Journal of Business Ethics (2023) 182:119–133
https://doi.org/10.1007/s10551-021-05026-5

ORIGINAL PAPER

Confucian Virtue Ethics and Ethical Leadership in Modern China

Li Yuan[1] · **Robert Chia**[2] · **Jonathan Gosling**[3]

Received: 17 June 2020 / Accepted: 17 December 2021 / Published online: 3 January 2022
© The Author(s), under exclusive licence to Springer Nature B.V. 2022

Abstract
Research on ethical leadership in organizations has been largely based on Western philosophical traditions and has tended to focus on Western corporate experiences. Insights gained from such studies may however not be universally applicable in other cultural contexts. This paper examines the normative grounds for an alternative Confucian virtue-based ethics of leadership in China. As with Western corporations, organizational practices in China are profoundly shaped by their own cultural history and philosophical outlook. The ethical norms guiding both the practice and theory of leadership in China are underpinned by indigenous Chinese wisdoms imbued in their own traditions and China's collective psyche. Focusing on three fundamental aspects of Confucian virtue ethics: *ren* (仁 benevolence), *yi* (义 righteousness) and *li*(礼 ritual propriety), this paper proposes that an ideal Confucian leader regards self-cultivation as a first priority; status and material gain, whilst important, are not the foremost concern. S/he exemplifies the virtuous role model, exudes moral charisma and influences others by shaping an organization's ethical culture through the process of ritualization. The paper concludes by claiming that amplifying the explicit discourse around Confucian virtue ethics will help contribute to the development of better ethical leadership in China.

Keywords Confucius · Ethical leadership · Virtue ethics

Introduction

The effect of ethical leaders on their institutions is of perennial scholarly interest. Several decades ago, Raymond Baumhart (1961) suggested that if people were to act ethically, they needed an ethical boss. But how the virtues of an individual boss can really make a difference in the face of globalization, nationalism, technological advances, and complex and varied business activities, any more than institutional and legal regulation can, remains a question. In practice, there are a multitude of ways of avoiding the regulatory detection of unethical business practices. Ultimately regulatory frameworks, institutions and laws are blunt instruments for ensuring ethically decent behaviour (Duffy, 2019; Jones et al., 2005). There must therefore be an alternative more internalized moral set of predispositions that can be nurtured amongst business leaders in specific cultural contexts to ensure conformity to ethical expectations. If such leaders are regarded as role models, it will be because they exemplify the kind of moral standards that are generally admired and aspired to, by others within that society. Leaders will then be seen as virtuous insofar as they display such culturally recognizable virtues.

Nowhere is this need for ethical leadership exemplars more urgent and necessary than presently in China where rapid changes and transformations in its business landscape frequently prompt questions of ethics and morality in the general conduct of business. The imperative there, is for a culturally coherent ethical discourse that is likely to be based on a revival of Confucian Ethics. This paper aims to render more explicit and comprehensible those specific Confucian characteristics of ethical behaviour relevant to upholding the moral conduct of Chinese business leaders as they face

✉ Li Yuan
l.yuan@ruc.edu.cn

Robert Chia
Robert.Chia@glasgow.ac.uk

Jonathan Gosling
jonathan.gosling@exeter.ac.uk

[1] School of Philosophy, Renmin University of China, Beijing, China

[2] Adam Smith Business School, University of Glasgow, Glasgow, UK

[3] Business School, University of Exeter, Exeter, UK

new challenges and competitive pressures in a globalized economy.

Many scholars have noted that cultural differences play an important role in shaping organizational behaviour and particularly in what counts as ethical leadership (Chen & Lee, 2008; Hofstede, 1980; Trompenaars & Hampden-Turner, 1997). Some research suggest that the general content of ethical leadership may be universal, while specific facets are emphasized variously across cultures (Resick et al., 2006; Yang, 2014). Nevertheless, Resick et al. (2011) in their comparative study of Asian, American and European leadership note that although Chinese leadership practices have been influenced by Western culture, in many instances Chinese traditional values remain deeply rooted and retain a pervasive tacit influence. In another empirical study, Von Weltzien Hoivik (2007) found that Chinese employees considered codes of ethics written by Westerners to be far "too western" and hence were ill at ease with adhering to such unfamiliar rules. These residual concerns regarding deep differences in cultural outlooks, have led to the emergence of interest in developing indigenous theories to explain the ethics of leadership beyond Western contexts. With China becoming a major global player and its economy beginning to rival that of the United States in terms of total GDP, it has become an imperative for the Chinese to develop and articulate their own theory of ethical leadership that is acceptable and applicable within their own cultural context.

China's opening-up policy and the economic reforms of the late 1970s spurred its people to pursue material wealth and profit, and the accelerating process of globalization has exposed Chinese people to an unprecedented access to pluralistic values and to a dynamically evolving and competitive global business environment. Its rapid growth has led to it having a significant number of the largest corporations in the world, rivalling those in the United States of America. In a recent Fortune 500 listing (Fortune, July, 2020), China had 124 (119 in 2019) in the top 500 largest corporations in the world compared to the United States' 121 (121 in 2019). Sinopec, State Grid and China National Petroleum, for instance, are in the top ten.

But this rapid ascent of Chinese corporations has not come without some worrying costs. It has been noted that "Chinese traditional values, virtues and norms have been greatly undermined" as a result of the "concussion of (a) ruthless profit-minded orientation" (Yuan, 2013a, p. 106) and this has resulted in an alarming rise in unethical business practices in China in recent years, including scandals of food safety, of environmental pollution, and of the wanton neglect of basic labour rights (Ip, 2009a; Wang & Juslin, 2009; Xu & Yang, 2010; Yan, 2012). The need to establish and reassert a more moral and ethical approach to Chinese organizational leadership has, therefore, been never more pressing precisely because of these recent exposed failings (Ha & Ma, 2001; Ip, 2009a; Zheng et al., 2014). This is not to suggest that leadership was everywhere ethical before these changes; rather that economic liberalization has led to the rapid proliferation of such instances of ethical failures (Ip, 2011). A thorough appreciation and revival of underlying Chinese traditions and values is therefore necessary for correcting such ethical failures in practice (Chen & Lee, 2008), and for scholars interested in how business ethics is understood in China.

This paper offers a detailed examination of Confucian virtue ethics and its broader implications for ethical leadership in China. The hope is that its cultural embeddedness can provide a firm moral basis for the conduct of business leadership that is able to counter the 'concussion' of ruthless profiteering that has taken place in contemporary China. Confucian virtue ethics are concerned with several aspects of ethical leadership, including the importance of personal virtue, the trade-off between profit and ethics, and the crucial role of ethical modelling and self-cultivation in among organizational members. This normative approach offers a Chinese perspective on ethical leadership and explains the distinctiveness of Confucian ways of thinking about individual and collective virtue. We argue that these Confucian values should be revived and their influence in contemporary business ethics in China reasserted to thwart the recent disturbing rise in unethical corporate behaviour.

Our argument rests on three assumptions. Firstly, it is necessary to resort to traditional Chinese wisdoms when defining and evaluating ethical leadership in China. Secondly, Confucian virtue ethics is the most important and influential moral philosophy in China and underpins culturally desired managerial practices in this context. A historically significant tradition of Confucian business leaders (儒商) supports the possibility of Confucian ethics being revived to guide present business leaders' behaviour. Thirdly, Confucian ideas on ethics with regards to self-cultivation, a personal moral code of conduct, and the concept of righteousness in relation to profit-seeking, may provide valid guidance for developing better ethical leadership.

The paper is organized accordingly. We begin by exploring the virtue ethics approach to business leadership and show why Confucian Virtue Ethics provides a viable alternative to rule-based and utilitarian approaches to ethical leadership in business. We then examine the foundational aspects of Confucian Virtue Ethics through a detailed analysis of the three crucial features of Confucian ethical leadership values, namely, *ren* (仁 benevolence), *yi* (义 righteousness) and *li* (礼 ritual propriety). This is followed by an examination of the historical tradition of Confucian business leaders in China who served as role models and exemplars of virtue ethics in practice in the past. Through this exemplification of the practices of traditional Confucian business leaders we identify four key imperatives of Confucian ethical leadership

in practice: constant self-cultivation as the foundational basis of ethical leadership; being a virtuous role model; shaping ethical culture of conduct through *li*; and valuing *yi* (righteousness义) above profitability. We conclude by maintaining that articulating and promoting Confucian Virtue Ethics based on these four moral imperatives, can help to stymie the rising tide of unethical practices in Chinese corporations, in political office and in private life.

The Virtue Ethic Approach to Ethical Business Leadership

Virtue ethics treats moral behaviour as central to ethics. In order to appreciate the applicability of virtue ethics as a basis for ethical leadership, it is necessary to distinguish it from two other types of normative ethics relevant to the domain of leadership ethics: utilitarianism and deontology. Modern 'utilitarian' ethics is mainly concerned with calculable consequences: an act's rightness or wrongness is determined merely by the consequences of the act rather than by the intentions of the actors (Snoeyenbos & Humber, 1999). In contrast, 'deontological' ethics evaluate actions by references to duty and obligation rather than consequences. The ethical person is one who is obliged to act through a sense of duty to upholding moral standards, regardless of the outcome (Bowie, 1999). In both instances an individual's personal attributes are not taken into consideration.

Virtue ethics, on the other hand, focus on "what kind of person one should become", putting one's inner goodness rather than the consequences of actions or behavioural rules of obligation at the centre of its theory. It encourages people to search for the 'good' and to be a good person in all aspects of life (Solomon, 1999, p. 30). Virtue ethics emphasize the established tradition or culture that it derives from (Jones et al., 2005; Solomon, 1999), and virtues reflect the values, traditions, memories, and narratives of the cultures and communities from which they emerge. Virtue ethics does not impose a rigid and context-independent or situation-independent moral requirement; virtues are not isolated traits but rather contextual, as virtues enable one to make good choices, to act and react rightly in particular and changing circumstances (Duffy, 2019, p. 67). Both Confucian thought as represented in the *Analects* and Aristotelian thought, particularly in *Nichomachean Ethics* (Aristotle, 1985), are usually regarded as virtue ethics (Dunne, 1993; Gong & Zhang, 2010; Yu, 1998).

A rising interest in application of virtue ethics to business (Alzola, 2017; Audi, 2012; Hartman, 2008; Hennig, 2016; Solomon, 1992, 2003; Wang et al., 2016) is part of a more general revival of Aristotelian-inspired virtue ethics, seen by many Western scholars as important cultural resources that might help address the confusion and disappointment surrounding modern standards of business leadership behaviour (Betta, 2016; Hartman, 2013; Koehn, 2020; Solomon, 2004). Virtue ethics prompts a leader to ask what kind of person he or she wants to be and how to become so through specific actions and ways of being in the world. Business leaders need to consider how their decisions affect the lives of others, what kind of organizational culture they should hope to build, and what business goals they should set that are consistent with these sets of inner virtues (Fontrodona et al., 2013). Morrell and Clark (2010, p. 257) maintain that a virtuous leader will rarely conduct himself/herself in a way that violates his/her own inner virtue standards. When caught in an internal struggle, "the determining factor is nothing less than the strengths and the weaknesses of your character" (Gough, 1998, p. 43).

Virtues that are admired in modern society may differ from those of antiquity, hence it may not be appropriate to inherit Confucian or Aristotelian virtues in their entirety. Yet the recourse to virtue ethics prompts a strong assertion that the real character of a business leader is expressed in how s/he approaches her/his responsibilities toward him/herself and his/her families, employees, business community and society at large. While there are similarities in Confucian and Aristotelian virtue ethics, there are clear differences in their starting assumptions (Liao, 2017). Aristotelian virtue ethics places emphasis on the individual development of qualities that become internalized as character traits and this then finds outer expression in the *phronimos* as an exemplar of good leadership (Dunne, 1993, p. 268). Confucian ethics, on the other hand, conceives the individual self as an inextricable node of a network of social relations so that the process of self-cultivation to become a good leader is inevitably mediated by socially-sanctioned understandings of the greater good. One thinks in terms of the primacy of discrete individuality and *being*, the other in terms of relationality and *becoming*; one holds the autonomous individual to be fundamental, the other views social relationships and practices to be constitutive of the self.

In Athenian philosophy the word virtue *(arete)* is associated with *aristos*, which means the goodness of a kind of thing. For Aristotle (NE, 1139a17), "something's virtue is relative to its own proper function (*ergon*)". In other words, a virtuous thing is a thing that fulfils its function excellently. Human virtue makes a person perform his/her functions well (NE, 1106b). The emphasis here is on the individual moral agent and her/his functional attributes. As Yu (1998) maintains, Aristotelian virtue (*arete*) is more related to individual human functioning, in contrast to which Confucian virtue is more associated with broader human relationships: one

emphasises individual will, the other relational nexus as the founding basis for virtuous acts. So while Aristotelian virtue hinges on the individual's character, Confucian *ren* is thoroughly social and contingent on filial love of and amongst others.[1]

While there has been much research on ethical leadership in the past two decades (see Brown & Trevino, 2006), most is focused on Western corporations and derived from Western traditions of virtue ethics (Chan, 2008). The concepts, values and approaches founded on the irreducible autonomy of the individual do not easily accord with Chinese values and cultural imperatives that emphasise the fundamental primacy of the social unit and are therefore difficult for Chinese leaders to assimilate in their practices (Wang & Juslin, 2009). Although not the only source of Chinese philosophy concerned with ethics of government and business leadership (Gosling, 2016; Yuan, 2013a), Confucianism places a particular emphasis on the importance of social harmony, moderation of excesses and collective responsibility. Confucian values remain significant factors in determining and shaping much of (though not all) Chinese traditional outlooks and hence business practices, despite the increasing over-layering of a global homogenizing influence of organizational imperatives, managerial practices and leadership styles (Fan, 2000; Laurence et al., 1995; Liu, 2009; Pang et al., 1998; Redding, 1990; Wah, 2010; Warner, 2008; Yuan, 2013b).

Foundational Aspects of Confucian Virtue Ethics

Though characterized by diverse schools of thought, classical Confucian philosophy was most influenced by Confucius himself (Kongzi or Kongfuzi, 551-479BC) while Mencius (Mengzi, 372-289BC) and Xunzi (313-238BC) were important subsequent contributors to this legacy of thought. Classical Confucianism was revitalized by Neo-Confucianist thinkers in the thirteenth to fifteenth centuries in their attempt to create a more rational and accessible secular form for the public at large. Our primary focus here is on the moral thoughts of classical Confucians, as their philosophy provides the source and foundation of subsequent numerous and complex developments. Confucian ethics is characterized by the promotion of virtues including *ren* (仁 benevolence and compassion), *yi* (义 righteousness), *li* (礼 ritual propriety), *zhi* (智 wisdom), *xin* (信 trustworthiness), *zhong* (忠 loyalty), *xiao* (孝 filial piety), *jian* (俭 frugality) and so on. Among these, *ren* (仁), *yi* (义), *li* (礼), *zhi* (智), and *xin* (信) are normally considered the basic moral code (Li, 2015; Liu, 2010) which is called the "five constants" (五常). These virtues have significantly influenced all aspects of life in China for over two millennia.

Among those virtues, we specifically focus on three of the 'five constants'—*ren* (仁), *yi* (义) and *li* (礼)- widely acknowledged as the most important elements of Confucianism (Ip, 2009b) and the most discussed in studies of Confucian management (e.g., Yuan, 2013a; Zhu, 2015). In keeping with typical Chinese contextual or "correlative" thinking (Hwa, 1987), it needs to be made clear that Confucian virtues are better understood as relationally-defined "cluster" concepts embodying a wide variety of manifestation in concrete situations (Lai, 2006). To appreciate their import, therefore, it is helpful to refrain from imposing clear-cut Aristotelian is/is not definitive categories. To define them in precise and exact ways is to inappropriately restrict and circumscribe their meanings thereby curtailing their intended contextual flexibility. Crucially, it is not possible to understand any one virtue apart from its dynamic relatedness to the others. Thus, while precise definitions are elusive, a deepening appreciation is possible by approaching *ren* (仁), *yi* (义) and *li* (礼) circuitously rather than directly as befits a recognised Chinese propensity (Jullien, 2000). It is thus possible to explore and elaborate what might be reasonably considered appropriate connotations of these virtues by referring to classical Confucian texts.

The Concept of *ren*

"*ren*" is the core concept in Confucian virtue ethics, and it appears 109 times in the *Analects*. *ren* is generally described as "the virtue of all virtues" (Yang et al., 2008, p. 35); it alludes to the "humanness" of humans and hence intimately relates to human nature, human relationships and human governance. Confucius does not define *ren* precisely, but philosophically believes that being *ren* is to be "human" and being human is being *ren* (*ren zhe ren ye*). Among many different yet correlated meanings, Confucius offers a fundamental description for *ren*: "to love others" (Analects 12:22). Thus, a man who adheres to the five virtuous qualities of respect, generosity, trustworthiness, diligence and kindness (Analects 17: 6) is a man of *ren*. Each of these qualities embodies an appropriate way to love others through wisdom, trustworthiness, courage and unbending loyalty (Zhang, 2021); values that are admired and well recognized by others. As Yang et al., (2008, p. 35) puts it well, *"ren* is the source from which other virtues originate and it unifies all virtues"; all other virtues inherently reflect *ren* and gain their understanding through it as a reference point.

[1] Although arguably the Aristotelian virtue of practical wisdom (phronesis) is realized only as a socio-political practice amongst friends (the central motif of NE), this capacity is dependent on virtuous individuals.

The Chinese character of *ren* (仁) consists of two components: "human" and "two", thereby implying that being human entails being in an inextricable relationship with a necessary other. Thus, unlike the Western emphasis on individualism, the Confucian individual is inextricably a product of social relationships through and through. The individual cannot and does not exist as an atomistic, and isolatable entity—a singularity in its own right—*ren* is only realized through establishing relationships and interactions with others. To be a virtuous person with inner *ren* is inevitably to be a social person. Fundamentally Confucians define *ren* socially as *a part* (and not apart) of the social whole.

Characterized as "to love others", *ren* involves an altruistic concern and expresses the benevolent aspects of human emotions (Li, 2008). The roots of *ren* emanate from the natural love and affection one has toward ones' own parents and siblings. "Filial piety and brotherly love are the roots of *ren*" (Analects1:2). For Confucius these have the most value because "once the roots are established, the *dao*[2](道) will grow therefrom" (Analects 2:1). Kinship forms the core relationship of a person; one only recognizes one's own "self" as such through these social relationships. To love one's parents and family members in the first place does not mean drawing a strict boundary between one's family and strangers. There is no need to. Rather relationships are radial rather than circumscribed and bounded: they radiate and extend outwards beginning from the much denser family nexus to less dense relationships with others. Confucians do not believe in equality of love—a person cannot love strangers as much as his/her own parents, and a person cannot love an enemy as much as love his/her friends—that is the natural sentiment of human beings. Although *ren* emphasizes filial love and the proximity of relationship, it provides through this radiating effect, an inner grounding for altruism. Family love is the underlying ethical basis for loving the whole society, and one's love is always directed to others around oneself. Through *ren*, a person starts with loving his/her parents, and this expands to others gradually in an ever-widening circle. "The young should behave with filial piety at home and behave with brotherly love in community" (Analects 1:6) and eventually, for a virtuous person "all within the four seas are his brothers" (Analects 12.5).

The Concept of *yi*

yi (义) literally translated as "righteousness or rightness" refers to a generic principle which confers unity on virtues. It guides the making of a decision by assessing its relevance both to moral consideration of the fitness of a virtue for a certain situation and to the potential goodness to the broader totality (Cheng, 1972). *yi* is the moral obligation and ethical responsibility generated by combining Confucian virtues (Tu, 2017), and it is especially pertinent to moral choices in specific problematic situations. People are often faced with a variety of conflicting imperatives and in such situations, *yi* requires people to bear in mind the need to balance the complex demands of immediate pragmatic needs and the more subtle goods of virtuous life. For example, Confucius (Analects 7.15) says: "living upon the poorest fare with cold water for drink, and with my bended arms for a pillow,—I could yet find pleasure in such a life; if not in accordance with *yi* I become rich and elevated I regard these gains as floating clouds." *yi* not only makes actions and outcomes acceptable only if they are worthy of acceptance, it also makes virtues virtuous or worthy of acceptance. In other words, the basic Confucian virtues such as *ren* (benevolence and compassion), *li* (ritual propriety), *zhi* (wisdom), *xin* (trustworthiness) and so on, must be justified within the restraints of *yi* in every case (Cheng, 1972). Without *yi*, a seemingly virtuous character may lack true virtue: "If a junzi (noble man) has courage but no *yi*, he will make trouble" (Analects17:23).

Thus, Confucius takes *yi* to be the vital moral principle for the *junzi* (noble man 君子); he says that "the *Junzi* holds *yi* to be the superior principle of action"(Analects17:23), "As to how the *junzi* behaves with others in every situation, he has no particular preference, nor fixed prohibition, but only take *yi* as the standard of evaluation" (Analects 4:10). *yi* implies a quality of discernment; a decision-generating ability to assess circumstances comprehensively and to act properly and virtuously in a specific situation, so in *Zhong Yong* (The Doctrine of the Mean, Chapter 20), *yi* is explicitly defined as appropriateness or fitness to a situation. *Yi* provides the necessary balance and moderation needed for acting virtuously in context.

The Concept of *li*

li originally refers to rules concerning religious rituals or ceremonies, and Confucian ritual propriety refers to the conscientious observation of appropriate ritual and procedural rules of conduct. These contain both regulatory details and abstract moral principles. Procedural rules of propriety are wide-ranging, elaborate, and mostly explicit for occasions ranging "from court ceremonies of tribute and sacrifices to ancestors, to rules of good manners and details of costume and dress" (Peng et al., 2008). *li* is the specifically humanizing form of the dynamic relationship of person-to-person (Fingarette, 1998, p. 7), and it is also the concretization of virtue (Tu, 2020). Through such various "processional" (Ingold, 2011, p. 53) ceremonial rituals, virtues like

[2] 2 This refers to the *dao* (the way) of human society instead of the *dao* of the natural world.

benevolence and righteousness can be demonstrated practically in operational and behavioural terms.

Since it is virtuous to love others, *ren* must be realized through *li*, at its core a humane social hierarchy modelled on family relationships. "Let the ruler be a ruler, the subject a subject, the father a father, the son a son"(Analects12:11). *li* specifies the social norms of polite conduct when interacting with others and regulates the relations between ruler-subjects, father-son, husband-wife, and between friends. Take the example of a traditional courtier: "At court, in conversation with lower officials, he was congenial; in conversation with higher officers, he was straightforward yet respectful; in the presence of the ruler, he walked with quick steps, yet evenly"(Analects10:2). This courtier's performance in different situations is a ceremonial demonstration of both adherence to ritual propriety and the virtues of humility, integrity, loyalty and deference.

However, *li* is not a set of formal rules. It more implicates a socially-internalised pattern of behavioural disposition or habitus (Bourdieu, 1990, p. 53) that is the manifestation of human virtue (*ren*); one that provides a certain patterned consistency or *modus operandi* (ibid, 73) in the manner of engagement. Conformity to *li* without possessing the inner virtue of *ren* can only be a superficial formality devoid of any human goodness: "without *ren*, what is the point to observe *li*?"(Analects 3:3) A person who is not virtuous but seemingly obeys some ethical rules, according to Confucius, is a hypocrite (*xiangyuan* 乡愿). For Confucians, rituals and intrinsic virtue must be combined and cannot be separated from each other. Without rituals and procedures, the virtues have no vehicle for expression; without inner virtue, rituals and procedures are hollow and become mere rote. Thus, conducting rituals is not about passively abiding by the external procedural rules, but about actively seeking to live a virtuous life exemplified by relentless self-cultivation through observing such rituals.

As a personal virtue, *li* comes from the inherent requirement of morality, and as a code of conduct, it is manifested by moral behaviour—a virtuous person will consciously and willingly comply with *li*, as its norms will already have been internalized. At the same time, *li* also contain tacit imperatives for governance. According to Xunzi, *li* underpins the hierarchical norms and rules that establishes people's social status, governs human nature and regulates people's behaviour, with effects such as saving good and eliminating evil, guiding the rulers to love the people, harmonizing society and so on. For this reason, the sage king or leader not only promotes and follows *li* but being also in a favoured hierarchical position, has a duty to cultivate the people through exemplary transmission of these values. According to this idealised hierarchy, the social norm of *li* enables each person to find his/her corresponding place and role, and consequently the society will be harmonious and flourish without excessive discord.

However, the expression of *li* is not fixed but changes according to context and the demands of a concrete situation: "The most important trait of *li* is that it advances with the times." (The Book of Rites. Li Qi). *li* is thus a set of behavioural norms that are differentiated in a ritualistic way, and this difference is difficult to define specifically for individuals, since each person is at a different stage of his/her life, and his/her virtues, social roles, occupations and abilities, and so on will appear different; so with these changes, the expression of *li* in terms of social hierarchy also changes. As an external mode of expression, *li* is changeable, while its internal content, *ren* and *yi*, are stable.

To conclude, for Confucians, *ren* (benevolence) offers the foundation to human virtue by way of extending oneself to others in terms of one's humanity and concern and love for others, and *yi* (righteousness) gives meaning to human virtues by correctly perceiving the totality of goodness and enabling the making of appropriate decisions in any particular situation. To develop *ren* and fulfil *yi*, one needs to voluntarily submit to *li* (rites and rituals). The integration of *ren*, *yi* and *li*, therefore, is critical to making good moral judgements that is collectively beneficial (Hwang, 2012).

While primarily focusing on moral development and self-cultivation through relationships, Confucian virtue ethics is not simply about perfecting personal virtue. Rather, progress in perfecting personal virtue is believed to gradually radiate outwards to produce desirable social effects: families become well regulated, states become well governed, and consequently the collective harmonising of wills can be attained. Therefore, "Wishing to govern their states, they first regulated their families. Wishing to regulate their families, they first cultivated their personal lives" (Tu, 2001, p. 248). Through self-cultivation and self-regulation, Confucian leaders seek to influence people around them spontaneously through their exemplary behaviour. Organizational members learn more about the subtleties of what it means to be virtuous from their leaders' habits, predispositions and *modus operandi* than through codified and abstract rules of behaviour. Consequently, a moral atmosphere is established so that an organization's goal can be attained harmoniously and for the benefit of all—that is, people can be imbued with more inner morality and society can therefore be more harmonious.

These Confucian virtues, *ren, yi* and *li* remained highly influential in shaping moral conduct in China. In what follows we retrace a pre-existing Confucian Business Leadership tradition, based on these three virtues, that has existed in China for centuries and identify some implications for ethical leadership in the current Chinese context.

The 'Confucian Business Leader' Tradition and Its Development in Contemporary China

It is not entirely romantic or utopian to propose the idea of Confucian ethical leadership since a tradition of Confucian-merchant confluence in China has existed from ancient times (Sison et al., 2020). Throughout the Ming and Qing Dynasties (1368–1912) there have been numerous prominent Chinese merchants (what we could call businessmen today) who have avowedly sought to integrate their "business interests" with the values of "Confucianism". As a result, these business leaders have come to be called the "Confucian merchants" (or "Confucian businessmen") in China—in some ways not dissimilar to Quaker businesses in nineteenth-century Britain (Walvin, 1997; Western, 2008). Some were learned men with high titles or held high ranks in society, while others were ordinary businessmen who nevertheless subscribed to the ethos of Confucian values. "They worked in Commerce, yet had ambitions other than money, and valued money and wealth less than reputation, integrity and self-cultivation" (Ma, 2013, p. 166). The number of Confucian business leaders grew especially from the nineteenth century onwards during the transitional period where "the tide of commerce moved eastward" (Ma, 2013) towards the coastal regions of China.

Ma's (2013) research offers several examples of exemplary Confucian business leadership in the early twentieth century, including that of the industrialist Rong Desheng (荣德生), the famous banker Chen Guangfu (陈光甫) and the cotton-spinning entrepreneur Mu Ouchu (穆藕初)[3] to show that while adopting Western methods to manage their businesses, they nevertheless explicitly referred to Confucian ethics to imbibe and foster an ethical spirit in their organizations. They defended moral baselines and blended traditional Confucian values with the economic ideas and imperatives of Western capitalism. For example, Mu Ouchu actively introduced and promoted Frederick Taylor's principles of scientific management in China and at the same time linked commercial livelihoods to Confucian ethics through the idea of 'vocation'. "'Vocation' is not a neologism, but what Mencius referred to as 'the ancients cultivating the honours bestowed by *tian* (天 heaven)'" (cited in Ma, 2013, p. 171). Vocation thus, is a calling to align with a higher order beyond that of humans. For Mu, the vocation of a business leader was to restore the culturally innate morality of Chinese Confucianism while adopting modern management methods. In the context of this particularly turbulent period, (1912–1949), these Confucian business leaders characterised their ethical stance in patriotic terms, emphasizing the importance of taking political and social responsibility.

However, the number of business leaders explicitly identifying as Confucian has declined significantly over the past century. After the founding of the People's Republic of China in 1949 the country adopted a planned economy, so there was little room for corporate-oriented entrepreneurialism. During the Cultural Revolution, traditional Confucianism was denounced as a symbol of the old cliché (Wang & Juslin, 2009). The ascent of Deng Xiaoping in 1978, however, marked a dramatic turn towards liberalizing economic reform. Since then, China's wealth has increased apace while development of its formal legal and value systems has unfortunately lagged behind. Predictably the imperative of profit maximization and unbridled instrumental rationality have come to dominate the business discourse so that Confucianism has lost its pre-eminence as a guiding ethos. Nonetheless Confucian virtues remain prominent as ideals. Gao et al. (2008) report that among 171 MBA students in Shanghai required to nominate their leadership ideals over 34% suggested the virtuous leader, the largest category followed by the transformational leader (24%) and the charismatic leader (17%). Based on a contemporary Chinese values survey of 2753 individuals of different ages in China, Fu and Guo's (2018) research shows that Chinese people still take Confucian virtues (such as filial piety, honesty and so on) as their first priority.

There are few empirical studies of Confucian business leaders in contemporary China, but some have seriously attempted to adopt a Confucian virtue ethics approach to doing business. Cheung and King (2004) tested the moral choices that self-identifying Confucian business leaders claimed they made in the marketplace. Their finding revealed that these leaders actively resisted what they described as the temptation of profit alone, and instead chose what was to them considered righteous. Similarly, through in-depth interviews of 40 Confucian business leaders in mainland China, Singapore and Kuala Lumpur, Zhang and Jin (1999) found that while adhering to moral values oftentimes incurred costs and created obstacles when doing business, it was nevertheless possible for these Confucian leaders to survive and even do well in the highly competitive modern-day business environment. These authors cautioned against the belittling of the importance of present-day Confucian businessmen just because they are a minority. For them, the continued existence of such Confucian businessmen shows that the notion of Confucian ethical leadership is not merely a conceptual and historical phenomenon, but a living and thriving reality in today's world.

Also, (Zhang & Jin, 1999) found that all these business leaders had two obvious features: firstly, a deep sense of

[3] 4 Note: Rong Desheng 荣德生 (1875–1952) was a Chinese national capitalist, philanthropist and national industrialist; Chen Guangfu 陈光甫 (1881–1976) founded the Shanghai Commercial Saving bank, which was the largest private bank during the republican period (1912–1949);Mo ouchu 穆藕初 (1876–1943) a famous cotton expert in the period of the Republic of China.

righteousness; and secondly an acute sense of care and concern for those they employed. Many of these business leaders believed that human nature could be improved through cultivation, so they established schools and other societal undertakings to help people in poorer communities improve themselves. Interviewees (those business leaders) claimed they would always prefer the moral way to make a profit even if it resulted in increased business costs. With regards to dealing with business competition, these Confucian business leaders preferred a more indirect and harmonious approach seeking points of complementary interest for mutual benefit rather than engaging aggressively in direct competition. They frequently mentioned that, unlike a battlefield situation, there can often be "benign competition" and even cooperation in business; direct competition is not always inevitable. Cooperative advantage may come from a multitude of sources including from outside a particular business sector through technological innovation, product improvement and the development of a keen sense of market dynamics and customer needs. In other words, the conduct of business need not always be competitive and confrontational but instead, can be mutually beneficial and dealt with obliquely thereby maintaining a level of harmony even in competitive environments.

These researches show that historical and contemporary business leaders consciously relied on Confucian ethics as a guide for their business behaviour. Leaders with Confucian virtues have always been idealised and admired (Chan, 2008; Cheung & King, 2004; Yang et al., 2008); yet virtuous Confucian business leaders have become so scarce that they are all the more valued for being so. In the profit-orientated, short-termist instrumental mindset that has become so dominant in the business world today, the goal of improving one's own morality to improve others and thereby the overall goodness of society seems rather far-fetched. Yet such an ethical sensibility offers the potential for businesses to contribute positively to the transformational challenges China faces in the 21st Century. We therefore proceed to identify crucial features of Confucian ethical leadership and elaborate on their practical implications.

Confucian Ethical Leadership Imperatives

As we have shown above, according to Confucius, a virtuous leader epitomises the virtue of *ren* (benevolence) and treats others in a proper way according to *li* (rites and rituals). He/she puts self-cultivation as the main priority and influences others by being a moral role model. Economic gain is not his/her overriding concern; rather, the goals, strategies and practices of the organization are underpinned by the Confucian principle of *yi* (righteousness). In this section we detail four imperatives of what commitment to Confucian ethical leadership entails: (1) constant self-cultivation as the foundational basis of ethical leadership; (2) being a virtuous role model; (3) shaping ethical culture of conduct through *li*; and (4) valuing *yi* (righteousness义) above profitability. Each of these imperative is elaborated below.

Constant Self-cultivation as the Foundational Basis of Ethical Leadership

As a general virtue, commitment to *ren* (benevolence) is "to return to *li (ritual)*", and this implies that one must first of all restrain, discipline and cultivated the "self" in conformance to *li* (Analects12:1). For Confucians the "self" is a thoroughly 'social' self; it exists only as a nexus of relationships; a node in a social network, rather than a pre-existing, circumscribed and autonomous entity in its own right. As such, a person's identity does not exist prior to social engagement. Instead, every individual emerges as a locus of development within such social fields; his/her identity is constituted by his/her relationships to family, to social communities and, even to cosmic principles. Furthermore, self-identity is not fixed; it is continuously evolving from past to present to future according to heavenly principles embodied in human nature. Because of the relational nature of moral self-cultivation, the self is not to be likened to a single tune endlessly repeated throughout a life. Instead, a continuously self-cultivating person will refine him/herself through concrete changes in the context of everyday life and increasingly with greater alignment to stable moral standards governed by cosmic principles.

To return to *li* then is to rediscover the "latency" of social bonds in social relationships and to resituate oneself in them. This is what genuine self-cultivation entails. It implies reflexivity, for "the self is that which engages itself with people and things in the world, but which is also reflected upon for improvement and transformation from a reflective point of view that arises from the active self" (Cheng, 2004, p. 126). Such an uplifting conception of the self, derive from the widely held Confucian assumption that there is an inherent goodness (*ren*) in human nature and that this provides the premise for self-cultivation. Reflexivity and self-awareness are thus essential for understanding the network of moral relationships surrounding oneself. Hence, to comprehend others, "reverse to seek in oneself" (反求诸己); look inwards and scrutinize one's own perceptions in the first instance rather than attempting to observe and judge others from an apparently objective viewpoint. This is crucial to self-cultivation. The act of self-cultivation, then, is about internalizing and refining the intuition of ethical principles and then giving them expression through one's practices and predispositions to the extent that spontaneous moral action in particular circumstances is possible. It involves ongoing

learning, practising and refining action to attain awareness and habit with regards to conduct propriety, and in so doing, becoming ever more virtuous and knowledgeable. Yet, this, in itself, is not its end—the ultimate requirements of being a virtuous person is to transcend self-centeredness and to fulfilling the obligations of the social role one is assigned to.

There are two concurrent requirements for an individual to successfully achieve this self-cultivation. Inwardly, one must restrain oneself according to the principle of *li* in order to improve the virtue of *ren* and *yi*; outwardly, one should act virtuously in accordance to *ren* and *yi* in one's relationships with others. Thus, one can realize oneself only by helping others to realize themselves; self-cultivation implies the cultivation of others. Hence, "if one wants to establish oneself, one should establish others; if one wants to perfect oneself, one should perfect others—that is how a person with *ren* should be"(Analects 6:30). Because virtue is incessantly developed through interactions with others, perfecting oneself implies perfecting others as well. This is what Confucius meant when he says that the "*junzi* (noble man) cultivates himself so as to enable others to live in placidity" (Analects14:42). The real point of cultivating oneself, therefore, is to achieve harmony in the whole society, enabling others to be spiritually abundant and peaceful. This dual process of "inner cultivation" and "outer influencing" is a leadership ideal formed in ancient China and admired today—"inner sage and outer ruler (*nei sheng wai wang* 内圣外王)".

Since the Confucian "self" is inextricably grounded in the unity between one's private self and one's public life, and between self-evaluation and the public judgments of others, self-cultivation does not imply a need to retreat from the secular world, or to totally forget or even discard self-awareness in order to blend into nature. Instead, for Confucians the key to self-development is through active engagement in human affairs rather than living a hermit-like existence. It is about being sincere to one's heart/mind (*cheng* 诚), in the midst of others rather than being inauthentic and hypocritical, and relating to one's social commitments rather than isolating oneself from society.

In practical terms within the modern business context, continuous moral self-improvement and the opportunity to cultivate others as well, is the key to successful management. A virtuous leader accepts the authority bestowed upon him/her precisely because it affords the opportunity and obligation to perform the duty of social responsibility expected of someone in his/her position. Understanding oneself in terms of such inextricable relationships, therefore, offers clear instruction to regulating one's behaviour accordingly. The higher one is in the hierarchy of relationship, the greater the burden of responsibility and moral consciousness one needs to possess. This is the broad implication of Confucian self-cultivation as the basis of ethical leadership.

Being a Virtuous Role Model

Although both are virtue ethics, one of the main differences between Aristotelian and Confucian moral philosophy is the latter's emphasis on the educational function of role modelling by those in hierarchical authority (Yu, 1998). No such natural hierarchy of roles is assumed in the Aristotelian discussion of phronesis as a virtue even though exemplification is also implied in the form of the *phronimos* in Aristotelian thought (Dunne, 1993, pp. 244–246). Confucius, on the other hand, emphasizes that rulers are both leaders and teachers as well through their role modelling. "If the ruler himself is upright, people will go well even though he does not give orders; if the ruler himself is dishonest, people will not follow even though he does give orders" (Analects13:6). For Confucius and the Chinese people in general actions speak louder than words. It's what a leader does, not what he says that counts. A leader influences people not only through political power, but also because s/he is much admired as an ethical role model. This is why it is crucial for the leader to conduct him/herself appropriately at all times.

For Confucians, just as social love is an extension of family love, public education is also an extension of family education. The Chinese word for "education" is composed of two words: *jiao* (teaching 教) and *yu* (nurturing 育), which conveys the idea that education is not simply for the purpose of transmitting knowledge, but more importantly, for the internalizing and shaping of correct behaviour patterns as part of one's character development. Thus, a teacher's primary duty is to serve as a model of ethical behaviour. Traditionally, the teacher does not have to be a professional or have an elevated social status, since a person can be taught by his parents, elders, ancient sages and those s/he admires and respect. So, in the patriarchal assumptions of classical China, a teacher is called "teacher-father (师父)", and "a teacher of one day makes a father for all of one's life", as the old saying goes. Government officials are called "parent officers" (父母官), and the head of the state is "the state father" (国父). In a traditionally ideal family, the father holds the highest authority; he is seen as a vital educator not because of having formal instruction but because of the role modelling he engages in. As the Chinese proverb says, "It is a fault for a father to only give birth to and bring up children but not to educate them." Because a ruler of a country is (in the patriarchal assumptions of these classical texts) always seen as an established father-like figure, he is expected to love his subjects as his own children, and therefore to assume his duty and obligation to be a role-model and educator. These values and assumptions remain deeply-held even in modern China.

Hence in Confucian terms, society is seen as an extended family and an extended school. The hierarchical relationship of society is "a model-copy relationship of behaviours and

each form can be reduced to a teacher–pupil relationship, which is in turn reduced to a father-son relationship" (Yu, 1998, p. 338). Confucius regards the ruler like the pole-star—he/she does not need to control the people assertively, as his virtue will influence them naturally—"the pole-star only dwells in its place while other stars will revolve around it"(Analects2:1)). In this idealized state a ruler's goodness can modify the nature of the people, just like wind over grass: "grass will always fall along the direction of the wind" (Analects12:19), so if a ruler is good, the people will also seek to be good. The influence on social behaviour is always indirect and circuitous, mostly accomplished over time through exemplification rather than admonition.

Being a role model, an ethical leader relentlessly engages in self-examination and self-criticism. Zengzi, one of Confucius' disciples, says "I daily examine my personal conduct on three points: whether in carrying out the duties entrusted to me by others, I have not failed in conscientiousness; whether in intercourse with friends, I have not failed in sincerity and trustworthiness; whether I have not failed to practice what I profess in my teaching." (Analects 1.4). Being a role model does not equate to being a perfect person: Confucians are expected to have the courage to recognize and reflect on their mistakes and to correct them in a timely manner: "the faults of *junzi* (noble man) are like the eclipses of the sun and moon. He has faults, and all men see them, but when he corrects them, all men look up to him as before." (Analects 19.21).

To put the Confucian message in a contemporary framework, a leader's moral charisma is highly emphasized. Moral charisma, unlike the kind of individual charisma that Weber (1947) discussed in his *Theory of Social and Economic Organization,* contains a socio-cultural and historical imperative that is inextricable from the natural hierarchical order on which Confucian teachings are based. Unlike the dangers associated with individual charisma which are well-known (Barling et al., 2008) whereby leaders may disguise their self-serving purposes and feed their desire for personal adoration to the detriment of followers and others in society so that the more "successful" they are, the more potentially toxic their effects (Tourish, 2013), the Confucian concept of charisma is relatively understated in that the emphasis is not on the individual but the admirable moral qualities he/she exemplifies. The Confucian ideal is that a virtuous leader draws his/her moral authority from the social imperatives to truly nurture the overall moral character and attitudes of organization members.

Shaping Ethical Culture of Conduct Through *li*

li (ritual propriety) is not merely a personal virtue. As role models, Confucian leaders cultivate themselves constantly by observing *li* conscientiously. It is also important to note that Confucians also view *li* as a kind of governance and administrative system that enable leaders to transform society from a state of conflict and disorder to one of harmony and stability (Peng et al., 2008). The primary goal of Confucian personal and social life is to achieve harmony (*he* 和) (Ip, 2009b), which is in fact the ultimate function of *li*: "The greatest role of *li* is to help in the attainment of *he* (harmony), and this is the most valuable way of governance of the ancient kings" (Analects 1.12). Therefore, *li* is not only about personal moral cultivation, it is also about promoting moral conduct and creating a harmonious ambience through shaping the everyday conduct of its community members.

Whether a *junzi* (noble man) or an ordinary person, the process of moral development is dynamic, continuous and cumulative. For moral beginners, *li* is essential in inculcating correct forms of behaviour. Gradually, *li* cease to act as a constraint and instead becomes an expression of an aesthetically and ethically refined self (Lai, 2006). The deeper purpose of Confucian moral cultivation is to make people realize the true essence of virtues. As Ivanhoe (1991, p. 58) puts it, Confucius "did not just want people to act in a certain way, he wanted them to act out of certain dispositions. He wanted people to care for, not just take care of, their parents, to develop the virtue of filial piety, not just to act filially." The Confucian ideal of harmonious society can only be achieved when people recognize the moral meaning behind *li* and behave accordingly.

Primarily, *li* plays a symbolic and cultural role in glorifying and cultivating virtues in social relationships. For Confucians, especially Xunzi, a society will not survive and prosper without a refined culture and as such, the most important responsibility of leaders is to build a successful culture that reflects this moral elevation (Peng et al., 2008). A good kingship is thus based both on self-cultivation for individual propriety and social cultivation for institutional propriety. This depends on a successful culture based on *li*, which enables people's desires and behaviours to be moderated, their emotions to be expressed appropriately and society to function in a harmonious and orderly manner (in Xunzi). *li*-based culture-building therefore involves the enculturation of main virtues through a modelling effect of the leader's promotion of norms of conduct propriety.

Confucian teachings de-emphasize the role of formal laws and rules (Woods & Lamond, 2011), and instead emphasize intrinsic restraint through *li* (ritual). For Confucius, the basic principle of governing is "to guide people by virtue and keep them in line with *li*" (Analects 2:3). If people are regulated only by law and punishment they will eventually become evasive and lack and inner sense of shame; feeling shame, unlike mere embarrassment, is crucial to the cultivation of the Confucian self. If genuinely guided by virtue and regulated by *li*, people will have a deep sense of shame and so

rectify themselves voluntarily rather than through external regulatory enforcement. Because law is primarily punitive and affects only outer behaviour, Confucius regarded law as a tool of last resort, and frequent and heavy-handed legal compulsion may be a sign that the ruling group is morally corrupt.

Modern organizations are inclined to adopt strict management disciplinary practices to enhance efficiency, certainty, standardization, and predictability; features consistent with what Max Weber called instrumental rationality (2019). This has been substantially enhanced in recent times by digital technologies, albeit oftentimes in more subtle forms. For Confucian leaders, however, the more detailed institutional systems are, the more leaders depend on these and the less moral space is left for the exercise of discretion. Individuals in modern organizations may disagree with their institutional systems but are required to obey them. *li*, on the other hand, is something that individuals consent to and actively follow; it is never a passive obedience because it is an integral part of people's moral consciousness and behaviour. Compared to laws and institutions which are rigid, *li* is eminently flexible (Lai, 2006); it is always about proper moral conduct in specific situations.

But this does not means that rules, procedures and institutions are not needed in society and organizations. Rather, it is to say that ritual propriety takes on a more dominant role in shaping members' moral consciousness and regulating moral behaviour. Through ritual propriety, people restrain their behaviour, deal with others properly and enhance their sense of responsibility within society. Naturally, it must be recognized that many details of the ancient Confucian rituals are no longer appropriate for modern society, so the redefinition and refinement of *li* is a significant aspect of forging a contemporary Confucian leadership ethos.

The practice of organizational rituals, such as reciting the corporate mission every morning, chanting the "Wal-Mart cheer", and so forth is not uncommon in Western corporations. Such ritualized activities may be helpful in building a sense of coherence and integration within organizations (Woods & Lamond, 2011). This same process of habituation through ritualization helps the internalizing of Confucian virtues (Yu, 2008) in Chinese organizations and so the cultivation of moral character among organizational members. While many Western corporations have employed rituals to create a strong sense of collective unity and purpose directed towards instrumental goals, Confucian ethical leaders use these rituals for role modelling with the intention of building an ethical corporate culture based on self-cultivation, self-discipline, righteous behaviour and morally appropriate interactions.

Valuing *yi* (Righteousness 义) Above Profitableness

Like their Western counterparts, Chinese business leaders face acute tensions between the pursuit of personal gain and steadfast adherence to higher moral values in an increasingly competitive and materialistic world. In the modern competitive business environment, the singular pursuit of profitability is prone to trump all other considerations, and a business leader's competence is often assessed according to narrow profitability-defined criteria. There are apparently many who operate under the dictum, "greed is good"; some apologists even claim that this leads to more efficient wealth production (Woods & Lamond, 2011), but more importantly to astronomical personal rewards. With this outlook, business wo/men, even students in business school, may be encouraged to unashamedly declare their goal to get rich quickly (Wood et al., 1988).

Both Confucius and Mencius were suspicious of the overwhelming desire for profit-making in business. In the Da Xue (Great Learning) Mencius argues that "financial profit is not considered as real profit whereas righteousness is considered the real profit" (Chan, 1963, p. 94). Mencius once rebuked a king "what is the point of mentioning the word 'profit'? All that matters is that there should be *ren* and *yi*." (in Meng Zi). Confucians often associate 'profit' with the 'inferior man'(小人): "the *junzi* (noble man 君子) is conversant with righteousness (yi); the inferior man is conversant with profit"(Analects 4.16). But Confucians did not despise profit per se, particularly in business (Yuan, 2013a). Although profit is not to be aspired to for its own sake, it is a practical necessity for a thriving business. A *junzi*, therefore, is not merely an other-worldly hermit; she/he improves virtue in concrete human relationships and in contributing to the social good; some contemporary business leaders still insist that being a *junzi* is a practical ideal of personal integrity in China today (Chen & Lee, 2008).

Confucius noted that, "Wealth and rank are what men desire, but unless they are got in proper ways the *junzi* will not accept it. Poverty and disgrace are what men dislike, but if it cannot be avoided in the proper way, the *junzi* will not escape from it." (Analects 4:5) Confucians require people to think of righteousness in the first instance when seeking opportunities for profit and gain. "If wealth could be achieved by proper ways, even though I would have to serve as a groom holding a whip in the marketplace, I would gladly do it. But if it cannot be achieved properly, I will follow my own ethical value"(Analects 7.11). By "properly" is meant the inner motivation for action; does one act in the first instance for the common good, or for self-gratification? Gaining wealth is not in itself morally despicable, but how it is achieved is crucial. Profit then might be better understood as a reward coming on the rebound, rather than something directly sought through one's actions. To be profitable is

fine, but one should not be *profit-driven*. Indeed, there is evidence to suggest that some of the most profitable corporations in the Western world are not primarily profit-driven (Kay, 2010). Hence, while Confucius and Mencius clearly distinguished between the moral standing of the pursuit of righteousness and wealth, they did not insist that an absolute contradiction exists between the two. When Confucius's student Zi Gong asked "'Poor without being obsequious and wealthy without being arrogant' what do you think of this saying?" Confucius answered, "That will do, but better still 'Poor yet delighting in the *dao* (*the Way*, 道) and wealthy yet observant of the *li*'"(Analects1.15).

It may be difficult for leaders of profit-driven businesses to comprehend that the seeking of profit should be done with an underlying moral commitment to *li*. This is problematic when profit results from the exploitation of surplus value from labour, leading to what Marx called "human alienation"; people become mere instruments to the imperative for economic profits. Some argue that profits may be increased through developing people's virtue (Arjoon, 2000), but for Confucians, virtue used as a means to acquire material benefit is not authentic; it degrades the virtue. For example, in *Trust in the Balance*, Shaw (1997, p. 3) argues that trust is a resource, a 'collective capital', that can be used to great advantage to bring material benefits, and therefore is something good. This instrumental way of understanding trust is foreign to Confucian leaders, for whom virtue is intrinsically good in and of itself and does not depend on its instrumental utility. Nonetheless, such intrinsic goods have material effect, leading to good society. Thus, corporate social responsibility, for Confucians, ideally emerges as an expression of a natural moral inclination deriving from inner cultivated virtues.

Does this hold up in practice? Some research (Eisenbeiss et al., 2015; Romar, 2002) shows that it is possible to combine ethical values with profit-making. Zheng et al. (2014) found that a firm will perform better in a transitional economy when it has high business ethics and a sense of social responsibility, as leaders would identify ways to pursue ethical conduct in the most appropriate way. Cheung and King (2004) report empirical findings that some contemporary business owners who identify as Confucians claim to harbour moral virtue as an end in itself; and that they do not see profitability as the primary purpose of moral action. Cheung and King conclude that Confucian business leaders attempt to "encapsulate their profit-making activities within the boundaries of their moral beliefs" (2004, p. 258). This is noticeably similar in attitude to the 19th Century British Quaker entrepreneurs cited above who grew and sustained thriving businesses over decades (including banks Barclays, Lloyds and Western Union, Clark's shoes, and chocolate manufacturers Frys, Rowntree's and Cadburys). Arguably, however, they did so in a cultural milieu in which such traditional values were more coherent with the mainstream. Lionized greed and blatant instrumentalism are now dominant cultural tropes, so the genuine twenty-first Century Confucian business leader faces the risk of being neither admired nor financially competitive. Nevertheless, with the recent cases of scandals regarding food safety, environmental pollution, neglect of basic labour rights, as well as high-profiled instances of excessive profiteering and ostentatious wealth displays, there are emerging signs that public sentiment as well as government concerns are increasingly shifting towards the need for rebalancing and moderating some of these excesses. This is where Confucian virtue ethics can play a crucial role in shaping ethical leadership in China.

Discussion and Conclusion

Virtuous leaders are more likely to inspire virtuous organizations through their own exemplary actions and the recognizable moral standards they evoke in others. Leaders who aspire to Confucian ideals are expected to regulate their behaviour though adherence to virtues of *ren*, *li*, *yi* and to direct the aspirations, strategies and constitutions of the organization they manage accordingly. Self-cultivation and the strict regulation of their own behaviour takes priority over the formulation of rules to control others. As a role model, the Confucian ethical leader influences others by establishing a moral atmosphere where organizational members voluntarily incline towards being more virtuous and behave accordingly. The hope is that such Confucian organizations will thrive and be profitable even though they are not profit-driven, but rather guided by the virtue of righteousness.

Virtue is not a mere capacity for good deeds but is more an internally rooted propensity to act for the greater good. Unlike philanthropists who might subsequently give away the profits accumulated from owing exploitative businesses, achieving wealth for the Confucian leaders is not something aspired to but signifies *reward* for contributing tangibly to the good of society; not something sought as an end in itself, but rather the un-asked-for result of doing good works for society and for the future.

Although virtue ethics emphasizes "internal goods" and therefore serves as an internal imperative to behave morally, the moral field is not unitary, and no single reductive method can offer a panacea to solve all the moral problems. Role modelling and education is highly emphasized in Confucian virtues ethics, but this does not mean laws and rules are not needed. Ethical behaviour, whether applied in business or elsewhere, needs both inner and outer regulation. Virtue is more central than rules and laws in traditional Confucian thinking, but both are indispensable in practice. While some of the more archaic characteristics of Confucian virtues are

not necessarily applicable in today's China without critical selection and transformation, "returning to *li*" remains a constant. There is little doubt that *li* in contemporary China has new connotations, but it remains a touchstone in the moral life of many. By returning to *li,* an individual aligns him/herself with the greater propensity of things and fulfils what is proper to his/her position in a society; acts properly in relationship, shows his/her respect to others and therefore further develops inner benevolence. So, a virtuous leader in an organization understands the responsibilities of role and task, regulates his/her action in the process of management, and rectifies his/her mind and attitude to produce behaviour that is appropriate in accordance with his/her position and situation.

Confucians, like any leader aspiring to ethical ideals, will continue to face painful dilemmas between inner moral standards and potential economic costs, or when forced to make trade-offs amongst unpalatable options. The situation may be improved by a social consensus explicit in its admiration of Confucian virtue ethics, supported by more leaders and manifested in their rhetoric. Though authentic Confucian business leaders who resist the discourse of mainstream market values remain a minority, they deserve to be noticed and studied to promote the respect and desire for more explicit debate about ethical business.

Some management researchers have pointed to the moral downsides of *guanxi* particularism and authoritarian leadership in modern Chinese organizations (Dunfee & Warren, 2001; Hwang et al., 2009; Rarick, 2007), and have associated these with Confucianism. It would be unwise to make such straightforward attribution, as Confucius himself opposed the superficial, hypocritical and unrighteous interpersonal relationship that we referred to as *Xiangyuan* (乡愿) previously. Confucius also opposed the authoritarian leader who abuses his/her power and authority and departs from moral standards of *ren* and *yi*. It is, therefore, clear that Confucianism is against absolute authority and tyranny. In practice however, interpretations and justifications may be distorted through personal ambitions and other unrighteous intentions so that perceptions of authority and interpersonal relationship may degenerate to the very kind of situation that Confucius himself warned against (Zhai, 2021). Such errors in application should not be attributed to flaws in the Confucian doctrine.

Although traditional Confucian thinking and values have been greatly diluted in the past decades in China, Confucian virtue ethics remain an influential undercurrent in today's business world. It still underpins the moral ideals of many people and as indicated above, is exemplified in some Confucian business leaders. China is now experiencing a revival in interest in traditional culture in public, governmental and nongovernmental sectors, invoking especially classical ethical values in social and political discourse as well as people's daily lives. Amplifying the explicit discourse around Confucian virtue ethics can help contribute to the success of regulatory and institutional reforms to the conduct of business in China. We now await the re-emergence of "moral" entrepreneurial and organizational leaders who can blend traditional Chinese virtues with the best of modern management practices, and thereby contribute ethically to both the local and global growth and prosperity.

Funding Funding was provided by the National Social Science fund of China (17BZX110).

Declarations

Conflict of interest All the authors declares that they have no conflict of interest.

References

Alzola, M. (2017). Character-based business ethics. In N. Snow (Ed.), *The Oxford handbook of virtue.* Oxford University Press.
Aristotle. (1985). *Nicomachean ethics*, Terence Irwin (Trans.), Indianapolis: Hackett.
Arjoon, S. (2000). Virtue theory as a dynamic theory of business. *Journal of Business Ethics, 28*, 159–178.
Audi, R. (2012). Virue ethics as a resource in business. *Business Ethics Quarterly, 22*(2), 273–291.
Barling, J., Christie, A., & Turner, N. (2008). Pseudo-transformational leadership: Towards the development and test of a model. *Journal of Business Ethics, 81*(4), 851–861.
Baumhart, R. C. (1961). How ethical are businessmen? *Harvard Business Review, 39*, 7–17.
Betta, M. (2016). Aristotle and business ethics. In M. Betta (Ed.), *Ethicmentality: Ethics in capitalist economy, business, and society. Issues in business ethics.* (Vol. 45). Springer.
Bourdieu, P. (1990). *The logic of practice*. Polity Press.
Bowie, N. (1999). A Kantian approach to business ethics. In R. Frederick (Ed.), *A companion to business ethics.* Blackwell publishers.
Brown, M. E., & Trevino, L. K. (2006). Ethical leadership: A review and future directions. *Leadership Quarterly, 17*(6), 595–616.
Chan, G. K. Y. (2008). The relevance and value of confucianism in contemporary business ethics. *Journal of Business Ethics, 77*(3), 347–360.
Chan, W.-T. (1963). *A sourcebook of Chinese philosophy*. Princeton University Press.
Chen, C. C., & Lee, Y. T. (Eds.). (2008). *Leadership and management in China: Philosophies, theories and practices*. Cambridge University Press.
Cheng, C.-Y. (1972). On *yi* as a universal principle of specific application in confucian morality. *Philosophy East and West, 22*(3), 269–280.
Cheng, C.-Y. (2004). A theory of Confucian selfhood: Self-cultivation and free will in confucian philosophy. In K.-L. Shun & D. B. Wong (Eds.), *Confucian ethics: A comparative study of self, autonomy, and community.* Cambridge University Press.
Cheung, T.-S., & King, A.-Y.-c. (2004). Righteousness and profitableness: The moral choices of contemporary confucian entrepreneurs. *Journal of Business Ethics, 54*(3), 254–260.
Duffy, J. (2019). *Provocations of virtue: Rhetoric, ethics, and the teaching of writings*. Utah State University Press.

Dunfee, T. W., & Warren, D. E. (2001). Is Guanxi ethical? A normative analysis of doing business in China. *Journal of Business Ethics, 32*(3), 191–204.

Dunne, J. (1993). *Back to the rough ground: "Phronesis" and "Techne" in modern philosophy and in Aristotle*. University of Notre Dame Press.

Eisenbeiss, S. A., Knippenberg, D. V., & Maximilian, C. (2015). Doing well by doing good? Analyzing the relationship between CEO ethical leadership and firm performance. *Journal of Business Ethics, 128*(3), 635–651.

Fan, Y. (2000). A classification of Chinese culture cross cultural management. *An International Journal, 7*(2), 3–10.

Fingarette, H. (1998). *Confucius: The secular as sacred*. Waveland Pr Inc.

Fontrodona, J., Sison, A. J. G., & de Bruin, B. (2013). Editorial introduction: Putting virtues into practice. Challenge for business and organization. *Journal of Business Ethics, 113*(4), 563–565.

Fu, R., & Guo, Q.-Y. (2018). The structure and characteristics of contemporary Chinese values: Based on a Survey of 2753 individuals. *Journal of Hunan University (social Science), 1*, 142–148. in Chinese.

Gao, J. S., Arnulf, J. K., & Kristoffersen, H. (2008). *Leadership development in China: Chinese manager' perceptions of practices and need for development*. Paper presented at the IFSAM 9th World Congress.

Gong, Q., & Zhang, L. (2010). Virtue ethics and modern society: A response to the thesis of the modern predicament of virtue ethics. *Frontiers of Philosophy in China, 5*(2), 255–265.

Gosling, J. (2016). Introduction to the special theme on philosophical aspects of management, governance, and organization in China. *Frontiers of Philosophy in China, 11*(4), 535–539.

Gough, R. W. (1998). *Character is destiny: The value of personal ethical in everyday life*. Prima Publishing.

Ha, D., & Ma, L. (2001). Indispensable business ethics in the transformation of China's economy. *Journal of Tsinghua University, 16*(5), 33–38.

Hartman, E. (2008). Socratic questions and Aristotelian answers: A virtue-based approach to business ethics. *Journal of Business Ethics, 78*(3), 313–328.

Hartman, E. M. (2013). *Virtue in business: Conversations with Aristotle*. Cambridge University Press.

Hennig, A. (2016). Three different approaches to virtue in business: Aristotle, Confucius, and Lao Zi. *Frontiers of Philosophy in China, 11*(4), 556–586.

Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Sage.

Hwa, Y. J. (1987). Heidegger's way with sinitic thinking. In G. Parkes (Ed.), *Heidegger and Asian thought.* University of Hawaii Press.

Hwang, D. B., Golemon, P. L., Chen, Y., Wang, T.-S., & Hung, W.-S. (2009). Guanxi and business ethics in confucian society today: An empirical case study in Taiwan. *Journal of Business Ethics, 89*(2), 235–250.

Hwang, K. K. (2012). *Foundations of Chinese psychology: Confucian social relations*. Springer.

Ingold, T. (2011). *Being alive: Essays on movement, knowledge and description*. Routledge.

Ip, P. K. (2009a). The challenge of developing a business ethics in China. *Journal of Business Ethics, 88*, 211–224.

Ip, P. K. (2009b). Is Confucianism good for business ethics in China? *Journal of Business Ethics, 88*, 463–476.

Ip, P. K. (2011). Practical wisdom of Confucian ethical leadership: A critical inquiry. *Journal of Management Development, 30*(7/8), 685–696.

Ivanhoe, P. (1991). Character consequentialism: An early Confucian contribution to contemporary ethical theory. *Journal of Religious Ethics, 19*(1), 57–58.

Jones, C., Parker, M., & Bos, R. (2005). *For business ethics: A critical approach*. Taylor & Francis.

Jullien, F. (2000). *Detour and access: Strategies of meaning in China and Greece*. Zone Books.

Kay, J. (2010). *Obliquity: Why our goals are best achieved indirectly*. Profile.

Koehn, D. (2020). How would Confucian virtue ethics for business differ from Aristotelian virtue ethics? *Journal of Business Ethics, 165*, 205–219.

Lai, K. (2006). Li in the 'analects': Training in moral competence and the question of flexibility. *Philosophy East and West, 56*(1), 69–83.

Laurence, J., Gao, G. P., & Paul, H. (1995). Confucian roots in China: A force for today's business. *Management Decision, 33*(10), 29–34.

Li, C. Y. (2008). Ren and the feminist ethics of care. In D. A. Bell (Ed.), *Confucian political ethics* (pp. 175–197). Princeton University Press.

Li, H.-L. (2015). 'Ren Yi Li Zhi Xin': The modern value of Confucian moral education. *QILU Journal, 5*, 5–12. in Chinese.

Liao, S. B. (2017). Toward a basic mutual understanding between Confucian and Aristotelian virtue ethics. *Business and Professional Ethics Journal, 36*(3), 273–284.

Liu, H. (2009). *Chinese business: Landscapes and strategies*. Routledge.

Liu, Y.-L. (2010). Thirty years' research on 'ren yi li zhi xin.' *Henan Social Science, 18*(1), 187–190. in Chinese.

Ma, M. (2013). The Confucian merchant tradition in the late Qing and the early republic and its contemporary significance. *Social Science in China, 34*(2), 165–183.

Morrell, K., & Clark, I. (2010). Private equity and the public good. *Journal of Business Ethics, 96*(2), 249–263.

Pang, C. K., Roberts, D., & Sutton, J. (1998). Doing business in China–the art of war? *International Journal of Contemporary Hospitality Management, 10*(7), 272–282.

Peng, Y. Q., Chen, C. C., & Yang, X. H. (2008). Bridging Confucianism and legalism: Xunzi' philosophy of sage-kingship. In C. C. Chen & Y. T. Lee (Eds.), *Leadership and management in China: Philosophies, theories, and practices* (pp. 51–79). Cambridge University Press.

Rarick, C. (2007). Confucius on management: Understanding Chinese culture values and managerial practices. *Journal of International Management Studies, 2*(2), 22–28.

Redding, S. G. (1990). *The spirit of Chinese capitalism*. De Gruyter.

Resick, C. J., Hanges, P. J., Dickson, M. W., & Mitchelson, J. (2006). A cross-cultural examination of the endorsement of ethical leadership. *Journal of Business Ethics, 63*(4), 345–359.

Resick, C. J., Martin, G. S., Keating, M. A., Dickson, M. W., Kwan, H. K., & Peng, C. (2011). What ethical leadership means to me: Asian, American, and European perspectives. *Journal of Business Ethics, 707*(3), 435–457.

Romar, E. J. (2002). Virtue is good business: Confucianism as a practical business ethic. *Journal of Business Ethics, 38*(1/2), 119–131.

Shaw, R. B. (1997). *Trust in the balance: Building successful organizations on results*. Jossey-Bass Publishers.

Sison, A. J. G., Ferrero, I., & Redín, D. M. (2020). Some virtue ethics implications from Aristotelian and Confucian perspectives on family and business. *Journal of Business Ethics, 165*, 241–254.

Snoeyenbos, M., & Humber, J. (1999). Utilitarianism and business ethics. In R. Frederick (Ed.), *A companion to business ethics.* Blackwell publishers.

Solomon, R. C. (1992). Corporate roles, personal virtues: An Aristotelian approach to business ethics. *Business Ethics Quarterly, 2*(3), 317–339.

Solomon, R. C. (1999). Business ethics and virtue. In R. E. Frederick (Ed.), *A companion to business ethics.* Blackwell Publishers.

Solomon, R. C. (2003). Victims if circumstances? A defense of virtue ethics in Business. *Business Ethics Quarterly, 13*(1), 43–62.

Solomon, R. C. (2004). Aristotle, ethics and business organizations. *Organization Studies, 25*(6), 1021–1043.

Tourish, D. (2013). *The dark side of transformational leadership Hove*. Routledge.

Trompenaars, F., & Hanpden-Turner, C. (1997). *Riding the waves of culture*. Nicholas Brealey Publishing.

Tu, K.-G. (2017). The ethical implication of '*yi*' in Confucianism. *Confucius Study, 5*, 5–15. in Chinese.

Tu, K.-G. (2020). Why does Confucianism value *li*. *Exploration and Free Views, 9*, 137–148. in Chinese.

Tu, W.-M. (2001). The ecological turn in new Confucian humanism: Implications for China and the world. *Daedalus, 130*(4), 243–264.

Von Weltzien Hoivik, H. (2007). East meets West: Tacit Message about business ethics in stories told by Chinese managers. *Journal of Business Ethics, 74*(4), 457–469.

Wah, S. S. (2010). Confucianism and Chinese leadership. *Chinese Management Studies, 4*(3), 280–285.

Walvin, J. (1997). *The quakers: Money and morals*. John Murray.

Wang, L., & Juslin, H. (2009). The impact of Chinese culture on corporate social responsibility: The harmony approach. *Journal of Business Ethics, 88*, 433–451.

Wang, Y., Cheney, G., & Roper, J. (2016). Virtue ethics and the practice-institution schema: An ethical case of excellent business practices. *Journal of Business Ethics, 138*(1), 67–77.

Warner, M. (2008). Reassessing human resource management 'with Chinese characteristics': An overview. *International Journal of Human Resource Management, 19*(5), 771–801.

Weber, M. (1947). *Theory of social and economic organization*, (A. R. Anderson & T. Parsons, Trans.). New York: Oxford University Press.

Weber, M. (2019). *Economy and society: A new translation* (K. Tribe, Trans.). Cambridge and London: Harvard University Press.

Western, S. (2008). *Leadership: A critical text*. Sage.

Wood, J. A., Longenecker, J. G., McKinney, J. A., & Moore, C. W. (1988). Ethical attitude of students and business professionals: A study of moral reasoning. *Journal of Business Ethics, 7*(4), 249–257.

Woods, P. R., & Lamond, D. A. (2011). What would Confucius do?—Confucian ethics and self-regulation in management. *Journal of Business Ethics, 102*(4), 669–683.

Xu, S.-K., & Yang, R.-D. (2010). Indigenous characteristics of Chinese corporate social responsibility conceptual paradigm. *Journal of Business Ethics, 93*(2), 321–333.

Yan, Y.-X. (2012). Food safety and social risk in contemporary China. *The Journal of Asian Studies, 71*(3), 705–729.

Yang, C. (2014). Does ethical leadership lead to happy workers? A study on the impact of ethical leadership, subjective well-being, and life happiness in the Chinese culture. *Journal of Business Ethics, 123*(3), 513–525.

Yang, X.-H., Peng, Y.-Q., & Lee, Y.-T. (2008). The Confucian and Mencian: Philosophy of benevolent leadership. In C. C. Chen & Y. T. Lee (Eds.), *Leadership and management in China: Philosophies, theories, and practices* (pp. 51–79). Cambridge University Press.

Yu, J.-Y. (1998). Virtue: Confucius and Aristotle. *Philosophy East and West, 48*(2), 323–347.

Yu, J.-Y. (2008). The 'Manifesto' of new-Confucianism and the revival of virtue ethics. *Frontiers of Philosophy in China, 3*(2), 317–334.

Yuan, L. (2013a). Wise and virtuous leadership: The contribution of Confucian values to business leadership. In M. J. Thompson & D. Bevan (Eds.), *Wise management in organizational complexity.* Palgrave Macmillan.

Yuan, L. (2013b). *Traditional Chinese thinking on HRM practices: Heritage and transformation in China*. Palgrave Macmillan.

Zhai, X.-W. (2021). Chinese *renqing* and *mianzi* : Frames, concepts and associations. *Zhejiang Academic Journal, 5*, 53–64. in Chinese.

Zhang, D.-S., & Jin, Y.-J. (1999). Study on Confucian entrepreneurs: Confucian ethics and modern society. *Sociological Research, 3*, 39–47. in Chinese.

Zhang, G.-S. (2021). From humaneness to ritual propriety: The way of Confucius and the breakthrough of the axial age in early Chinese thinking. *Journal of Renmin University of China, 3*, 40–50. in Chinese.

Zheng, Q.-Q., & Luo, Y.-D. (2014). Moral degradation, business ethics, and corporate social responsibility in a transitional economy. *Journal of Business Ethics, 120*(3), 405–421.

Zhu, Y.-X. (2015). "The role of qing (Positive Emotions) and Li (rationality)" in Chinese entrepreneurial decision making: A Confucian Ren-yi wisdom perspective. *Journal of Business Ethics, 126*(4), 613–630.

Publisher's Note Springer Nature remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.