Ethical Innovation

through Confucianism Teaching

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Abstract.

This research explores innovation from an ethical perspective. With increasing number of Chinese

business applying Confucius teaching into business management and employee training, this

research explores the influence of Confucius values of harmony, familial collectivism and

reciprocity. It aims to evaluate the teaching of these key Confucius ethical values to staff in a

private owned Chinese organisation, and its impact on business movement. Taking a case-study

approach, this research is conducted in Good-ark, a private-owned semi-conductor manufacturing

company in Suzhou, China. Data has been collected from semi-structured interviews and

company's annual reports and training records. The results demonstrate that Confucianism teaching

enhances both employees' and managers' commitment towards the organisation. Through such

ethical innovation, it reduces the organisation's employee turnover and forms a strong cohesion

within the organisation, and improves individuals and organisational performance. Furthermore,

Confucius teaching helps extend people's understanding of Confucius ethical values, which are

further applied into a wider social context. The practical implication and limitations of the current

research are also discussed.

Key words: ethical innovation, Confucianism, values, ethics, China

Innovation has been long seen as critical to develop competitive advantages in business context (Schumpeter, 1934; Souto, 2015) and takes various forms at micro and macro levels (Kickul et al., 2012). Most literature on Innovation includes development of new technologies, new products and new process of manufacturing, and the ways of access to resources and its contributors, such as knowledge, technology and network (Dodgson and Gann, 2010). In current dynamic business world, making change is inevitable. Innovation builds and sustains competitive advantages through such continuous change (Bessant 2003). As a result, a lot of effort from business organisations has been put into conducting various activities in innovation (Smith, 2009). However, these activities do not always have a positive outcome, due to the ignorance of ethics in the process of innovation (Mehlman, 2012). Largely, the ethical issues literature has mainly focused on the impact of innovation outputs outside the organisation and limited research on the value of ethical innovation. Yeh and Xu (2010) suggest that Confucius' ideas are beneficial to an organisation's impending technology and innovation, even though it stresses justified tradition. Our research will focus on ethical innovation, and explore its impact on business movements, which switches from profit driven towards value-oriented holistic approach with a particular interest on social responsibility and employee wellbeing. In other words, our research is to explore innovation from an ethical perspective, evaluate the change of employees' values through Confucianism teaching, and examine its impact on business movements. This paper will address two research questions: 1) how does Confucius teaching drive the ethical innovation? 2) to what extent does such ethical innovation influence on organisational movements? The paper will evaluate the impact of Confucianism values on ethical innovation from three aspects of harmony, reciprocity, and collectivism.

For more than 2,500 years, Confucianism remains as the main traditional values among Chinese society, and have been the guidance for Chinese family and business life (Cheung and King, 2004)

As capitalism grows in contemporary China, there is increasing cultural confusion between Confucianism, the representative of Chinese traditional culture and the Western influence due to globalisation. Particularly, the ethical problems caused by materialism appear to have been overlooked (Huang et al. 2012). Acknowledging the neglect of Chinese traditions in the process of modernisation, China people explore how to integrate Confucianism into modern society (Leng and Salzman 2016). With its important role in Chinese business history and context (Myers, 1987), Confucianism has become more and more popular with Chinese private business owners, and served as the main drive for the success of recent industrial work in China, and in other Confucian-based East Asian countries (Jacobs et al, 1995). With a strong familistic and collectivistic orientation (Ip, 2009; Yan and Sorenson, 2006), Confucian core values have been applied by increasing number of companies as the main training and managing concepts (Zhao and Roper, 2011). Particularly, modern Confucian entrepreneurship encourages combining Confucian tradition with business management (Zhao and Roper, 2011). As Wang and Juslin (2009) point out, the current business in China urgently needs to recover and develop business ethics and morality. Therefore, it is important to explore the influence of Confucius teaching on business.

Based on hierarchical relations and relevant virtues, Wang et al (2005) point out five key aspects of Confucian values, mainly focusing on 1) hierarchy and harmony; 2) group orientation; 3) Guanxi or networking in personal relations; 4) Mianzi, i.e. showing individual's respect for social status and reputation; and 5) time orientation, including past, present and future. However, a large number of previous studies focus on the collectivistic and hierarchical characteristics of these key values, which appears to be problematic when applying Western management practices in Chinese organisations (e.g. Wang et al, 2005; Chen et al, 2000). These results demonstrate a strong negative side of Confucian dynamics dimension (Hofstede and Bond, 1988), which often associates with the issues of centralised management, bribery caused by Guanxi, or corruption

(e.g. Buttery and Leung, 1998; Dunfee and Warren, 2001; Lovett et al, 1999). According to Su et al (2003), these Confucian ideas appear to have distinctively applied with ethical manipulation. The positive side of Confucian Dynamics dimension, such as thrift, perseverance, legitimacy of hierarchy, and sense of shame (Hofstede and Bond, 1988), needs to be acknowledged and considered, in order to provide a more holistic view when studying Chinese businesses and ethics related development (Yeh and Xu, 2010).

As the guidance for both Chinese family and business life, Confucianism emphasizes the concept of harmony, collectivism, and reciprocity. (Cheung and King, 2004; Zhao, 2014). Harmony stresses that each individual comply with social norms and behave ethically in the society. It requires people to be self-disciplined. In other words, people are expected to act based on acknowledging their own roles or positions within the society. It can only be achieved by individuals aligning his or her self-discipline with the hierarchical structure in their own social context, including personal and work life environment. Incorporating Chinese cultural context into organisations' corporate social responsibility (CSR) concepts, Wang and Juslin (2009) propose Harmony Approach, which focuses on respecting nature and loving people. It is based on Confucian interpersonal harmony between man and nature. Particularly, such harmonious approach is based on Confucius emphasis on family roles and commitment (Li, 2006). Therefore, Chinese organisations often assimilates themselves into a family and creates a family atmosphere among employees and management (Wang and Juslin 2009). It strengthens an individual's belongingness to an organisation as part of the 'in-group' and enhances the social identification within the organisation (Hung, 2004; Triandis, 1988). In this way, it does not only requires organisations to be responsible to look after employees, but also motivates employees to commit and contribute towards organisational development as part of family member. In other words, it harmonises organisations' employment relationship.

Reciprocity focuses on the reciprocal characteristics of people's relationships, which is another crucial element of Confucianism (Zhao, 2014). Within a closed network or group in China, reciprocity demands individuals to be mutually attached, trusted and committed to each other in a closed relationship. In other words, such commitment acknowledges individuals' commitment to each within a certain group, i.e. in-group (Su and Littlefield, 2001). Through such in-group reciprocal activities, interpersonal relationships are strengthened over time along with the involved commitment and trust, and respect for the integrity of each other (Zhao and Roper 2011). Whereas when reciprocity is applied within Chinese organisations under the one-big-family atmosphere, it reminds individuals of his or her own social status in organisations to enhance their responsibility towards organisation family as a child. Meanwhile, it also equalises employees and managements' responsibility towards each other. It forms an obligation for both individuals and management under such familial relationships in organisations (Su and Littlefield, 2001). For instance, when individuals are treated well and kindly by organisations, individuals are expected to return the kindness with stronger commitment and devotion. In this way, the reciprocal obligations involves the loyalty from employees and ethical values from management (Whitcomb et al, 1998). As Zhao (2014) points out, this represents the key Confucian business ethics, Ren, a fundamental virtue of benevolence, charity, humanity, love or kindness.

Collective values are the core of Confucianism (Yan and Sorenson, 2006). Harmony, reciprocity and Ren (二, meaning benevolence) form a strong foundation for Chinese strong collective orientation, which complete the social structure with an emphasis of individuals working with each other, behave and interact with others in an appropriate manner according to his or her social status in the society (Yan and Sorenson, 2004). Lu (2009) points out the ethical values of Chinese enterprises derives from social ethics in 1970s, since there was no special ideology or culture at

that time. In other words, it is about how individuals are expected to behave and perform his or her social roles. As mentioned above, Chinese organisations are built on a strong familial basis, which engages employees with management and organisations by assimilating organisational structure to that of a family. With employees' and management's roles being switched to family parents and members, the Confucian familial collectivism is therefore introduced into organisations, which is entailed in Confucian ethics (Ip, 2009). As an extensive practice of virtues, Confucian familial collectivism is which is mainly constructed based on obligation and obligation exchanges (Yang, 1957), a kind of reciprocity. It emphasizes collective values and interests over and above those of individuals (Ip 2009), which is an important aspect of Confucian ethics (Ip, 1996, 2004).

Hence, these Confucius values of Harmony, Reciprocal and Collectivism are not independent from each other. Instead, they are inter-related, and interdependent with each other. The rich ethical traditions of Confucianism helps Chinese business to deal with challenges in a distinctively Chinese way (Ip 2009). Two research questions, how Confucius influence on ethical innovation and how ethical innovation influence on organisational performance, will be addressed in this research. This paper will present how these three critical elements of Confucianism are bounded together and how Confucian teaching and learning make ethical innovation happens.

Research design

Taking an interpretivist approach, this research uses Good-ark, a private-owned Chinese company, as a case study. Good-ark is a leading private listed semi-conductor manufacturer. It has over 2,800 employees, over 70% of whom came from distant part of China and work in Good-ark away from their family. The management of Good-ark are devoted to teaching employees the Confucius values. The teaching and learning have been provided to all employees and managers across the

company since 2009. This research was sponsored by the Company, in order to evaluate the current impact of Confucius teaching and seek further development and improvement strategies.

Throughout the research, data has been collected from both 35 semi-structured interviews and the company's annual reports as well as training records. 35 interviews were conducted individually face-to face with 8 managers and 27 employees. On average, each interview lasts about an hour. With consent in both discussion and writing, both groups of employees and managers were happy to share their own learning experience of Confucianism and the effect of ethical innovation. The data were thematically analysed due to its richness, which involves both logical and intuitive thinking.

Research findings

From the interviews, it appears that there are a few key themes came from the data analysis. It includes the concept of harmony, familial collectivism and that of reciprocity.

1) Harmony

From the interviews, all participants highlighted the significance of the concept 'harmony'. It is reported that although people unconsciously respect each other and attempt to maintain harmonious working relationships as a typical Chinese tradition, colleagues are more mindful of taking care of others since the Confucianism training in the company. Within the company, it is not only a basic requirement for individual behaviour and interaction with others. Moreover, it enhances a collective atmosphere, which forms a strong solidarity for all members of the company. For example, Employee Lin mentioned,

Confucian teaching becomes a social normal in Good-ark. Before the teaching, I know I will respect others, and not to cause any conflict. Even if I don't like certain colleague, I will try

my best to avoid any conflict with colleagues. We see each other as an individual. As long as I can get along with him/her, and him/her respects me that's good enough. But look at right now, we do not see each other as an individual. We feel like we are all part of the big family. We have the same goal. We share the same environment. We're much more united to take care of each other for the sake of this big family.

In her opinion, employees and managers in the company are united together with a much stronger solidarity. Since the Confucius training, each individual concern more of the overall harmony within the company environment. Individuals' own personal relationships with each other appear to be not so important anymore. As Manager Wang stated,

In Good-ark, we have a large number of staff who have been in the company for so many years. Since Confucius teaching of 'harmony', we have much stronger cohesion in the company. It's no longer about 'me' and 'you', 'myself' and 'yourself'. Right now, it's always about 'we' and 'us'. There is limited ability for one individual. However, when we clearly understand what 'harmony' is about in the Good-ark family, we are much more powerful. We are like a rope with many strands. You can do many more things together.

In other words, Confucius harmony concept helps staff understand the significance of maintaining harmonious environment for the company.

Meanwhile, Confucius teaching of Harmony was mentioned to have resolved personal conflicts. It was reported that the concept of Harmony not only benefited individuals dealing with personal relationships, but also build a stronger team spirit. It helps staff pay more attention to the harmony of their working environment. It helps reduce the conflict and flights used to happen among employees. Employee Bo mentioned that,

As majority of Good-ark employees in the production unit came from other regions in China.

Employees from various regions speaking different dialects. They also have different habits

and customs. Very often there used to have conflicts or argument at work. Sometimes it was even resolved into physical fights that took place outside the company. Since Confucius teaching, there is very little incidents of such fights. Because there is a strong awareness among us all that we are a big family. We (the employees) talk to each other much more, including colleagues and managers. Whenever two people have arguments or conflicts, everyone helps resolve and talk to both people, until they understand each other and sort out the problems.

2) familial collectivism

The most popular term appeared in interviews was 'family'. It was found that all participants, both employees and management, talked about the company as their own 'family' with great pride. In Confucius teaching, Good-ark applied the concept of 'family' into the company. Managers and executives were positioned as 'parents' of the 'family', and employees as 'brothers and sisters' within the 'family. Hence, the stereotypical management and employee relationships became parents and children relationships. It requires individuals to take the company as a family and share responsibility to look after others in the company. During each training workshop,

Confucius familial collectivism was introduced. From interviews, such family concept was highly praised not only on the personal interaction at work, but also involving staff's personal life. For instance, Employee Lili said,

Majority of employees live in the city. Whenever one colleague's family has any event, such as baby's one-month-old party (similar to Western baby show), wedding, graduation of children, etc., there always are a big group of Good-ark colleagues to attend. We also social together a lot after work. Often, we even organise our own family away day together. As time goes by, we get to know each other much more. As a result, we talk and

communication to each other in a much more proactive way at work. It brings very good working relationships.

According to Lili, employees involve with each other's private life. The informal personal life interactions enhanced their understanding of each other. Therefore, at work, employees are comfortable to talk and communication their opinions with each other. It forms a friendly working relationship.

Meanwhile, it was reported that such 'family' concept helped harmonised the company's management. With individuals positioned himself/herself as a family member, it enhanced individuals' responsibility towards the 'family'. In other words, individuals take on initiatives to look after and maintain the 'family' issues. Manager Wei commented that,

Our Good-ark is very proud of our 'family'. It's a very comfortable home environment. It is our 'family' culture. Our managers are the parents. Any one has an issue, either work or personal life, we have our parents to look up to. As one of the parents, I'm proud to look after my division, my family.

This example demonstrates that employees and management were proud with the 'family' culture. Such 'familial' simulation enhances individual's belongingness to the company, and responsibility towards the company, i.e. the 'family'. From the management point of view, the concept of 'family' represents a collective power, which connects management and employees. In this way, individuals will be able to take on his/her responsibility in the 'family', according to his/her own position.

The Confucius teaching of 'family' was found to relate to the company's retention. Manager Tang mentioned:

In Good-ark, we are a family. Everyone grows with the family. There is a very strong cohesion within the company. You can easily tell from HR's profile. A lot of middle level managers have been in Good-ark for at least over 10 years, and a large number of employees have been here for over 6, 7 years. Very few people leave here. In my memory, hardly any manager leaves here in the last two years. This number said it all. It's our home. It was a completely different situation before (Confucius teaching). We used to have a high employee turnover. When there was an argument or conflict among colleagues, particularly, those resolved in a fight, often it led to some people leaving.

According to Tang, Confucius teaching of family largely reduced employee turnover. By teaching employees and managers the concept of family, staff value the significance of their job for the 'family'. Working for the company is regarded as maintaining their 'home'. As a result, they committed more towards their work in the company, and continue working for Good-ark.

Moreover, such 'familial collectivism' enhances staff's belongings to the company, which also results with high motivation for employees and managers. With the collectivistic way of working and taking care of colleagues and the company, it enhances staff's communication. It means everyone communicates with each other. The information within the company is much more transparent. For instance, Manager Bi explained:

After Confucius teaching, we talk to each other much more. Sometimes it is at work, sometimes it's in our social time. With communication, the information are much more transparent. People do not need to guess or predict what is going to happen. Employees are all motivated to learn with the company, grow with the company, and contribute their best to this family. We have the same goal to look forward to.

3) Reciprocity

Another key concepts of Confucius teaching was reciprocity. It was reported that the company encouraged staff to be reciprocal not only at their own individual level, but also at the social context. It emphasizes the reciprocal help and efforts of individuals to the company organised various volunteering programmes for staff, including visiting the Care Home, orphanage, and looking after disabled children. Even though these programmes were on volunteering basis. Nearly all employees have been reported to attend programmes in turn. The experience of such volunteering programmes was highly engaged. Employee mentioned that:

Through Confucius teaching, I have learned that it is important to be reciprocal. Such exchange of each individual's commitment does not only happen to be related to asking for help. It can also be related to family and other issues. In Good-ark, we do not only help out our colleagues within the company. We also join the volunteering over weekends. For example, by visiting the Care Home, I realised that it is not only important to take care of my own parents. It is also important to take care of other senior people in the society. Every one of us could do something for the society. It will become a much better home for each of us.

This statement shows that employees are aware the exchange commitment from individuals. The reciprocity does not only apply in individual's personal relationship. It also can be applied in individual and society relationships, which demonstrates much stronger belief of Confucianism.

Discussion and conclusion

Based upon the interview data, the concept of 'harmony' is closely related to the solidarity of employees. It enhances colleagues' interpersonal relationships. It unites individuals for the company. It requires individuals to priorities individual discipline and family roles (Li, 2006). Harmonious living and working environment can only be achieved by individuals acknowledging his/her roles in the social context, either in the company or society, and behave accordingly in

order to be accepted as part of the 'in-group' (Hung, 2004). From the current research results, the value of 'harmony' helps individuals deal with their interpersonal relationships. Moreover, it unites everyone in the company and to achieve a harmonious familial environment. This is a clear evidence that Confucius teaching has an impact on the company's ethical innovation, which enhances its business movement. Teaching Confucius values into employee training, Good-ark applies the traditional values to encourage and guide employees to take their individual social responsibilities within the company context, which extends to the wider social context when employees properly apply them into their personal lives. In this way, Confucius teaching enhances individual staff's understanding of the ethical values, and forms a harmonious familial living and working environment for individual staff, the company and the society.

The value of 'harmony' provides the prerequisite to form the familial collectivism. The research results show that teaching of Confucius 'familial collectivism' gives staff a particular role within the big organisation 'family'. Based on family structure and commitment, employees and management are aware of their individual responsibilities and those to the 'family'. Within such working environment, staff are able to communicate proactively, which reduces the conflict and improves their working relationships. The aforementioned 'in-group' becomes 'family'. Individuals take part in the familial activities with his/her commitment to maintain the family environment (Su and Littlefield, 2001). In this way, individuals acknowledge his/her responsibility to within such familial relationship, build and maintain interpersonal relationships with harmony, which enhances the sustainability of a familial fortune and welfare (Tang, 1999). As the findings indicate, once such familial collectivism is formed, employees comply with the family obligation to behave in the familial environment (Yang, 1957). It largely reduces the organisation's employee turnover. In other words, it enhances employees' commitment towards the company and motivates them to work closely with colleagues and organisation, which leads to a positive 'familial' culture. Vice

versa, managers are the regarded as the parents of the organisation, who will look after the organisation as a family, and take on the paternalistic approach when managing employees (Javidan and Carl, 2005). It means managers take care of employees in both personal and work related issues, which could be work-related issues with colleagues, and that of personal life involved with employees' family. Cheng et al (2004) point out that such benevolent behaviour is based Confucius ethical values. With both sides committing to their own roles, it enhances trust within the employment relationships and encourages stronger loyalty and commitment towards the organisation (Zhao, 2014).

According to the research data, Confucius teaching enhances individuals' understanding of reciprocity, which is extended from individual level to a much wider social level. Individuals are obliged to such reciprocal relationships. They are aware his/her responsibility towards others.

More importantly, they also acknowledge individual commitment towards the society, which in return provides them a stable and harmonious living and working environment. Chao (1990) points out such reciprocal behaviours enhances overall interpersonal relationships within its particular context, where organisations and individuals treat each other as family members. They contribute proactively towards this big family.

To sum up, the concepts of harmony, familial collectivism and reciprocity are closely related to each other. They enhance individuals' commitment and self-discipline within the familial environment. From ethical perspectives, the teaching of Confucius key values improves the employees' and management's understanding of each other. Through Confucius ethical values, it forms a strong familial working environment. With further guidance, it extends its influence onto individuals' personal life and the wider society. As a consequence, it improves employees' well-being and the social relationships within the community. The ethical values of individual employees within the company have been changed since the Confucius teaching. Confucius ethical

values thus play an important role in the ethical innovation. The Confucius teaching is also found to be a good means of developing organisational culture, which could be investigated further in the future.

This research indicates positive influence of Confucius teaching on organisational ethical innovation. It informs potential challenges organisations may need to consider when dealing with ethical innovation in the Chinese context. However, the limitation of this research also needs to be acknowledged that this research was conducted in a single case study. As a private own company, the management may have more flexibility to arrange their resources for such teaching, particularly, when it is involved with every staff member in the company. In the future, such ethical innovation could be explored in multiple case studies to compare and contrast its influence. Potential, state-owned organisations could also provide a different managerial structure and style to examine the progress and results of ethical innovation.

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