Junzi and Rushang: A Confucian Approach to Business Ethics in a Contemporary Chinese Context

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ABSTRACT

We discuss the paradox of whether business success and moral excellence are compatible. Confucius argued that social stability and national morality depended on the existence and influence of Junzi, or 'princely' or morally honorable leaders. In the context of the growing number of Chinese business people playing a role in civic, political and academic organisations, we critically discuss whether a successful business person can (and, indeed, should) be a Junzi. Drawing on both English and Chinese language sources, we conclude that Confucian philosophy as outlined in the Analects does indeed provide focus and a guide for business leaders who aspire to be Junzi. As an integrative proposition we introduce the concept of rushang (Confucian business person), a concept not yet discussed in English language academic research.

Keywords: business ethics, international ethics
A common retort to the introduction of a discussion on ‘business ethics,’ remains a sniggering response that the term itself is an oxymoron, a contradiction in terms. In other words, business and ethics stand opposed to each other, as ethical ideas and moral behaviour are not possible within the selfish, greedy and amoral world of business. Following the global financial crisis (GFC) with its toxic debt, Ponzi schemes and such, the response continues in many parts of the world today. This response is also to be found in those countries adjusting to a growing class of powerful business people, such as the People’s Republic of China (Lu, 2008), celebrating in 2011 the 90th anniversary of the founding of the Communist Party of China (CPC).

In the more than 30 years since the, then, Chinese Premier, Deng Xiaoping, proclaimed that some Chinese must get rich first, and China has sought to further develop ‘socialism with Chinese characteristics’, a number of examples show how uneasily the two words ‘business’ and ‘ethics’ sit with each other. Recent examples of the problem include the dairy industry scandal (China Daily, 2010), the public airing of unethical conduct in the business-to-business company Alibaba (Balfour, 2011) and pollution of the Zijing Minging River (China.org.cn, 2010). So is the answer to these problems to be found in the adoption of, and commitment to, Western notions of business ethics, or is there a solution rooted within Chinese history and in Chinese philosophical traditions?

There is a long historical tradition in China of judging the morality of business people according to their conduct and their status (Hong, 2001). As early as 300 BC, Confucian Scholar Meng Zi designated the unscrupulous business person as a ‘lowly person (Jian Zhang Fu)’ (Lie, 1995). Xun Zi gave the title of the ethical business person as the ‘good businessman (Liang Jia)’ (Liu, 1995). The criterion of being a good business person is to correctly balance ethics and benefits (Liu, 1995). Confucius indicated that it is a normal human desire to pursue riches, but they should be obtained in a “proper” way:

The Master said, "Riches and honours are what men desire. If it cannot be obtained in the proper way, they should not be held. Poverty and meanness are what men dislike. If it cannot be avoided in the proper way, they should not be avoided. If a superior man abandons virtue, how can he fulfil the requirements of that name? The superior man does not, even for the space of a single meal, act
contrary to virtue. In moments of haste, he cleaves to it. In seasons of danger, he cleaves to it (The Analects, Book 4, Chapter 5: 1-3)

Given China’s long held reputation as a trading nation and acknowledgement of the entrepreneurial spirit of the Chinese people, it may be surprising to learn of the traditionally low status of merchants in ancient China, and the extent to which traces of this attitude still remains prevalent in modern China (Huang, 1990). In fact, a debate over whether business people can achieve an exemplary state of moral integrity is a topical issue in popular and academic literature in China today (Gong, 2010). This debate is occurring within the context of a rise in government interest and popular interest in the revival of Confucian values as a philosophy to guide China’s emergence as world power (Fan, 2011).

By way of examination of the Confucian ideas of Junzi (the upright person) and Xiaoren (the small, or mean, person), we will show that China indeed has its own framework within which to derive solutions to the issues in business ethics with which it is confronted, and that the core ideas are equally germane to the Western context, where there is also a struggle to consistently and comfortably juxtapose ‘business’ and ‘ethics’. We acknowledge the long tradition of additions to and interpretation of Confucian thought, however we rely on the Analects of Confucius as translated by James Legge in 1861 (available online as Legge, 2009) as a prime sources of information for a secular understanding of the teaching of Confucius.

We begin with a consideration of the way in which Confucius refashioned the terms Junzi and Xiaoren from their use as socio-political descriptors to incorporate a moral connotation. We did not use content analysis to analyse these terms. We then move to the development of notions of business ethics in China, along with the establishment of business guilds. An exposition of the modern Confucian business person follows, introducing the idea of rushang (Confucian business person) identified by Xue (2009) as an integrative concept worthy of further research. We conclude by arguing that, far from needing to impose a Western framework as solution, there is a ‘home grown’ framework that may apply equally in the West as well.
THE JUNZI AND THE XIAOREN

What is a Junzi?

The word “Junzi” appears 107 times in The Analects of Confucius, more often than any other term (Wang, 2000). The title describes Confucius’ ideal person, who anyone, rich or poor, has the potential to become (Yu, 2009, p.188). Junzi comprises the two Chinese characters ‘Jun’ and ‘Zi’. Literally ‘Jun’ means lord, or the person who governs a country, ‘Zi’ is the term for addressing male figures respectfully in ancient Chinese texts, and also refers to offspring. Confucius is responsible for altering the meaning of this term from denoting political status to indicating moral status. This is, of course, not dissimilar to the way in which, in the West we use the phrase ‘a prince among men’, denoting the extent to which there is an assumed ‘goodness’ or virtue attached to the role and therefore the person who occupies it. Importantly, however, the influence of the Junzi is related more to the person ‘being’ good, rather than ‘doing’ good (Guorong, 2008). We discuss this in the following paragraph.

In the Analects, Confucius says that a person is a Junzi to the extent that they are virtuous, wise and bold, viz: “The way of the superior man (Junzi) is threefold, but I am not equal to it. Virtuous (Ren), he is free from anxieties; wise (Zhi), he is free from perplexities; bold (Yong), he is free from fear” (The Analects, Book 14, Chapter 30:1). To achieve the standard of being a Junzi, a person must first display their virtue through demonstrating calm confidence. Secondly, the person needs to be wise in order to make the right decisions when faced with choices. Moreover, a Junzi should have a brave heart in order to fight without fear in situations. The three virtues all focus on the internal character.

In terms of external expressions of character, the Master said, “The superior man in everything considers righteousness to be essential. He performs it according to the rules of propriety (Li). He brings it forth in humility. He completes it with sincerity. This is indeed a superior man” (The Analects, Book 15, Chapter 17). Olberding (2009) argues when expounding on the rules of propriety or ‘Li’ (righteousness) that Confucius emphasized the importance of correct and proper conduct in the way actions are performed and not just on what is performed. Thus, the Junzi must also be concerned with the tonal elements of performance “—elements that can range from posture to voice to facial expression—to convey an accord
between one’s behavior and one’s disposition” (Olberding, 2009: 503). Therefore, the Junzi, the ideal Confucian moral person, could be considered as the symbolic title of a person with comprehensive, respectful internal cultivation (Ip, 2009).

**What is a Xiaoren?**

In the *Analects of Confucius*, the words “Xiaoren” (small person 小人) appears 24 times (Wang, 2000). Xiaoren is the identity contrasted with Junzi. In the contemporary context, normally Xiaoren refers to an ignorant, small-minded person or a person who has low moral standards. It also refers to a person who benefits himself at others’ expense or a person without virtue. However, there are divergences in the interpretation of Xiaoren as it appears in the *Analects of Confucius*. In Nan’s (1990) *Epitomes from the speech drafts*, he defines the Xiaoren as the ordinary person or the commoner. According to his interpretation, Xiaoren should not be considered as a derogatory term. In Yu’s (2009) *Confucius from the Heart: Ancient Wisdom for Today’s World*, she interprets Xiaoren as small-minded, second-rate people or petty individuals in different contexts. Generally, many Chinese scholars agree on that Xiaoren contains two levels of meaning. Yang (1984) in his *The Interpretation of Analects of Confucius* declares there are dual meanings for both Junzi and Xiaoren. On the one hand, they can be distinguished by moral standards. On the other hand, their social statuses naturally separate them from the noble in upper level and common people (Brindley, 2009). Indeed, Brindley (2009) argues that the concepts apply only to particular groups of men and are relevant only to a particular historical period. Yang (1984) points out though, that in *The Analects of Confucius*, most of the interpretations of these two words are referred to in terms of moral standards. While it might be argued that there is no clear definition of Xiaoren in the *Analects of Confucius*, we are of a mind that the interpretation by Yang (1984) and others is an appropriate one and we summarise this view in Table 1, showing the socio-political denotations and moral connotations of Junzi and Xiaoren. What Table 1 proposes is that any person, whether “Lord” or Commoner, can be a virtuous person (Junzi) or a dishonourable person (Xiaoren).
Table 1: Confucius’ denotation and connotation of *Junzi* and *Xiaoren*

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<th>Socio-political Denotation</th>
<th>Moral Connotation</th>
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<tr>
<td><em>Junzi</em></td>
<td>Prince, lord</td>
<td>Virtuous/upright person</td>
</tr>
<tr>
<td><em>Xiaoren</em></td>
<td>Commoner</td>
<td>Dishonourable/Unscrupulous</td>
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Having clarified Confucius’ characterization of *Junzi* and *Xiaoren*, we now consider the place of these ideas in the broader schema of Confucius’ approach to merchants and business people.

**What is the Confucian Attitude to Merchants and Business People?**

Historically, there has been common belief that Confucius stressed the importance of agriculture and he argued that the commercial activities of merchants should be restrained (Le, 2003). The concept of restrained commerce has been one of the important interpretations of the Confucian attitude towards business people (Sun, 2005). From the late Zhou dynasty (1046–256 BCE), the population was classified hierarchically into the four categories of officials/gentry scholars (*shi*), peasants/farmers (*nong*), craftsmen (*gong*) and merchants (*shang*) (Cheng, 1991). Traditionally, merchants were seen as controlling the market and exploiting the farmers, and merchants were seen as competing with the emperor for trading profits from agriculture. Many authors argue that Confucianism attributed moral status to those four groups, with officials and literati being the highest, and merchants the morally lowest group (Le, 2003). However, Yang (2004) argues that this traditional Chinese classification of the population originates from Guanzi who was a representative of ancient legalism rather than from Confucius or Confucian scholars. There is no strong evidence in the Analects showing that Confucius and early Confucian scholars held a negative view of merchants. Indeed, Zi Gong, one of the most favoured of Confucius’ students, had great success as a merchant while achieving the degree of self-cultivation required to overcome selfish desire. According to *The Analects of Confucius* and *The Commentary of Zuo* by Zuo Qiuming (Watson, 1989), Zi Gong did everything that Confucian morality demanded of him, and applied Confucius’ teaching to the practice of doing business.
It would not be appropriate, therefore, to say that Confucius was against merchants. Neither would it be correct to say that Confucianism is against the creation of wealth. However he did not put a great emphasis or attach any importance to merchants. Confucius’s lack of attention to merchants or commerce was reflected in the paucity of references to his views regarding merchants or business. The Analects records the following interaction “Zi Gong said, "There is a beautiful jade here. Should I lay it up in a case and keep it? Or should I seek for a good price and sell it?" The Master said, "Sell it! Sell it! But I would wait for one to offer the price." (The Analects, Book 9, Chapter 12). Notwithstanding that this is the only statement about Confucius’ comments on buying and selling, and Confucius did not attach great importance to merchants, he praised his student Zi Gong for not relying on the Imperial court for sponsorship. Confucius says, “Yanhui is not bad in terms of knowledge and morality, but is so poor. Zi Gong does not need any sponsorship from the court, he can use his own money to do business, and can accomplish things” (The Analects, Book 11, Chapter 9).

Still, it is reasonable to ask the question as to whether Xiaoren refers to merchants? In the Confucian classics, there are statements that indicate the association between “profit” and the ‘Xiaoren’ “The mind of the Junzi is conversant with righteousness; the mind of the Xiaoren is conversant with gain” (Analects, Book 4, 16). Here Xiaoren has been translated as ‘mean person’ (Legge, 2009). Based on this interpretation, it seems that the Confucian classics denigrate business activities or making profits. There is a strong contrast between Junzi and Xiaoren. However, replacing the ‘mean person’ by the word ‘commoner’, there is a whole new angle to understand the relationship between Yi and Li. The superior person is concerned with righteousness whereas the common people are generally focusing on ‘gain’ or ‘profits’. From experience, we have heard the saying in China that the ‘Junzi is conversant with spiritual civilization, the commoner is conversant material civilization’.

**BUSINESS ETHICS IN CHINA: THEN AND NOW**

Yang (2010) argues that there were three main elements the development of traditional Chinese business ethics: a set of Confucian concepts relating to honest or ‘proper’ gain, the evolution of ancient
Chinese business itself, and the ethics self-discipline of the ancient businessmen. Firstly, in the *Analects*, the Confucian concepts of ‘Yi’ (righteousness), ‘Xin’ (trust) and ‘He’ (harmony) are three key principles (Yang, Peng & Li, 2008). ‘Yi’ or ‘Righteousness’ has been considered as ‘the ultimate life goal and value orientation’ for Confucians (Chan, 2008). In the *Analects*, Confucius emphasised ‘Yi’ with regard to the business ethics concept (Yang, Peng & Li, 2008). The idiom ‘Jian Li Si Yi’ (to see profit and remember morality) is a Confucian concept (The *Analects*, Book 4, Chapter 16). ‘Xin’ means ‘trust’ and this is an important principal for developing good interpersonal relations and networks that are key elements of success in business in ancient Chinese society (Woods & Lamond, 2010). This is the most prominent feature of Chinese traditional business culture different from the Western business culture based on the contract implied in law (Wah, 2009). ‘He’ (harmony) is often pursued by ancient Chinese, especially in their interpersonal relations (Koehn, 1999). ‘He Qi Sheng Cai’ (harmony brings wealth) is a fundamental business principle under the traditional Confucian environment (Wah, 2009).

Secondly, as early as the Spring and Autumn (770-476 BC) and Warring States (475-221 BC) periods, merchants had become one of the four main social classes, along with scholars, farmers and artisans (Wah, 2009). In order to ensure the healthy development of the business, the regulation of business ethics had been conducted in certain markets and business, with governments of the day taking the leading roles in monitoring the business activities (Yang, 2010). Thirdly, and in complementary fashion, in order to enhance business competitive capability and protect the common interest, many merchant guilds were organised spontaneously and established comprehensive codes of conduct relating to transactions in particular (Ping, 2010). Related to the Confucian concept of the social enforcement of moral standards, the business managers who violated the codes of ethics would be strongly condemned by the guild, the family and the whole society (Fox, 2008). It would lead to serious consequences in their daily lives under the environment of a Confucian society that focused on the people’s morality (Yang, 2010). The code of ethics made by the guild and the social control in enforcing the code was a special feature of traditional Chinese business history, and served as an important guide Chinese traditional business ethics (Ping, 2010).
Lu (1997) claims that awareness of business ethics in China emerged only after the economic reforms promoted by Deng Xiaoping and has experienced three stages (1978-1984; 1984-1993; 1994 to the present) driven by four factors: the inheritance of Chinese traditional ethics; the influence of Marxist philosophy and ethics; relations on the economic reform; and the influence of business ethics from abroad. He points that the emergence of business ethics in China is something like the emergence of Chinese culture in that it was not heavily influenced by influences from abroad. A modern emphasis on traditional Chinese ethics, the influence of Marxist philosophy and ethics, and especially the issues in reforms that have made people focus their attention on the connection between business and ethics. He specifically mentions importance of the relationship between two deep-rooted Confucian concepts ‘Yi’ (righteousness) and ‘Li’ (ritual) in Chinese traditional ethics. ‘Li’ (ritual) can be interpreted a number of ways, with Lu (1997) interpreting these concepts with regards to the questions of ‘efficiency’ and ‘fairness’, ‘material desire’ and ‘moral or spiritual ideal requirement’. We have already outlined the perspective of Olberding (2009) who argues ‘Li’ illustrates correct and proper conduct in the way actions are performed and not just on what is performed.

The Modern Business Person in China – is there a need for Junzi?

During the 1990s, the term ‘Confucian businessmen’ (rushang) as a self-label for entrepreneurs in Shanghai and other parts of China has emerged (Yeung & Yun-wing, 1996). This term originally represented an “attempt on the part of the intelligentsia in the People’s Republic of China to transform themselves into modern businessmen, through the blending of the literati and mercantile traditions, itself a collective act of pragmatism tinged with considerable ambivalence” (Yeung & Yun-wing, 1996, p32). In recent years, however, the term refers to the business person influenced by traditional Chinese culture, especially by Confucianism, possessed of high moral accomplishment and armed with excellent managing abilities. The Confucian business person views righteousness and the profits as equally important and takes the business ideal of managing the business and helping people as its focus (Yang, 2004).

The definition of Confucian business person should be discussed from the perspective of traditional Yi-Li relationship (the relation of righteousness and profit), and considers the real practices in China today
(Gong, 2010). The ‘Confucian business person’ (rushang) is a morally successful practitioner who holds equally justice and profit, or who is an example set up for enhancement of morality in the circumstance of the market economy (Zhongguo Kongzi, 2011). The ideal new Confucian business person in the modern day would be a virtuous business person who possess qualities such as benevolence (ren), rightness (yi), propriety (li), wisdom (zhi), and trustworthiness (xin), meantime, the business person is able to make use the advanced management techniques from the Western world. In another words, the new Confucian business person is a Junzi who brings the wisdom of Chinese and modern Western management concepts together and understands these thoroughly in order to pursue the harmonious development of business (Gong, 2010). In this sense then, the rushang is the Chinese equivalent of Hood’s (2003) western CEOs, whose values and leadership styles are reflected in the ethical practices of their organizations.

In linking the term rushang with Junzi, we should recall our earlier description of the two dimensions of the Confucian Junzi. Firstly, the Junzi is a social governor who takes responsibility for managing the people. Secondly, the Junzi is the avatar of the ideal moral person who becomes a role model for the social masses. The Junzi in ancient texts both contains the earlier political meaning as well as the later moral exemplar meaning. When discussing the Junzi in connection with modern business ethics and rushang, we should consider both dimensions of the Junzi concept, perhaps in terms of a socially responsible person who effectively functioning at the management level.

CRITICISMS OF USING A MODERN CONFUCIAN APPROACH TO ETHICS

Agriculture Criticism

Yang (2006) emphasises the need for business ethics in China, but insists that the Confucian ethics are not applicable for the modern Chinese economy. He argues that Confucianism was based on a self-sufficient small-scale peasant economy, combined with an imperial autocracy, that had reflected a long history of stressing agriculture rather than business. Yang (2006) maintains that modern Chinese business ethics have to be built up under the conditions of the orderly market economy governed by law, rather than being governed by ‘Junzi’. In other words ‘ruled by people’ in Confucian ideology. Lu (2003) identifies the same problem and labels this as ‘renzhi’ or administration by personal power.
Whilst we would agree that Confucian thought has developed throughout Chinese history, we would argue that current day access to texts such as the Analects allows us a critical view of how Confucian thought has been interpreted through the lens of agricultural based dynastic rule. We see no reason why the limitations of the former agricultural economy of China, with its class based structures and government strictures on business, should limit the application of a modern understanding of what is right and what is wrong, which is at the heart of any moral philosophy (including Confucianism). We would argue that an emphasis on developing *Junzi* does not preclude an emphasis on developing business law, and indeed, the law requires people of a certain moral calibre to be able to interpret and enforce laws effectively. Thus, an emphasis on *Junzi* is complementary to, rather than contradictory to, the development of written ethical guides to business.

‘Rule by Person’ Criticism

Jacobs, Guopei and Herbig (1995) also have a similar argument that there are many problems when the Confucian concept of ‘rule by person’ is applied to the Chinese business context. Currently, top decision makers in many private enterprises or state-owned business corporations in some company contexts and in some work units, discourage questioning of their decisions. If a *Junzi* is indeed governed by a higher moral standard, then why should those of a lower moral status question the *Junzi*? We would argue that such an interpretation can be countered by examining the conduct of Confucius in the Analects. The Analects is mainly a record of conversations between Confucius and his disciples where the disciples directly question Confucius on his principles and on his conduct (Elstein, 2009). Indeed, the development of ethical self-regulation within a *Junzi* is via a socially interactive and reflective process, rather than via the isolated meditation practices common in other Asian philosophies (Woods & Lamond, 2010). Thus, *Junzi* who are continually developing their character should be open to and should actively seek both feedback and criticism, and should not enact retribution on those who point out problems or who are the bearers of bad news.

‘Rule by person’ presupposes that top decision makers are bright, of high ethical integrity, and will use their power correctly and in accordance with the Confucian principles outlined here. Unfortunately, this
does not accurately describe many managers. When a ‘xiaoren’ assumes business leadership and acquires extensive power, that person may make ethically questionable decisions and may hide behind ‘rule by person’ surrounded by unquestioning subordinates. In fact, the person who enacts or passively supports retribution to frank feedback is in fact, modelling *Xiaoren* behaviour as we have described here.
CONCLUSION

The challenge to build a ‘home grown’ standard of business ethics in China is by not a new phenomenon. As we have discussed, Chinese business ethics in the past have been guided by merchant guilds, by Confucian philosophy, by status restrictions and by government control. The problem of selfish and short-sighted Xiaoren is prevalent in businesses throughout the world, and not just in China. In these modern times, newer measures and new interpretations of these old guiding forces are needed to build a more ethical basis for business in China. The concept of rushang holds promise as such a person aspires to emulate the Confucian Junzi whilst practicing modern management methods. The modern Confucian business person applies the Confucian principles of benevolence (ren), rightness (yi), propriety (li), wisdom (zhi), and trustworthiness (xin) to their business practice. At the same time, the rushang respects the rule of law and avoids the limitations of administration by personal power alone (renzhi) and should welcome both feedback and criticism without enacting or supporting retribution on those who provide it.

Empirical research is needed to further examine the practical enactment of the rushang concept. Although the concept has been discussed in a few Chinese academic research publications and in the Chinese business press, this paper presents the concept in English research for the first time. The concept may indeed offer a ‘home grown’ perspective on business ethics, that may prove relevant in developing a framework for the ethical conduct of the growing number of Chinese business people playing a role in civic, political and academic organisations. For example, we have noted Hoods (2003) has examination of the relationship of leadership style and CEO values to ethical practices in organizations in a Western context. In the same way as Cheung and her colleagues (Cheung, et al, 1996) utilised a combined "emic-etic" approach to develop an indigenous personality inventory for Chinese people, a similar approach could be used in relation to measuring CEO values in a Chinese context that identifies those leaders as rushang.
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