, eyeing expansion and market dominance in many areas, pursues a technology of converting limestone into paper as a blue ocean strategy to build on a first mover advantage to penetrate the market and find an early profitability proposition for the company in the industry. However, dilemmas of the top leader of the firm pull him apart to two sides, as his lineage as a descendent of Confucian family restrains him from pursuing aggressive market strategies, while the market reading was forcing him to go beyond the normative behavior expected of him, to protect the firm from languishing.

In February 2011, TLM became the first company to produce stone paper and offer break-through technological solutions to environmental challenges in conventional

paper making industry. Kong Ling Fa, TLM's founder, obtained the technology from Taiwan and wanted to be the pioneer in China, and he was tempted to even make a global debut. However, the technology transfer was limited by the provider to a specific region in China only, thus tying the hands of the entrepreneur.

### **Challenges of the firm:**

The case illustrates the concepts of entrepreneurship, Confucianism and strategy. One can gain insights about Kong, the Chinese entrepreneurs' motivations, values, their development strategies and their cooperation with the support of the Chinese local government. Kong's main challenges include: TLM licensed the technology from Taiwan and had exclusive rights only in Anhui province. Although TLM was the first to produce stone paper commercially, three other companies were in the process of starting up production. How should TLM exploit its first-mover advantage? How should TLM develop the resources and strategic capabilities to ensure success? How could it leverage on the reputation and experience that Kong and TLM had accumulated over the years? Was it sustainable?

Core tenets from the perspectives of Confucianism

The organizational dilemmas crep into the challenges, with the manifestations of greed in the mind of Kong, who, after obtaining the license to use the technology and rights to make stone paper only in the home province of TLM, starts aspiring to take

stone paper to the entire country as well as to the world markets.

He faces Confucian dilemmas of two-fold:

- Should the firm focus on how to offer a technological benefit to the country and global markets, without compromising its commitment to the license provider or
- Should it leverage the first mover advantages to establish market leadership across its target markets?

### **Managerial challenges in terms of practicing Confucian values**

The dilemmas loom large in the face of Kong, as he proudly claims himself to be a direct descendent of 76<sup>th</sup> generation from the family of Confucius and as a person who has never compromised on Confucian values while doing business across the last seven decades of his entrepreneurial life. It is being challenged by the perceived needs of the company to leverage on the competitive methods of capitalizing the first mover advantage of a firm in an emerging market. Should the quintessential values of accepting the emergence of competition as a way of economic life over-ride the compulsions of building a market base and profitability in given opportunistic moment?

### **Case 4 :**

#### **James Bowman and Private Equity Fund**

#### **Brief profile of the company**

James Bowman, a founding partner of a private equity fund manager based in New York City, has travelled to China to meet

with a China Power Investment Corporation manager in the hope of cultivating a business relationship. But Bowman is flabbergasted when the manager, in what is supposed to be an introductory conversation, asks that Bowman deposit \$800,000 into a Chinese banking account. The money, the manager assures Bowman, will be returned to him within 30 minutes. This request, Bowman understands, is about the principles of Confucianism, which many in China incorporate into their work and home lives. These principles involve building close, trusting relationships in business. Bowman realizes that he is being tested, and he is uncertain how to respond.

Challenges of the firm:

The challenges of James Bowman are different from the previous three cases, as a westerner tries to decipher the ethos and managerial practices of a Chinese firm, with an intent to start commencing his business in that country. The challenge was, how does one manage competing cultures (including principles, beliefs, and practices) when doing business with unknown?

Stated in a simplistic way, the case deals with the scenarios of a business lead throws a prospect of opening business in China; and while exploring the ways and means of introducing the business into Chinese region, the prospective client throws a surprise proposition even before exploratory discussions and the potential Chinese partner, operating on Confucian principles, conveys the value of the same

for building partnership between two unknown parties.

### **Core tenets from the perspectives of Confucianism**

The Confucian principles involve building close, trusting relationships in business. The American Prospector realizes that he is being tested, and he is uncertain how to respond. Secondly, the business prospector, who is looking for opportunities to handle financial investment business, needs to appreciate that he is expected to convey his trustworthy nature, in order to set up his business operations in that country.

Managerial challenges in terms of practicing Confucian values: The case showcases

### **Conclusion**

The four organizational scenarios offered as cases that teach how to deal with Confucian organizations, convey the following simple life truths:

- Truthfulness
- Trust
- Humane approach to all
- Responsibility towards own people, own village, own land and country and all global citizens
- Considerateness to all – investors, staff, suppliers, customers and Competitors
- Distinguish competitiveness from profit making
- Steer clear the conflict between western management theories and their limited relevance to Chinese firms,

- Acknowledge that there is a need to adopt and adapt them to local culture of way of life

— Being supportive to the community, to the society and to the humanity at large

A study of the above cases in a milieu of corporate degeneration across the corners of the world, throws open the gauntlet of how to learn to practice ethics in business environment, so as to be a role model to the team within the organization as well as offer a way forward to others too. Speaking of ethics and moral values, while some of them are region-specific and culture specific, there are universally accepted human values, which are required to be ingrained into the corporate philosophies. For this purpose, two countries, China and India offer a large canvass and platform, to showcase the successes of the businesses that follow Indian and Confucian values, to also present the conflicts that the present generations face, due to their limited exposure to these values and also to the skills and outlook that they expect us to carry, to offer a committed and conscience filled leadership, making it easily acceptable to those who would like to understand and appreciate them and pursue to lead sustainable businesses into the future.

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