

# How Chinese philosophy applies in today's business world

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## **Abstract**

*For years, many business and organizations have turned to an ancient Chinese philosophy for its invaluable commentary on leadership, motivation, and organization. Chinese philosophy indeed provides many ideal thought for successfully conduct a business. Chinese philosophy is now studies and used by leaders throughout the world.*

*The purpose of this study was to investigate how Chinese philosophy applies in the modern business world. The study focuses on the leadership, organization, communication, motivation and execution. Chinese philosophy helps us to explain or predict how groups and individuals behave in varying organizational structures and circumstances. And helps us to become an effective leader. The study found that the most of business world is ruled by the Chinese philosophy in many ways or substantially influenced by the Chinese philosophy. According to Chinese philosophy, the study provides some principles of success in leading people and organization in the 21st century.*

## **INTRADUCTION**

Chinese have been living in China for more than 5,000 years. It can be traced back to 2200 BC. In the past history before World War II, there are seven important dynasties in China history. Every dynasty has it own background and feature. The most important feature in China history is Chinese philosophy. And there is an abundant supply of wisdom in the Chinese philosophy. In last decade, China is becoming the biggest market in the world. China achieved a growth rate of 7.8% last year. According to some international investor, 21st Century is the century for the Chinese. Firms managed by Chinese people or doing business with Chinese people will be more and more in the future.

With the rapid rise of China as a political and economic power, understanding cross-cultural differences between that China and other countries has acquired a special significance. As more and more American companies do business in China, it is essential to understand how the cultural differences shape the attitudes and behavior of Chinese people. Business world revealed a high incidence of Chinese Philosophy among top managers. It is now generally recognized that Chinese philosophy, whether formal or

informal, will be necessary for everyone who like to do business in China. In other word, Chinese philosophy in business world is becoming more vital as the form of competition in all aspects of business accelerates. Learning Chinese philosophy will help business succeed in the market of over one billion people. The ability to understand cultural differences and exercise influence in cross-cultural interpersonal networks is now regarded as an essential competency of the global manager (Smith& Peterson, 1988). Managers will be more effective if they have strong cultural awareness and know how to influence people with a different cultural background (Fu, 2000). Chinese philosophy is one of most important culture item in China. It is first lesson for someone who likes to do business in China.

## **THE DEFINITION OF CHINESE PHILOSOPHY**

Philosophy is derived from the Greek term meaning “love of wisdom”. Chinese philosophy includes both love and wisdom. With its rich wealth of history and talents, China has never been short of strategic thinkers and great philosopher. But it is difficult to point out what Chinese philosophy is because of it abundant content. Chinese philosophy can be traced to the same origin-Confucianism. But Chinese philosophy can’t not lump together or put in the same category.

The Chinese philosopher begins by reflecting about his own life in order to obtain an awakening, and uses this awakening in the practice of living. This can be seen in Confucianism, Taoism, Buddhism and Legalism. These four most important Chinese philosophies have different thought. Respect for family, handwork and education is the main content for Confucianism. Keeping our life simple is Taoism’s concept. Respect for other property and all life is an idea of Buddhism. Legalism insisted that power to the legal ruler.

On of those schools of thought, Confucianism is representative of Chinese philosophy. Confucian values ensure social justice and stability. Tu (1989) point out that the Confucian dimension in the East Asian development model can be summed up in three interrelated areas of concern: (1) the style of political leadership, (2) the pattern of social interaction, and (3) the path of human flourishing. Apart from Confucius, the other more notable philosophers are Lao Tzu, Sun Tzu, Mencius and Chuang Tzu, whose teachings have had a tremendous influence on Chinese civilization and society. Lao Tzu’s Tao Te Ching is famous life compass in Chinese world. Sun Tzu’s Art of War, an ancient Chinese military treatise written some 2500 years ago, has now been modified and applied effectively today’s business management and marketing problem (Low, 1995). In short, according to Zhang (1985), Chinese philosophy has the following characteristics: (1) the unity of knowing and acting; (2) the unity of heaven and man; and (3) the unity of truth and the good. Unity and Oneness then can be seen as the main characteristic of Chinese philosophy.

## **CONFUCIANISM AND TAOISM**

From those different kinds of philosophies in China, Confucianism and Taoism are two main important soul in China. The main Chinese philosophy characteristic can be seen in both Confucianism and in the Taoist School. Huang (2000) point out that 「Jen」 is the central concept of Confucianism. The meaning of Jen is the action of self-reflection and communication with others. Taoism provides different worldviews for suppressed people. Taoism teaches the suppressed class “ a sense of worth by directly associating them with nature.

Confucianism, the dominant system in Chinese history and thought, emphasizes social order and an active life. In Huang (2000) studied, he pointed out that the importance of Confucianism on Chinese culture can be discussed from the following three aspects. First, Confucianism has prevailed as the basic social and

political value system for over 1,000 years. Second, Confucianism has long been regarded as a secular religion, a teaching, or a doctrine of human wisdom that is closest related to the topic of this article, Confucianism is regarded as a philosophy of human nature that considers proper human relationships as the basic of society.

There are four traits consistent with Confucian ideology that have remained constant and that have significant impact on present day organizations in overseas Chinese. There are (1) Socialization with the family unit in such a way as to promote sobriety, education, the acquisition of skill, and seriousness about task, job, family, and obligations. (2) A tendency to help the group (3) A sense of hierarchy and its naturalness and rightness, (4) A sense of complementarity in relationship which, combined with the sense of hierarchy, enhances perceptions of fairness and equity in institutions (Huang, 2000). A contemporary of Confucius, Lao Tzu was the founder of Taoism, one of the most influential philosophies of Chinese civilization. Taoism, on the other hand, concentrates on individual life and tranquility, thus suggesting that Taoism plays a secondary role to Confucianism in Chinese society.

Lao Tzu was a wise man who not only taught people to have a gentle and meek presentation, but also to be motiveless, selfless, pliant, yielding, pure-minded and natural. But it is generally difficult for people to accept Lao Tzu's thoughts because most people only notice the surfaces of things and not their essence (Low 2000).

When the Taoism (Tao Te Ching) is compared with Confucianism (Confucian Analects), it can be seen that there are more similarities than differences between Confucius' and Lao Tzu' teachings. Both are primarily interested in moral, social and political reforms. They cherish the same basic values, such as humanity, righteousness, deep love and faithfulness. They oppose the use of force and punishment. They highly esteem the integrity of the individual and social harmony, even though their approaches are different. From those thought above, Chinese are famous for their virtue, patience, diligence and piety.

Most of Asia studies found that Confucianism is a necessary and sufficient condition to economic development and Taoism provide peaceful solution for human relation. In short, both emphasize the goodness of human nature and the potential for everyone to become a sage. (Low, 2000; Fu, 2000). But in Confucianism, to ensure an orderly society, individual rights, needs and freedom of some particular positions or classes were often ignored. Anyway, Confucianism and Taoism are become an ideology of life, a way of living or a mode of human behavior which have profoundly influenced people's thoughts and attitudes towards decision-making.

## **THE IMPORTANCE OF CHINESE PHILOSOPHY**

Chinese philosophy is gaining a great deal of attention at all business world today, especially in the field of leadership, motivation, and organization. Administrators are beginning to give more credence to the idea that creating advantage does not have to be western direction. Even when advantage takes place in connect with western-direction, some business seem to respond better when given a greater opportunity for Chinese philosophy in the process.

There is no lack of ancient and present-day strategic thinkers and philosophers in the East, their thoughts and philosophies have still not been widely circulated, let alone popularized throughout the world. With the economic opening up of China and the fast growing East Asian economy, interest in oriental thinking and philosophies for managerial practices have now been rekindled. In view of the fact that Chinese culture has spread its roots far and wide in most of the countries in the world, especially in East Asia. The economic success stories of Japan, South Korea, Singapore, Hong Kong and the republic of China have been told again and again. Many have suggested that a leading commonality on these countries is the widespread

influence of Chinese in one form or another. Thus this is why there is such interest in studies on Chinese philosophy and its effect on economic growth (Hon 1989). Studies found that the ability of East Asian entrepreneurs to take full advantage of human capital, be it family loyalty, a disciplined work force, or supportive staff is not an accident. They are beneficiaries of the Confucian and Taoism way of life (Tu, 1989). Some business has found that Chinese philosophy always provides solution to the most urgent questions. Thus one may well decide, after seeking what Chinese philosophy is. In shot, Chinese philosophy reprehensive plentiful wisdom to all human being. Especially it is first step homework to access the Chinese market. Western management principles will be handicapped in terms of their lack of relevance when they are placed in an oriental or Eastern perspective.

## CULTURE DIFFERENCES BETWEEN THE UNITED STATES AND CHINA

Hofstede (1993) pointed out five dimensions of cultural difference between countries. Those are: (1) power distance, (2) collectivism versus individualism, (3) femininity versus masculinity, (4) uncertainty avoidance, (long-term orientation). From those dimensions, the Chinese countries tend to group-based economies and have a clearer hierarchical structure in their decision process. And because of Wu-Lu, large power distance is clear and obvious in China.

According to Fu (2000), he identifies the cultural differences between the United States and China from the point of perceived effectiveness of influence tactics and found that

『China and the United State still differ greatly with regard to their economic systems, political systems, social values, and laws, despite the substantial changes that have occurred in China during recent years. Cross-cultural research has shown that, compared to American managers, Chinese managers have higher values for uncertainty avoidance, power distance, collectivism, femininity, and long-term orientation. Some unique cultural beliefs and traditions have also been identified for the Chinese people. Examples include “guan-xi” (relatedness or connections among sets of individuals) and “mian-zi” (maintaining face by keeping the respect of others and showing respect for them) . American managers are more individualistic, masculine, short-term oriented, egalitarian, and comfortable with uncertainty. Strong cultural traditions in the United States include an emphasis on competition, pragmatism, democracy, and individual rights.』

The Western and Chinese culture conduct business differently in many way. Because of relation oriented, the Chinese prefer to work with people they know and trust. Guan-Xi is a word meaning connections in China. Quan-Xi helps to maintain harmony in the Chinese society. The though are original from Confucian. No matter how much experience you have in Western countries, the right “Guan-Xi” in China will make all the difference in ensuring success. Chinese managers like to consult and act collectively may explain why Quan-Xi is a phenomenon found in Chinese countries. According to Buttery, Quan-Xi is driven by deep rooted cultural beliefs stemming from the teachings of Confucius, and from the pragmatic demands of living in fairly self-supporting communities.

Apart from Quan-Xi, Mian-Zi is another important feature in China. Mian-Zi is the Chinese concept of giving “face”. Liang (2001) pointed out that Main-Zi can translates into giving one’s respect and recognizing the status and moral reputation of Chinese society. Face could be saved or lost in China. It can be defined as “status” “ego” or “ self-respect”. Basically “saving face” is about avoiding made to look stupid or being forced to back down in front of others. (Liang, 2001)

There are lot of comparison studies between China and the United States. For example, Smith & Peterson (1988) in their research “Leadership, organizations, and culture” and Fu (2000) “Perceived effectiveness of influence tactics in the United States and China” shown big value system different between

the United States and China. Bond (1991) studied in “Beyond the Chinese face”, Gerstner (1994) studied in “Cross-culture comparison of leadership prototypes”, Fu & Taber (1998) presented “National culture similarities and differences: A comparison between the United States and Chinese managers”, Hofstede & Bond (1988) studied in “The Confucian connection: from cultural roots to economic growth” and Ralston, D.A., Gustafson, D.J., Cheung, F. M., & Terpstra, R. H. (1992) studies in “Eastern value: A comparison of managers in the United States, Hong Kong and the People’s Republic of China all found those difference. In other word, there is a world of difference between the culture of the East and West. Most of those studies discovered same different in common. Compare with China, it is a traditional way to resolve conflicts and solve problems, and it is consistent with the high level of assertiveness, pragmatic short-term orientation, and moderately low power distance in the United States.

American managers prefer to use direct, In contrast, the strong collective orientation and uncertainty avoidance values in China encourage Chinese managers to use indirect forms of influence that involve the assistance of a third party. In Fu and Yuki (2000) research, significant differences were found between American and Chinese managers in a large, multinational company with facilities in both countries. The results were replicated for second sample consisting of several organizations in each country. American managers than by Chinese managers rated rational persuasion and exchange as more effective. Chinese managers than by American managers rated coalition tactics, upward appeals, and gifts more effective. The basic reason for those differences is culture factors, especially philosophy difference.

## **HOW CHINESE PHILOSOPHY APPLIED IN BUSINESS**

Many international companies are optimistic for China market opportunities in the early 1990s. They were rushed to make investment and hoped to take a piece of share in this largest and last market in the world. After this hot period, their optimum was replaced by realism.

Before they came to China, they did not know Chinese culture and other homework. Now, they realize it is not easy to do business in China. In China, environment, culture, living and even language are varied in different are. The market is different among the provinces and even within each province. Therefore China is not a single uniformed market. Although, there are many different markets in China, they are all rule by Chinese philosophy. The insider secret to be successful in China is to learn Chinese philosophy. If businesspersons have not learned some Chinese philosophy, He (She) wills loss his confidence, withdraw from the market, and miss the opportunities.

Thus, it is impossible to success that western management goes along in China market without knowing any Chinese culture. A proverb says, “While in Rome, do as the Romans do. That mean to do business with Chinese, one shall try to learn what Chinese think, and how they think. Chinese philosophy has abundant content; One shall study more deeply and extensively. Because we can’t measure the sea with an oyster shell.

China’s economy doubles every 10years and 1.3 billions people are attracted and tackle the tempting markets of the West. Business had better do enough homework to save their cost and guarantee their high successful rate. At first, one needs to have a general picture about business in China to avoid a strategic mistake.

Huang (2000) pointed out that the basic assumption is that the characteristics of Chinese culture and Confucian traditions that emphasize authority, order, harmony, loyalty, and personal relationship. Three importance characteristics of Confucianism that inflect Chinese society are, relationship orientation, norms of interaction patterns, and problems and criticism.

Chinese always say: “Friendliness is conducive to business success”. Chinese culture can be characterized as “relation oriented “ or “social oriented” (Hwang 2000)

According to Hwang:

『A person is the center of a unique network composed of one’s particular social ties. Other persons in this network also have their own reticulum of social relations; hence, the overlapping and intersecting of these reticule result in an extremely complicated network of social relations.』

Yang (1988), pointed out that social orientation is a predisposition toward such behavior patterns as social conformity, no offensive strategy, submission to social expectations, and worry about external opinions in an attempt to achieve one or more of the purpose of reward attainment, harmony maintenance, impression management, face protection, social acceptance, and avoidance of punishment, embarrassment, conflict, rejection, ridicule, and retaliation in a social situation.

From those points of view above, Chinese managers emphasize interpersonal relationships more than American managers, and these relationships provide an important basis for influence. In China, gifts are a useful way to build and strengthen relationships (Fu 2000). Giving gifts is a common tradition, and it is consistent with the Chinese values of uncertainty avoidance, femininity and long-term orientation. Small gifts are given to people with whom one has a formal work relationship as well as to people with whom one has a social relationship. Gifts are given on various occasions and for various purposes, including when one wants to ask the person for a favor. In the United States, it is often considered inappropriate (a bribe) to give a gift when seeking a favor or making a controversial request. Even a small gift can create the appearance of a conflict of interest for the target person, Thus gifts will be viewed much less favorably by American managers than by Chinese managers (Fu , 2000; Huang, 2000; Low, 1995). Chinese people prefer personal relationships in which evaluation made by known persons will be less severe so that “lose of face” can be avoided. Chinese are more willing to follow roles in personal relationships but not in impersonal relationships. This kind of behavior is related to the teaching of five ethics (WU-LU).

In China, the importance of long-term relationships may make managers more ambivalent about the effectiveness of using exchange as a proactive influence tactic. It is more complicated in China to determine the appropriate form of exchange. When the target person is a friend, offering an impersonal exchange or the wrong incentive may cause one or both parties to lose face. When the target person is not a friend, but future interaction is expected unconditional gifts and personal favors may be more effective than impersonal exchanges for building a cooperative relationship. (Fu, 2000)

Personal relationships plays very important role in Asian culture. Before doing business, Asians have a tendency to first develop personal relationships with their business partners There is also a tendency to keep relations harmonious by not talking directly about problems. Confrontations are avoided and human relationships are highly valued in Asian societies. In contrast, personal relationships to the Americans are less important when doing business. American like to get to the point more quickly and directly even though such an approach may embarrass someone personally and publicly (Huang 2000; Low& Christopher 2000). Low and Christopher (2000) found that some of Chinese characteristics are very clear and obvious. Those are highlighted below (summary from Low, 200) :

1. Trust and mutual respect are important values in the Chinese community.
2. Family businesses are still very dominant in China.
3. Bureaucracy and bribery are still prevalent in China.
4. There are also constrains in the use of international standard forms of contract in the Chinese construction industry.

5. The Chinese also tend to concentrate more on the profit element and other related financial matters such as credit terms and cash flow arrangements.

Chinese people attach importance to “Wu- Lu” very much in daily life. In Chinese lore, five-cardinal Relation (Wu- Lu) characterized human relationships that are the relations between sovereign and subordinate, father and son, elder brother and younger brother, spouse and spouse, and friend and friend. To a Confucian, all human relationships in the social can be derived from one or combination of these five fundamental relationships.

In essence, Confucian teaching underscores a harmonious and orderly organism. People are encouraged to maintain hierarchical order and harmonious interpersonal relationships in a relatively stable and permanent social fabric (Huang 2000).

Traditional Chinese businesses are frequently built to revolve around family ties. A family and family bureaucracy dictated by others usually set up the business. The rules and culture of the business as well as trade secrets are often passed down from father to son (Low. 2000). The national culture in China also portrays the family. Consequently, family loyalty is an important component in the Chinese society.

## CONCLUSION

Chinese philosophy is basically an ethical philosophy, and if we apply the modern term “existential” to it, we may ask what type of existential philosophy it is (Zhou 1995). In other word, do the right thing in the right place. Chinese philosophy indicated that one should bear in mind local needs and possibilities while doing business in China. One who follows the beaten track will never succeed. We will never know that a storm may arise from a clear sky.

From the Taoist school, they pointed out a clear path to Tao. Those are following: If one knows where to stop, one has stability. If one has stability, one can be tranquil. If one is tranquil, one can be at ease. If one is at ease, one can deliberate. If one can deliberate, one can attain one’s aims; Taoist school said: Thing have their roots and branches, affairs have their end and beginning. When one knows what comes first and what comes last, then one is near the Tao.

The material in this paper is to help business have more accurate perceptions and assumptions. The main purpose of this paper is to enlighten the culture mind through increased wisdom, compassion and to encourage better cross-cultural awareness and relationship and also to cure or mitigate the many problems of culture shock. For international managers, it is important to know that while certain forms of communication are acceptable in one country, these may be considered taboo in another.

Liang (2001) pointed out some useful tips that can be applied to business contact with the Chinese. Those are following (1) Do build up good relationship inside and outside the company through social events.(2) do host an outstanding dinner and negotiate the business deal over the dinner. (3) Do remember to bring a gift when you are visiting people at home. (4) Don’t cause people to “lose face” by pointing out mistakes publicly. (5) Don’t appear to make quick decisions. It works efficiently in Chinese people’s social lives. Some useful tips also pointed out that do build staff support and loyalty by forming friendships through social events. And don’t cause an employee to lose face by publicly slighting them or pointing out mistakes. Because of Wu-Lu, Chinese students do not encourages to question and challenge the instructor. Encourage challenges and questions during training are good way for Chinese to learn.

There are some conclusions from this paper, which point out some clue for someone who are interest in Chinese culture or like to do business in China. Those are following:

1. Because of relation oriented, what is the Quan-Xi and how strong is our Quan-Xi are the most important questions that Chinese people will ask they self when doing business. Under Quan-Xi, when a man gets to the top, all his friends and relations get there with him. Find your Quan-Xi with Chinese business will get thing done more quickly.
2. Chinese don't often show much emotion when they doing business. Chinese also don't often speak directly most of time. The Chinese people may look foolish, but still waters run deep. It is hard and takes time to figure out what Chinese are thinking. Look before you leap is best way to protect yourself while negotiated with Chinese people.
3. Because of care about lose of face, tough messages are best conveyed through a third party. Chinese doesn't fight against impossible odds. Chinese always save the situation by some concessions.
4. Chinese people always keep on good terms with everyone at the expense of principle and harmony all around.
5. The sprite of Confucianism are "Judge others by oneself" and "Convince people by sound argument".
6. Chinese people always try peaceful means before resorting to force when they are in business.
7. When working in a foreign country, it is necessary to bear in mind local needs and possibilities. The American may not hit off with a Chinese. Foreigners are of no help in communicating if they don't speak Chinese. The worst candidate for helping with China venture is the individual who claim to know China because he was born in China, but has been outside China in the last 20years and never visited China since.
8. Chinese philosophy is not universally accepted principle

Any one who are practicing in the East should take note of some of their teachings if the synergy mentioned above is to be harnessed to complete construction projects effectively to time, cost quality and environmental specifications.

Do not expect Chinese Philosophy to be acceptable in their entirety to Western trained manager or to work exceedingly well in a Western setting because of cultural and historical differences. It is perfect if western management wisdom could be integrated with Chinese philosophy. To this purpose, Lao Tzu and Confucius provided wisdoms that will enhance our leadership and management more effectiveness in an oriental setting.

A Chinese Proverb says 「Water drips, given time, will drill a hole in the granite」. Persistence and patience pay of in long run. When you want to do business in China, first try to understand the people, and to be understood. Add some patience and persistence, then you shall very well likely be on your way to success.

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