

# The Impact of Chinese Culture on Corporate Social Responsibility: The Harmony Approach

*Lei Wang*  
*Heikki Juslin*

**ABSTRACT.** Although the history of adopting the Western Corporate Social Responsibility (CSR) concept in China spans less than 20 years, the core principles of CSR are not new and can be legitimately interpreted within traditional Chinese culture. We find that the Western CSR concepts do not adapt well to the Chinese market, because they have rarely defined the primary reason for CSR well, and the etic approach to CSR concepts does not take the Chinese reality and culture into consideration. This article resolves these problems and contributes a new definition of CSR, called here – the Harmony Approach to CSR. Simply, the Chinese harmony approach to CSR means ‘respecting nature and loving people’. It is the first time CSR has been defined in relation to Confucian interpersonal harmony and Taoist harmony between man and nature. Conceptually, this definition will broaden our understanding and will fit the characteristics of the Chinese market better. The idea of incorporating cultural contexts into CSR concepts could also contribute to future CSR studies. In business practice, it will help corporations to adopt CSR on their own initiative. The proposed virtues of traditional Chinese wisdom, in particular, will guide corporations to a new way of improving their CSR performance.

**KEY WORDS:** CSR, China, harmony, Confucian, Taoism

**ABBREVIATIONS:** BC: Before Christ; CSR: Corporate Social Responsibility; CR: Corporate Responsibility; CIBA: The Chinese Institute of Business Administration;

CNTAC: China National Textile and Apparel Council; FDI: Foreign direct investment; GDP: Gross Domestic Product; GE: General Electric Company; GC: The Global Compact; ICT: Information and Communications Technology; ILRF: International Labour Rights Fund; ILSS: Institute of Labour and Social Security; ISO: International Standards Organization; MCPRC: Ministry of Commerce of the People’s Republic of China; NGO: Non-Governmental Organization; NPC: National People’s Congress; ORSE: Study Centre for Corporate Social Responsibility; PRC: People’s Republic of China; SGCC: The State Grid Corporation of China; SAI: Social Accountability International; WTO: World Trade Organization; WRAP: Worldwide Responsible Apparel Production

## Introduction

Corporate Social Responsibility (CSR), which originated in the West, is a term that has been discussed worldwide and developed, resulting in a wide array of definitions, concepts and comments. However, there is no universally accepted definition of CSR. CSR can be traced back to Sheldon (1924), and was terminologically formalized by Bowen (1953). Further developments were undertaken by scholars such as Carroll, Wood and Elkington. Carroll’s ‘Pyramid of CSR’ means ‘the total corporate social responsibility of business entails the simultaneous fulfilment of the firm’s economic, legal, ethical and philanthropic responsibilities’ (Carroll 1979, 1991). Wood’s (1991) ‘Corporate Social Performance’ is defined as ‘a business organisation’s configuration of the principles of social responsibility, process of social responsiveness, and policies, programmes and observable outcomes as they relate to the firm’s societal relationship’. The

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*Lei Wang is a researcher of Department of Forest Economics, University of Helsinki, and his research focuses on the area of CSR, business ethics and new marketing implementations.*

*Heikki Juslin is a retired professor from the University of Helsinki, he is a well-known teacher and scholar of forest products marketing specializing strategic marketing planning, consumer behaviour and green marketing.*

'triple bottom lines' discussed by Elkington (1998) describes CSR through its social, economic and environmental responsibilities.

There are also various approaches to CSR definitions, such as 'the shareholder approach', which defines the social responsibility of business as to increase its profits (Friedman, 1962, 1970). 'The stakeholder approach' emphasizes that organizations are not only accountable to their shareholders but should also balance the interests of their other stakeholders, who can influence or be influenced by organizational activities (Marrewijk, 2003). Scholars such as Davis (1967), Johnson (1971) and Freeman (1984) have contributed to this approach. 'The societal approach' defines companies as responsible to society as a whole (Marrewijk, 2003), scholars like McGuire (1963), Eells and Walton (1974) and Wood (1991) have contributed to this view.

Since the 1990s, CSR has become a core aspect in business practices in responding to many critical issues, such as human rights, labour rights, environmental and sustainable development, stakeholder relationships and poverty (Hopkins, 2004; Tian, 2006). Countries such as the UK, the US and Japan are the leading contributors to CSR thinking and practice (KPMG, 2005). China is becoming a critical player in CSR, but CSR practices and concepts in China are obviously still in their infancy.

In practice, the CSR movement in China started from the mid-1990s (Myllyvainio and Virkkala, 2006; Zhou, 2006). Multinationals brought Western CSR into the Chinese market during the 'anti-sweatshop campaign' which opposed the unacceptable conditions in the supply chain in developing countries (Pun, 2003). Chinese enterprises only began passively to accept these standards, regulations and codes of conduct relating to working conditions, working rights, health and safety issues and wage conditions because their purchasers required them to do so (Zhou, 2006).

Since CSR is a term which originated in the West, many debates, standards and disclosures over CSR in China have tended to follow developments in the West (Moon, 2002; Welford, 2003). For instance, the main CSR-related standards and guidelines come from the West, such as SA8000, WRAP and ISO standards, and the few Chinese local standards such as CSC9000T are in their inception (CSC9000T, 2006; ISO, 2006; SAI, 2007; WRAP,

2008). Western standards are problematic and difficult to manage for Chinese corporations, many of them not according with the Chinese reality (Chen, 2006).

Corporate disclosure and reporting in China are still in its inception and mainly focused on financial performance rather than social and environmental issues (Welford, 2005). We have only identified 81 companies publishing proper Corporate Responsibility (CR) reports. Environmental reporting and disclosure has not so far been widely accepted in China either. A few enterprises have published environmental reports, and even more rarely annual reports including environmental issues (Welford, 2005). Currently, about a third of companies listed in China have published some sort of corporate environmental information, but many treat it simply as an additional burden and choose to release the information in very superficial form (Welford, 2005). Lack of related regulations, standards and guidelines has restricted the development of CR reporting and disclosure (Syntao, 2007; Zhang and Lin, 2006).

Conceptually, there are numerous studies of CSR in China which have been done by Western and Chinese scholars, such as Welford (2005), Jensen (2006), China et al. (2003), Ying et al. (2006), Li and Li (2005) and Li (2004), but many studies have been based on the Western-style CSR concepts and analysed according to Western values. There are few CSR concepts which accord with the Chinese physical reality, values and cultures. For example, the CSR concept defined by the Chinese Institute of Labour and Social Security (ILSS, 2004) is 'enterprises should also take stakeholders' benefits into consideration when they pursue to maximize profit for their shareholders', which is similar to the 'The stakeholder approach'. Gao (2005) defined CSR at two levels, the first being internal economic responsibilities, mainly about the business development. The second level is the external responsibilities relating to environmental, social and other issues. In Gao's opinion, the internal responsibilities are the priorities, and the external responsibilities are the superadditions. In our opinion, this definition is the evolution of 'The stakeholder approach', or an approach similar to the 'triple bottom lines'.

This kind of etic approach to CSR creates limitations and even confusion in understanding the

essence of CSR in China. In China, the norms, values and business environment are different compared to the West, and they all have influences on CSR concept and performance. Therefore, even though the basic context of environmental management, social responsibility and sustainable development is the same in China and the West, there are still very different priorities in CSR in China (Welford, 2003). We thus argue that the Western CSR concepts cannot fit the Chinese market well, and CSR concepts have to take Chinese cultural contexts into consideration to be widely disseminated in China and understood better by Chinese corporations and society.

First, there are numerous definitions of CSR, but the primary reason for CSR has rarely been well defined; i.e. the CSR definitions should clarify the reason why corporations should conduct CSR at all. As a matter of fact, CSR has been regarded as an ‘exotic’ by many Chinese corporations, many of them having been forced to accept some CSR loadings at the outset. If the CSR definitions cannot provide them a rationale for doing so, they may only select those elements they see fit to accept. Therefore, CSR may be only a ‘show’, not significantly integrated into corporate principles and cultures.

Second, lack of a clear definition causes disparate interpretations, even misunderstandings in different cultures. CSR has been formulated and developed based on the Western values, laws and free market conditions in the developed countries. Undoubtedly, there are some elements that do not accord with the Chinese reality. For example, Western CSR is a voluntary concept (Commission of the European communities, 2001), but the current topic in China is still about corporate operations at the basic legal level. Chinese society is still struggling with issues such as illegal labour relationships, corporate crime, product safety and pollution (Tian, 2006). Clearly, there is a gap between the developed countries and China regarding corporate responsibility. If one ignores this gap and imposes exactly the same concept on China, CSR maybe become a luxury and fail to be accepted by most Chinese enterprises. A culturally specified Chinese CSR concept with Chinese characteristics is clearly needed.

This article aims to formulate a new CSR definition in Chinese cultural contexts which can meet

these two challenges by explaining old Chinese wisdom. The next part gives a clear picture of the history of CSR in China, which shows that traditional Confucian traders had accepted responsible business principles for a very long history in China, while Western CSR has been in the Chinese market for about 20 years. The third part discloses the drivers of CSR in China and explains the primary reason for conducting CSR. The fourth part introduces a Chinese culture-specified CSR concept after a summary of Chinese traditional culture and philosophy. Finally, this article will provide future perspectives and some suggestions about CSR in China.

### **Development of CSR in China**

While generally speaking, the term CSR originates from the West and its adoption has a relatively short history in China, but the core principles of CSR are not new to China, and can be shown to have a long history. The development of CSR in China having gone through the following stages:

#### *Traditional CSR (Confucius's time–1949)*

The responsible business concept in China can be traced back more than 2500 years ago to Zi Gong (520–475 BC), who has been regarded as the originator of the ‘Confucian Trader’. He applied the Confucian virtue of ‘righteousness – yi’ and ‘sincerity – xin’ to his business, pursuing a harmonious and responsible business relationship. Another responsible aspect of his business is that he utilized his wealth to help scholars and the poor (Huan, 1st Century BC). Confucian traders are entrepreneurs who adopted Confucian theory and applied it to their business. They pursue profits with integrity and commitment to the community’s prosperity (Huang, 2008; Lee, 1996). There are many characteristics of Confucian traders, such as morality, sincerity, credit, fairness and benevolence. In their long history, Chinese merchants constantly followed and developed these principles and acted as Confucian traders. For example, the leading business trait of the famous Ninbao merchants in the Ming and Qing Dynasties is ‘use sincerity to gain trust’, while Shanxi

merchants were famous for their business conduct (Lee, 1996). The history of China, which is strongly affected by the Confucian values, can be regarded as the fostering the history of traditional CSR.

#### *Dislocated CSR (1949–1983)*

In this period, traditional Confucianism lost its eminence, and was seriously denounced (Pang et al., 1998). During the Cultural Revolution especially, Confucianism was heavily criticized as both a symbol and source of all the evils of the old class system (Laurence et al., 1995). The traditional CSR has been replaced by the obligatory responsibilities which are authorized by the government.

All the enterprises in China were state-owned under the planned economy. Enterprise functioned as a part of the government. Enterprises have been small communities of their own, taking various social responsibilities for all their members, such as housing, school and medication on behalf of the state (Lu, 1997). The roles of government and enterprise were mixed and dislocated, a phenomenon we call this ‘enterprises burdened with social responsibilities’, which cannot be categorized as CSR (CIBA, 2006; Li et al., 2004). Some principles and experiences, such as labour caring and worker’s welfare, can, however, be imported into current CSR in China.

#### *Absence of CSR (1984–1994)*

Economic reform in China dates from ‘the Decision on the Reform of the Economic System’ issued in 1984. The separation between enterprise and government leads the establishment of the modern enterprise system; multi-structured capital ensures that the private and joint venture enterprises in China flourish (CIBA, 2006). The only target for Chinese enterprises during this period was to maximize profitability, making this a time of capital accumulation during which many companies operated irresponsibly. Many problems have been encountered, the phenomenon of the money-workshop has grown, and unethical and irresponsible business practices have crept in Harvey (1999), Liu (2002) and Shafer et al. (2007). In this period,

there was either an absence of CSR, or the CSR which means only the responsibility of pursuing maximum economic profit. However, some CSR activities have emerged from the public and academic sectors, such as the Hope Project for promoting education in China, and the Guang Cai programme for the anti-poverty cause in China. The first academic CSR literature, ‘Corporate Social Responsibility’ by Yuan, was published in 1990 (Ying et al., 2007).

#### *The introduction of Western CSR (1995–1999)*

Chinese enterprises started to participate in CSR during this period. As the basic players in the multinationals’ global supply chain, Chinese enterprises passively accepted some CSR requirements from their foreign purchasers at the other end (Zhou, 2006). Many Chinese enterprises in labour intensive and trade-oriented industrial sectors have experienced CSR assessment and auditing (CNTAC, 2006). CSR has become a new challenge for Chinese enterprises to compete in the global market. In order to start with, many Chinese enterprises disliked and resisted this concept. The major claims are that (1) CSR is a luxury which many enterprises can hardly afford, (2) CSR is a trade barrier restricting competitiveness, (3) there are hundreds of CSR standards, criteria, guidelines and management systems established by multinationals and NGOs many of which are inconsistent and difficult to manage, (4) exorbitant labour standards based on the laws and conditions in the developed countries do not accord with Chinese reality and (5) companies also complain that they were exposed to intense price competition, while having to bear the cost of pro-social measures (Chen, 2006; ORSE, 2006).

#### *Learning CSR (2000–2003)*

The Western CSR concept was further introduced to Chinese society. Chinese academics, NGOs and international organizations were the major players dealing with CSR issues in this period, carrying out comprehensive studies, and working on CSR extensions to Chinese society (CNTAC, 2006). The focus was on the obvious negative impacts of CSR

and labour issues. Multinationals require Chinese enterprises to meet more stringent auditing demands (Zhou, 2006). CSR issues have appeared on the Chinese government's agenda and many government departments such as the Ministries of Labour, and Commerce, as well as the Chinese Enterprise Confederation (CEC) all established CSR investigation committees (CNTAC, 2006). A milestone in the development of CSR in China was the proposed 'The Scientific Development Concept' in 2003. Together with the later 'The Construction of a Harmonious Society', these demonstrate CSR localization in China. From this period, the Chinese government stopped turning its back on CSR. It did not wholly accept it, and take a wait-and-see approach, but has shown some interest (Zhou, 2006).

#### *Engagement (2004–Present)*

The year 2004 seemed to be the watershed for CSR in China. Since then, engaging CSR has become a matter of consensus for Chinese society. There was a sea-change from a passive approach to an active and participatory approach (Zhou, 2006). Increasing public and media concerns, laws, regulations and standards, especially the fully developed concept of harmonious society, all are effective drivers for CSR in China. The Chinese government, enterprises and society have realized that developing CSR is an important contribution to building a harmonious society, and have taken a series of positive actions to promote its development in China (CNTAC, 2006). In this period, CSR practices are not only apparent in export-oriented enterprises but also domestic and state-owned enterprises. The CSR report of State Grid Corporation of China is the first CSR report from the Chinese state-owned enterprises (SGCC, 2005). According to the estimate of the Institute of Contemporary Observation (Shen Zhen), more than 100,000 Chinese enterprises have experienced CSR auditing and certification (Ying et al., 2007). As many as 143 Chinese enterprises and organizations have joined the Global Compact (GC, 2008), and more than 100 enterprises have received SA8000 Certification (SAI, 2007). In this period, the government and industrial organizations have started to establish China's own significant CSR standards and regulations such as CSC9000 (2005) for the textile

industry. CSR is becoming a tool for improving the competitiveness of the Chinese enterprises in the global market.

In order to summarize, neither CSR principles nor practices are exotic, CSR being a term which can be legitimately interpreted within the Chinese culture. The history of CSR development in China indicates that a localized Chinese CSR concept can help to overcome defensive attitudes and misunderstandings of CSR, which indicates the importance of defining a culturally specified Chinese CSR concept.

#### **Drivers of CSR in China**

There are various drivers prompting companies to adopt CSR in their business practices. Kotler and Lee (2005) and Azapagic (2003) describe a number of instrumental benefits of adopting CSR. McWilliams and Siegel (2001) and Sparkes (2003) focus on the drivers of new business imperatives and new social demands. Moon (2004) takes the role of government as a driver for CSR. Chinese scholars, such as Ying et al. (2006) and Tian (2006) discuss the role of individual citizens and civil society in CSR, they believe the developed Western CSR concept has been derived by a series of CSR movements and campaigns, and NGOs have strong influence in CSR.

While China has achieved great success in economic growth in recent decades, some problems, such as the gap between the rich and the poor, energy shortage, environmental degradation, labour rights debates and defiance of business ethics are becoming increasingly serious. These negative effects can be partly explained by the lack of CSR involvement, as well as adding intense pressure to develop CSR in China.

#### *Natural drivers*

The current extreme environmental concerns impel CSR adoption and practice in China. The achievements in the Chinese economy in the last 30 years have inflicted serious damage on the environment. One estimate by the World Bank underscored that damage caused by water and air pollution in China

amounted to USD 54 billion per year (Chan and Welford, 2004), or between 3.5% and 8% of China's GDP (The World Bank, 2007), which means that environmental degradation has offset economic growth in China. In 2005, China invested about RMB 238.8 billion in the treatment of industrial pollution in China, about 1.3% of the country's GDP (National Bureau of Statistics of China, 2006).

The need for efficient utilization of natural resources is another important driver for adopting CSR in China. With a population of 1.3 billion inhabitants and a rapidly developing economy, China is facing serious shortages of energy, water and other natural resources. The water shortage in China amounts 21.8 billion tons, about 6 billion tons shortfall per year. More than 400 cities out of 668 experience insufficient water supply (Li, 2003). China is the world's second largest energy user, and its output of primary energy was equal to 2.06 billion tons of standard coal in 2005, while the total energy consumption outpaced the domestic supply, which totals about 2.23 billion tons (National Bureau of Statistics of China, 2006). China imported 162.81 million tons of oil in 2006 (Chow, 2007). The energy shortage is mainly caused by the overheated and improperly structured economy, and inefficient energy utilization, China's energy consumption per unit output value is twice as much as that of developed countries (Xinhua, 2004).

In order to face these actual environmental and energy problems, China has adopted its 11th Five-Year Plan, and focused on building a resource conservation-oriented and sustainable society. Key specific numerical goals in this plan include a 20% reduction in energy consumption intensity per GDP; a 30% reduction in water consumption intensity per added industrial value; a 60% increase in industrial waste recycling rate; a 10% reduction in major pollutant emissions; and a 20% increase in the forest cover rate (Seiji, 2007).

#### *Labour driver*

Increasing pressure to protect labour rights and improving the welfare of workers is another important driver for demand CSR in Chinese companies. Labour rights issues were intensified through the 'anti-sweatshop movement' in the

1990s. Multinationals have increasingly pushed Chinese suppliers to comply with standards, regulations and codes of conduct relating to working conditions, working rights, health and safety issues and wage conditions (CNTAC, 2006; Pun, 2003; Zhou, 2006). Major problems in this area include unpaid minimum wages, unfair employment contracts, labour disputes, health and safety issues, working overtime, lack of welfare and social security for workers, unhealthy working conditions, poor protection of women's rights, insufficient worker education and training, wide fluctuation of employees and inequitable employment relationships (Li and Li, 2005; Nordmann, 2005; Ying et al., 2006). There are numerous Chinese laws and standards, and international conventions and standards are operative in this area in China.

#### *Legal driver*

The new PRC Company Law, which took effect from 1 January 2006, can be regarded as a legislative stimulus for CSR (NPC, 2005). One significant development is that it has incorporated the concept of CSR into its legal system. According to Article 5, a company shall accept social responsibility, and not only comply with the laws and administrative regulations but also observe social morality and business ethics (NPC, 2005). In general, it facilitates corporate commitment to CSR in China.

#### *Market drivers*

Exports and sales to foreign markets are a key driver for improving CSR performance in China (Zhu et al., 2005). Many developed countries have set a requirement of CSR for market entry, and many multinationals as purchasers have established strict rules and standards for CSR in their global supply chains. Some NGOs and multinationals have drafted some 'Codes of Conduct' specifically for Chinese business, such as the 'China Business Principles' of the International Labour Rights Fund (ILRF) and Global Exchange. Multinationals such as Carrefour, Nike and GE have already imposed CSR assessment on their Chinese suppliers (Ying et al., 2006). About 8000 Chinese companies in the coastal areas have

experienced such factory assessments (Ying et al., 2006). Pressures and experiences from the green trade barrier and the labour trade barrier have forced Chinese companies to respond quickly to market needs, especially in the labour intensive and export-oriented industries like electronics, textiles, shoes, toys and handicrafts manufacture. Hence, one major goal of achieving CSR in Chinese companies is to improve responsible competitiveness in the global market.

Multinationals entering the Chinese market is another strong CSR driver in China. By the end of 2004, there was a total of 508,941 foreign-financed companies in China, the capital involved based on their contracts being 1096.6 billion USD (MCPRC, 2005). About 470 enterprises from the Fortune global, 500 companies have been investing in China (Cui et al., 2006). These multinationals are all striving to adapt their business models to this huge market, while bringing capital, technology and management know-how to the country. When multinationals bring their CSR principles into the Chinese market, this of course strongly influences CSR in China as well.

#### *Political driver*

The ‘Scientific Development Concept’ and ‘The Construction of a Harmonious Society’ are the primary political drivers for developing CSR in China, being the central policy guidelines for sustainable development and overall societal balance in China. The Scientific Development Concept, proposed at the Third Plenary Session of the 16th Central Committee in autumn 2003, means ‘putting people first and aiming at comprehensive, coordinated and sustainable development’ (CPC Central Committee, 2003). The Construction of a Harmonious Society was first proposed at the Fourth Plenary Session of the 16th Central Committee in 2004, and is the current and dominant socio-economic goal to be achieved using the Scientific Development Concept (CPC Central Committee, 2004). CSR accords conceptually with both these concepts, and may be a key tool in achieving a harmonious society. Practically, CSR has been regarded as a part of the Scientific Development Concept, and Harmonious Society Construction is the ultimate goal of

CSR in China (Sino-European CSR international Forum, 2005). In that sense, CSR becomes unavoidable and compulsory for all Chinese enterprises. All companies in China are obliged to carry out their social responsibilities and contribute to creating a harmonious society.

#### *Ethical driver – the primary reason*

In the history of the development of CSR, the Confucian tradition and business ethics which were based on Confucian notions had degenerated seriously during the transitional stage of market reform in China. Recovering and developing business ethics and morality are urgently needed by current business in China.

Confucian philosophy, which has strongly influenced the moral code of the Chinese ethical tradition historically and forms the backbone of Chinese culture (Cho and Lee, 2001; Fan, 2000; Laurence et al., 1995; O’keefe and O’keefe, 1997; Pang et al., 1998; Wang et al., 2007), concerns harmonious social relations, moral codes and ethical systems (Fan, 2000; Murphy and Wang, 2006). The overall goal of an individual in Confucianism is to obtain ‘ren’ – the quality of being a human and becoming a ‘superior person’ by contributing to a harmonious society (Chuang, 2007; Wong et al., 1998). Similar wisdom has been applied to business ethics in China, where the tradition is to depend on moral considerations to conduct a profitable business – profit should result from harmonious business (Confucius, Analects 4:5; Pang et al., 1998). Since yi – righteousness, has been considered the pivotal moral consideration in business ethics (Jensen, 2006), the overall goal of an enterprise is to obtain ‘yi’ and cultivate other virtues, such as ‘humaneness’, ‘ritual’, ‘wisdom’, ‘sincerity’ and ‘responsibility’ – the qualities essential to being an enterprise and becoming a ‘superior enterprise’ – in this way to contribute to the construction of a harmonious society. This is the primary reason of Chinese enterprises being active in the society, and it is the primary reason why enterprises should also conduct CSR.

The drivers mentioned above are the most important for developing CSR in China in our view, but more drivers can be found in Table I.

TABLE I  
Important drivers of CSR in China

Macro- and micro-environment	CSR drivers in China
Social environment	Increasing public sustainability (CSR) demand Increasing media and public pressure and concerns in CSR-related issues Developing business ethics and morality Developing a general welfare system in China
Political environment	The Scientific Development Concept Constructing a Harmonious Society
Economic environment	Being the world's fastest growing economy Developing green GDP
Legal environment	Commitment to CSR required by the new company law Various legislations and standards (both national and international) for CSR
Market environment	CSR requirements and trade barriers in the global supply chain A trade- and export-oriented market Globalization and market forces Multinationals transferring their CSR principles to the Chinese market Local companies improving competitiveness by integrating CSR
Natural environment	Consequences and events Increasing pressure from the use of natural resources (energy, land, water, etc.) Protecting and conserving the natural environment and guaranteeing sustainable harmony amongst people, nature, society and business
Stakeholders	Increasing government role in the promotion of CSR Increasing power of society and NGOs Increasing the media's concerns with CSR issues Higher CSR requirements from competitors and business partners Increasing consciousness from top corporate management in CSR Pressure from the labour market, and the requirement to protect labour rights and improve the welfare of workers

In general, the drivers of CSR in China can be divided into two categories: domestic drivers and international drivers. International drivers have established the modern (Western-style) CSR in China, and can be regarded as the passive drivers for Chinese enterprises. The power of these drivers is declining in the CSR sector in China. Domestic drivers are initiative drivers derived from the needs of Chinese enterprises, government and society itself, which also have roots in the Chinese culture. The domestic drivers now play increasingly important roles in the development of CSR in China. Cultivating virtues and becoming a 'superior enterprise', which will contribute to the construction of a harmonious society, is the primary reason for Chinese enterprises to conduct CSR.

### The harmony approach to CSR

The history and present drivers of CSR development in China suggest that the importance of a culturally specified Chinese CSR concept is emerging. Here, we are trying to generalize a Chinese-style concept of CSR, which we call the 'Harmony approach to CSR' or the 'Harmonious society approach'. Its roots can be found in traditional Chinese culture and philosophy.

The Chinese believe that everything should be in harmony (Pitta et al., 1999), the notion of harmony deriving from the most famous Chinese philosopher Confucius (551–479 BC). Confucius' thoughts have been developed into a system of philosophy known as Confucianism. Harmony is its central principle,



the overall goal of ancient Confucianism being to focus on secular ethics and morality, and educate people to be self-motivated and self-controlled to assume responsibilities, which leads to self-cultivation and a harmonious society (Chung, 1995; Fan, 2000; Murphy and Wang, 2006; Wong et al., 1998).

Philosophically, 'harmony presupposes the existence of different things and implies a certain favourable relationship amongst them' (Li, 2006). Harmony can occur at various levels, the Chinese traditionally emphasizing harmony in interpersonal relationships and harmony with nature (Hung, 2004; Yang, 1992). Confucian harmony focuses on interpersonal harmony, while another Chinese ancient philosophy, Taoism, emphasizes harmony with nature (Li, 2006).

#### *Confucian harmony*

Confucius applied harmony as a critical standard to distinguish superior men from inferior men: 'Superior men appreciate harmony instead of sameness whereas inferior men appreciate sameness instead of harmony' (Confucius, Analects 13:23). Confucian harmony relies on the following key principles: (1) the stability of society being based on the five cardinal relationships; (2) the family as the prototype and core unit of society; (3) reciprocal virtuous behaviour; and (4) self-cultivation (Chuang, 2007; Hofstede and Bond, 1988; Whitcomb et al., 1998).

#### *The five cardinal relationships*

Confucian harmony combined with multi-level interpersonal relationships. Confucius has emphasized five hierarchical cardinal relationships (Wulun): the relations between ruler and subordinate, father

and son, husband and wife, elder brother and younger brother, and friend and friend (Hofstede and Bond, 1988). All human relationships in society can be understood as the extension of one or some combination of these five fundamental relationships (Hung, 2004; Shih, 1988).

Based on the five cardinal relationships, Confucius described the 'Great harmony'

When the Great Principle prevails, the world is a commonwealth in which rulers are selected according to their wisdom and ability. Mutual confidence is promoted and good neighbourliness cultivated. Hence, men do not regard only their own parents as parents, nor do they treat as children only their own children. Provision is secured for the aged until death, employment for the able-bodied, and the means of growing up for the young. Helpless widows and widowers, orphans and the lonely, as well as the sick and the disabled, are well cared for. Men have their respective occupations and women their homes. They do not like to see wealth lying idle, yet they do not keep it for their own gratification. They despise indolence, yet they do not use their energies for energies for their own benefit. In this way, selfish scheming is repressed, and robbers, thieves and other lawless men no longer exist, and there is no need for people to shut their outer doors. This is called the Great Harmony (Dai, Han Dynasty).

The Great Harmony in Confucianism can be understood as the ancient concept of the 'Harmonious society' as well.

Abandoning the hierarchical power relationship and withholding harmony and responsible principles, the five cardinal relationships can be used to develop the modern societal interpersonal relationships, such as the stakeholder relationship for enterprises. Table II indicates the changes.

TABLE II  
The changes in the five cardinal relationships

The five cardinal 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.)

The principles informing the ancient ruler and subordinate relation are loyalty and duty (Fan, 2000). In modern business relationships, governments play significant roles in creating an overall enabling environment to support business practices, providing legislation and facilities. Since the major roles of NGOs in modern business are monitoring and promoting business issues, the basic duty of a company is to comply with the laws, administrative regulations and surveillance (NPC, 2005). In the ancient father and son relation, the son must be filial to the father, the core principles in this relation being love and obedience (Bi and D'agostino, 2004; Fan, 2000). The well-known slogan in modern business, 'customers are our God' means that companies should obey and respect the customers' demands. In the husband and wife relation, the focus is on obligation and submission (Fan, 2000). In the modern business relation, a company has responsibility to take care of its employees, and the employees have a responsibility to contribute to the success of the company's business, as well as maintaining the image of the company. In the relation between an elder and a younger brother, the core principles are seniority and modelling (Fan, 2000). As this applies to business life, management are expected to provide the role model for the employees, and employees need to follow the supervision of the managers. A company should treat all its business partners as friends and co-operate in win-win solutions, a relationship, we can interpret in terms of the friend and friend relation, whose core principle is trust (Fan, 2000).

#### *The concept of family*

Confucianism heavily prioritizes family roles and commitment (Li, 2006). Confucianism views the family as the natural habitat of humans, the most desirable environment for mutual support and personal growth and as the building-block for society's structure and function (Moise, 1986). Confucius believed that a good family relationship is the key to harmonious society, in that if people could learn to perform their familial roles properly, they would in turn be able to carry out their roles in society and government properly (Confucius, Analects 1:2 and 4:20). In Confucianism, family harmony includes preserving and increasing family wealth and status, continuing the family tree, worshiping the ancestors and being responsible to parents and other family

members (Bockover, 2003; Zapalska and Edwards, 2001). 'Loyalty – zhong', and 'responsibility – xiao' are the two important moralities binding the familial relationship.

Following the Confucian concept of family, Chinese enterprises often try to create a family atmosphere amongst their employees. They 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, while the "family" will take good care of you as well'. There is also a slogan used for promoting environmental protection in China, called 'The earth is your family, and everyone should take great care of it'. In general, the Confucian concept of family focuses on in-group concepts and 'we' identification (Hung, 2004; Triandis, 1988), meaning that you are a member of a group – not outsiders; it is your own business to take responsibility for this group. In terms of CSR, the concept of family can be applied especially to smoothing the employment relationship in the company.

#### *Reciprocity*

Confucianism believes that virtuous behaviour towards others lies in reciprocity (Hofstede and Bond, 1988). Confucius called reciprocity as 'shu', which thought is the fundamental moral principle which could guide a person throughout life, saying: 'never impose on others what you would not choose for yourself' (Confucius, Analects 15:24). Confucius also said: 'Recompense injury with justice, and recompense kindness with kindness' (Confucius, Analects 14:36). Confucianism believes that if we try to act virtuously towards others, then we will receive virtuous behaviour from others.

Confucius believes in the power of self-cultivation and self-motivation in reciprocity. He believed that individuals should cultivate themselves morally, and act in the correct performance of ritual. He said: 'At home, a young man must respect his parents; abroad, he must respect his elders. He should talk little, but with good faith; love all people, but associate with the virtuous. Having done this, if he still has energy to spare, let him study literature' (Confucius, Analects 1:6). He also thinks if each of us acts kindly, then others will follow. He said: 'Go

before the people with your example' (Confucius, *Analects* 13:1), and 'when a master's personal conduct is correct, people will follow him without requirement; if his personal conduct is not correct, he will not be followed even with orders' (Confucius, *Analects* 13:6).

In general, Confucianism believes 'Try your best to treat others as you would wish to be treated yourself, and you will find that this is the shortest way to benevolence' (Mencius, *Mencius* 7A:4). In modern business life, Confucian reciprocity can lead to a win-win business relationship and fair competition. It can be developed further into corporate charity and other social conduct. The explanation of Confucian reciprocity makes it much easier for people to understand why enterprises should apply CSR; in another words, enterprises should operate in a reciprocal way according to societal willingness and should return some wealth to society.

#### *Self-cultivation*

The core of Confucius's teachings is the self-cultivation of virtues that are 'humaneness – ren', 'righteousness – yi', 'ritual – li', 'wisdom – zhi', 'sincerity – xin', 'loyalty – zhong' and 'responsibility – xiao'. The objective of self-cultivation is to become a superior person (Chuang, 2007; Tan, 2003; Wong et al., 1998). In the *Great Learning*, Confucius illustrated outstanding virtue, and the self-cultivation and self-perfection processes.

What the *Great Learning* teaches, is to illustrate illustrious virtue; to renovate the people; and to rest in the highest excellence. The point where to rest being known, the object of pursuit is then determined; and, that being determined, a calm unperturbedness may be attained to. To that calmness there will succeed a tranquil repose. In that repose there may be careful deliberation, and that deliberation will be followed by the attainment of the desired end (Confucius, *The Great Learning* 42).

Confucius has described his opinion of the importance of self-cultivation in the *Analects*: 'Not cultivating virtue, not learning, not being able to take to justice on hearing it, and not being able to change what is not good: these are my worries' (Confucius, *Analects* 7:3). Confucius described learning as a lifelong process (Chuang, 2007):

At fifteen, I had my mind bent on learning. At thirty, I stood firm. At forty, I had no doubts. At fifty, I knew the decrees of Heaven. At sixty, my ear was an obedient organ for the reception of truth. At seventy, I could follow what my heart desired, without transgressing what was right (Confucius, *Analects* 2:4).

According to the *Great Learning*, there are eight steps of self-cultivation to reach the highest excellence:

The ancients who wished to illustrate illustrious virtue throughout the kingdom first ordered their own states well. Wishing to order their states well, they first regulated their families. Wishing to regulate their families, they first cultivated their persons. Wishing to cultivate their persons, they first rectified their hearts. Wishing to rectify their hearts, they first sought to be sincere in their thoughts. Wishing to be sincere in their thoughts, they first extended their knowledge to the utmost. Such extension of knowledge lay in the investigation of things (Confucius, *The Great Learning* 42).

The self-cultivation process has to start from knowing the root of things, and through the completion of knowledge. Confucius indicated that 'from the Son of Heaven down to the mass of the people, all must take self-cultivation as the root' (Confucius, *The Great Learning* 42).

The Confucian concept of self-cultivation can be applied to the development of CSR as well. Enterprises should consider their development of CSR practices as a process of self-cultivation, and apply all related virtues (morality) to completing their corporate perfection – to be a 'superior enterprise'. With the concept of self-cultivation, CSR practices are no longer driven by external forces, but become a self-completion process.

#### *Virtues*

In Confucianism, beside the four core principles leading to the harmony above, Virtues – 'humaneness – ren', 'righteousness – yi', 'ritual – li', 'wisdom – zhi', 'sincerity – xin', 'loyalty – zhong' and 'filial piety – xiao' are emphasized as overall objectives and important means of achieving harmony.

Humaneness – ren, is the virtue of all virtues (Dolor, 2001). Ren is the virtue of perfectly fulfilling one's responsibilities towards others, most often translated as 'benevolence' or 'humaneness' (Canda,

2002). The basic meaning of ren in Confucianism is to love people (Xunzi, Xunzi 15; Confucius, Analects 12:23). Confucius said: 'A man of benevolence and lofty ideals will not seek to live at the expense of injuring his benevolence. He will even sacrifice his life to preserve his benevolence complete' (Confucius, Analects 15:8). The virtue ren should be applied to the modern business relationship: enterprises should love their employees, care for society and build a harmonious business relationship with their suppliers, partners, customers and competitors. In general, enterprises should create a concept of 'love' in their business.

Righteousness – yi, simply means what is ethically best to do in a certain context, or the performance of duties regardless of their outcome (Dolor, 2001). The virtue of yi enables one to do what is proper and fits in relation to others (Tan, 2003). Confucius said: 'Superior men seek yi, whereas inferior men seek li – what is of personal benefit' (Confucius, Analects 4:16). The Confucian virtue of yi is the key to traditional Chinese business ethics (Jensen, 2006). Based on this virtue, CSR can be defined as a virtue or tool to balance the enterprises' li – profit, benefit, etc., and yi – righteousness. Enterprises should not only pursue profit but also proper performance, and make a contribution to society.

Ritual – li, normally translated as 'good manners' or 'propriety'. It is an ideal form of social norm (Dolor, 2001), referring to ritualized norms of proper conduct in governing human relations (Tan, 2003). The importance of li in Confucianism can be seen in the Analects, 'lead the people by virtue, and uniformity sought to be given them by the rules of propriety, and they will have a sense of shame, and order themselves harmoniously' (Confucius, Analects 2:3). Confucius believed 'Achieving harmony is the most valuable function of observing ritual propriety' (Confucius, Analects 1:12). When thinking about CSR, enterprises should apply li – meaning setting up a series of codes of conduct or CSR policies, and following proper standards and management systems. In general, li in CSR means CSR norms.

Wisdom – zhi, which can be understood as 'knowledge' as well, refers to the ability of the person to find rational enlightenment and, as a consequence, to act based on this rational enlightenment (Dolor, 2001). Confucianism believes that

'the feeling of right and wrong is the beginning of wisdom' (Mencius, Mencius 2A:6), Confucius said: 'Wisdom desires virtue' (Confucius, Analects 4:2); he believes wisdom is the fundamental condition leading to humaneness, while wisdom should be reached through learning: 'One who studies widely and with a sense of purpose, who questions earnestly, then thinks for himself about what he has heard, such a one will incidentally achieve goodness' (Confucius, Analects 19:6). The basic condition for enterprises to receive and develop CSR is the wisdom of enterprises – whether they can understand the importance and the opportunity of CSR, and internalize it as the company operating principles? The way for enterprises to achieve such wisdom should be through the education and training of individual employees, which normally requires wisdom from top management as well.

Sincerity – xin, refers to faithfulness, means fulfilling one's promises and living up to one's words (Dolor, 2001). Confucius said that 'If the people have no faith in the country's rulers, there is no standing for the state' (Confucius, Analects 12:7); 'I do not know how a man without truthfulness is to get on' (Confucius, Analects 2:22). Xin for enterprises can be explained as 'credit'; a company has to earn its 'credit' to maintain its clientele and enhance the company image, as well as a CSR 'credit' to show that it achieves good CSR performance.

Filial piety – xiao, denotes the respect and obedience that a child should show to his parents. It is the virtue of being faithful to one's family (Dolor, 2001), 'Xiao is being obedient' (Confucius, Analects 2:5). Loyalty – zhong, is the equivalent of filial piety in the ruler and subordinate relation. In the modern equal interpersonal relationship, filial piety and loyalty can be understood as 'responsibility' for modern enterprises. If an enterprise can be called a family, the family member is obliged to be faithful to its family. If the entire society or the earth can be called a family, the enterprises as family members should act responsibly as well.

#### *Taoist harmony*

As already mentioned, Confucianism focuses on interpersonal harmony, and Taoism emphasizes harmony with nature. The Taoist concept of totality

indicates the man–nature unity, ‘Heaven and Earth have the same roots as me, and all things share the same body with me’ (Zhuangzi, Zhuangzi 2).

Taoism pursues the harmonious complexity of natural ecosystems, believes that the relationship between man and nature is reciprocal and retributive, and they are exploiting each other as well. Man’s will and activities must be consistent with the nature, and the mutual exploitation should be balanced in harmony. ‘The world is a sacred vessel and it cannot be controlled, you will only make it worse if you try’ (Laozi, Tao Te Ching 29), Taoism proposes that the nature works harmoniously according to its own ways and man should not try to harm and master it, if nature suffers from human beings, it will retaliate against man and causing disasters (Chan and Lau, 2000; Chen, 2003).

According to Taoism, man is a part of nature and can only survive and develop by being in harmony with it (Chan and Lau, 2000; Chen, 2003). ‘The more one acts in harmony with the universe, the more one will achieve, with less effort’ (Laozi, Tao Te Ching 29). Taoism believes if man treat the nature well, the world will be peaceful and harmonious. The right way to achieve the harmony with nature is ‘Love the whole world as if it were yourself; then you will truly care for all things’ (Laozi, Tao Te Ching 13).

Clearly, Taoism teaches people to respect nature, and learn to adapt to or even integrate with it. ‘Everything has to be in keeping with the cosmic-cycle so as not to interfere’ (Chen, 2003). In general, Taoism provided an ancient concept of sustainability; enterprises may borrow Taoist harmony principles to protect the environment and achieve sustainable development better.

#### *Modern concept of harmony*

At present, the concept of ‘harmony’ has been applied in terms of various principles, regulations and practices in Chinese business and social life. Harmony becomes an emerging task and a way to meet the current Chinese economic challenge – to balance the relationship between the rapidly growing economy and consequent negative effects. The Chinese economy has driven the concept of harmony back to its shrine, and is being further

developed according to modern needs. ‘Harmonious Society’ is the modern concept of harmony, and ‘The construction of a Harmonious Society’ is the current and dominant socio-economic goal in China.

Based on ‘The Scientific Concept of Development’ and ‘The Construction of a Harmonious Society’, the modern concept of harmony can be described as follows: harmony should be achieved in the relationships between city and countryside, various regions, economic and social development, man and nature, and the domestic sphere and the outside world. The tasks and ‘virtues’ of harmony are democracy and the rule of law, fairness and justice, integrity and fraternity, vitality, and stability and order (CPC Central Committee, 2003, 2004).

Finally, the Chinese harmony approach to CSR can be described as follows: companies should apply the concept of ‘harmony’ to their business, and carry on their business in a harmonious way – both interpersonal (intercompany) and man–nature harmony. The overall goal for a company in implementing CSR is to cultivate the virtues of ‘humaneness’, ‘righteousness’, ‘ritual’, ‘wisdom’, ‘sincerity’ and ‘responsibility’, and to become a ‘superior enterprise’, in this way to contribute to the construction of a harmonious society. In short, the harmony approach to CSR is ‘respecting nature and loving people’.

#### **Conclusion**

This article contributes a new definition of CSR, namely, the Chinese harmony approach. This concept is based on the traditional Chinese culture and philosophy, and further developed according to the needs of the rapidly growing modern economy. It will broaden our understanding, and be more acceptable to the Chinese market according to its own characteristics.

The western CSR concept did not fit the Chinese market well, because (1) Western CSR concepts have rarely defined the primary reason of CSR well and (2) the etic approach to CSR concepts did not take the Chinese reality and culture into consideration, and there is still a gap between China and developed countries regarding corporate responsibility. The harmony approach to CSR has resolved

these problems. In this approach, the primary reason to conduct CSR is to cultivate the virtues and become a 'superior enterprise', which will contribute to the construction of a harmonious society. The harmony approach to CSR is rooted in Confucian interpersonal harmony and Taoist harmony between man and nature, and is thus a Chinese cultural-specified and with Chinese characteristics. Therefore, we believe the harmony approach to CSR will be better adapted to the Chinese situation, and can contribute to future CSR studies; for example, in interpreting CSR in various cultural contexts, and CSR comparisons between different cultures and national conditions.

Since CSR is a term that can be legitimately interpreted within the Chinese culture, the harmony approach of CSR combining the harmony principles from Confucianism and Taoism offers a better understanding of CSR in the Chinese context. Confucianism emphasizes the cultivation of virtue and morality, and the core of its harmony notion is the harmonious society. Thus, the Confucian harmony can explain the primary reason for conducting CSR, and its interpersonal harmony principles resemble the social relations and social responsibilities of modern business. Taoism pursues the harmonious complexity of natural ecosystems, and its principles of harmony between man and nature reflect the environmental responsibilities and sustainability of modern business.

Simply, the Chinese harmony approach to CSR means 'respecting nature and loving people'. Modern enterprises should carry on their business in a harmonious way, and cultivate virtues and to become a 'superior enterprise', in this way to contribute to the construction of a harmonious society. Since the traditional Chinese philosophies on which the definition is based have a profound historic influence and the wisdom they impart cannot be neglected, we believe the Chinese approach to CSR can help CSR practice in, but not limited to, China.

The main contribution of the Chinese harmony approach to CSR to business practice is that it will help enterprises to adopt CSR on their own initiative. The suggested idea about self-cultivation of virtues will also guide corporations to a new way of improving their CSR performance. Thus, we would suggest that further studies focus on following issues: (1) What are the opinions of Chinese enterprises on

this harmony approach to CSR? (2) How should this concept be implemented in practical CSR performance? (3) How should this concept be adapted to corporate cultures and strategies?

We would like to suggest that following issues have to be stressed in the development of CSR in China: (1) the goal of construction of a harmonious society, which has to be operationalized through practices such as CSR; (2) prioritizing environmental responsibility; (3) developing CSR regulations and standards; (4) increasing the role of government and NGOs; (5) increasing CSR (virtue) education and training; (6) developing CSR disclosure and auditing; (7) developing CSR communication and integration amongst enterprises, the government, NGOs, and the society and (8) developing transparency in the enterprise's corporate governance and management.

### Acknowledgements

The authors would like to thank the Academy of Finland and Finnish Cultural Foundation in providing funding for this study.

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Lei Wang and Heikki Juslin  
Department of Forest Economics,  
University of Helsinki,  
P. O. Box 27 (Latokartanonkaari 7),  
00014 Helsinki, Finland  
E-mail: lei.wang@helsinki.fi

Heikki Juslin  
E-mail: heikki.juslin@helsinki.fi