

Towards a Confucian CSR:
Reimagining Corporate Social Responsibility
from a Chinese Philosophical Perspective

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Submitted in partial fulfilment for the award of the degree of

Professional Doctorate

University of Wales Trinity Saint David

2022

Declaration

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

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STATEMENT 1

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Abstract

Although many companies have made efforts to adopt corporate social responsibility (CSR), the notion of CSR is confined by philosophical assumptions and concepts. How then might Chinese companies express their CSR set within a Chinese culture influenced by Confucian philosophy?

This research aims to explore the possibility of a Confucian CSR model. Instead of replacing the current prevailing instrumental CSR, this Confucian CSR model intends to complement the weakness of the Western instrumental CSR model by implementing three conditions, namely, the exemplary CEO, a supportive environment, and an ethical education based on Confucian principles of benevolence (*ren* 仁) and righteousness (*yi* 義).

The construction of Confucian CSR has three steps:

Firstly, through an exploration of Confucian philosophy, this research clarifies the value system and ethical teaching of Confucian philosophy, which provides a theoretical foundation for the discussion of the Confucian corporation and its specific form of CSR.

Secondly, by comparing the differences of current CSR reports between Chinese companies and US companies, this research examines the characteristics of Chinese CSR reports and performance and finds out to what extent they are impacted by Confucian philosophy.

Finally, this research compares Confucian principles with the principles of Western instrumental CSR. Through the comparison, the people-centred and harmony-oriented Confucian CSR model is built in contrast to the profit-centred competitive CSR model.

From a practical perspective, the outline of the implementation of Confucian CSR is provided at both the national level and corporate level. In addition, this research also provides recommendations for the corresponding CSR reporting.

To conclude, based on the integration of Confucian wisdom with the worldwide development of CSR, this research may not only contribute to the CSR development in China but also can shed light on CSR development in the world.

Acknowledgement

First and foremost, I am profoundly grateful to my esteemed supervisors – Prof. David Cadman, Prof. Yanxia Zhao, and Dr. Timothy Baylor for their invaluable supervision, insightful guidance, and continuous support throughout my research period.

My deep thankfulness is also expressed to my advisor, Associate Professor Thomas Jansen for his critical suggestions and inspiring advice with his immense knowledge and plentiful experience.

My gratitude extends to the Academy of Sinology UWTSO, Master Sheng Miao and Master Cheng De for their care, mentorship, industry contacts, and research resources.

I would also like to thank John Elkington, Jeanne-Marie Gescher, Rachel Parker, Fengzuo Wang, Teresa Chuang, and Lei Yu for their time and support at various stages of dissertation development.

My appreciation is also expressed to Chin Kung Multicultural Education Foundation for the studentship that allowed me to undertake my studies.

I would like to extend my sincere thanks to my colleagues and friends – Johnson Amamnsunu, Guangxin Tang, Sian Dawson, Pe Yoong Chin, Wenqin Cai, Yuan Xing, Min Zhang and Wei Ye for their kind accompany, support and encouragement which have made me not feel lonely in the journey of research.

I would also like to express my tremendous gratitude to my parents, my parents-in-law, my sister, and my daughter for their love, encouragement, support, and patience.

Last but not the least, I am deeply grateful to my beloved wife for her unwavering support and belief in me all through my studies without which it would be impossible for me to complete my study.

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Abbreviations

A4S	Accounting for Sustainability Project
C	Commercial
CFP	Corporate Financial Performance
CMB	China Merchants Bank
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
DEM	Doughnut Economic Model
EPC	Environmental Performance Criteria
ESG	Environmental and Social Governance
GM	General Motors
GRI	Global Reporting Initiative
IIRC	International Council for Integrated Reporting
MNC	Multinational Company
OECD	Organization for Economic Cooperation and Development
PC	Partial Commercial
PNC	PNC Financial Services Group
PR	Public-relation
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise
SR	Socially Responsible
STEM	Science, Technology, Engineering, and Math
TBL	Triple Bottom Line
UN	United Nations
UNDESA	United Nations Department of Economic and Social Affairs
US	United States
WFTO	World Fair Trade Organization

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Chapter 1 Introduction

1.1 Background

In recent decades, the non-renewability of natural resources, environmental destabilization, and pollution have been recognized around the world as significant factors challenging not only our ecology but also our economy. As a result, the request for sustainable development of global business is frequently raised worldwide. The World Economic and Social Survey 2013, prepared by The United Nations Department of Economic and Social Affairs (UNDESA), states:

The world is faced with challenges in all three dimensions of sustainable development—economic, social, and environmental. More than 1 billion people are still living in extreme poverty, and income inequality within and among many countries has been rising; at the same time, unsustainable consumption and production patterns have resulted in huge economic and social costs and may endanger life on the planet. (UNDESA 2013, v)

Solutions at the macro level are key to resolving these global problems, and the initiatives to solve the sustainability crisis at the macro level seem, as yet, to be not only inefficient but also ineffective. Although many international organizations such as the UN, the World Fair Trade Organization (WFTO), the Organization for Economic Cooperation and Development (OECD) have promoted efforts to achieve a sustainable world, it is critically assessed that there is no evidence showing that the results of these initiatives resolve crises and assure sustainable development. Many unsolved problems persist, and some of them are even becoming intensified (Baumgartner 2011). Therefore, it remains unclear whether world development has been made more sustainable.

While solutions at the macro level seem to be insufficient, the stability of the global system could benefit significantly from the positive initiative in the corporate sector, which would have a direct and significant impact on the economy, community, and environment.

Since the 1990s, in the business arena, the commitment to Corporate Social Responsibility (CSR) has become a driving force in response to critical issues, such as environmental degradation, climate change, human rights violation, and poverty (Tian 2006, 5-30). The incorporation of CSR into business practice through transparent reporting, responsible investment, and the cultivation of corporate governance should have positive impacts on sustainable development, such as reducing poverty, preventing climate change and conflict.

There are many rationales for the implementation of CSR. One is due to institutional pressures which signify expectations to business from government and society. The second is a strategic view of CSR to improve competitive advantage and financial results by enhancing legitimacy and reputation and satisfying stakeholders' need. Different from this instrumental motivation, there are also normative views about CSR that regard CSR as the right thing to do. In another case, CSR is just used as a superficial public-relation (PR) tool in a form of "green-washing" or window-dressing to enhance the firm's image without making any substantial efforts. Therefore, it is important to clarify whether the purpose of CSR is for altruistic reasons or just because it can serve to strengthen its competitive advantage – or both. Indeed, in practice, the prime reason for the failure of CSR is the excessive intention of seeking self-interest and competitive advantage at the expense of others (Sun et al. 2010, 11).

Although many CSR initiatives are supposed to help improve the state of the world, the notion of CSR in Western economies may be limited by philosophical assumptions and concepts (e.g., an overreliance on the concept of shareholder's profit), which have themselves been the cause of highly unsustainable developments having an impact upon ecology, equality, human relationships and so forth.

As the second-largest economy, China is playing an important and influential role worldwide. It seems that China has not embraced the Western form of CSR as it does not

fit with the Chinese context (Wang & Juslin 2009, 436). The reason for this could be explained by the idea that sustainable development “must take root in the consciousness and cultures of society” (Corcoran et al. 2002, 103). As Buddha says in *the Dhammapada*, “With our thoughts, we make the world.” (Buddha 2011, 1) Due to the differences between the Western culture and Chinese culture, rather than using a Western form of CSR, China needs a different form of CSR, one which is based on Chinese culture and mindset.

Concerning the context of China, ‘Harmony’ rather than Sustainability is a core value in Confucianism and Taoism and has broader and more far-reaching meanings than sustainability since it proposes an underlying balance, order, and connectedness between all that is in the cosmos.

With an emphasis on stability and harmony based on Chinese traditional teachings, the socio-political concept of ‘harmonious society’, which plays a leading role in the thirteenth Five-Year Plan (2016-2020), is frequently linked to CSR topics in China. As a response to CSR, the importance of social harmony reflects an inspiring foundation of Chinese traditional culture in contemporary China. The question is whether this inherently Chinese concept can and will affect China’s adoption of CSR?

1.2 Introduction of CSR

1.2.1 The development of the CSR Concept

Originated in the West, Corporate Social Responsibility (CSR) is gaining more and more attention globally. Although there is a wide array of CSR definitions, there is no universally accepted definition. In general, CSR represents the expectation or requirement for companies to expand their commitments beyond maximizing profit and following the law to provide society with a sustainable development model. CSR also means to perform ethically with stakeholders and to protect the environment. CSR, in the form of corporate philanthropy or charity, can be traced back to the late 1800s when it was practised in the

United States (Sethi 1977) and was first formalized by Bowen in 1953 (Latapi Agudelo et al. 2019). The concept of CSR gained momentum in the 1960s when many large conglomerate firms emerged. Since the 1980s many key scholars have written about the development of CSR concepts, including Carroll, Wood, and Elkington. In the famous ‘CSR Pyramid’ definition, Carroll says: “the total corporate social responsibility of business entails the simultaneous fulfilment of the firm’s economic, legal, ethical, and philanthropic responsibilities (Carroll 1991, 43).” In 1991, Wood defined ‘Corporate Social Performance’ as “a business organization’s configuration of the principles of social responsibility, the process of social responsiveness, and policies, programmes, and observable outcomes as they relate to the firm’s societal relationship (Wood 1991, 693).” Another variation of CSR, defined by Elkington (1998), is called the ‘triple bottom line’ and defines CSR through its economic, social, and environmental dimensions. After the 2008 financial crisis, CSR has again become a focus for assessing corporate behaviour.

1.2.2 Current models on CSR

Although there is a broad array of CSR definitions, the current practice of CSR has been classified into three major models: 1) the shareholder value model, 2) the stakeholder model, 3) the business ethics model. These CSR models are not only generated from business practices but also can influence and guide business practice. For example, the shareholder value model is followed by many companies in the United States, while the stakeholder model is adopted by many companies in Japan, and many other companies choose some various form of business ethics model (e.g., corporate citizenship model and corporate social performance model) (Mele 2008, 75).

The shareholder value model, represented by Milton Friedman in 1970, asserts that profit maximization following legal rules is the only responsibility of business. Friedrich Hayek (1948, 111), a neoclassical economist, argues that it is economically

inefficient for firms to mix the role of doing business with social functions served by governments and not-for-profit organizations for resource allocation. The agency theory states that managers as agents must exclusively serve the interest of shareholders, the owners of the firm. Therefore, in the shareholder value model, corporate responsibility other than directly maximizing shareholder profit is often regarded as a strategic instrument for pursuing more corporate competitive advantage and profit. It is, indeed, only a 'window dressing' form of CSR.

Since the 1960s, the shareholder value model has been challenged, as the number of stakeholder groups has increased progressively. It has been argued that the stakeholders' influence on business should not be underestimated. The stakeholder model, therefore, emphasises that firms need to be accountable for the interests of all their stakeholders who can be affected by organizational activities, and not only for that of shareholders, in the condition that they can (Marrewijk 2003, 96).

As a result, the stakeholder model has become popular and has served as an alternative to the shareholder value model since the 1990s, suggesting that, for pragmatic and ethical considerations, a successful business must fulfil a wider stakeholder interest than that of shareholders alone. The stakeholder model has a limited scope, as it considers only the stakeholders of the corporation, rather than any others without a stake in the corporation.

The business ethics model emphasises a wider range of social and moral obligations for business. The ethical grounds of this model have three interrelated categories: 1) intrinsic ethical values shown as normative principles (e.g., social justice, fairness, and human rights); 2) corporate citizenship in which corporation must contribute to social well-being; 3) social expectations and responsiveness to specific social issues. Unlike the shareholder model which focuses on economic and legal responsibility, in the

business ethics model, this model represents ethical and philanthropic responsibilities as well. As Davis noted, CSR begins “where the law ends” (Davis 1973, 313).

1.2.3 The limits of CSR theories

Throughout academic circles, there are many critics of mainstream CSR theories. For instance, the shareholder value model is blamed for its assumption of business with a very narrow functionalist vision of profit maximisation. The entrepreneurs with such a mode of thinking pay little attention to the inter-relationships with other stakeholders and seldom mention the negative impacts of business on society. This would eventually not only damage business but also reduce the efficiency of the free market (Davis 1960, 71-74). It is believed that the excessive pursuit of profit maximisation driven by greed and selfishness is the root cause that has led to worldwide economic, social disasters (e.g., the 2008 financial crisis).

Although the stakeholder model has a wider vision of business with consideration of interests of all stakeholders rather than that of shareholders only, criticism is mainly against the way it can be put into practice. Indeed, the firm adopting the stakeholder model often pragmatically prioritise some stakeholder groups, who may have a huge influence on the corporate, and only recognise and emphasise their interests (Gioia 1999, 229), while the interests of other stakeholder groups, the natural environment, and society are treated as marginal or even ignored. This leads to only some, closely related, stakeholders getting rewards, benefits, or pleasure, whereas others take the burden, pressure, or pain (Hummels 1998, 1404). Therefore, rather than being a genuine and more ethical model, the stakeholder model is sometimes just a misleading model.

It seems that, within modern capitalism, the business ethics model is the most sophisticated one. However, this model has a drawback as it separates business decisions and moral decisions into two distinct and separate realms. This is known as the

“separation thesis” (Sandberg 2008, 215). In the business ethics model, the firm has two separate roles. One is the private economic role with economic responsibility and business value, the other is the public social role with ethical responsibility and ethical values). As Sandberg puts it, “there is a genuine difference between matters of business and matters of ethics, at least insofar as there is a genuine difference between descriptive and normative matters (Sandberg 2008, 227).” This means that the business ethics model may lack an adequate integration of business practices and ethical aspects.

Although much effort has been made to integrate business and ethics by many scholars, the separation thesis tends to be reinforced rather than being overcome due to their dichotomised modes of thinking (Wicks 1996, 89). Ethics is regarded as external to the business. In addition, economic value dominates the ethics value. Business ethics in Anglo-American firms is often conceived as an add-on to the shareholder value model. Along with the pace of globalisation, the paradigm of business value plus ethics has influenced business from the West to the East, including Europe and Japan where the stakeholder model traditionally prevails (Sun et al. 2010, 8). Given the separation thesis, it is not surprising that in many cases CSR has been used as a public relations (PR) tool and strategic instrument for window-dressing purposes.

1.2.4 The development of CSR in China

Though the concept of CSR originates from the West, the idea of social commitment when undertaking business is not new for Chinese businessmen. There is a long history of Confucian traders who conduct business with integrity according to Confucian teachings and commitment to the prosperity of society (Lee 1996, 66-8). As Confucian values such as harmony, benevolence, fairness, and integrity have strongly influenced Chinese mentality for 2500 years, Chinese merchants have carried on and kept the tradition of Confucian traders.

From 1949 to 1983, especially after the Cultural Revolution, Confucianism was seriously criticized and lost its prominence (Pang et al. 1998, 275). During this period, all firms were state-owned, and the economy was planned by the central government. The major social responsibility of enterprises was taking care of their members, such as providing them with housing, medical care, and education on behalf of the state (Lu 1997, 1514).

In 1984, economic reform took place and led to the separation between government and enterprise, symbolising the establishment of the modern enterprise. Since then, joint venture enterprises and private companies flourish in China. Without the social responsibility imposed by the state and the guidance of traditional values, maximizing profitability has become the only target for Chinese enterprises. Before the concept of CSR was imported into China, the priority was capital accumulation and economic growth, which led to unethical and irresponsible business practices and caused serious social and environmental problems (Shafer et al. 2007, 268).

In the early 1990s, CSR first emerged in the academic literature in China, and Chinese companies began to participate in CSR activities. In the beginning, within the global supply chain, Chinese suppliers made CSR commitments to meet the requirements of their foreign purchasers. In the labour-intensive industries, many Chinese firms had to undertake CSR evaluation and auditing to export their products (CNTAC 2006, 6). To survive, CSR became an obligation for Chinese enterprises to compete in the world markets rather than a voluntary commitment driven by ethical motivation. Therefore, many Chinese enterprises had concerns about CSR and regarded it as a sort of trade barrier to block Chinese products because 1) CSR standards are too expensive to be fulfilled; 2) many of the CSR criteria and guidelines established by multinationals are

“inconsistent and difficult to manage”; 3) based on the conditions of developed countries, CSR standards are “not in accord with Chinese reality” (Chen 2006, 434, 436).

In the early 2000s, the Western CSR notion was further presented in China. International organizations, NGOs and Chinese scholars, as major players, dealt with CSR issues and produced comprehensive research on the extension of CSR to Chinese society. They emphasised serious problems such as labour and environmental issues. The Chinese government set up an agenda to deal with CSR issues and many government departments, such as the Chinese Enterprise Confederation and the Ministries of Labour and Commerce founded CSR investigation committees (CNTAC 2006, 6).

According to China Daily Online (2007), a ‘harmonious society’ is defined by President Hu Jintao as a society that “gives full play to modern ideas like democracy, rule of the law, fairness, justice, vitality, stability, orderliness and harmonious co-existence between humankind and nature”. This policy shows the government’s paradigm shift of strategy from putting priority on economic growth to focusing on dealing with social and environmental challenges. The statement of the ‘harmonious society’ serves as a milestone in the development of Chinese CSR, as it shares common objectives with CSR and gets consensus on CSR for the whole of Chinese society.

The development of CSR in China is, therefore, mainly a result of international influence and political commitment as well as academic awareness. CSR has mainly been driven by regulations, laws, and guidelines established by the state along with mass media and academic articles (Lin et al. 2016, 119; Vermander 2014).

1.3 The aim of this research

CSR is a concept developed in the West, but now affects companies globally, and has begun to be a requirement for companies in China. In other words, Chinese companies are expected to follow the rules defined by Western CSR rather than doing business in a

way that reflects their perception of CSR. This has caused some difficulties. Since right action is culturally determined, and since the cultures of the West and China are different, this is not surprising.

All forms of CSR are based upon their underlying culture. In observing Western forms, we expect that they should relate to dominant Western ideology, and the same would be true for the Chinese form of CSR. On one hand, the current CSR theories still have some limits due to the divisive perceptions of business and ethics. On the other hand, in China, the Chinese traditional culture with five thousand years of wisdom and experience is driving the whole country with one-fifth of the world population to move toward a harmonious and prosperous society. Given the great cultural resources which provide an internal driving force for CSR development (Vermander 2014, 47-58), it is necessary to build a specified Chinese CSR model based on the principles of Chinese traditional culture and to embed it into the CSR practices to build together a more harmonious and sustainable planet. However, the mainstream of the Western world seems not yet aware of this possibility, as Martin Jacques argues:

The dominant Western view has been that globalization is a process by which the rest of the world becomes – and should become – increasingly Westernized, with the adoption of free markets, the import of western capital, privatization, the rule of law, human rights regimes and democratic norms. (Jacques 2009, 8)

Rather than the full adoption of a Westernized CSR, this research aims to explore the possibility of a people-centred and harmony-oriented CSR model based on Confucian principles and the perception of business organizations by Chinese culture. Although the prevalent strategic or instrumental CSR and Confucian CSR are founded upon different principles, it does not mean that one is right, and the other is wrong. With the trend of the integration of global business, this study also aims to find an integrated solution to

complement the weaknesses and limits of prevailing CSR models by applying Confucian CSR.

Therefore, the research questions are:

- 1) Is Chinese traditional culture, especially Confucian philosophy, relevant to CSR from both theoretical and practical perspectives?
- 2) What are the differences between the principles of prevailing Western instrumental CSR and the Confucian principles?
- 3) What is the Confucian CSR model? And how might this model be applied and implemented to overcome the problems and limits of instrumental CSR?

1.4 Significance of Study

An emerging movement of study involves applying CSR pathways in China. However, most researchers have focused on the Western cultural context, and little research has investigated the Chinese conceptualisation of CSR in the context of its own culture. Rare attempts have been made to integrate Chinese traditional culture and CSR in China (Wang & Juslin 2009; Li et al. 2016; Vermander 2014). However, most efforts are made on specific issues, providing no analysis of the fundamental and comparative concepts of Chinese CSR and the logical conclusion of traditional Chinese thought. Unlike most research holding a strategic or instrumental view of CSR, this research provides a Confucian interpretation of CSR and constructs a CSR model based on Confucian values and principles. From a practical perspective, it also suggests how to implement and apply the Confucian CSR model to overcome the problems of current CSR performance. By introducing a framework of Confucian CSR, this study also provides recommendations for CSR reporting to move towards Confucian CSR. To conclude, under the background of the global economy and based on the integration of Confucian wisdom with the

worldwide development of CSR, this study may not only contribute to guiding the CSR development in China but also can shed light on the CSR development in the world.

1.5 Structure and methodology

This research is organized into seven chapters. Through a general introduction of the background of CSR development both in the West and in China, Chapter One points out the limits and problems of prevailing CSR theories and practices, such as the problems of economic dominance and using CSR as a PR tool for ‘greenwashing’. And it presents the research questions which aim to overcome those shortcomings by implementing a human-centred and harmony-oriented CSR model based on Confucian values and principles.

In Chapter Two, which is a literature review, by studying various literature, we first explore and evaluate the prevailing CSR models in more detail and find out that those models have theoretical problems of separating corporation’s private economic role and public social role, which leads to the problem of the economic dominance in CSR practice. Secondly, by evaluating and comparing different CSR drivers and approaches, such as instrumental approach, institutional approach, and ethical and moral leadership approach, we conclude that the ethical and moral leadership approach is the most compatible and effective to the essence of authentic CSR.

The exploration of Confucian philosophy in Chapter Three serves as a theoretical foundation for the discussion of the Confucian corporation and its specific form of CSR in the following chapters. This includes the clarifications of the Confucian purpose of life including the eight processes for being a human or realizing one’s full potential as well as the nine principles for building a harmonious society. Secondly, around the concepts of the superior person (*junzi* 君子), and the five cardinal relationships, we further explore how Confucian ethics can be adapted to a community in general and a corporation in particular.

Although there is a great volume of Confucian classic literature, to make the research in a controllable manner, the belief systems and core values of Confucianism are illustrated mainly by the *Four Books* (*Si Shu* 四書), which are four Chinese classic texts, including the *Great Learning* (*Da Xue* 大學), the *Doctrine of the Mean* (*Zhong Yong* 中庸), the *Analects* (*Lun Yu* 論語), and *Mencius* (*Meng Zi* 孟子). The quotes from the *Four Books* all refer to James Legge's English translation¹.

Although there does not yet exist a different form of CSR model applying to the Chinese culture, it can be assumed that Confucian philosophy will have practical impacts on CSR performance, which can be revealed in CSR reports. Consequentially, by comparing differences in CSR reports between Chinese companies and US companies, Chapter Four aims to disclose to what extent the current Chinese CSR performance and reports are influenced by Confucian philosophy with unique principles and values. This chapter is organized into four sections. Section One provides an introduction on CSR reporting; Section Two presents the analysis on US companies' CSR reports; Section Three is about Chinese companies' CSR reports analysis; Section Four compares CSR reports in both countries and concludes the characteristics of Chinese CSR with the influence of Confucian philosophy.

Chapter Five serves to compare the principles of instrumental CSR with Confucian principles. Firstly, it is found that instrumental CSR has two principles. One is the dominant principle of financial success over social and environmental responsibilities, which is demonstrated from both theoretical and practical aspects by referring to prevailing instrumental CSR models and CSR reports analysis explored in the previous chapters. The other principle is the importance of the individual, which is

¹ The James Legge's English translation of The Four Books could be found on the website of the Chinese Text Project <https://ctext.org/confucianism/ens>.

explored through the overview of the evolution of economic ethics in the Western context. Secondly, it shows the principles of Confucianism, which lean more towards the wellbeing of the community as a whole and the wellbeing of the individual within the community, and as a part of the community. By referring to Chapter Three with its exploration of Confucian teaching, it is found that with the Confucian principles of righteousness (*yi* 義), economic success has to be seen within a communal realm, and it is secondary to the moral principles. While contrary to the overemphasis of individual and self-interest in liberal-individualism, human relatedness and love (*ren* 仁) is another principle of Confucianism.

Chapter Six is organized into three sections to discuss the new Confucian CSR model and guidelines. In Section One, based on the conclusions drawn from previous chapters about the major CSR theory and practice, we first construct and criticise the profit-centred competitive CSR model which captures characteristics of prevalent CSR with the instrumental and political-normative drivers. Then, with the understanding of Confucian philosophy, a human-centred harmonious CSR model, which is rooted in moral cultivation and driven by the intrinsic principles of *ren* and *yi* with a shame-honour dynamic, is constructed to complement the weakness and limitations of the instrumental CSR model. The three conditions of the Confucian model, namely, a *junzi* CEO, a supportive environment, and an ethical education can be implemented in parallel within different scopes of communities, such as society, corporation, and family. To introduce the concrete steps of implementation of the CSR model, it is first outlined at the national level according to the related guidelines issued by Chinese authorities. In Section Two, the emphasis is on the implementation of Confucian CSR at the corporation level within the above three conditions, discussed with some examples of Chinese companies. In Section Three, as Confucian CSR as well as the corresponding reporting would be done

differently in contrast to instrumental CSR, some recommendations are proposed for CSR reporting.

Chapter Seven serves as a conclusion of this research. It presents the set out of this thesis, lists the work undertaken to answer the research questions, concludes the findings and solutions, indicates the limits of this study, and propose projects for further research.

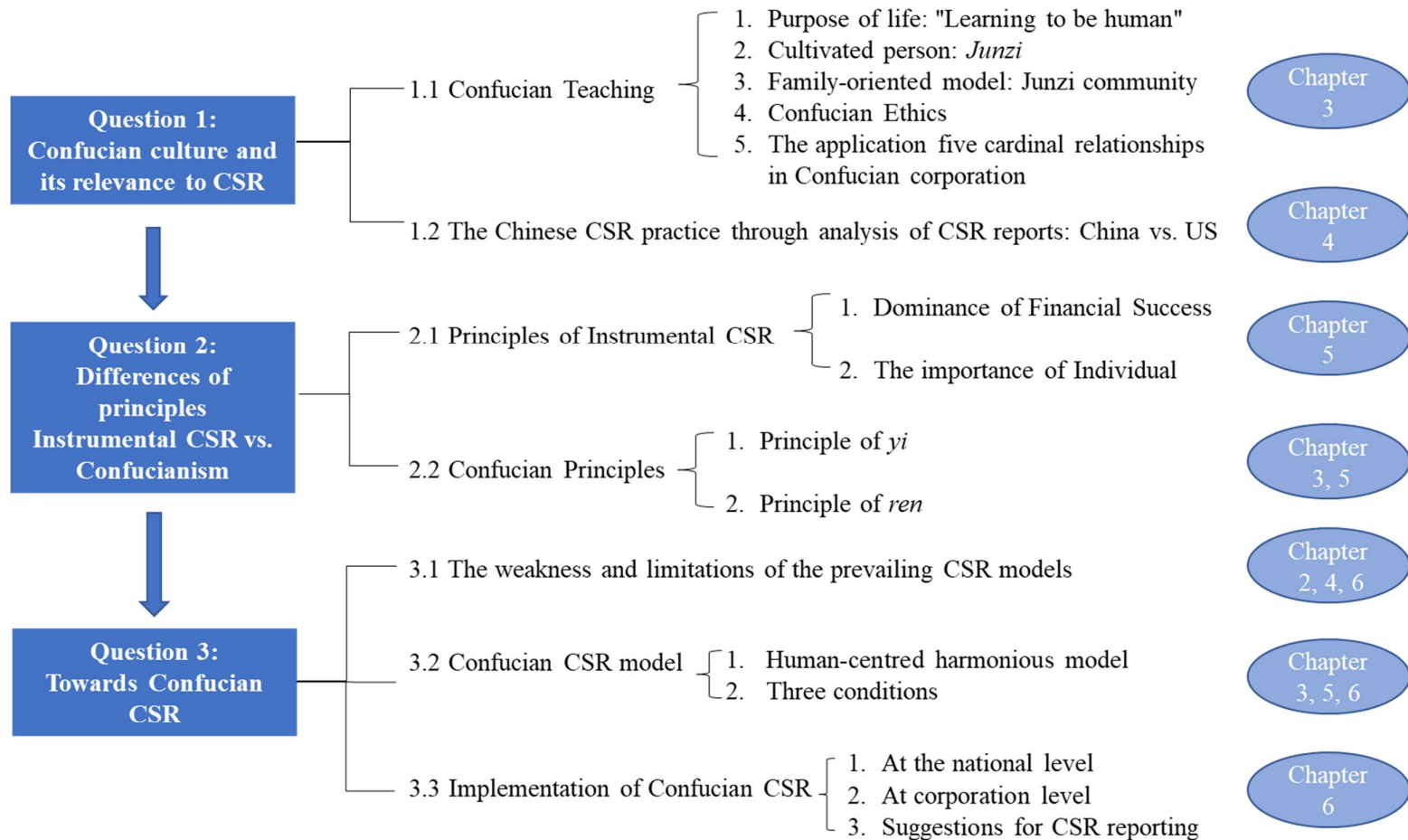


Figure 1.1 Structure of Thesis

Chapter 2 Literature Review

CSR as a concept has been developed for many decades. However, there is still no generally accepted unified definition and there are many interpretations and models each emphasising some separated perspectives of CSR. In this chapter, by studying the critics from various literature, we have a general understanding of CSR with aspects related to this research. Firstly, we explore and evaluate the prevailing CSR models, such as the Carroll Pyramid and the Triple Bottom Line, and find out that these models cannot overcome the problem of economic dominance in CSR practice. In addition, we also explore the Doughnut Economic Model in the form of responsible business which can be seen as a new generation of CSR, and the possibility that how a Confucian form of CSR can complement it. Secondly, we investigate the CSR drivers by categories, such as instrumental driver, institutional driver, and ethical and moral leadership driver. By comparing these different CSR drivers, we conclude that the ethical and moral leadership driver is the most compatible with the essence of authentic CSR.

2.1 CSR models

2.1.1 The Carroll Pyramid Model (classification of responsibilities)

Having been applied both theoretically and practically for three decades, the Carroll pyramid model is one of the most well-known constructs of CSR (Visser 2005, 2). In 1991, Carroll created a CSR model using a graphic representation in the form of a pyramid based on a four-part framework. Lee (2008, 60) says that Carroll's publications on the pyramid model are "one of the most-cited articles in the field of business and society". For the reason of such popularity and influence of the Carroll pyramid model in the field of CSR, we study this model as a starting point.

The Carroll pyramid model highlights the four parts of CSR, namely, economic, legal, ethical, and discretionary or philanthropic expectations (Carroll 1991, 43). This set of four components builds a foundation to define the characteristics and the nature of CSR.

1) Economic responsibilities

Economic responsibility, which is a fundamental condition or requirement for a company to be created and sustained, is represented at the first layer of the pyramid model. It is the first responsibility to gain profits which enable the company to survive on a long-term basis and serve society. Business organizations, by their nature, are institutions that provide services and products to meet the needs of society. Companies create value through business activities and can benefit all the stakeholders, and in return, as an inducement, corporations are allowed to take profits. Making profits is necessary not only for rewarding investors or owners of corporations but also for the operation and growth of the business. Effectively, making profits is recognized as an essential requirement for the business by all economic systems of the world. Concerning economic responsibilities, many business concepts bring into attention economical effectiveness, such as return on investment, revenues, cost-effectiveness, marketing, and strategic planning. There is also a tendency to have a balanced view on both of short-term and long-term financial success of the organization. Within the global business environment, economic performance is critical for a firm to survive. Without successful financial results and fulfilling the economic responsibility, a firm will have fewer resources and strength to take into consideration for other responsibilities. In sum, economic responsibility is one of the prerequisites that a firm should meet in today's competitive business environment.

2) Legal responsibilities

Carroll (1991, 41) states, "As a partial fulfilment of the 'social contract' between business and society, firms are expected to pursue their economic missions within the framework

of the law.” In addition to the economic responsibility, another fundamental requirement for business entities is to abide by the minimal ground rules established by society. In the form of laws and regulations, as the societal view of ‘codified ethics’, these ground rules regulate fair business practices from international, national, and local levels. Therefore, the top managers of a firm are expected and required to ensure the business operation in complying with these laws and regulations. Although the legal responsibility is depicted as the second layer of the Carroll pyramid model, “they are appropriately seen as coexisting with economic responsibilities as fundamental precepts of the free enterprise system.” (Carroll 1991, 41)

3) Ethical responsibilities

As legal rules are generally perceived as essential but not sufficient in most societies, in addition to meeting the requirement of laws and regulations, firms are expected to conduct their business ethically. These ethical responsibilities construct the third layer of the pyramid. Organizations are expected to respect the full range of norms, standards, principles, and values even though they are not codified into law. This means that firms are responsible for embracing the ‘spirit’ of the law, not just abiding by the letter of the law. The purpose of these requirements is that firms will be responsible for conducting business in a fair and just fashion concerning the moral rights of a full range of stakeholders including consumers, employees, owners, and communities. Although legal expectations are built on ethical principles, ethical expectations demand more than mere compliance with laws and regulations. For these reasons, compared to the legal responsibilities, the ethical responsibilities request a higher level of commitment of ethics for a company to make decisions and operate in respecting the normative moral principles such as human rights, fairness, and justice.

4) Philanthropic responsibilities

Philanthropic responsibilities are the fourth layer of Carroll's pyramid. Corporate philanthropy embraces voluntary or discretionary activities of firms including all forms of business giving, such as material gifts, donations, volunteering, and any other type of contribution to the community. As the public expects that companies will 'give back' just as good corporate citizens, philanthropy or business giving is a kind of responsibility built on expectation rather than a legal or ethical requirement. According to Carroll (2016, 4), in most cases, companies engage in business giving to build their image of good citizenship rather than with altruistic or self-sacrificing motivation. Although, it is the fourth layer of the pyramid, and seems like icing on the cake, according to Carroll (2016, 4), "philanthropy historically has been one of the most important elements of CSR definitions and this continues today."



Figure 2.1 Carroll's Pyramid Model of CSR

Adapted from (Carroll 2016, 5)

Figure 2.1 illustrates Carroll's pyramid of CSR. The first building block is economic responsibility which undergirds the other three responsibilities, respectively, Legal,

Ethical, and Philanthropic. Secondly, legal responsibility represents the fact that a business has an obligation for abiding by laws and regulations. Thirdly, as expected by society, firms have an ethical responsibility not to harm stakeholders but to do what is fair and just. Lastly, to fulfil the expectation from society for being a good corporate citizen, companies have a philanthropic responsibility, which they meet by contributing resources to improve the wellbeing of stakeholders or the community (Carroll 2016, 4).

Strength

One of the strengths of this four-part model is that it separates the different layers and types of corporate responsibility which can help managers to understand what kind of responsibilities their business should or could provide to the stakeholders and society. Further, by integrating the stakeholder dimension, the four-part classification of corporate responsibility can help managers to build a road map with a stakeholder-responsibility matrix by which managers can allocate each type of responsibility to different stakeholders. Secondly, the geometric design shows both economic responsibilities and legal responsibilities as the fundamental requirements of the business. It gives a sense of guidance on the priorities of business for managers for decision making.

Weakness

The weakness of the Carroll model is threefold:

- 1) The four types of responsibilities are defined by the facts of business activities, such as abiding by the law and giving activities, rather than by the company's intrinsic values, for instance, compassion and benevolence. Take the example of philanthropic responsibility, as mentioned above these 'giving back' activities are expected by the public and may improve the image of the company. Therefore,

even without any ethical reason, by showing the image of a good corporate citizen by giving, firms can increase sales and market value which makes philanthropic activities one of the most important elements of CSR activities (Carroll 2016, 4). This is highly controversial because it means that all these four responsibilities defined in the pyramid model could be served as instruments only for the maximization of financial profit. This is contradicting the initial purpose of presenting complete domains of corporation responsibilities other than only the economic one.

- 2) As the geometric design of the pyramid puts economic responsibilities as the foundation of the model, it implies that economic responsibilities always have a priority over the other three types of responsibility (Blowfield 2005, 520). Especially as the ethical responsibilities and philanthropic responsibilities are both voluntary and discretionary, the layout of the pyramid does not give an incentive or guidance for managers to take the higher levels of responsibility rather than the lower ones. Especially when there is a tension or conflict between different layers of responsibilities, it seems more logical to first fulfil the economic one.
- 3) The model is too simplistic for managers to take out CSR activities when facing real-world problems in today's extremely complex and highly competitive business environment. As human values are fundamental for attitudes, intentions, and behaviours (Fulton et al. 1996, 25), a CSR model should relate to a comprehensive and clearly defined human value system that can provide both theoretical and practical guidance for managers' decisions-making on CSR.

2.1.2 Triple Bottom Line

While the pyramid model provides classifications of CSR according to different types of requirements and expectations from stakeholders, the triple bottom line model (TBL), created by John Elkington in 1994, is generally regarded as a CSR accounting framework with three categories, namely, profit, people, and planet. In conventional business accounting, the ‘bottom line’ refers to the financial term ‘net income’ recorded at the bottom line of the financial statement. In addition to net income, TBL adds two more ‘bottom lines’ related to social and environmental considerations. With the approval from United Nations in 2007, TBL became the dominant approach of full cost accounting in the public sector (Baietti 2012, 27). The TBL framework is used by many organizations which want to assess their business practice on a broader scale to make more business value not only for the financial purpose, but also for the benefits of people and the planet (Slaper & Hall 2011).

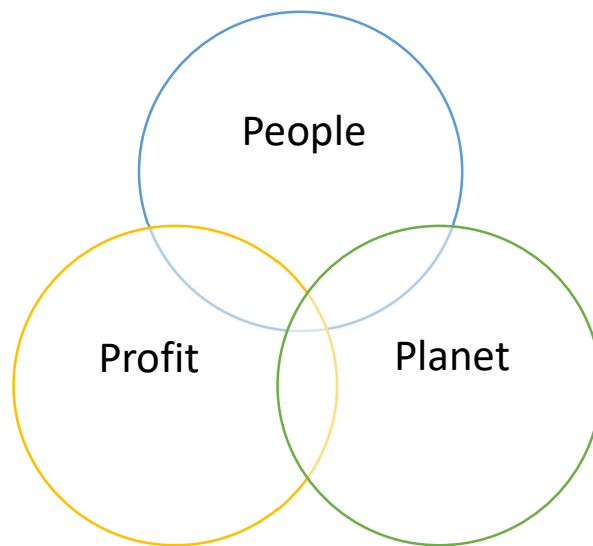


Figure 2.2 The Triple Bottom Line 3P Model

Adapted from (Arslan & Kisacik 2017, 27)

In the TBL model, as shown above, the people, social equity bottom line refers to adding value to labour and the community and society by the business conduct of a firm. TBL companies seek to benefit the workforce as well as other stakeholders. There are

many concrete examples like paying fair salaries to employees and providing them with a safe work environment, monitoring suppliers for child labour issues and providing health care service to the community. Due to the complexity and subjective natures of this domain, the Global Reporting Initiative (GRI) has established guidelines for corporations and NGOs for helping them to quantify the social impact of a business.

The planet, environmental bottom line pertains to sustainable environmental practices. Companies adopt TBL to direct their business conducts in a direction of avoiding harm and minimizing environmental impact, or if possible, trying to benefit the natural order. Many actions can reduce a firm's ecological footprint like using renewable energy, reducing and recycling manufacturing waste. TBL manufacturing companies typically perform a life-cycle assessment of products by tracing the environmental cost from cradle to grave.

The profit, the economic bottom line is calculated by deducting all costs and taxes from revenue, which is common for all companies no matter whether they apply TBL or not. From the TBL perspective, it is essential that the financial profit is necessary to empower and sustain the stakeholders and community where the business operates rather than just flowing to the pockets of the CEO and shareholders

The benefit of TBL is to enable companies to measure the impacts of their business conducts on a broad scope which includes social, environmental, and economic perspectives. Companies, which have adopted TBL have changed their way of doing business. They are encouraged to take sustainable activities, measure their performances, and publish the results by CSR reporting.

On the other hand, there are some limits of the understanding of TBL in terms of accounting framework, as it is said by Elkington (2019):

But the original idea was wider still, encouraging businesses to track and manage *economic* (not just financial), social, and environmental value-added — or destroyed. This idea infused platforms like the Global Reporting Initiative (GRI) and Dow Jones Sustainability Indexes (DJSI), influencing corporate accounting, stakeholder engagement and, increasingly, strategy. But the TBL wasn't designed to be just an accounting tool. It was supposed to provoke deeper thinking about capitalism and its future, but many early adopters understood the concept as a balancing act, adopting a trade-off mentality.

Although a big part of industry has adopted TBL to track their business accounts, according to Elkington, who coined TBL a quarter of a century ago, the use of TBL as only an accounting tool generally reflects a trade-off mentality between the social, environmental benefit, and profit. Instead, the original attention of the author is nothing less than changing the philosophy of capitalism. In other words, the application of TBL in accounting cannot change the idea of profit domination of business in the world of capitalism.

2.1.3 Doughnut Economic Model

Due to the critics for some big companies lacking core values and using CSR for greenwashing purpose, there is a trend to use a new term “responsible business” as the synonym for genuine CSR to promote a value embedded approach in the heart of business (Stillwell 2020). Rather than a replacement of CSR, responsible business is more like a new generation of CSR development by reengineering and integrating business model with positive economic, social, and environmental purposes (Impactgarden.org 2022).

The Doughnut Economic Model (DEM) created by Oxford economist Kate Raworth represents a sophisticated responsible business practice and theory. Figure 2.3 below shows the DEM, which is illustrated as a doughnut-shaped framework, signifying a safe space between the inner “social boundaries” and the outer “planetary boundaries” in which “humanity can thrive.” In the safe space, in accordance with sustainable development goals (SDG), every people are supplied with twelve sufficient social foundations to fulfil their human rights, such as water, food, energy and health care whereas it is ensured that human activity do not cause critical impacts on ecosystems which means should stay inside the nine planetary boundaries that are recognized as being necessary for the stability of our planet earth. In the DEM, the purpose

is thriving in balance and stay inside the safe and just space for humanity rather than the maximization of financial profit with the goal of endless growth (Raworth 2012).

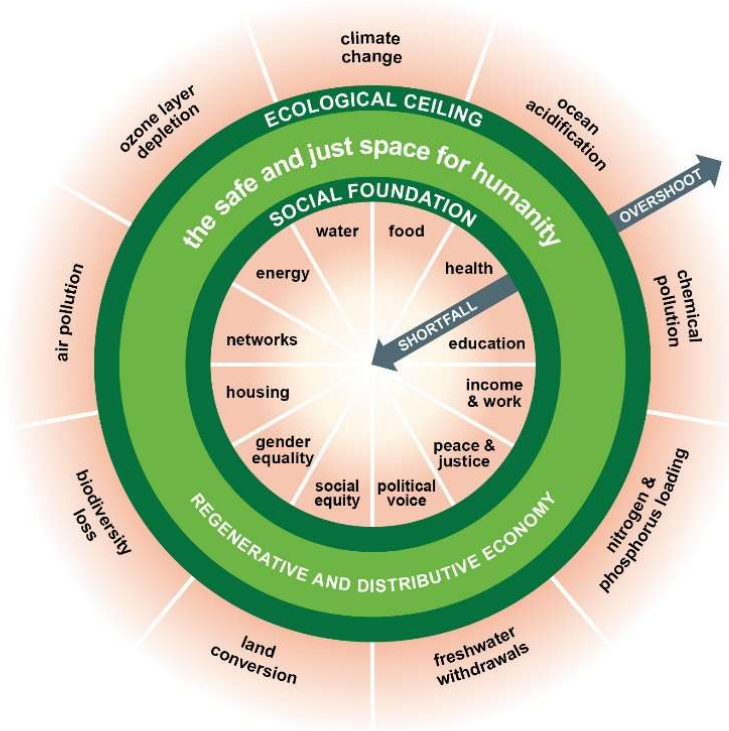


Figure 2.3: Doughnut Economic Model

Source: <https://doughnuteconomics.org/about-doughnut-economics>

The DEM propose organizations creating a regenerative and distributive business by design and adapting the seven Doughnut principles of practice:

1. **Embrace the 21st century goal.** Aim to meet the needs of all people within the means of the planet. Seek to align your organisation’s purpose, network, governance, ownership, and finance with this goal. Expect the work to be challenging, innovative and transformative.
2. **See the big picture.** Recognise the potential roles of the household, the commons, the market and the state – and their many synergies – in transforming economies. Ensure that finance serves the work rather than drives it.
3. **Nurture human nature.** Promote diversity, participation, collaboration, and reciprocity. Strengthen community networks and work with a spirit of high trust. Care for the wellbeing of the team.

4. **Think in systems.** Experiment, learn, adapt, evolve and aim for continuous improvement. Be alert to dynamic effects, feedback loops and tipping points.
5. **Be distributive.** Work in the spirit of open design and share the value created with all who co-created it. Be aware of power and seek to redistribute it to improve equity amongst stakeholders.
6. **Be regenerative.** Aim to work with and within the cycles of the living world. Be a sharer, repairer, regenerator, steward. Reduce travel, minimize flights, be climate and energy smart.
7. **Aim to thrive rather than to grow.** Don't let growth become a goal in itself. Know when to let the work spread out via others rather than scale up in size (Doughnuteconomics.org 2022).

Comparing to the contemporary mainstream economic theory there are five main shifts for the perception of individual self in the Doughnut Economics. According to Raworth (2018), they are differed from self-interested to socially reciprocating, from fixed preferences to fluid values, from isolated to interdependent, from calculating to approximating, and from dominant to dependent. Based on these understandings of human nature, and by applying the third principle - nurturing human nature, people and organizations are supposed to be willingly to embrace the 21st century goal, see the big picture, and apply the other four responsible principles. In short, responsible business needs responsible people to realise those ideas with the aim of thriving in balance not only for an individual corporation but also for the whole human society.

Given the assumption of socially reciprocating and interdependent individual self and the vital importance of the cultivation of responsible people, Doughnut Economics echoes Confucian philosophy centred on self-cultivation for individual thriving as well as communal wellbeing, which is further discussed in Chapter Three and Five. In return, a genuine CSR model based on Confucian principles and values, which is the subject of this research, may also provide theoretical and practical supports for the cultivation of responsible people as well as the development of responsible business.

In sum, in this section, we have explored and evaluated the prevailing Carroll's pyramid and Triple Bottom Line framework. However, the former has an economic dominant perspective, and although TBL presents a more balanced structure of CSR, it has limited impacts on the dominance of financial success in business practice. Both CSR models put more emphasis on the contents of CSR and its interrelationships. In addition, we have investigated the Doughnut Economic Model as an example of responsible

business which reflects the recent development of CSR. In the next section, we explore what are the major drivers of CSR implementation.

2.2 CSR Drivers

There are many possible drivers for the development of CSR in modern society. By investigating CSR literature, we find that while institutional pressure and strategic or instrumental consideration seem to be the major drivers for CSR activities, there are relatively few studies on the moral driver of CSR initiatives. The first two types of drivers concentrate on improving economic performance, reducing business risk, and abiding by laws and regulations, while the moral driver, which reflects the intrinsic motivation of contributing to society and protecting the environment from the top management, is more akin to a voluntary CSR principle.

2.2.1 The Strategic or instrumental approach

The strategic or instrumental approach, which is predominant amongst Western companies, represents one of the major types of motivation for CSR. Many companies emphasise the strategic function of CSR and believe that CSR is an important way of building competitive advantage and realising financial profits (Carroll & Shabana 2010, 102). Through the analysis of case studies, Novak (1996, 117-132) indicates that three kinds of CSR activity are very helpful to improve companies' performance: 1) frequent communication with all stakeholders, which is crucial to obtain their understanding and support; 2) cultivation of the spirit of human respect and contribution to the community, which can build strong team spirit and enhance employee engagement; 3) public service advertising, which provokes moral and social values which can improve a company's image. Companies engaged in these kinds of CSR activities use the CSR activities to realise their business strategic plans, as they believe that, in the long run, the market will provide competitive advantages and more profits to companies who are seen to be more

responsive to society. In addition, according to Husted (2005, 176), it has been shown that highly effective CSR management can reduce business risk.

Although this instrumental approach is often referred to as be a short-term view of CSR activities, while the strategic approach has relatively long-term consideration, they both share the nature of putting priority on the economic performance of the firm over the benefits of other stakeholders.

The original idea of this type of driver can be traced back to Friedman (1970) who claimed:

The responsibility of business is to maximise profits, to earn a good return on capital invested and to be good corporate citizenship obeying the law no more and no less. To go further in a deliberate fashion is to exceed the mandate of business. It is to make what amounts to an ideological stand with someone else's money and possibly to engage in activities with which many stakeholders would not agree.

In addition to this statement, according to Bakan (2004, 52), Friedman once pointed out that CSR can be tolerated only when it is insincere, which signifies that executives treat CSR activities not as ends in themselves but "as a means to maximise shareholders wealth." It is clear that the instrumental view of CSR as a strategic tool of wealth maximization is a synonym to Friedman's view on CSR.

With this mindset, managers, as the agents of the shareholders, are requested to focus only on the motive of profit maximisation for shareholders. Therefore, all the CSR initiatives should be diverted to this end (Herremans et al. 1993, 587). Another influence of this thought is that it creates a barrier for businesses to commit to CSR initiatives for the benefits of society and the environment, which have little direct or indirect economic benefits compared to a bigger amount of cost (Waddock & Graves 1997, 305).

Friedman's view on CSR has had a great influence on companies and scholars and leads the latter to conduct empirical research to verify the economic impacts of CSR initiatives. As a result, there is much research that claims the conformity between CSR activities and economic performance by affirming that CSR initiatives are economically beneficial in the long run (Carroll & Shabana 2010, 101; Garriga & Mele 2004, 53). An extensive study on 127 published empirical papers, which emphasise the correlation of CSR activities and business financial performance, concludes that CSR commitment have had a positive impact on the firm's financial results (Margolis & Walsh 2003, 274-77).

Currently, the instrumental and strategic approach seems to be gaining prominence in practice. Indeed, Vogel (2005, 3-4) states that the increase of investment in CSR is linked to the creation of a consulting market. Business firms utilise instrumental CSR commitments as strategic activities to improve reputation and financial performance (Garriga & Mele 2004, 53).

2.2.2 Institutional pressure approach

However, not all companies are keen to adopt CSR, as they do not see or do not accept the positive relationships between the implementation of CSR and the benefits of risk reduction and profit improvement in the long run. However, comparing the strategic or profit driver to the driver of institutional pressure, Husted and Allen (2006, 838) point out that those companies that are influenced by the latter may be led to more effective business decisions in favour of CSR activities. Similarly, the *Survey Report of Chinese CSR 2006* issued by Peking University, finds that 1) the organization's organizational policy and governance systems are important conditions that affect the effectiveness of fulfilling social responsibility; 2) standardization and social supervision are powerful driving forces for enterprises to fulfil their social responsibilities; 3) strengthening external systems and norms is critical to the formation of corporate social responsibility

awareness (Shan 2007). Based on the study of Mexican corporations, Husted and Allen state that institutional pressure is more effective than strategic reasoning, especially in explaining multinational CSR activities. Institutional pressure can be divided into two classifications: external drivers and internal drivers. The external institutional pressures include government laws and regulations, supplier selection criteria, supervision from media and NGOs, while the internal institutional pressure comes from company policies and organizational structure.

2.2.2.1 External Institutional Drivers

2.2.2.1.1 Governmental Law and Regulation

For the case of China today specifically, CSR has become compulsory and unavoidable for all Chinese companies (Wang & Juslin 2009, 439). There are many government laws and regulations to protect the environment and human rights, such as the Environmental Protection Law, the Labour Law, the Human Rights Law, the Consumer Protection Law, the Anti-Commercial Bribery Act, which protect the interests of competitors, and the Intellectual Property Protection Act, which protects the interests of investors. All these government laws and regulations constitute a mandatory pressure to promote corporate social responsibility.

2.2.2.1.2 Supervision of Media and NGO

The attention of media to the corporate enterprise can not only inform the capital market to improve external supervision surrounding CSR (Wu et al. 2021, 3), but also provide information to supervisory departments of any company's misdeeds (Joe et al. 2009, 588). As a result, media supervision can help to prevent enterprises from doing illegal or unethical activities.

NGOs can also act as a significant force in the corporate social responsibility movement. The driving force of NGOs for corporate social responsibility comes from the

initiatives, campaigns, standards, and services of these organizations. For example, in the global corporate social responsibility movement, various NGOs (e.g., labour unions, environmental protection organizations, consumer protection organizations, etc.) play a very important role in fields such as environmental protection, human rights protection, and labour standards. Some NGOs also directly influence the formulation and implementation of CSR standards. For example, Social Accountability International, together with other organizations and enterprises, jointly developed the SA8000 which is one of the most influential international CSR standards. Although the standards established by NGOs are ‘soft law’, in that they are not strictly legally binding, to some degree they act as external supervisors of corporate social responsibility, and they also have certain monitoring mechanisms to ensure CSR effectiveness.

2.2.2.2 Internal Institutional Drivers

Although external laws, regulations and standards can help to prevent economic, social, and environmental disasters caused by firms’ misdeeds, the most effective way is to integrate corporate social responsibility into the company internally (Sarre et al. 2001, 310). The internal institutional pressures come from the policies and structures within organizations. Therefore, well-designed corporate governance policy and organizational management structure are important driving forces for CSR implementation.

The International Organization for Economic Cooperation and Development (OECD) (1999) defined principles of governance as: 1) strengthening the supervision of the board of directors and the responsibility of company's strategic planning; 2) fairly treating all large and small shareholders; 3) Guaranteeing the legal rights of shareholders, including their right to participate in decision-making; 4) ensuring that company information can be revealed in a correct, complete, and timely manner; 5) encouraging companies and stakeholders to actively cooperate in maintaining corporate financial

soundness. In addition to these principles, not only shareholders but also other stakeholders such as customers, employees, creditors, and even community residents, bear the risk of the business operation (Jo et al. 2015, 43). The company's supervision team should allow stakeholders to receive fair treatment. For instance, in the corporate governance structure, companies may establish independent directors representing diverse interest groups to participate in corporate decision-making and to protect the interests of stakeholders. Further, according to the stakeholder model, well-designed corporate governance systems may reduce the conflicts of interest between management and stakeholders by aligning managers' incentives with those of stakeholders.

2.2.3 Moral leadership driver

Although the above studies have explored both strategic and institutional mechanisms of CSR, some other critical aspects contribute to the assurance and the capacity for enterprises to adopt responsible behaviours. These include the driver of ethics and the commitment from top-level management.

2.2.3.1 The rationality of ethical or moral leadership on CSR

There are ethical theories that define moral leadership as a critical driver for CSR development. More specifically, managers with moral beliefs and qualities such as honesty and benevolence are inclined to favour CSR behaviours. These theories suggest that it is morally correct to support the firm's obligation to fulfil its social responsibility, even if it means additional costs (Jones 1999, 165). These moral managers' behaviours express values that seek to achieve a better society, promoting sustainable development and seeking 'the common good' (Garriga & Mele 2004, 62). Much research states that moral managers can drive firms in the direction of being more responsive to their stakeholders. Moberg (1997, 68) defines moral managers as those who possess traits such as honesty, fairness, and benevolence. In addition, Petrick and Quinn (2000, 7-8) suggest

that moral managers can apply these traits consistently to make balanced decisions for complex moral problems.

Much of the literature focuses on the importance of the spirit of caring for others rather than self-expansion. For example, the theory of servant leadership is based on the decision makers' sentiment of serving others as an important obligation (Greenleaf 1970, 15), which encourages the attuned executives' motivation of leading enterprises to work for the social good. Similarly, Kohlberg (1981, 412), based on his moral development model, suggests that these leaders can make and defend their decisions in ways that are beneficial to the overall society, through applying principles such as justice, human rights, and social wellbeing equally to others. In other words, they are capable of being moral leaders with their actions to promote ethical integrity within CSR (Weber & Green 1991). From a dialogic point of view, this enables them not only to respect and listen to the voice of various stakeholders but also to strive to meet their needs willingly (Calton & Payne 2003, 9).

2.2.3.2 The significance of moral leadership from top management

The idea of moral executives as a driver to CSR can be traced back to the 1950s in the United States. Frank Abrams, chairman of Standard Oil of Jersey, called for executives' duties in operating business for social well-being in a seminal statement (Frederick 2006, 205). Compared to middle and lower-level managers, the top-level managers are more relevant to CSR, because the former's decision-making discretion is largely dependent on the policy set by top executives. The significance of top managers driving CSR is emphasised by research indicating that middle and lower managers often feel uncomfortable in facing moral dilemmas with higher-level command when their values are incompatible (Jackall 1989, 108-109). According to Freeman (1984, 240), the top executive can guide his/her subordinates and employees along with the company's

hierarchy structure to be responsible for the external and internal stakeholders and therefore, the firm can then have sound CSR performances.

2.2.4 Strategic or instrumental driver vs. moral leadership driver

Although, many academics support the strategic or instrumental approach of CSR, it is suggested in this thesis that the insincere attitude of instrumental CSR may not only be effective but even dangerous. There are two types of abuse and misuse in CSR initiatives due to the insincerity nature of the instrumental approach. One type is those advocating themselves as socially responsible overall, whereas acting in complete ignorance of their social responsibility, or in other terms, being socially irresponsible. While having all the important CSR report sections on their website, there are constant accusations from media reporting against some companies for their business misconduct (Bakan 2004, 91-118). This type of company sometimes can take action that leads to illegal conduct. One example is the Volkswagen diesel issue in 2015. The company was promoting its newly designed diesel models by announcing them as low-emissions saviours. It was found that 11 million of those vehicles produced far more pollutants than the legal standard. The worst part was that the CEO deliberately tried to hide the fact from the public (Pontefract 2016). Another example is Enron, once a paragon of CSR. The illegal conduct of its many executives triggered the collapse of Enron in 2001. Bakan (2004, 86) argues that the “scepticism about (instrumental) corporate social responsibility is well warranted.” This is evidence showing how the CSR claim from an insincere management team can be misleading and irresponsible.

The other type of misleading CSR involves firms claiming to be socially responsible towards some important stakeholder groups while they are at the same time irresponsible towards other stakeholder groups. For instance, many companies show themselves as a saviour of the environment, whereas, they have a different attitude toward

their workforce. Taking the Coca Cola Company as an example, being the first company of CSR reporting, their CSR performance in Croatia may serve as a role model by initiating various social and environmental value-adding activities. However, Brown (2003) accuses Coca Cola of its social and environmental irresponsibility in India.

These cases reflect the socially and environmentally irresponsible nature of some companies who conduct instrumental CSR behaviours. These companies are most likely to conduct only the CSR activities with the highest economic returns both short-term and long-term for well-selected groups of stakeholders. This is not only just immoral but also ineffective. The fact that many scholars claim the positive relation between CSR initiatives and financial performance is probably guaranteed by the company's pre-calculations for strategic CSR decisions which are narrow-minded and have limited scope and effect. This may explain why Elkington is concerned about the necessity of transforming the capitalistic mentality rather than using TBL as an accounting framework that enables calculating and publishing the CSR results, by which some companies can misuse CSR as an instrumental tool for only profit maximization and at the same time be socially irresponsible.

Some scholars have found that commitment to ethics promotes corporate social responsibility activities better than strategic motivation (Graafland & Ven 2006, 121). The reason is, if companies make such a commitment, they can carry out their social responsibilities as their core mission rather than these responsibilities being secondary to their financial status or economic interests. Therefore, such companies fulfil their social responsibilities and respond authentically to the needs of stakeholders. This contrasts to taking social responsibility as a secondary motivation which is otherwise strategically concerned with the long-term financial performance of the company.

As we mentioned in the previous section, Elkington (2019) claims that his original intention for designing the TBL was supposed to provoke a profound rethinking of capitalism rather than just introducing a trade-off mentality between the social, environmental benefit and profit. If we examine the basic capitalist economic theory, we can see what Elkington was up against, confronting the assumption that the only responsibility of a business corporation was the maximization of profit for shareholders within the limit by law. Elkington's aim should have been seen as a call for moral leadership for authentic CSR initiatives rather than conventional strategic or instrumental approaches.

2.2.5 Compare moral leadership with institutional pressures

Davis (1973, 312) argued that CSR should go “beyond the narrow economic, technical, and legal requirements of the firm”. Hence, the voluntary principle of CSR implies that enterprises should voluntarily apply high ethical standards rather than only abiding by the law or regulations whilst still seeking a purely economic purpose (Jones 1980, 59-60). In addition, where CSR is a consequence of the company's ethical commitment it will exceed the minimum commitments to stakeholders in corresponding to corporate governance and regulation (Johnson & Scholes 2002, 5). In sum, ethical CSR should be considered as a ‘moral obligation’ following ‘normative principles’, rather than simply an obligation to abide by law and policy imposed by external or internal institutions (Kilcullen & Ohles 1999, 159).

2.2.6 Conclusion

In this section, we have explored literature about the CSR drivers for different forms of CSR, which are respectfully the strategic/instrumental driver with financial profit orientation, the institutional driver with law, regulation, and policy abiding orientation, and finally, the moral leadership from top management driver with moral and ethical

orientation. Comparing the moral leadership with the other two drivers, we conclude: 1) as CSR is part of a moral obligation for the ‘common good’ and is applied voluntarily, the moral leadership driver more readily meets CSR principles than the other two categories of CSR driver. 2) moral leadership is required to drive a company towards a wider and deeper social responsibility.

To make the change from instrumental approach and institutional pressure approach to ethical approach, we need to find philosophical and cultural justification. The Confucian tradition is well known for its advocacy of both moral virtue and the role of the superior person. In the next chapter, therefore, we will investigate the relevance and cultural implication of Confucian ethics on CSR.

Chapter 3 Confucian Ethics and CSR

3.1 Introduction

Far from being imported from the West, there is historical and cultural evidence showing that the principles and practices of CSR have long-standing histories for Asian entrepreneurs (Gonzalez 2005, 2). Embedded within Chinese culture, especially Confucian philosophy, the essential virtue of *ren* and *yi* have significant influences on personal and social development, as well as business decision making (Zhu 2015, 618).

As Donna Wood (1991, 699) noticed, CSR depends on “individual human actors who constantly make decisions and choices, some big and some small, some minor and others of great consequence.” However, under the prevalent domination of economic rationality, the moral virtues are usually restricted by their instrumental value by people making business decisions. Therefore, the conflict between the pursuit of profit and the devotion to moral principles is a central challenge in business ethics. A study of interviews with 41 Confucian entrepreneurs from Mainland China and other parts of East Asia discovers that, although costly, they may still choose to abide by their moral values such as ‘not do harm’ and to resist the domination of instrumental rationality in the highly competitive business environment (Cheung & King 2004). This fact could be attributed to the moral priority of righteousness (*yi* 義) over profit (*li* 利) in the Confucian tradition.

Whilst most Confucian virtues are described as having positive impacts on CSR as being practices towards a harmonious society (Wang & Juslin 2009), some scholars critique the implications of Confucianism negatively. They say that in the corporate context it can create a culture of sheepishness, with negative associations such as authoritarianism and paternalism (Chan 2008, 354; Ip 2009, 469). For example, it is suggested that by assuming that familial or collective relations must be placed before the

individual in Confucian ethics, an employee with ‘filial love’ to an employer can hardly become a whistle-blower (Chan 2008, 356-7). In addition, a company embracing a strict approach to Confucian values is likely to become an authoritarian entity, which may demand its employees’ commitment through a rigid hierarchy (Ip 2009, 473).

These criticisms of the Confucian corporation are made by the perception of Confucianism as familial collectivism with underdevelopment of the civic person (Ip 1996). I argue, however, that although Confucianism advocates human sociality, or serving the people, such as family, society and the world, the Confucian spirit is based on personal development through self-cultivation within human relationships. Without continuous personal development of virtue and capability, people are not able to serve their families, community, and country with the best contribution. What Confucianism advocates is a harmonious and prosperous society based on the full development of human nature. As Confucius said:

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

This passage describes the achievements that Confucius acquired from each stage of his life through continuous learning. With the constant development of physical, moral, cognitive, physiological, and intellectual capacities, Confucius finally attained a state of perfect liberation, which was that not only could do whatever he desired but also what he desired fully complied with social norms. What Confucius advocated and realised was a fully developed human condition that can also be realised by any individual in the community. Following the Confucian teaching, the more virtue and capacity developed by the individual, the better (s)he will serve family, community, and society at large. It may be predicted that for a community in general and a corporation in particular, by Confucian culture, the more its members develop themselves, the more contribution will

be made to the society. Or in other words, the macro-level of business ethics depends on the micro-level of moral development. These ideas will be further developed in the following sections.

In the following sections, we make a theoretical investigation of the essence of Confucian teaching to find out whether it is relevant for CSR, and how Confucian philosophy can contribute to CSR performance in an integrated, systematic, and humanistic way. This includes the clarifications of the Confucian purpose of life, the eight processes for being a human or realizing one's full potential as well as the nine principles for building a harmonious society. In addition, around the concepts of *junzi*, superior person, and the five cardinal relationships, we further explore how Confucian ethics can be adapted to a community in general and a corporation in particular.

Confucianism can be divided into three epochs: the classical pre-Han Confucianism, Song-Ming neo-Confucianism, and new Confucianism. The classical pre-Han Confucianism was mainly founded and formed by Confucius, Mencius and Xunzi. With the emphasis on the virtue of benevolence, the classical Confucianism advocates cultivating oneself and pacifying others. During Song and Ming Dynasties, Confucianism gained new development and developed into neo-Confucianism, mainly represented by Zhu Xi in the Southern Song Dynasty and Wang Yangming in the Ming Dynasty. Following Mencius, the neo-Confucians claimed that although human nature is originally good, it is not pure and needs to be purified by taking actions. The method that Zhu Xi promoted is the investigation of things and the elimination of human desires based on the belief that principle (*li* 理) of Heaven is within the world. Whereas Wang Yangming believed that *li* also lies in one's heart-mind and the best place to seek it is within oneself. For the modernization of Chinese culture especially traditional

Confucianism with the introduction of Western learning in the 20th century, Confucianism is further revived in the form of new Confucianism.

My analysis covered all these three forms of Confucianism. The Confucian canon used in this thesis are the *Four Books* (the *Analects*, *Mencius*, the *Great Learning*, and the *Doctrine of the Mean*) which were written in the pre-Han period and essentially compiled by the renowned Neo-Confucian Zhu Xi. Concerning the interpretations of the *Four Books*, especially for the process of self-cultivation and the Confucian principles discussed in the following chapters, they are inspired from the representing Neo-Confucian, Wang Yangming and new Confucians such as Tu Weiming and Cheng Zhongying.

3.2 The Confucian purpose of life: ‘Learning to be human’

According to Tu Weiming (1989, 101-7), Confucianism is a humanistic teaching referred to as ‘Learning to be human’ (*xue zuo ren* 學做人). What does this mean? The definition of learning (*xue* 學) in *Explanation of Script and Elucidation of Characters* (*Shuo Wen Jie Zi* 說文解字), a classic book of the Chinese language study, means awakening (*jue* 覺). This awakening is not limited to intellectual awakening but also includes the awakening of the body, heart-mind, one’s nature and destiny (Tu 2014, 121).

Mencius claimed that the earlier awakened awaken the later awakened, and the earlier informed awaken the later informed (*Mencius* 5:A:7), which indicates this awakening can be attained and passed on by everyone. But why can human individuals awaken themselves and be awakened by others? As the *Doctrine of the Mean* pointed out: “What Heaven imparts to man is called human nature. To follow human nature is called the Way (*Dao* 道). Cultivating the Way is called teaching.” (*Doctrine of The Mean* 1) It claims that to realize heaven-endowed human nature is the key to revealing the *Dao* of heaven, and this is what the Confucian teaching ought to be. Thus, in the Confucian

tradition, Heaven and Humanity cannot be separated, or in other words, the Confucian thought claims Oneness of Heaven and Humanity (*tian ren he yi* 天人合一). This also gives an ontological foundation that makes the human enlightenment with the truth (*Dao*) of heaven possible in the condition that man makes efforts to follow the *Dao* of humans. The Way is the actualization of human nature, the relationship between Heaven and man is inseparable rather than that of creator and creature; and as Tu (1976, 10) puts it, “the only way for man to know Heaven is to penetrate deeply into his ground of being.” The Heavenly truth is equally embedded into everyone and could be only explored from inside rather than being given by any authority.

Given the Oneness of Heaven and Humanity, *Zhong Yong* also provides Ways of Heaven and Human with different and highly correlated definitions. It states:

Sincerity (*cheng* 誠) is the way of Heaven. The attainment of sincerity is the way of men. He who possesses sincerity is he who, without an effort, hits what is right, and apprehends, without the exercise of thought; he is the sage who naturally and easily embodies the right way. He who attains sincerity is he who chooses what is good, and firmly holds it fast. (*Doctrine of The Mean* 22)

Here, *cheng* is conceived as a human reality and is the way of Heaven, and the *Dao* of humans is a process for a person becoming true and sincere to himself. Similarly, Mencius said:

There is a way to the attainment of sincerity (*cheng*) in oneself: if a man does not understand what is good, he will not attain sincerity in himself. Therefore, sincerity is the way of Heaven. To think how to be sincere is the way of man. Never has there been one possessed of complete sincerity, who did not move others. Never has there been one who had not sincerity who was able to move others. (*Mencius* 4:A:12)

Combining these two paragraphs indicates that sincerity or *cheng* is the basis of self-knowledge as well as the ground of man’s connection with Heaven. The sage is a person who already lives in the Way of Heaven with a full understanding of good and complete sincerity. It also implies that by being sincere with oneself, one can not only awaken

oneself but also awaken others to form a unity with Heaven. Therefore, everyone has the potential to become a sage and to be unified with others with the mediation of Heaven. However, whether one attains sincerity depends upon personal choice.

Indeed, given an ontological basis of human enlightenment, the *Dao* of being human demands continuous personal efforts to actualize one's inner morality in daily life. This is affirmed by Mencius' saying:

All things are already complete in us. There is no greater delight than to be conscious of sincerity on self-examination. If one acts with a vigorous effort at the law of reciprocity, when he seeks for the realization of perfect virtue, nothing can be closer than his approximation to it. (*Mencius* 7:A:4)

It is important to point out that by emphasizing the self-sufficiency of human nature, Mencius asserted the necessity of self-cultivation as a duty to oneself as well as Heaven. Although the levels of awareness and practice of their inner morality are not equal among people, some know it from the date of birth and can practice it with ease, some can learn it and practice it with guidance, and some struggle and can only practice it with great effort. "But the achievement is made, it comes to the same thing." (*Doctrine of The Mean* 10) Although, due to external reasons such as family and educational backgrounds, the development levels of people may vary, as everyone has the same Heavenly-endowed human nature, no matter how adverse the current situation is, one can always improve oneself through self-cultivation, and finally, attain the same enlightenment as a sage does.

At the beginning of the *Great Learning*, the first of the *Four Books*, it says, "What the *Great Learning* teaches is to illustrate illustrious virtue; to renovate the people, and to rest in the highest excellence." This means that, despite huge variance in intelligence, ability, talent, and virtue, every individual is gifted with the intrinsic motive and power to realize human excellence as well as to help other people improve until they reach the fullest development. As mentioned above, although the human condition is embedded in every individual, even one as talented as Confucius still needs to spend a whole life in

continuous learning and social practising until achieving the highest excellence. In addition, the relationship between self-improvement and the willingness and action of helping others is inseparable, as the latter is a natural result and evidence of the former. The awakening through personal physical and intellectual effort can lead to putting one's moral endeavour in fulfilling duty towards others. The establishment of virtue is a self-exertion process and can be neither imposed by any authority nor given from the outside world. 'Learning to be human' is an unceasing learning process until the human condition is fully realized, or in other words, a person is perfectly awakened. In sum, rather than a 'culture of sheepishness', true Confucianism is a culture of becoming a Sage.

3.2.1 The eight processes for human-becoming

The *Great Learning* suggests eight consecutive processes, among which the first five processes are related to everyone with the rectification of her or his heart-mind, body, action and saying. They are, in the preceding order, the exclusion of attachment (*gewu* 格物), the extension of knowledge (*zhizhi* 致知), being sincere with one's [will] (*chengyi* 誠意), rectifying one's heart-mind (*zhengxin* 正心), cultivation of self (*xiushen* 修身) (*Great Learning* 1).

The first process is *gewu*, which means the exclusion of attachment. The attachment to selfish desires is identified as the root of the trouble and should be removed in the first place (Hua & Yao 2017, 119-127). Although people may depart from their human nature with different habits and characters (*Analects* 17:2), Mencius states that we have the potential and capability to restore our human nature by strengthening our moral feelings, which is "the source and foundation of moral virtue," by "effort and learning from good examples" (Cheng 2013, 239, 242). He argues that, as humans, we all have four kinds of moral feelings which are feeling of 'commiseration', feeling of 'shame and dislike', feeling of 'modesty and complaisance', as well as feelings of 'approving and

disapproving' (*Mencius* 2:A:6). Mencius also indicates that although these moral feelings are originated from human nature (*benxin* 本心), they are subjected to be lost under the excessive desire for material goods and power (*Mencius* 6:A:10).

Therefore, to strengthen our moral feelings and therefore recover our *benxin* we need to remove our excessive desire and attachment to power and material goods. It requires constant effort to search and overcome one's own excessive or selfish desires.

Wang Yangming (1963, 35) said:

There is no let-up in this work [self-examination and self-mastery]. It is like getting rid of robbers and thieves. There must be the determination to wipe them out thoroughly and completely. Before things happen, every selfish desire for sex, wealth, and fame must be discovered. The root of the trouble must be pulled up and thrown away so that it will never sprout again. Only then can we feel fine. At all times be like a cat trying to catch a rat, with eyes single-mindedly watching and ears single-mindedly listening. As soon as an evil thought begins to arise, overcome it and cast it away.

While pursuing happiness from the satisfaction of physical or mental desires is not denied in Confucian teaching (*Mencius* 7:A:4), being attached to selfish desire without moral judgment and reflection is dangerous against one's moral feelings, so that it should not only be carefully examined but also be excluded as soon as possible.

The second process is *zhizhi*, which indicates the extension of knowledge. According to Wang Yangming, knowledge means *liangzhi* 良知, which signifies "the feeling of approval and disapproval" (Wang 1963, 228). Wang differentiated this knowledge as innate moral knowledge from non-moral knowledge (Huang 2006, 393), which echoes what Mencius said:

The ability possessed by men without having been acquired by learning is intuitive, and the knowledge possessed by them without the exercise of thought is their intuitive knowledge [*liangzhi*]. Children carried in the arms all know to love their parents, and when they are grown a little, they all know to love their elder brothers. (*Mencius* 7:A:15)

According to Mencius, moral knowledge (*liangzhi*) is innate in everyone and could be known without learning and thinking, whereas non-moral knowledge must be learned from the outside world. Although, there is paramount importance for moral knowledge to guide one's everyday life, without non-moral knowledge moral knowledge cannot be put into a function.

While everyone is born with *liangzhi*, they could be obscured by selfish desires. In *Chuan Xi Lu* 傳習錄, it records that Wang and his students Xue Kai discussed which one was good or evil between flowers and weeds. Xue Kan put flowers as good and weeds as evil, Wang pointed out that Xue Kan was misguided by his selfish desire:

The spirit of life of heaven and earth is the same in flowers and weeds. Where have they the distinction of good and evil? When you want to enjoy flowers, you will consider flowers good and weeds evil. When you want to use weeds, you will then consider them good. Such good and evil are all products of xin's likes and dislikes. Therefore, I know you are wrong. (Wang 1963, 63)

According to Wang, it is improper to determine good and evil based on one's preference if it does not follow the Heavenly principle (*tianli* 天理) or universal moral law. According to Zhu Xi (1130-1200), the heavenly principle serves to "constrain the instability of feelings in the heart-mind" and only can be followed by "classical and empirical learning" (Lu 2017, 314). Mou Zongsan (2003, 89) disagrees with Zhu Xi's theory as it ignores people's motivation. For example, one cannot spontaneously express filial piety (*xiao*) by only knowing filial piety as an external principle. In contrast to Zhu Xi, Wang states that Heavenly principle as an objective standard is, at the same time, a reflection of *liangzhi* in one's heart-mind, rather than an external thing. In addition, "the relationship between Heavenly principle and [*liangzhi*] is mutual containing and mutual presupposing, so that one may not be reduced to the other" (Lu 2017, 314).

Although *liangzhi* is innate in everyone and the correctness of *liangzhi* is assured by Heavenly principle, one may not be aware of *liangzhi* all the time. As recorded in *Chuan Xi Lu*, once Wang Yangming caught a robber who did not admit that he had *liangzhi*. Therefore, Wang asked him to take off all his clothes in public. And when he refused to do so, Wang said that his feeling of shame was the manifestation of *liangzhi*. However, the feeling of shame and *liangzhi* could be blinded by the seeking of excessive selfish desires. Therefore, *zhizhi* means that we need to make effort to be attentive and be aware of *liangzhi* in our heart-mind.

The third process *chengyi* means being sincere with one's will. Being aware of *liangzhi* and knowing what is good and what is bad could serve as a guidance of one's action, but it may not guarantee one always act by *liangzhi*. That is why one should be sincere with one's will and avoid self-deception. People may conceal their evil and display their good behaviour in front of others as if they value others' responses more than their true hearts. However, those who are sincere with themselves, know that "What truly is within will be manifested without" (*Great Learning* 3). And they are very cautious to look and listen for the value preference of their inner self. Rather than seeking recognition and reputation, a person, who is sincere with their inner self, becomes "watchful over himself when he is alone" (*shendu* 慎獨). By being consistent and deeper into one's inner self, one may make the right choice, and at the same time one avoids conflict with one's moral feeling.

The fourth process is rectifying one's heart-mind (*zhengxin* 正心). Based on the interpretation of the *Great Learning*, emotions such as anger, fear, happiness, and worry, can influence people's heart-mind, and may hurt them as well as others, or tend to favour and be attached to things. In other words, under the control of emotions, the cognition and rational function of the heart-mind cannot perform well. It confirms the later texts

“turn a blind eye, hear nothing, and eat without knowing its taste” (*Great Learning* 9). While emotion is an indispensable part of the heart-mind, to cultivate oneself harmoniously, rather than completely removing desires and abandoning joys, anger, sorrows, and worry, one’s desire and emotion must be coordinated with cognition and other functions of the heart-mind.

The fifth process is called *xiushen* 修身, which means cultivation of self or, in other words, “the perfection of individual character” (Plaks 2014, 142). According to the *Great Learning*, self-cultivation is ultimately important as it records, “From the Son of Heaven down to the mass of the people, all must consider the cultivation of the person the root of everything besides (*Great Learning* 2).” Despite the difference in wealth and social position, self-cultivation is not only the foundation of personal development but also essential for the universe as well.

What self-cultivation points to is noted in the *Doctrine of The Mean*:

Therefore, the administration of government lies in getting proper men. Such men are to be got using the ruler's character. That character is to be cultivated by his treading in the ways of duty. And the treading [the way] is to be cultivated by the cherishing of benevolence (*ren* 仁). (*Doctrine of the Mean* 20)

The above quote suggests that the ruler’s character is essential for governance, as (s)he determines the standards by which officials are selected. The mutual obligations towards members of family and community are essential as their fulfilment is the ways of character cultivation. And his or her ability to fulfil duty toward others is improved along with the realization of *ren*.

Mencius stated, “[Humanity] (*ren*) is the distinguishing characteristic of man. As embodied in man's conduct, it is called [the way]” (*Mencius* 6B:16). This statement indicates that the self-cultivation of human character refers to the process of expressing humanity in one’s conduct. The Chinese character of *ren* etymologically consists of ‘two’

(*er* 二) and ‘person’ (*ren* 人), showing the primaeval form of human-relatedness with the principle of reciprocity. According to Confucius, *ren* means “love of fellow men” (*Analects* 12:1), representing kindness and generosity, and being caring, thoughtful and selfless. According to Mencius, humanity, which is the intrinsic goodness, can be realized through self-effort in daily conduct, and *ren* “signifies the fullest manifestation of humanness” (Tu 1989, 51).

How can humanness be cultivated and what is the process to embody *ren*? Yan yuan, the best disciple of Confucius, once asked about *ren*. Confucius replied:

To subdue one's self and return to propriety (*li*), is *ren*... [the process of embodying *ren* is to] look not at what is contrary to propriety; [to] listen not to what is contrary to propriety; [to] speak not what is contrary to propriety; [to] make no movement which is contrary to propriety. (*Analects* 12:1)

The above text indicates that living by propriety (*li* 禮) is the way or process to embody *ren*. What does *li* mean and how does it relate to *ren*? Etymologically, *li* signifies the right performance of sacrificial ceremonies. According to Tu Weiming, with a plain understanding of Confucian teaching, *li* rendered as ritual, propriety, ceremony, or good custom means an external social structure by which *ren* is realized. While, in this sense, there may be an issue about when there is a conflict between self and society, how to integrate the inner sense of personal morality with the outer expression of social responsibility. To solve this problem, Tu (1972, 194) provided a deeper understanding of *li*:

As an externalization of *ren* in a concrete social situation, ... the meaning of *li* evolved from a proper act of offering sacrifice to an authentic way of establishing human-relatedness, which in the Mencian version involves the act of self-transformation. *Li* in this connection is understood as a movement instead of a form. The emphasis is on its dynamic process rather than its static structure.

With this understanding, rather than simply conforming to a static structure, *li* signifies the actions of self-transformation toward the perfectibility of humanness with an

authentic and proper way of interacting with others in a concrete social context. As a human is a social animal, to become a genuine human, one must not only be sincere to one's inner self but also manifest sincerity when interacting with others to explore deeply into one's true selfhood. Therefore, Confucian self-cultivation is grounded on "neither isolated self-control nor collective social sanction" (Tu 1998,22). It is, according to Tu (1972), a middle way between spiritual individualism and ethical socialism. In other words, to be a cultivated man means to be authentic to one's selfhood as well as one's sociality.

The last three processes are beyond the person and extend the scope to family, community, society, and the world. They are family being regulated (*qi jia* 齊家), the state being rightly governed (*zhi guo* 治國), and bringing peace to all (*ping tian xia* 平天下).

As discussed, self-cultivation is a process of the internalization of social values. Rather than being imposed by social norms, it signifies a proactive and creative step taken by the self to enter human-relatedness. The way of extension from individual self is described further in *Zhong Yong*,

Benevolence is the characteristic element of humanity, and the great exercise of it is in loving [parents]. Righteousness (*yi*) is the accordance of actions with what is right [and proper], and the great exercise of it is in honouring the worthy. The decreasing measures of the love due to relatives, and the steps in the honour due to the worthy, are produced by the principle of propriety. (*Doctrine of the Mean* 20)

Ren (humaneness), which is the foundation of self-cultivation, needs to be manifested in one's daily conduct. In practice, as an immediate and spontaneous manifestation of one's inner morality, the service and love toward one's parent is the greatest application of humanity. One can be regarded as a trustworthy ruler only if (s)he is responsible and affectionate towards their parents. It is controversial to see that a person cares and respects

others if (s)he is incapable of loving and respecting their parents and families (*Xiao Jing* 9). Therefore, family relationship, as the primordial dimension of human-relatedness, is a fundamental part of self-cultivation.

However, the emphasis on family relationships does not necessarily lead to nepotism. Although *ren* is embedded in everyone, to be fully realized, it needs a continuously expanding process. According to Confucian teaching, loving one's parents and families is just a natural starting point of the manifestation of humanity. In the *Analects*, Confucius stated,

A youth, when at home, should be filial, and, abroad, respectful to his elders. He should be earnest and truthful. He should overflow in love to all, and cultivate the friendship of the good. When he has time and opportunity, after the performance of these things, he should employ them in polite studies. (*Analects* 1:6)

From Confucius's perspective, being filial to one's parents at home is the cultivation of inner moral ability as a foundation of humanity which is to be further extended to the love others in the society.

From the private sphere to the public sphere, from being filial to parents and respecting brothers to honouring the wise and elderly in society, not only is one's love extended but also *yi* (righteousness and appropriateness) may flourish and grow. This is because the practice of *ren* requires not only caring for others but also a sense of practical judgment of righteousness and properness based on the concrete context. With the original meaning of right and proper, *yi* may refer to this sense of judgment, and 'the worthy' are those who have the capability of *yi*. The ruler with a sense of affection must thus pursue *yi* and possess the quality of 'honouring the worthy'. A ruler must provide unbiased leadership with his governance.

The following passage states:

Hence the sovereign may not neglect the cultivation of his character. Wishing to cultivate his character, he may not neglect to serve his parents. To serve his parents, he may not neglect to acquire knowledge of men. To know men, he may not dispense with a knowledge of Heaven. (*Doctrine of The Mean* 20)

This passage defines a sequence of steps for self-cultivation: knowing Heaven, understanding others, and serving one's parents. According to the knowledge of Heaven and human, Confucius said, "Great indeed was Yao as a sovereign! How majestic was he! It is only Heaven that is grand, and only Yao corresponded to it." (*Analects* 8:19) It demonstrates that Confucius deeply believed in Heaven and honoured Heaven as the supreme source of goodness. And this goodness is embedded in human nature which was fully realized by a Sage like Yao. Echoing the above passage, cultivating one's humanness emphasises fulfilling the individual's responsibility, firstly toward their parents and then extending this to other familial and social relationships.

3.2.2 The nine principles for building a harmonious society

To make achievements from personal development to bringing peace in the whole world, originating from self-cultivation, nine guidelines put good governance into practice. They refer to the following principles:

The cultivation of [the ruler's] characters; the honouring of men of virtue and talents; affection towards their relatives; respect towards the great ministers; kind and considerate treatment of the whole body of officers; dealing with the mass of the people as children; encouraging the resort of all classes of artisans; indulgent treatment of men from a distance; and the kindly cherishing of the princes of the states. (*Doctrine of the Mean* 21)

These principles describe the Confucian leadership in terms of making good governance by taking social responsibility in dealing with relationships with different parties. In return, the following text demonstrates the efficiency and impacts of these practices:

By the ruler's cultivation of his character, the duties of universal obligation are set forth. By honouring men of virtue and talents, he is preserved from errors of judgment. By showing affection to his relatives, there is neither grumbling nor resentment among his uncles and brethren. By respecting the great ministers, he is kept from errors in the practice of government. By kind and considerate treatment

of the whole body of officers, they are led to make the most grateful return for his courtesies. By dealing with the mass of the people as his children, they are led to exhort one another to what is good. By encouraging the resort of classes of artisans, his resources for expenditure are rendered ample. By indulgent treatment of men from a distance, they are brought to resort to him from all quarters. And by kindly cherishing the princes of the states, the whole kingdom is brought to revere him. (*Doctrine of the Mean* 21)

The nine principles represent a hierarchy of political functions. The ruler's attitude toward each group of people is in accord with the Confucian golden rule: "not to do to others as you would not wish done to yourself." (*Analects* 12:2) In addition, without limit to special interest groups, the spirit of impartiality of a ruler is not only truly effective in extending his political influence on his subordinate bureaucrats but also can enter the heart of people regardless of their classes of society. With the belief that outer kingliness requires inner sageness, the humanization of politics assumes that the ruler both cultivates his inner sageness and manifests it throughout the kingdom.

In sum, despite the difference in wealth and social position, everyone has the chance to not only develop themselves but also to contribute to society through self-cultivation. Self-cultivation first means the elimination of selfish desire and the recovery of our innate moral knowledge, namely *liangzhi* or heavenly principle. With inner exploration, the more we discover our *liangzhi*, the more we can become sincere with ourselves (*chengyi* 誠意), and the less likely we will be self-deceptive. Being sincere, we are then able to control and coordinate our emotions so that our heart-mind can follow the indication and guidance of *liangzhi*. We cannot start the process of "gradual inclusion" (Tu 1972, 197), by which the restrictions of given structures, such as egocentrism, nepotism, ethnocentrism, and anthropocentrism, are transcended, until our mind-heart is rectified and coordinated with emotions (*zhengxin* 正心). Therefore, in Confucian teaching, self-realization is a process of integration starting from the individual-self (heart-mind with the body), family and nation, to the universe.

More specifically, in the context of business, the realization of the full potential of everyone, cannot only contribute to corporates but also to society at large. Therefore, the assumption of taking Confucianism as “familial collectivism with underdevelopment of the civic person” (Ip 1996) is incorrect. With constant efforts, everyone may reach a stage where the Confucian term is *junzi* (exemplary person), and to the highest stage of development as sage (*shengren* 聖人).

3.3 The cultivated person: *Junzi*

In Confucian philosophy, *junzi*, which in English is translated as ‘a person of virtue’, a ‘superior person’, or an ‘exemplary person’, is a person with high-level moral virtues of a kind that Confucius encourages every individual to acquire through cultivation. The fundamental virtue of *junzi* is benevolence (*ren* 仁), which character appears 109 times in the *Analects*. Therefore, *ren* is the first virtue of the Five Constant Virtues (*wuchang* 五常). The other four virtues are righteousness (*yi* 義), which means the revelation of the meaning of the self, propriety (*li* 禮), which means being polite and respectful, wisdom (*zhi* 智), which signifies dispositions of learning, discernment and wisdom, and trustworthiness (*xin* 信), which is the ability to be relied on as honest or truthful. These Five Constant Virtues are the essential values for *junzi* to live a moral life.

The content of *ren* is broad, encompassing all the other Confucian values, and it is impossible that one has any other Confucian values without having *ren*. Similar to the relationship between yin and yang, in Chinese philosophy, *ren* and other values are mutually inclusive rather than mutually exclusive (Tu 2014, 127-8).

How to cultivate *ren* and to become a *junzi*? *Ren*, which is humanistic love and consideration for others, can only be practised within relationships. In the *Analects*, Confucius defined the man of *ren* as someone who “wishing to be established himself,

seeks also to establish others; wishing to be enlarged himself, he seeks also to enlarge others” and “[being] able to judge of others by what is nigh in [himself]” (*Analects* 6:30). ‘To be established’ means to achieve a social position, while ‘to be enlarged’ means to be developed. A man of *ren* is not only willing to achieve his perfection but also to help others to realize their potential. In other words, a man of *ren* loves himself and draws a parallel for loving others, so that he can put himself in the place of another.

In the negative aspect of practising *ren*, rather than passively obeying laws or social norms, a *junzi* can regulate his conduct by using both himself and the relationship with others as a standard. This principle for practising *ren* was known as the “principle of applying a measuring square” (*Xie Ju Zhi Dao* 絜矩之道). In the *Great Learning*, it is said:

What a man dislikes in his superiors, let him not display in the treatment of his inferiors; what he dislikes in inferiors, let him not display in the service of his superiors; what he hates in those who are before him, let him not therewith precede those who are behind him; what he hates in those who are behind him, let him not bestow on the left; what he hates to receive on the left, let him not bestow on the right:-this is what is called ‘The principle with which, as with a measuring square, to regulate one’s conduct.’ (*Great Learning* 12)

According to the *Great Learning*, by applying the measuring square, a *junzi* with the virtue of *ren* should neither seek selfish desire, which is the interest of oneself alone, nor impose on others what one dislikes.

On the other hand, the *Doctrine of The Mean* describes the way of practising *ren* in the form of a positive aspect, which is as follows:

Serve your father as you would require your son to serve you... Serve your ruler as you would require your subordinate to serve you... Serve your elder brother as you would require your younger brother to serve you... Set the example in behaving to your friends as you would require them to behave to you... (*Doctrine of the Mean* 13)

Therefore, as Feng Youlan (1976, 43) concluded, the way to practice *ren*, from the positive aspect, is called *zhong* (忠), “do to others what you wish yourself,” and from the negative aspect, is called *shu* (恕), “do not do to others what you do not wish yourself.”

In addition, *ren* is different from Mozi’s indiscriminate love. Because we are social animals with different feelings and capacities of love towards others, it is reasonable and realistic that people naturally grow from weak to strong and, in doing so extend their love from near to far according to the relationship with others alongside their self-development process.

From the Five Cardinal Relationships (wulun 五倫), which are ruler and subject, father and son, husband and wife, elder and young, and friend to friend, three of them belong to family relationships. *Ren*, in a moral sense, is first practised within a family with those who are dear—loved ones. And in Confucian ethics, among the family relationships, the most fundamental is the relationship between parents and children (Sung 2009, 180).

You zi, a famous disciple of Confucius, said:

The superior man bends his attention to what is radical. That being established, all practical courses naturally grow up. Filial piety (*xiao* 孝) and [respect to older brother] (*ti* 悌)! - are they not the root of all benevolent actions? (*Analects* 1:2)

From the above passage, the action of filial piety at home is emphasised as the fundamental practice of *ren*. According to Chinese culture, filial piety is a virtue that refers to a child’s devotion, affection, respect towards her or his parents (Yan & Sorenson 2006). But why is *xiao* the fundamental practice of *ren*? Is this because *ren* is only learned by attending to the example of one’s superiors?

As mentioned, *ren* signifies loving people with distinctions, which means that one loves others starting from kindred relations. If all people are naturally to love themselves as well as their children and to extend this love to other people, the first virtue which should be cultivated is *xiao*. Confucius said:

Filial piety is the root of (all) virtue, and (the stem) out of which grows (all moral) teaching ... Our bodies - to every hair and bit of skin - are received by us from our parents, and we must not presume to injure or wound them. This is the beginning of filial piety. (*The Classic of Filial Piety (Xiao Jing 孝经)* 1)

According to Confucius, one's body comes from one's parents and ancestors, they are the source of life. There is nothing more precious than one's life as all depends on it. Respecting, and loving parents and ancestors means respecting and loving one's own life. Thus, *xiao* as a virtue can and should be cultivated from the beginning of our lives. Confucius said:

Now the feeling of affection grows up at the parents' knees, and as (the duty of) nourishing those parents is exercised, the affection daily merges in awe. The sages proceeded from the (feeling of) awe to teach (the duties of) reverence, and from (that of) affection to teach (those of) love ... The relation and duties between father and son, (thus belonging to) the Heaven-conferred nature ... The son derives his life from his parents, and no greater gift could be transmitted ... Hence, he who does not love his parents but loves other men, is called a rebel against virtue, and he who does not revere his parents, but reveres other men, is called a rebel against propriety. (*Xiao Jing* 9)

While *xiao*, as a kind of love, according to Confucian teaching, it is not just the feeling of affection, but also means fulfilling one's duty towards parents. As there is no greater gift than receiving one's life from one's parents, we should never forget the favour received from them. Therefore, it is quite natural and reasonable to sustain affection towards and be responsible to our parents before others. If we cannot fulfil our duty towards our parents without pursuing personal benefits, it is hard to believe that we could love others sincerely. Therefore, *xiao* is the fundamental practice.

As discussed, the way to practice *ren* is called *zhong*, doing to others what one wishes himself, and *shu*, not doing to others what one does not wish himself, filial piety is crucial for practising *zhong* and *shu*. In the Confucian sense, filial piety refers more to human nature, moral feeling, and life experience, which is common to every human being, than to knowledge read from classic books or something that is an imposed social norm. Therefore, to be more convincing, as a son and, at the same time, a father, I should be able to explain why *xiao* is so fundamental for practising *ren* from my own life experience.

As a father of a single child, a ten-year-old girl, what I care about the most is whether she can grow in good health. Due to the COVID-19 and the resulting quarantine in the UK, my daughter can only learn from home and takes 6 hours of online lessons daily. Unfortunately, she gets myopia and a bent back mainly due to an improper sitting posture. Every time I try to correct her sitting posture, but after a minute, she just forgets it and goes back to ‘normal’, which makes me frustrated. I complained to my father that she was not listening to me. Then my father said that if you could listen to me, your daughter might listen to you. He is right. My father is concerned about my health and frequently asks me to do more exercise. Every time I know it is good for me, but as soon as I drop the phone, I just forget it. And by nature, this is exactly what my daughter is doing to me. Suddenly, I understand my father’s love is as much as or even more than my love for my daughter. But I always take it for granted rather than listening to him and being filial to him. Ironically, how could I ask my daughter to do something without making a good example by myself? This is neither *zhong* nor *shu*. On the other side, if I can always follow the right direction of my parents and be filial to them and make a good example to my daughter, she will be most likely be filial to me. And, by this way, I practice *ren*. *Xiao* is “a fundamental understanding of human feelings, and that is what makes us human” (Yao 2017, 371). The understanding of *xiao* motivates me to concentrate first on self-cultivation and to do my best to make a good example and then

to extend my love to others. This experience of being son and father makes me understand why filial piety is so fundamental for the practice of *zhong* and *shu*, in other words, *ren*.

In addition, *xiao* not only is fundamental for practising *ren* but also is the source of the other Confucian virtues. Confucius said: “He who does not love his parents but loves other men, is called a rebel against virtue (*Xiao Jing* 1).” If *ren* is a tree, of which *xiao* is the root, and other moral virtues are leaves, we can say that without deep roots the tree of *ren* would not flourish with luxuriant leaves. Therefore, to become a *junzi*, it is essential to cultivate the virtue of *xiao*.

3.4 *Junzi* community with a family-oriented model

As discussed, in the Confucian approach becoming *junzi* is not only realised through individual effort to achieve inner peace but also practised through human relatedness. Confucian community (*qun* 群) specifies a distinctly human association with a certain humanistic purpose and moral dimension. In the *Analects*, Confucius laments that he must associate with human beings rather than with birds and beasts to restore Dao in the universe (*Tianxia* 天下) (*Analects* 18:6). This indicates that the Confucian community (*qun*) is a group of people who seek a common and great purpose. Confucius further gives community (*qun*) a moral connotation and distinguishes community (*qun*) from clique (*dang* 黨) by saying that a superior or cultivated person (*junzi*), as an exemplary person, is solemn but not contentious so that they can build community rather than form a clique for pursuing selfish interests (*Analects* 15:22). In sum, the Confucian community is an ideal term that is supposed to be constructed by *junzi*. The unique feature of *junzi* is the focus on self-realization which entails not only inner conscientiousness, but also altruism practised in human relations. Within the Confucian community, members treat each other well as they live in a big family. In addition, the holistic Confucian community can act as

a cultivated person (*junzi*) having family relationships towards other communities and society at large.

It is generally believed that Confucianism emphasises community and takes persons as relational within the community, rather than independent and autonomous individuals. In contrast with the modern Western idea of an individual-oriented community, the classical Confucian community applies a family-oriented model (Yung 2015).

The family system is the foundation of the social system of China. Out of the basic human relationships (*wulun* 五倫), there are family-based relationships, such as father and son, husband and wife, elder and younger brother. Besides, there are many more family relationships. There are more than one hundred various terms² for various family relationships, most of which have no equivalent in the English language. Two cardinal relations are also considered as an extension of family-based relationships – ruler to subject and friend to friend. In Confucian tradition, it is often assumed that the ruler-subject relationship applies the model of the father-son relationship. Despite their commonality, the applicability is quite limited (Tu 1989, 55). For instance, whereas father and son are bound by an unchangeable primordial relationship, the ruler and subject relationship can be terminated in case of incompatibility. The friend-to-friend relationship is also considered close to that of the elder and younger. As Zixia, a famous disciple of Confucius said, “let him be respectful to others and observant of propriety – then all within the four seas will be his brothers.” (*Analects* 12:5) As for my personal experience, since our childhood, we call all our neighbours using family terms depending on their age and gender such as grandpa (grandma), uncle (aunt), and brother (sister). Therefore, in

² These terms are recorded in *Er Ya* 爾雅, the oldest Chinese dictionary.

Confucian teaching, people are close to each other and the whole society looks like a big family.

Moreover, five moral principles specifically correspond to the five relationships. Each moral principle represents an important aspect of the Confucian community. In Mencius' words:

Between father and son, there should be affection (*qin* 親); between sovereign and minister, righteousness (*yi* 義); between husband and wife, attention to their separate functions (*bie* 別); between old and young, a proper order (*xu* 序); and between friends, [faithfulness] (*xin* 信). (*Mencius* 3:A:4)

According to Mencius, the five moral principles related to the five relationships are *qin*, *yi*, *bie*, *xu*, and *xin*. Between parents and children, it is natural and universal that they are affectionate to each other since the very beginning, and this love should be kept for the whole of their lives; Ruler and minister should take their proper responsibilities to each other, which is to say that the ruler should be generous and caring, and the minister should be loyal and diligent; The meaning of *bie* related to the wife-husband relationship needs some clarification. According to Confucianism, man and woman have natural physical and physiological differences. Therefore, the primary function of the wife is family affairs while that of the husband is public service. It is important and reasonable for each to take distinct responsibility to harmonize their conjugal relationships. A sense of orderliness according to seniority can be established between brothers, and friends should trust each other (Tu 1989, 56).

In the Confucian tradition, people are identified with roles rather than deemed as independent individuals, and as discussed, they should focus on certain moral principles by their specific relationship with each other. These principles are all based on *ren*, which signifies the reciprocal nature of humanity disrespecting of family or non-family relationships. For example, although the relationship of ruler and subject is a non-family

relationship and not as close as that of father-son, the principle of the righteousness of the ruler-subject relationship is also reflected in the father-son relationship with the same moral nature of *ren*. As *Xiao Jing* claims, “The relation and duties between father and son, (thus belonging to) the Heaven-conferred nature, (contain in them the principle of) righteousness between ruler and subject.” (*Xiao Jing* 9) While, as benefactors, parents love, care and pay attention to their children, the children reciprocally give them love, obedience, and attentiveness. This is consistent with the principle of righteousness. The way that they interact with each other is a result of love or *ren* rather than pursuing economic or political benefits. Similarly, in the Confucian tradition, the ruler-subject relationship is not a pure economic binding with a social contract, the subject is supposed to give their loyalty and respect to their rulers as a return for the support and guidance received from their ruler.

As the philosopher You said:

They are few who, being filial and fraternal, are fond of offending against their superiors. There have been none, who, not liking to offend against their superiors, have been fond of stirring up confusion. The superior man (*junzi*) bends his attention to what is radical. That being established, all practical courses naturally grow up. Filial piety and fraternal submission! - are they not the root of all benevolent actions (*ren*)? (*Analects* 1:1)

It means that, as a vertical social relationship, the ruler-subject relationship applies the principle of righteousness, which is cultivated through the family relationship of father and son since one's childhood. It also indicates that, as a horizontal social relationship, such as friend-to-friend, colleague-to-colleague, and student-to-student, the virtues of trust and altruism are also initially cultivated by the daily interaction with brothers and sisters at home. *Ren*, as the reciprocal nature of humanity and the foundation or root of all the social relationships, is cultivated firstly from family relationships.

Furthermore, it is interesting to find that there are some similarities between Confucian ethics and Aristotelian aretaic ethics. Like Confucian *ren*, which is the root of the five relationships and human virtue, is first cultivated within family, Aristotle also claims that “in the household first we have the sources and springs of [*philia*], of political organization, and of justice (*Eudemian Ethics* 1242b:1).” *Philia* is translated as friendship and affection in the *Liddell and Scott Greek English lexicon*, and it is not only between friends but also rests on relationships such as a father toward his son, an older person toward a younger, a man toward a woman, and ruler toward subject (*Nicomachean Ethics* 1158b:1). To conclude, although there may be differences in specific meaning, like Confucian *ren*, Aristotelian *philia* represents love, which is first cultivated in family, and serves as the foundation of virtue of justice and the basic link that holds city or community together (*Nicomachean Ethics* 1155a:4).

As integral parts of Confucian ethical teaching, the five moral principles are essential for building a Confucian community. Rather than a mere aggregate of individuals, the Confucian community is a society centered on mutual trust and humanity. In such a family-based community, “the goal of the people is not only to live in peace but also to aid each other in moral exhortation as they cultivate their characters (Tu 1989, 56).”

In sum, Confucian society is essentially family oriented. Since the modern notion of the corporation is a concept coming from the West and assumes fundamental individualism under the conditions of the social contract, there is a rupture between individual, familial, and corporate relationships. Confucianism, which assumes the nature of reciprocal humanity or *ren*, therefore, can fill the gap between individual, family (community), and the modern corporation.

3.5 The implications of the five cardinal relationships in the Confucian corporation

According to Oxford Dictionary, a corporation is defined as an organization “authorized to act as a single entity and recognized as such in law.” Because a firm is made by individuals, who make all possible actions and decisions, the human factors are essential

for a corporation's behaviours. As discussed, in Confucian teaching, to be human means to live ethically with others in a community. Instead, to act alone in the selfish pursuit of financial gain like *Homo economics* is to make oneself be less than human or become a "small person" (*xiao ren* 小人) (Graham 1989, 20). In contrast to the economic assumption of the pursuit of self-interest and a utility-maximizing independent individual, the foundation of a Confucian corporation is based on interdependent and interrelated people with a set of defined roles, mutual obligations, and the potential to become *junzi* through self-cultivation. Therefore, the essential principle of a Confucian corporation is to be a community, putting human values and relationships in the centre. Talwar (2009, 43) claims that the inclusion of human values in corporate values will have radical impacts on corporate behaviour. This will lead not only to business success but also to a harmonious and prosperous society at large.

As discussed, the Confucian tradition emphasises the five cardinal relationships and the five constant virtues. The five cardinal relationships define appropriate duty and roles among organizational members; whereas, the five constant virtues stress the importance of harmony, and may provide a moral framework for the Confucian corporation.

Rather than being seen as an independent individual, in Confucian teaching, each person is prescribed in terms of roles. One's appropriate attitude and behaviour is, in addition, dictated according to the specific relationships with others. Although Confucius gave no direct teachings in the context of business organization, there are inherent influences made by the manifestation of the five cardinal relationships.

The ruler and subject relationship in the time of Confucius, spoke of a benevolent ruler, a good king who acted with *ren* to his subjects; while a loyal subject, in return, devoted himself to serving the king with a full heart. In our modern days, this relationship between benevolent rulers and loyal subjects has now shifted to benevolent superior and

loyal subordinate, a relationship which it is important to maintain in the management hierarchy and the context of an organization. As mentioned in *Mencius*, “When the prince regards his ministers as his hands and feet, his ministers regard their prince as their belly and heart; when he regards them as his dogs and horses, they regard him as another man.” (*Mencius* 4:B:31) If an organization has a management team that cares about its employees, in return, employees are supposed to be loyal and devoted to their corporation; whereas, if the corporation treats its employees like tools or resources only to be used for making financial benefits, and drives them only through power and money, employees can hardly be loyal to their leaders and the corporation they work for. Therefore, many Chinese corporations manifest a paternalistic style of management and provide holistic and warm support for employees’ housing, recreation, childcare, and other benefits unusual in western countries.

Within the father-son relationship, there is compassion on the role of the father and filial duty on that of the son (*Li ji Li yun* 禮記•禮運 18). Certainly, this relationship is much closer than that of ruler and subject, and the first has a more profound connotation than the latter in the context of corporations. Filial piety is the root of Confucian moral principle which implies a passionate love and respect to one's parents and ancestors. If being properly developed, this love can be extended to one’s leaders, community, country, and the entire world. The Chinese character for filial piety (*xiao* 孝), illuminates the term's connotation. The ideogram is a combination of the characters 老 (*lao*), which denotes old, and 子 (*zi*), which signifies son. The top half of the character *xiao* presents the character *lao* signifying the parents, and the bottom half of the character represents the son. Therefore, the character *xiao* shows that the two generations form a unity rather than separate and independent entities. With this line of thinking, as there are infinite

generations in the past and infinite generations in the future, the idea of *xiao* may transcend time and space, and make all of humanity form a great unity.

In the context of a corporation, this sense of unity is of paramount importance. With the implication of the father-son relationship and the idea of *xiao*, members of Confucian organizations will not just think about their interests alone; entities will not just seek benefits within their boundary. Instead, everybody puts the whole picture in their heart and works together not only for the benefit of an organization but also for the sake of the whole society. Although it is a great idea, one may think it is unrealistic in today's highly competitive business environment. But if we look at the long-living Chinese tradition of ancestor veneration, we may have the confidence to find solutions to put this idea into reality.

Zengzi, a famous disciple of Confucius said, "Let there be a careful attention to perform the funeral rites to parents and let them be followed when long gone with the ancestor ceremonies - then the virtue of the people will resume its proper excellence." (*Analects* 1:9) When parents show their great reverence towards the dead parents and even ancestors who lived thousands of years ago during the ceremony of sacrifice, it may teach their children who participate in the ceremony a remarkable lesson, as their children are supposed to inherit the virtue of *xiao* not only for their ancestors but also for their living parents. On the other hand, if the parents do not show respect and reverence for their parents and ancestors, their children will very likely treat them in the same way. When it comes to Confucian corporations, it requires that the leaders not only devote themselves to serving the organization without putting their benefit in the first place but also engage themselves sincerely in contributing to society at large. Through the influence of leaders' exemplary behaviours, their employees may cultivate their sense of unity not

only with their managers and colleagues inside the organization but also with people throughout society.

Concerning the manifestation of *xiao*, Confucius said: “while a man's father is alive, look at the bent of his will; when his father is dead, look at his conduct. If for three years he does not alter from the way of his father, he may be called filial.” (*Analects* 1:11) At the first glance, this seems only to emphasise the son’s loyalty and obedience towards his father’s will. But the purpose of the emphasis of *xiao* is to cultivate a proactive attitude to spontaneously develop one’s humanity as a heritage from one’s precedence, as Mencius articulates the importance of *xiao* after the death of one’s parents. This line of thinking implies that a father being kind to his son not only means he has the responsibility to care and nurture his child but, most importantly, he is responsible for being a good example, inspiring his son for a meaningful life with a greater purpose than just pursuing self-interest. When applied to the relation of entrepreneurs and employees, it requires that leaders win the hearts of employees and receive their complete trust and respect for their virtues and characters so that employees fully appreciate the company’s vision and mission set by the top management and are committed to realising it. Therefore, it emphasises the requirement of a leader to have high standards of virtues and a good character. It is also believed, in the Confucian society, that an organization with caring and inspiring managers as fathers and mentors will provide role models for employees and promote harmony among members in an organizational hierarchy with a simulation of the father-son relationship. In sum, the value of *xiao*, cultivated through exemplary leadership, and manifested with a spontaneous attitude, will fill all the gap between individuals, families, corporations, countries and make the whole society whole.

Concerning the husband-and-wife relationship, Mencius said, “between husband and wife, [one should give] attention to their separate functions” (*Mencius* 3:A:4). In

tradition, women are responsible for the household including nurturing and educating their children at home while men are responsible for making a living outside. Emphasising the importance of the economic function of a family, one may think that the Confucian tradition dictates a submissive role for women. However, as discussed, we understand that the essence of Confucianism is learning to be human which puts education and cultivation first, rather than making money. Therefore, the role of women is not at all inferior to that of men in the Confucian tradition.

As there is much misunderstanding about the role of women in the Confucian tradition, it is necessary to illustrate the real connotation of wife in Chinese culture by clarifying “太太” (*Tai Tai*) which is the term of wife in Chinese. *Tai Tai* originates from the Zhou Dynasty (1100 BCE-256 BCE). There were three great women: Tai Jiang, Tai Ren, and Tai Si, collectively called ‘Three Tais’. They were the wives of the three founders of the Zhou Dynasty. Tai Jiang is the grandmother of Zhou Wen Wang (one of the great sage kings admired by Confucius), and under her moral education, her older sons yielded the throne to the younger brother for the sake of people; Tai Ren is the mother of Zhou Wen Wang, known as the first woman in prenatal education, more than three thousand years ago. It was recorded that, when she was pregnant with Zhou Wen Wang, she paid great attention to prenatal education by avoiding seeing evil things, listening to the sounds of lewdness, and speaking arrogant words (*The Biography of Women and Three Mothers in the Zhou Family Lienvzhuan Zhou shi san mu* 烈女傳周氏三母). Therefore, Zhou Wen Wang has been particularly sage-like since he was born; Tai Si is the wife of Zhou Wen Wang and mother of Zhou Wu Wang and the Duke of Zhou (Zhou Gong 周公), known as the sage mother who educated the people of the state with morality. To conclude, all these three great wives and mothers govern ‘inside’ assisting their husbands in educating their children the future sage kings while their husbands

govern 'outside'. And it is commonly believed that the foundation of the royal family of the Zhou Dynasty, which lasted for 800 years, is credited to the three great female Tai. Therefore, the Chinese use the term '*Tai Tai*' as respect for married women, which implicitly expresses the connotation of a good wife as a great expectation and honour.

Regarding the extension of the husband-wife relationship in the context of a corporation, there may have at least two implications. As Confucius said, "*Junzi* seek harmony but not uniformity." (*Analects* 13:23) One suggestion is that as every member of a corporation has different strengths and weaknesses, it is best to allocate them with the tasks and duties suited to their specific talent, character and interest as well as avoiding their weakness, so that they may collaborate with others, realize their value, and contribute to the firm in the most effective way. This not only promotes the diversity of the organization but also reinforces cooperation and enhances harmony among all members.

The second implication is that although it is necessary to make a profit for the firm to survive and develop, the primary purpose of a Confucian corporation should be helping its people 'to be human', which corresponds to the economic duty of the husband, whilst the wife must cultivate their children. It is stated in the *Great Learning*:

Possessing virtue will give him the people. Possessing the people will give the territory. Possessing the territory will give him its wealth. Possessing wealth, he will have resources for expenditure. Virtue is the root; wealth is the result. If he makes the root his secondary object, and the result his primary, people will compete and struggle for the benefit. Hence, the accumulation of wealth is the way to scatter the people; and the letting it be scattered among them is the way to collect the people. (*Great Learning* 13)

As the virtuous leader wins the respect and trust of people so that they can follow him and work together, wealth will follow. Rather than accumulating wealth for self-satisfaction, the virtuous leader spends it for the happiness and the development of his people, and, as a result, they devote themselves to the organization. If the primary purpose

of an organization is the pursuit of wealth alone, and the leaders care only about their benefit, all the members of the organization will likewise compete for their interest, and the firm will soon collapse. Therefore, besides being responsible for achieving the financial targets of the firm, the leader has a primary duty to first become a virtuous person and spend time and resources in guiding and cultivating all the members to make them progress in the way of 'to be human'. As a result, the organization will develop in the way of sustainability and prosperity.

As discussed, in Confucian tradition, regardless of gender, human beings possess an equal moral nature. The division of labour between husband and wife demonstrates the gender mutuality rather than gender inequality. In other words, men and women may complement each other by performing different social roles while maintaining moral equality (Chan 2000, 119). As suggested, in a Confucian community such as a Confucian company, the leader should be a *junzi* with virtue of *ren*. And as it is stated in *the Analects* that the root of *ren* is filial piety and fraternal/sisterly love in which women are not inferior to men (*The Analects*, 1.1). Therefore, according to Confucian teaching and given the contemporary context where man and woman are both eligible to work, woman has equal opportunity and potential to cultivate their virtue of *ren* to become *junzi* as well as the leader of company.

Regarding the elder-and-younger relationship in Confucian teaching, the elders should be supportive to the youngsters, whereas the latter should pay respect to their seniors. Although this may not happen in every family, at least it is what most parents expect their children to do. It is mentioned in the *Standards for Being a Good Student and Child* (*Di Zi Gui* 弟子規), a classic Confucian book, that good elder brothers should be friendly with their younger brothers, and good younger brothers should respect their elder brothers. If all brothers can live in harmony, they are at once filially pious (*Di Zi Gui*

Chapter 3 *Ru ze xiao* 入則孝). In Confucian teaching, there is a close relationship between the love toward one's parents (*xiao* 孝) and brotherly/sisterly love (*ti* 悌). As discussed, Confucian teaching puts *xiao* as the root of all virtues, and *ti* is an important aspect of Chinese culture. One application of the elder and younger relationship in the Confucian corporation is that senior staffs are keen to support their juniors, whereas the juniors respect the seniors and appreciate their support. As a pre-condition, the organization must build a culture of harmony among employees. The leader should, therefore, show a good example to support all employees in need. In addition, the leader should promote and recognize the cooperative behaviours of employees and take it as an important standard for promotion to make sure that the senior positions are for the people who care and support the junior ones. As a result, this can create a virtuous circle in which senior managers share their wisdom and experience in supporting the junior ones and, in return, the juniors will progress and support their seniors in a better way so that they can both make a bigger contribution to the organization.

The friend-to-friend relationship also has important implications for the Confucian Corporation. First, it has a much wider scope than the other four Confucian relationships and may include all the people such as classmates, relatives, colleagues, superiors, subordinates and all the people one has contact with. Although, in theory, doing business as a process of the fulfilment of economic contractual obligations with various stakeholders does not necessarily lead to friendship, in practice, especially within the Confucian culture, people who have friendly business interaction and social contacts usually build mutual trust and friendship. The interactions between friends, which take place based on mutual help and benefits rather than the pursuit of self-interest, will have impacts on the corporation and its stakeholders.

One important benefit of friendship in the organization is that genuine friends are in the best place to help each other to assess and correct inappropriate behaviours. The sentence “do not befriend anyone who is not alike you” (*Analects* 1:8) implies that as a good friend one must help the other to correct flaws. The responsiveness of friendship works in a virtuous circle: based on mutual trust, a friend can confidently point out the area that the counterpart needs to improve; one may accept the advice in good faith, and make appropriate changes where necessary; in turn, it can reinforce the relationship. In the Confucian corporation with an emphasis on hierarchy, friendship serves as a lubricant between managers and employees which can help them to communicate, improve and enable jobs to be more collaboratively and pleasantly. And as with friends, colleagues between different departments can collaborate harmoniously, which can help the organization make a better performance. Nelson (1989, 397) reveals that organizations with strong intergroup connections generally resolve conflicts and operate more efficiently and smoothly.

Apart from this harmonious character, friendship can also lead to mutual trust which is essential for business. As Zeng zi said, “In my interactions with colleagues and friends, have I failed to make good on my word?” (*Analects* 1:4) A genuine friend will always try to keep their promises. And within the business context, trust (*xin yong* 信用) serves as “social glue that holds business relationships together. Business partners who trust each other spend less time and energy protecting themselves from being exploited, and both sides achieve better economic outcomes in negotiations” (Brett & Mitchell 2020). Accordingly, *xin yong* is regarded as an essential ethical behaviour of business managers, which depends on a sense of duty and confidence in the good faith of others. Therefore, by building a long-term friendship among managers, it can not only promote

trust but also can cultivate moral managers which can reinforce cooperation and partnership among organizations and lead to long-term business relationships.

3.6 Conclusion

The exploration of Confucian philosophy in this chapter serves as a theoretical foundation for the discussion of the Confucian corporations and their specific form of CSR in the following chapters.

According to the virtue of *ren*, leaders of human communities are expected to be authentic not only to their selfhood but also to their sociality. As the *Great Learning* records ‘to illustrate the illustrious virtues’, with Heavenly endowed human nature, the purpose of life for a *junzi* is not for living well or satisfying personal material and spiritual desires, but for a full realization of human potential and liberation which are equally possessed by everyone. Therefore, to a *junzi*, self-love means the love of their ‘illustrious virtue’ rather than the love for their wealth or reputation. And the manifestation of this ‘illustrious virtue’ is expressed through loving for others. It means that, in addition to helping others to satisfy their reasonable needs, *junzi* leaders want to fulfil their responsibilities according to their roles in their families, corporations, communities and society at large so that people can cultivate themselves and realize their potentials by following good examples. The eight processes of human becoming show steps of developing a cultivated person as well as a virtuous leader. They emphasise self-cultivation which is essential for building a harmonious and prosperous society.

According to the principle of applying a measuring square, in a Confucian corporation a *junzi* CEO practices the virtue of *ren* by doing things from two perspectives. One is the positive aspect, “doing to others what one wishes himself”; the other is the negative aspect, “not doing to others what one does not wish himself”. As the foundation of a Confucian community is based on groups of interdependent and interrelated people

with a set of defined roles and mutual obligations, around the concepts of *junzi* and the five cardinal relationships, we further explore how Confucian ethics can be adapted to a community in general and a corporation in particular.

To conclude, the philosophy of Confucius is expressed in various aspects and different parts of the family, society, and wider realms. This includes how a CEO might be expected to behave within and beyond a corporation. And the essential principle of a Confucian corporation is to be a community, putting human values and relationships in the centre. Rather than the pursuit of self-interest based on the assumption of *Homo economicus*, Confucian philosophy leads to a very particular set of human values such as the five constant virtues, which, if truly extended into corporate responsibility would provide a very particular type of CSR. Confucian philosophy with its cultural influence on Chinese people must also have some impacts on Chinese companies' ways of doing business as well as their CSR performance. Therefore, before we can define Confucian CSR, it is worthwhile investigating the CSR performance of Chinese companies by comparing their CSR reports with those of US companies.

Chapter 4 A Comparative Analysis on CSR Reports: US Companies vs. Chinese Companies

In Chapter Three, we have explored the values of Confucian philosophy which are different from those of modern economics. Although there does not exist a different form of CSR model applying to the Chinese culture yet, it can be assumed that these different values may have practical impacts on CSR performance which can be revealed from CSR reports. Consequentially, by comparing differences in CSR reports between Chinese companies and US companies, it can be disclosed what aspects of CSR performance and report are influenced by Confucian philosophy. With this knowledge, we can construct a Confucian CSR model in the following chapters.

As the characteristics of CSR can be generalized through the investigation of CSR reports, I adopted an inductive strategy with a mix of qualitative and quantitative approaches for a comparative analysis with CSR reports of both Chinese and US companies to explore the similarities and differences between Chinese and US CSR practice, and to find out to what extent the Chinese CSR is influenced by Confucian philosophy. Although it could be more plausible to choose many companies from many countries, concerning the limitations of the research time for an in-depth analysis, I chose three Chinese and three US companies. The reason for choosing US rather than other countries is because US is the country not only where the concept of CSR was first developed but also has great impacts on the development of CSR today. Considering the quality and universality of the CSR reports, for both countries, each of the three companies is one of the top companies from a different sector. Given the great similarity found among the three companies of each country, it suggested that the number of the sample companies are sufficient for generalizing the characteristics of CSR for both countries.

This chapter is organized into four sections. Section one provides an introduction on CSR reporting; section two presents the analysis on US companies' CSR reports; section three is about Chinese companies' CSR reports analysis; in section four, we compare CSR reports in both countries and conclude the characteristics of Chinese CSR with the influence of Confucian philosophy.

4.1 CSR reporting

Although there are still many problems in CSR development, all groups of stakeholders (e.g., governments, consumers, and investors) require both financial indicators and non-financial criteria to evaluate corporate performance. Thus, the demand for better information about corporate CSR performance is continuously increasing, and under increasing pressure on the transparency of corporates' environmental, economic, and social impacts, information about CSR performance is now becoming an imperative part of companies' annual reports. Many companies publish a corporate social responsibility report, sometimes also known as a sustainability report or an Environmental and Social Governance (ESG) report.

In the 1980s, in responding to public criticism against environmental disasters, some companies in certain sectors, such as chemicals and extractives, had to publish environmental reports, with limited performance metrics.

In 1994, John Elkington in the UK created the triple bottom line model (TBL), which is generally regarded as a CSR accounting framework with three categories, namely, profit, people, and the planet. After the TBL concept became accepted and popular, CSR reports started becoming increasingly part of standard practice.

Nowadays, publishing CSR reporting by large public companies has become the norm around the world. Sol Kwon (2018, 3) has pointed out that 78 per cent of the S&P

500 now publish a CSR report, and the KPMG CSR Reporting Survey 2017 states that of the world's largest companies 93 per cent are involved in sustainability reporting (Blasco & King 2017, 9).

By responding to the demand for reliable and transparent indicators of progress in the domain of CSR, according to the GRI website, the Global Reporting Initiative (GRI), formed in 1997, is an international independent standards organization that creates a common framework for voluntary reporting on the economic, environmental, and social impact of the organization-level activity. GRI's framework for CSR reporting helps corporations identify, collect, and report this information clearly and comparably. The KPMG Survey of Corporate Responsibility Reporting 2017 notes that the GRI's CSR reporting framework is widely adopted by governments, transnational organizations, small and medium enterprises (SMEs), NGOs and industry groups in more than 90 countries and by 75 per cent of the Global Fortune 250 (G250) companies (Ibid., 28).

A major concern to economic development is the limited information provided to stakeholders. In addition to GRI, the Prince of Wales created the Prince's Accounting for Sustainability Project (A4S) to deal with this issue in 2010 with the cooperation of the GRI and the International Federation of Accountants International Council for Integrated Reporting (IIRC). It aims to establish an internationally recognized integrated reporting framework that presents CSR information in a clear, concise, and comparable manner.

Like GRI, ISO 26000 is another international standard that served to address and effectively assess organizations' social responsibilities in relation to their mission and vision.

In the following sections, we need to further investigate the CSR reports for both US and Chinese companies and to compare their differences, by which we can find the

characteristics of CSR of Chinese companies due to the cultural differences and in relating to Confucian philosophy.

4.2 Analysis of US CSR reports

The companies selected in this research are from three industries, namely automobile, banking, and retail. Within these industries, three top US companies are selected, which are, respectively, General Motors (GM), PNC Financial Services Group (PNC), and Walmart.

4.2.1 Company's background

GM

As the largest American automobile manufacturer, GM is a transnational company that designs, markets, builds, sells automobiles and automobile parts, and provides financial services. According to the company's 2018 annual report, with more than 173,000 employees, and operating in 37 countries, GM has many renowned brands such as Cadillac, Chevrolet, Buick, GMC, Holden, Baojun, Jiefang, and Wuling. In addition, GM sells cars, trucks, and crossovers to dealers as well as to customers including car rental companies, commercial fleet customers, leasing companies, and governments. It also delivers mobility and security solutions and related financing services for those customers. Annual worldwide net sales and revenue reached a milestone of \$133 billion in 2018.

PNC

As one of the biggest retail banks in the United States, PNC's businesses include corporate and institutional banking, residential mortgage, and asset management. Many of its products and services are nationally provided. According to the company's 2018 annual report, with more than 28,000 employees, PNC Bank has 2,372 branches and

9,162 ATMs in 19 states and Washington, DC. Based on total assets, \$382.3 billion on December 31, 2018, PNC is the 8th largest bank in America.

Walmart

As a publicly-traded family-owned company, Walmart is the world's largest company by revenue and largest private employer controlled by the Walton family. Being an American multinational retail company, Walmart manages a chain of hypermarkets, grocery, and discount department stores. According to its 2018 annual report, the company operates more than 11,200 stores under 55 banners in 27 countries and eCommerce websites in 10 countries. Walmart's annual revenue reached \$500.3 billion in the fiscal year 2018. Most of Walmart's sales is from US business. Outside of America, Walmart operates in many areas such as Central America, South America, the United Kingdom, and China.

4.2.2 Analysis of US CSR reports by category

In this section, we use the 2018 CSR reports published by US companies for the analysis. To find out the characteristics of US CSR reports, firstly, I make a comparison of the matters of employees, the environment and community among the three companies; secondly, I investigate the relationship of this coverage with the standards set by the GRI; thirdly, I discuss problems that I suggest arising with the content of these CSR reports.

4.2.2.1 Employees

For easy reference, the details of CSR aspirations and initiatives of the three US companies in the employee category are summarized in the form of a table in Appendix 1.

4.2.2.1.1 Aspiration

All these companies aim to support their employees' needs:

- GM say that they must provide a company culture that fulfils employees' long-term individual aspirations.
- PNC state that they support employees' personal and professional needs.
- Walmart aim to provide a powerful economic engine for people in the sector and help them and their families to build a better life.

Their aspirations for employee management are expressed differently:

- GM explain very clearly, at the beginning of their statement, that the purpose of attracting and retaining the top talents is to stay competitive with other companies.
- PNC state that their employees' success is a pre-condition of their organisation's success.
- Walmart say that it works for making a better life for its employees and families by providing inclusive working opportunities.

4.2.2.1.2 Management approach and action

The structures of management and care for employees in these three companies' CSR reports are similar. The main common contents are talent acquisition, talent development, benefits and compensations, and diversity and inclusion. As the labour union in the US is comparably strong in the automotive industry, GM also have a section for labour relations in their report.

Talent acquisition

Each of these three companies has a specific strategy for the acquisition of talent.

- GM's recruiting efforts are the responsibility of their internal acquisition team, as this team is most able to convey the company's culture to the prospective employees.

- For PNC, their strategy to attract and retain top talents focuses on meeting their needs by providing resources such as competitive compensation and benefits, promotion opportunities, and diverse and inclusive culture.
- Walmart work to reduce entry barriers to attract low-skilled workers by providing them with work and advancing opportunities to give them and their family a better life.

Talent development

While all these three companies claim to provide talent development for their employees with on-the-job competency and communication skills training, they emphasise different aspects of the training.

- As a company with a culture of innovation, GM cooperate with top institutions to develop training programmes specifically to enhance employees' creativity and design thinking.
- PNC emphasise leadership development for each level of manager. By introducing a set of leadership standards and values, PNC reinforces its company culture through the process of leadership development of its management team.
- For Walmart, their employee development is separated into two classes: fundamental retail job skills training for operational employees and advanced skills (e.g., management, finance) training for supervisors and managers.

Benefits and compensations

- GM put special emphasis on the improvement of employees' work-life balance and the enhancement of employees' wellbeing through providing employees with advanced benefits, such as flex-time scheduling, telecommuting working arrangement and on-site fitness facilities.

- Like GM, PNC provide its employees with similar benefits focusing on health, money, and quality of life.
- Although Walmart give a more detailed description about their compensation and benefits, most of them are common items such as wage, healthcare, 401k (US retirement plan), and bonuses.

Diversity and inclusion

All these three companies say that employee diversity and inclusive culture is an essential part of their HR strategy as it is not only important for improving corporate performance but are also essential to meet the increasingly diverse customers' needs and expectations.

Employee engagement

- All these three companies have adopted an employee engagement survey to measure the results of their work.
- GM and PNC emphasise the importance of acknowledging their employee's contributions by implementing recognition programmes and initiatives.
- PNC and Walmart also mention that they engage with their employees by contributing to their engagement with communities, encouraging them by matching their giving and paying for employees' volunteering time.

Labour union

To meet their obligation of complying with local labour laws and regulations, and to protect employees' rights, GM have implemented policies and processes to work together with labour unions regularly from the top management level to the operational level.

Neither PNC nor Walmart have such a strong labour union tradition.

4.2.2.1.3 Summary

In general, all these three companies' management approaches and activities for the category of employees are aligned with their aspirations and their models of business. Although there are some differences in their strategy and practice, the general contents and considerations are more or less the same. They share the idea of providing a diverse and inclusive environment to meet the needs of their employees. In return, employees can improve their performance so that the company can provide better service to their customers. On the other hand, most of the differences are due to the management's perceptions of their employees' needs and their impacts on their performance with the context of their industries.

4.2.2.2 Environment

For easy reference, the details of aspiration and initiatives of the three US companies in the environment category are summarized in the form of a table in Appendix 2.

4.2.2.2.1 Aspiration

Each of these three companies mentions that they are committed to reducing environmental impact and supporting sustainable development.

- Unlike PNC which only set water and carbon emission reduction goals for their operation, both GM and Walmart state that they also share their purpose of environmental protection with other partners in the supply chain.
- In addition, as an automobile company, GM also emphasise reducing the impacts of their products with their mission statement of seeking zero emission through adopting advanced technologies and improving the efficiency of traditional products.

4.2.2.2.2 Management approach and action

Although the management approaches and actions for the environment in these three companies' CSR reports are different, they share some common items: products and services, supply chain and related stakeholders, and operations.

Products and Services

- As an automobile manufactory company, GM focus on both developing an electric vehicle portfolio and a charging infrastructure and improving the efficiency of conventional vehicles to seek lower emission and reducing excess material usage and cost for production.
- PNC provide financing in many areas related to sustainable business. The loan they committed to sustainable finance is \$7 billion, which is 3 per cent of their total loan portfolio.
- Whilst Walmart mention, in their community development section, that they have charity training programmes to teach and influence residents to eat more healthy foods such as fruits and vegetables which as being more environmentally friendly than meats although there is no mention of promoting green or healthy purchases through their direct selling services.

Supply chain and related stakeholders

GM and Walmart both state that most of the greenhouse gas emission of their business comes from their supply chain. Therefore, both companies implement several programmes and initiatives to reduce environmental impacts through cooperating with their suppliers and other stakeholders within their supply chain. Their supply chain management approaches to reducing environmental impact can be included in three categories:

- Collaborating and supporting suppliers to setting and achieving sustainable goals.
- Promoting environmental disclosure across their supply chain.
- Sourcing sustainable products from suppliers with compliance to their supply chain requirements.

Operations

All these three companies report their targets of reducing environmental footprint, such as reducing GHG emission and waste, energy, water, and other resources, as well as related programmes and initiatives within the process of their operations.

- GM provide a comprehensive explanation of their environmental governance, policy, management system and employee training to ensure meeting those targets. As a manufacturing company, GM emphasise integrating environmental sustainability practices into their everyday operations conforming to GM's own Environmental Performance Criteria (EPC).
- PNC's environmental initiatives mainly come from their investment in purchasing renewable energy and upgrading buildings and equipment to improve the efficiency of energy and other resources. Other efforts that PNC report is quite limited, such as furniture donation and coffee waste recycling in their headquarter buildings.
- In addition to improving buildings efficiency and purchasing renewable energy, Walmart emphasise reducing waste, mainly through food donation, product refurbishing and packaging. In areas with a high level of water stress, Walmart seek to reduce water usage in their operations through many ways, such as using efficient equipment and technologies in facilities, redesigning processes to save water, monitoring water usage to discover and fix leaks and treating and recycling water.

4.2.2.2.3 Summary

Overall, among these companies, in all three categories of products and services, supply chains, and operations, GM are more committed to environmental sustainability, with the assurance of their environmental governance, policy, and management system. PNC present the least management effort in their environmental strategy with a low ratio of sustainable finance to total loan and focusing on upgrading facilities and purchasing renewable energy. On the other hand, Walmart have made considerable endeavours in both their supply chain and operation.

4.2.2.3 Community

For easy reference, the details of aspiration and initiatives of the three US companies in the community category are summarized in the form of a table in Appendix 3.

4.2.2.3.1 Aspiration

All these three companies claim to serve their local communities with different focuses as they believe that the relationships with their local communities are essential for their business sustainability.

- Given the trend of the development of advanced technology in the automotive industry, GM have a strategic interest in cultivating a future workforce by providing science, technology, engineering, and math (STEM) education in local communities.
- PNC, as a retail bank, emphasise strengthening the relationships of local communities in the areas of community development and education.
- Walmart aim to support their communities by providing customers with convenient access to affordable products as well as by providing local people with good working opportunities. In addition, with their scale of products, logistics, and employees, Walmart is dedicated to helping globally in hunger and emergency relief initiatives.

4.2.2.3.2 Management approach and action

The management approaches for community engagement are various in these three companies' CSR reports. To be comparable, I consider the subjects of education, community development, and hunger relief & disaster relief.

Education

All three companies have sponsored or engaged in certain types of education for residents of their communities. For example:

- GM provide Science, Technology, Engineering, and Mathematics (STEM) education to prepare their workforce for future opportunities and challenges.
- PNC support partners to provide money management education courses, homebuyer education programmes and sponsor pre-education programmes for families living in their local communities.
- Walmart provide nutrition education to encourage people to eat more healthy food.

All these educational initiatives are related to the companies' businesses and can positively impact their business in the long term. Although one of the United Nations Sustainable Development Goals (SDG) focuses on ensuring everyone, especially people in difficulty, have access to quality education. None of the three companies provides education to those who belong to vulnerable groups.

Community Development

- GM emphasise upgrading neighbourhood facilities such as the renovation of schools and parks and working closely with partners to improve employment.
- Through Community Development Banking, PNC focus on offering many financial products and services to meet the needs of their diverse customers.

- Walmart emphasise not only providing convenient access to products and offering job opportunities but also supporting diversity and inclusion in their communities.
- All three companies encourage their employees to volunteer and make donations for community development initiatives.

In their communities, they all provide financing support for those people in need.

- With Smart Growth as an urban planning strategy, GM support partners to improve the life quality of the community for an extremely low-income household.
- To ensure access for low- and moderate-income populations to have adequate, safe, and affordable housing, PNC invested \$9.9 billion in 2018.
- Walmart work with partners to connect all businesses and especially minority, women, and younger entrepreneurs with affordable financing.

Hunger relief & disaster relief

In addition to providing education and community development initiatives, Walmart stands out from both GM and PNC with their related initiatives by engaging in hunger relief and disaster relief across the US. For example, compared to PNC's one-off donation of \$500,000 to disaster relief efforts in 2018, "Walmart and the Walmart Foundation have committed up to \$20 million in support of relief efforts in response to the severe weather impacting the Gulf region (Walmart 2017)." Walmart aim to eliminate hunger and provide nutrition to people in need. As the severity and frequency of disasters have increased, they have also worked to enhance resilience in the face of natural disasters.

4.2.3 Comparison with standards set by the GRI

Founded in 1997 in Boston, United States, the GRI is an international independent standards organization that supports organizations managing and communicating their impacts on social and environmental issues such as human rights, climate change, and

corruption. Since 1999, GRI has established a generally accepted framework for sustainability reporting (Brown et al. 2009). Developed by the Global Sustainability Standards Board (GSSB), GRI launched its latest GRI Standards in 2016 which can be freely downloaded from the GRI website (GRI 2016). According to many researchers and institutions, GRI is the most frequently used international standard in corporate sustainability reporting (Prado-Lorenzo et al. 2009, 95).

By referencing GRI standards in their sustainability reports, like most of the world's largest companies, GM, PNC, and Walmart have adopted and implemented GRI Standards in their CSR reports. To find out their situation of GRI standards compliance, the following table shows the coverage of the GRI standards and how each of the CSR reports meets these standards (Y=Yes and N=No)

Category	GRI Standard Number	GRI Standard Title	Disclosure Title	GM	PNC	Walmart
Employee	401-1	Employment	New employee hires and employee turnover	Y	Y	N
Employee	401-2	Employment	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Y	Y	Y
Employee	401-3	Employment	Parental leave	Y	Y	Y
Employee	402-1	Labor/Management Relations	Minimum notice periods regarding operational changes	Y	N	N
Employee	404-1	Training and Education	Average hours of training per year per employee	Y	Y	N
Employee	404-2	Training and Education	Programs for upgrading employee skills and transition assistance programs	Y	Y	Y
Employee	404-3	Training and Education	Percentage of employees receiving regular performance and career development reviews	Y	N	N
Employee	405-1	Diversity and Equal Opportunity	Diversity of governance bodies and employees	Y	Y	Y
Employee	405-2	Diversity and Equal Opportunity	The ratio of basic salary and remuneration of women to men	Y	N	N

Employee	406-1	Non-discrimination	Incidents of discrimination and corrective actions taken	N	N	N
Environment	301-1	Materials	Materials used by weight or volume	N	N	N
Environment	301-2	Materials	Recycled input materials used	N	N	N
Environment	302-1	Energy	Energy consumption within the organization	Y	Y	Y
Environment	302-2	Energy	Energy consumption outside of the organization	Y	Y	Y
Environment	302-3	Energy	Energy intensity	Y	N	N
Environment	302-4	Energy	Reduction of energy consumption	Y	N	N
Environment	302-5	Energy	Reductions in energy requirements of products and services	Y	N	N
Environment	304-1	Biodiversity	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N	N	N
Environment	304-2	Biodiversity	Significant impacts of activities, products, and services on biodiversity	N	N	N
Environment	304-3	Biodiversity	Habitats protected or restored	N	N	N
Environment	304-4	Biodiversity	IUCN Red List species and national conservation list species with habitats in areas affected by operations	N	N	N
Environment	305-1	Emissions	Direct (Scope 1) GHG emissions	Y	Y	Y
Environment	305-2	Emissions	Energy indirect (Scope 2) GHG emissions	Y	Y	Y
Environment	305-3	Emissions	Other indirect (Scope 3) GHG emissions	Y	Y	Y
Environment	305-4	Emissions	GHG emissions intensity	Y	Y	Y
Environment	305-5	Emissions	Reduction of GHG emissions	Y	Y	Y
Environment	305-6	Emissions	Emissions of ozone-depleting substances (ODS)	Y	N	N
Environment	305-7	Emissions	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Y	N	N
Environment	306-2	Effluents and Waste	Waste by type and disposal method	Y	N	Y

Environment	306-3	Effluents and Waste	Significant spills	Y	N	N
Environment	306-4	Effluents and Waste	Transport of hazardous waste	Y	N	N
Environment	301-3	Materials	Reclaimed products and their packaging materials	N	N	N
Environment	307-1	Environmental Compliance	Non-compliance with environmental laws and regulations	N	N	N
Environment	308-1	Supplier Environmental Assessment	New suppliers that were screened using environmental criteria	Y	N	N
Environment	308-2	Supplier Environmental Assessment	Negative environmental impacts in the supply chain and actions taken	Y	N	Y
Community	413-1	Local Communities	Operations with local community engagement, impact assessments, and development programs	Y	Y	Y
Community	413-2	Local Communities	Operations with significant actual and potential negative impacts on local communities	N	N	N

**Table 4.1 GRI Standards and US CSR Report Disclosure Mapping
(GRI 2016)**

The above table shows the mapping between GRI standards, and the content disclosed in the three companies' CSR reports. Whilst GM meets more than 70 per cent of the standards, PNC and Walmart meet less than 40 per cent. Some of these differences, especially those within the environment category, may relate to the sector that each company represents, but the overall level of compliance is significant. In the category of the employees, where there are ten standards, the differences are less marked with GM complying with nine, PNC and Walmart with six. For Community, where there are only two standards, each company complies with one of them. None of the reports on the significant and potential negative impacts.

According to GRI, the purpose of sustainability reporting is to “help organizations to measure, understand and communicate their economic, environmental, social and governance performance, and then set goals, and manage change more effectively” (GRI 2016). Therefore, being an effective sustainability report,

it is important to communicate sustainability performance not only with positive impact but also with potential negative impact and related action plan.

In the above table, there are seven GRI indices highlighted in yellow which are the contents related to negative impact disclosures. None of the companies admits that they have any related problem or incident. Concerning GRI 306-3 Effluents and Waste, GM explicitly states that they have had no significant spills in 2018 while there is no mention of the other six GRI indices. It is hard to believe that there are no problems or negative incidents with employees, the environment, and communities within all these companies. If these companies want to show only their positive impacts to improve their image through publishing their sustainability reports, their CSR reporting is used as a PR tool rather than being a tool to target, oversee, and improve CSR performance.

To conclude, the fact that the three US companies use GRI standards as a reference for their CSR reporting makes their sustainability reports somewhat similar in terms of both layout and content. The differences in their CSR reports are mainly due to their different industry sectors. But the data also suggests that rather than using CSR reporting as a tool to improve their CSR performance with the guidance of GRI standards, each of these three US companies is picking the positive impacts of their CSR performance to show a good corporate image and strengthen their competitiveness without mentioning those negative impacts and potential areas for improvement.

4.2.4 Critics on CSR issues

As discussed, many companies are about mis-using CSR as an instrument of promotion and not as a means of ensuring responsibility. For example, some companies use CSR to hide irresponsible behaviour (Fleming & Jones 2013, 67-79); others adopt CSR as a form of “greenwashing” and conform with the minimum of government legislation (Lee 2008,

54-6). For the three US companies I have selected, it is important to investigate their CSR aspirations and find out the purposes of their CSR initiatives.

4.2.4.1 Employees

Concerning their aspiration of management and care for employees, GM state:

To stay competitive and relevant as a company, we must attract and retain the brightest talent around the world ... To win and keep talent, we must provide a workplace culture that encourages employee behaviours aligned with our values, fulfils their long-term individual aspirations, and achieves full engagement. (GM 2018, 102)

Rather than stating an intrinsic reason for the well-being of employees, they explicitly say that the purpose of caring for their employees and providing them with a good workplace environment is for winning the brightest talent and strengthening their company's competitive advantage.

PNC spend five of the total seven pages of the employees' content talking about diversity and inclusion, by saying that "diversity & inclusion are among our corporate values and an integral part of our talent and leadership development strategy ... because we believe that the highest-performing teams are diverse, and the most productive workplaces are inclusive." (PNC 2018, 14) Again, PNC's motivation for building a diverse and inclusive culture is seen to be to improve their employees' performance and productivity.

Similarly, Walmart, in their inspiration statement about employees' strategy, also focus on providing diverse and inclusive job opportunities to their employees. While, as shown in table 4.1, they are not in compliance with GRI standards about employee training and education.

These examples show that these companies use CSR initiatives and reporting as a source of competitive advantage. In addition to these benefits of CSR, Burke and Logsdon

(1996, 496-9) state that CSR has been linked with many advantages to the firm. The table below presents the linkages between specific CSR behaviours and specific strategic outcomes.

CSR Behaviour	Strategic Examples	Strategic Outcome
Philanthropic Contributions	Community support, monetary donations	- Customer loyalty - Future purchasers
Employee Benefits	Flexible hours, health/wellness	- Customer loyalty - Productivity gains - Customer loyalty and morale
Environment Management	Process innovation regarding pollution, reduce 'carbon footprint'.	- Public relations and/or marketing advantage - New products or markets
Product or Service-Related Characteristics, Innovations or Processes	Product reformulations: e.g. improved 'green' design, fuel efficiency.	- New products and market - First-to-market and ahead of governmental regulations

Table 4.2 Examples of Strategic Outcomes from CSR Behaviour

(Adapted from Burke & Logsdon, 1996)

All the strategic examples in the employee category are taken by the three selected US companies. According to CSR aspirations for their employees, it would seem likely that they seek the same sort of strategic outcomes also in the other CSR categories.

The emphasis of the strategic outcomes for CSR shown in the above table is understandable in the context of businesses competition. Research shows that firms that incorporate CSR strategies may have a differential competitive advantage (Hunt & Morgan 1995, 1). Paradoxically, those CSR initiatives that are most adopted by companies, may not be a strategic differentiator, but become a basic requirement for responsible business. If companies do not integrate CSR into their corporate strategy, they may be at risk of competitive disadvantage.

4.2.4.2 Environment

To find out their real purposes with CSR initiatives, it is helpful to construct tables that show each initiative for one of the following reasons: commercial (C), partial commercial (PC) and socially responsible (SR). Although each of these classifications may in some way impact the company's competitive advantage, they differ in their prime intention from those only concerned with the company to those that also include society and community. Commercial initiatives are activities that are mainly intended to have direct impacts on the company's competitive advantage with strategic outcomes such as productivity gain, new product and market, and cost reduction. Partial commercial initiatives are those activities with the prime intention of having impacts not only on the company's competitive advantage such as customer loyalty, public relationship, and marketing advantage but also on the well-being and interests of stakeholders. Socially responsible initiatives signify activities with the prime intention to social wellbeing rather than pursuing the company's competitive advantage. The following table presents all CSR initiatives within the Environmental category and their possible reasoning for these three US companies.

Company	Initiatives	C	PC	SR	Strategic Outcomes
GM	1 promoting EV market	x			new product and market
	2 improving conventional vehicle efficiency	x			product quality
	3 supply chain compliance control		x		public relation, customer loyalty
	4 purchasing renewable energy		x		public relation
	5 energy reduction through improving efficiency	x			cost reduction
	6 reducing waste in the design process	x			cost reduction
	7 hosting events to beat plastic pollution			X	
	8 applying design thinking about waste disposal	x			new product and market
	9 earning new Wildlife Habitat Council Certification			X	
PNC	1 improving building efficiency	x			cost reduction
	2 reducing water usage	x			cost reduction
	3 using renewable energy		x		public relation
	4 waste Furniture donation			X	
	5 coffee pods recycling			X	
	6 sustainable finance	x			new product and market
	7 responsible investing	x			new product and market
Walmart	1 improving the energy efficiency of buildings, trucks and other facilities	x			cost reduction
	2 increasing renewable energy		x		public relation
	3 supporting electric vehicles (EVs) with charging stations	x			customer satisfaction
	4 reducing waste	x			cost reduction
	5 reducing water usage	x			cost reduction
	6 conserving and restoring natural habitat			X	

Table 4.3 US Environmental CSR Initiatives and Reasoning

From the above table, the SR initiative ratio is only 22 per cent, 29 per cent, and 17 per cent for GM, PNC, and Walmart respectively; On average, for the three companies, SR reasoning only counts for 22 per cent. We can conclude that there are overwhelming strategic and commercial considerations when these companies make their decision on environmental initiatives.

4.2.4.3 Community

The following table presents all the CSR initiatives within the community category and their possible reasoning for these three US companies.

GM	1	advancing STEM education	X	public relation, future employee
		promoting vehicle & road safety through education		public relation, future purchase
	3	improving a community's neighbourhood infrastructure		x
PNC				customer loyalty, future business
	2	providing financial education	x	customer loyalty, new product, future business
	3	community development banking	X	new market
Walmart	4	disaster relief donation		x
	1			x
	2	providing disaster relief		x
	3	healthier eating education	X	customer loyalty, new market
	4	supporting community development projects	X	public relation

Table 4.4 US Community-related CSR Initiatives and Reasoning

From the above table, the SR initiative ratio is only 33 per cent, 25 per cent, and 50 per cent for GM, PNC, and Walmart respectively; On average, for the three companies, SR reasoning only counts for 36 per cent. Compared to environmental initiatives, while there are much fewer commercial initiatives, with more partial commercial initiatives, we can still conclude that there are overwhelming strategic and commercial considerations when these companies make their decision on community-related initiatives.

4.2.4.4 Summary

Overall, the above analysis about the CSR aspirations and managements within the employees, environment, and community categories, shows that all these three companies are undertaking similar CSR initiatives as a strategic tool to improve their competitive advantage and long-term Corporate Financial Performance (CFP). However, making decisions on CSR initiatives by calculating their impact on strategic outcomes, or in other words, on short-term and/or long-term financial impact, rather than focusing on the environmental and social benefits for multi-stakeholders is contradicting the essence of company's social responsibilities (Wood 2010, 59).

In addition, the causal relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP), cannot always be served as justification for CSR initiatives. Although there may be a positive relation between CSP and CFP, it is not true that the highest CFP are produced by the CSR initiatives with the highest CSP. For instance, taking the example of PNC providing financial education for potential customers may have a direct impact on future business and have a high CFP in return. And funding education for children in a distant area of poverty may be less effective in creating future revenue. Although it is very likely that for the benefit of PNC, they might choose the former initiative than the latter one while the latter one may have greater social value, it is illogic for making authentic CSR decisions based on its strategic outcomes to the firm.

The CSR reports of GM, PNC, and Walmart, show companies cherry-picking responsibilities according to their business priorities rather than their social and environmental impacts and responsibilities. As a result, instead of focusing on those in society with the greatest needs, these companies are putting their efforts into the most profitable CSR initiatives, such as energy-saving projects and image building activities. It has been argued by Nijhof and Jeurissen (2010, 627) that the commercialization of CSR

limits its capacity to be a framework for paradigm organizational change. They criticise CSR for being restricted by a “glass ceiling” of business strategic thinking. In promoting electrical vehicles and autonomic vehicles, GM present their efforts in terms of CSR, and this seems to be more acceptable to business.

To conclude, the analysis of the CSR reports of GM, PNC and Walmart demonstrate that current world-leading US companies promote strategic CSR in favour of their business performance, which not only has very limited scope for CSR but also makes the concept of CSR less effective (L’Etang 1995, 126).

4.3 Chinese CSR reports analysis

Within the same industries as the US CSR analysis, three top Chinese companies are selected. They are, respectively, Geely Holding Group (Geely), China Merchants Bank (CMB), and Suning.com Group (Suning).

4.3.1 Company’s background

Geely

Headquartered in Hangzhou, China, Geely is a privately owned automotive corporation. Founded in 1986, it started the automotive business in 1997. It sells both passenger vehicles and commercial vehicles with Geely Auto, Lynk & Co, Volvo, Lotus, and Proton brands. Geely is ranked 267th in the Fortune Global 500 with \$ 49 billion in revenue and over 1.5 million cars sold in 2018.

CMB

As one of the biggest national commercial banks with \$ 1,019 billion total assets at the end of 2018, CMB’s products and services include wholesale and retail banking as well as treasury businesses. CMB’s main market is inside China covering China’s major economic centres and some large and medium cities. In addition, the company also has

foreign branches in 106 countries and regions. Wholly owned by business entities, CMB was the first joint-stock commercial bank and the first bank for financial reforms in China.

Suning

As one of the largest retailers in China, Suning has more than 1,600 stores covering over 700 cities of China and Japan. Its business covers physical merchandise, such as 3C products, home appliances, general merchandise, cosmetics and baby care products, and other merchandise. In 2004, the Company was listed on the Shenzhen Stock Exchange.

4.3.2 Chinese CSR reports analysis by category

Similar to the analysis of US CSR reports, in this section, I first make a comparison of the matters of employees, the environment and community among the three Chinese companies; secondly, I investigate the relationship of this coverage with the standards set by the GRI; thirdly, I discuss findings that I suggest arising with the content of these CSR.

4.3.2.1 Employees

For easy reference, the details of aspiration and initiatives of the three Chinese companies in the employees' category are summarized in the form of a table in Appendix 4.

4.3.2.1.1 Aspiration

Unlike those US companies that emphasise satisfying their employees' needs, these companies aim to support their employees' development and to create a partnership with them:

- Geely state that they are aiming to “achieve the common development of employees and enterprises for common commercial pursuits” (Geely 2018, 50).
- CMB state that they “strive to build a career development platform that enables employees to fully leverage their wisdom and talents... we aim to join hands with our employees to achieve even bigger success” (CMB 2018, 73).

- Suning say that “adhering to development will benefit every Suning person... treat our employees as partners in creating and sharing value as well as taking responsibilities” (Suning 2018, 36).

Rather than focusing only on diversity and inclusion, the Chinese companies speak of providing their employees with a harmonious working environment:

- Geely state that they aim to “creating an equal, fair and harmonious working environment, paying attention to cultural integration, rejecting discrimination” (Geely 2018, 50).
- According to CMB, “An open, fair and pleasant workplace is indispensable to harmony in the Bank.” (CMB 2018, 80)
- Suning are committed to creating “a harmonious working atmosphere” (Suning 2018, 36).

The third similarity of their aspirations for employees is caring for employees’ happiness.

- Geely work to “improve their [employees’] sense of belonging and happiness” (Geely 2018, 51); Geely strive to “create a happy atmosphere” for their employees (Geely 2018, 56).
- CMB claim to “advocate the philosophy of ‘happy work and healthy life’ among employees” (CMB 2018, 95).
- “Suning are committed to caring for employee happiness life.” (Suning 2018, 36)

All these Chinese companies claim to take their employees as their partners to seek joint development and success, and to achieve this goal, they work to provide their employees with a harmonious and pleasant environment.

4.3.2.1.2 Management Approach

The structures of management and care for employees in these three companies' CSR reports are similar. The main common contents are talent development, employee benefits and protection, and good workplace and employee happiness.

Talent development

In developing the talents of their employees, all these Chinese companies provide their employees with sophisticated training systems and various career paths according to their conditions and needs. These companies provide not only learning resources and career guidance but also encourage them to decide what, when and where to learn based on their own needs. In addition, CMB encourage all employees to teach and contribute to their training system, through which they can share their knowledge and further promote their career development.

Employee benefits and protection

Both Geely and Suning claim to provide their employees with competitive compensation and benefits. While Geely emphasise that their salary and welfare system is based on employee's efforts and achievements, Suning state that the average salary of their employees has maintained double-digit growth for more than a decade, well above the average CPI, which is only 2.2 per cent per annum for the last ten years. CMB mention the flexibility of their employee benefits system to better meet employees' demand and focus on ensuring enough holidays and leave time for employees to maintain a work-life balance.

Concerning employee protection, Geely emphasise signing collective agreements on the protection of rights and interests for their employees, and in addition, have established an employee mutual assistance fund and an employee caring fund to protect employees in need. Suning have established an institutional system to promote

democratic management and guarantee employees' rights through periodical meetings, labour unions and internal institutions.

On employee health and safety, the three Chinese companies show different levels of attention. As an automotive manufacturer, Geely carry out more measures to protect the health and safety of its employees. In addition to implementing hazard identification and risk management and control systems and holding safety promotion activities and training programmes, Geely provide commercial insurance for all employees and their families including their spouses, children, and parents. While CMB do not specifically mention employee health and safety, Suning claim to hold various activities, such as organizing voluntary clinics and psychological counselling to promote physical and mental health for their employees.

A good workplace and employee happiness

All the Chinese companies are committed to providing their employees with a good working culture and environment. Geely emphasise building a corporate culture of excellence which encourages employees to fulfil their potential through their daily work; CMB work to build a strong company culture with core values of “Service, Innovation and Prudence” to enhance internal cohesion – for example, the new CMB Museum showcases CMB’s history and its culture of innovation and development; Suning have upgraded their traditional working place to an intelligent working environment by adopting advanced technology.

In addition to building corporate culture and providing a good working environment, the three Chinese companies also work to improve their employees’ happiness mainly through employee services, employee collective activities and employee recognition.

Rather than emphasising employee compensation and benefits, all of these three Chinese companies give their employees extra services and care to improve employee happiness. For example, Geely have opened several kindergartens to ensure that Geely employees' children can get quality education; CMB launched an 'Intra-City Rail' program to help employees transfer to other cities or branches upon their demand; Suning provide employees with a variety of services such as rich dining options, an employee leisure centre, and assistance with school enrolment for migrant employees' children.

To create a 'happy atmosphere' these companies organise various activities for their employees and their families. In addition to the common activity of Family Day, Geely hold collective weddings, relay races, cultural trips; CMB arrange employee birthday party and health lectures; Suning organise Suning Summer Evening and sports competition.

Rather than only providing monetary rewards, both Geely and Suning offer their employees various forms of recognition. For example, Geely provide overtime dinners and weekend buffets for Geely Achievers and send cards to their families for expressing gratitude; For retired employees, Geely acknowledge its achievement by organizing retirement ceremonies and inviting them to visit the company on special occasions, such as the Company Celebration Day and the Spring Festival; to acknowledge the contribution of its top 100 delivery drivers, Suning hold Delivery Driver Day and arrange various activities to enrich their life.

4.3.2.1.3 Summary

In general, each one of these three companies' management approaches and activities for the care and management of employees is aligned with their aspirations and their business models. Although there are some differences in their strategy and practice, the general content and considerations are similar. They share the idea of taking their employees as

partners and working together to seek joint development and success, which makes employee development the end rather than a means. To achieve this purpose, they all emphasise providing their employees with a good corporate culture and working environment and improving employee happiness through various measures beyond employee compensation and benefits.

4.3.2.2 Environment

For easy reference, the details of aspiration and initiatives of the three Chinese companies in the environment category are summarized in the form of a table in Appendix 5.

4.3.2.2.1 Aspiration

All these Chinese companies are committed to reducing environmental impact and supporting sustainable development with various initiatives according to their industries:

- Geely work to promote Geely's new energy strategy and accelerate the construction of a greener and smarter modern plant.
- CMB strive to support the development of an eco-friendly, low-carbon, and recyclable economy by actively promoting green finance.
- Suning actively promote green logistics, green operations, and spreading the concept of environmental protection throughout their value chain, calling on the whole public to jointly build an ecological society.

4.3.2.2.2 Management approach and action

Although the management approaches for the environment in these three companies' CSR reports are different, the scope of their consideration is limited to products and services, and operations.

Products and Services

These three Chinese companies are in different industries with different forms of products and services so that they each have distinct approaches for environmental protection:

- As a manufacturing company, Geely focus on their independent research and development to produce environment-friendly cars and to lead China's new energy and energy-saving technology.
- As a bank, CMB implement green credit policies to direct capital into the eco-friendly areas, support the development of eco-friendly industries and create value for environmental protection. As of the end of 2018, CMB's green loans balance reached \$24 billion, up to 4 per cent of total loans.
- As a retailer, Suning advocate green consumption. Suning have increased the sales of energy-efficient products through subsidies and promotions for green design products and a trade-in service for home appliances. To improve the accessibility of green products for customers, Suning have strengthened the procurement of energy-efficient home appliances. In addition to increasing green consumption from consumers, through the promotion of sales of energy-efficient home appliances and increasing the sourcing of such sustainable products, Suning succeed in guiding suppliers to produce more green products.

Operations

All these companies report their targets of reducing their environmental footprint, such as reducing GHG emission and waste, energy, water, and other resources, as well as related programmes and initiatives within the process of their operations.

- Geely have implemented a comprehensive environmental management programme that has passed third-party certification. As a manufacturing company, Geely have integrated environmental consideration into every process of its operations from site selection to battery recycling. To save energy and resources, Geely emphasise not

only the upgrading of their facilities and equipment but also establishing a green office atmosphere by engaging their employees in building resourcefulness and energy-saving habits.

- Like Geely, CMB also work to upgrade their facility and equipment and build a low-carbon and eco-friendly workplace culture to reduce energy and resource consumption. For example, in 2018, CMB implemented a paperless platform for a fully electronic operation.
- Suning work to improve their environmental performance throughout their operations, such as warehouse location selection, transportation optimisation, promoting green packaging, improving management systems, and upgrading store facilities. Like Geely and CMB, Suning also emphasise building a low-carbon and eco-friendly culture with full engagement of their employees in their daily lives.

Volunteering Activities

Both CMB and Suning support voluntary activities in environmental protection. For example, in addition to planting trees in various regions of China as Suning do, CMB organize marathons to promote green commuting.

4.3.2.2.3 Summary

Although these three Chinese companies vary in their management approaches and their environmental performance, they have all integrated environmental considerations with their products and services and throughout their operations. In addition, to emphasise improving environmental performance through enhancing technology, policy and management systems, these companies have promoted a low-carbon and eco-friendly culture with the full engagement of their employees.

4.3.2.3 Community

For easy reference, the details of aspiration and initiatives of the three Chinese companies in the community category are summarized in the form of a table in Appendix 6.

4.3.2.3.1 Aspiration

Geely advocate “let the world feel love” (Geely 2018, 70) as their public welfare value statement. Similarly, Suning also holds their proposition as “deliver love and hope to the whole society” (Suning 2018, 49).

Different from Geely and Suning, CMB state their social responsibility with the notion of “taking root in the society, giving back to the society” (CMB 2018, 12). Without mentioning explicitly their responsibility of loving the world, CMB show their appreciation and willingness to contribute to society. Rather than emphasise the short-term benefits of themselves and their customers, CMB “continuously pay close attention to the long-term value of ourselves and our customers” (CMB 2018, 12).

4.3.2.3.2 Management approach and action

The management approaches for community engagement are various in these three companies’ CSR reports. To be comparable, I consider the subjects of poverty alleviation, education, and community development.

Poverty Alleviation

All these Chinese companies put poverty alleviation in the first place of their social responsibility. Like many other social problems, poverty alleviation is an enduring and complex issue. Solving the problem of poverty requires a systematic way and considerable effort in the long term. Due to the different conditions of their industries, adapting their own industrial and market advantages, these companies carry out various forms and approaches such as industry, education and cultural development, employment, agriculture, and consumption. For easy reference, the details of poverty alleviation

projects of the three Chinese companies are summarized in the form of a table in Appendix 7.

With the engagement of partners and employees, all these Chinese companies emphasise providing means, platform, opportunity, training, and spiritual encouragement for people living in poverty-stricken areas so that people can become more competent and confident to lift their lives out of poverty by themselves rather than making them rely on one-off money and material donations from others. According to these Chinese companies, rather than the managers picking up the easiest approaches for promoting their corporate image, they all work to create original ideas and explore the possible methods and channels for poverty alleviation by their advantages and conditions.

Education

All these three companies emphasise education for people living in poverty-restrict areas or recorded poor households. These efforts include vocational education, business skill training, construction of basic education facilities, student subsidisation, teacher training, and educational events for people living in remote areas to ensure the equalization of receiving high-quality education and everyone having enough knowledge and skills to lift themselves from poverty. In addition to these measures, focusing on the automotive industry chain, Geely have established five colleges and universities to cultivate high-level professional talents for society.

Community Development

As mentioned above, Geely and Suning have similar public welfare value statements which aim to spread love. Their CSR aspirations are beyond the improvement of their company's image and the strengthening of competitive advantage and have a much greater and broader purpose to contribute to society and solve its problems to help people to live a happy life.

Indeed, to pass the love to the world, Geely needs to cultivate their employees with a caring character towards others. As a result, in practice, Geely promotes many voluntary and charity activities towards vulnerable groups with employee engagement regularly, such as blood donation, education assistance for needy students, automobile maintenance, subway service, first aid training and assistance for people in need. By organizing many voluntary activities with the proactive participation of employees, according to Geely's 2018 CSR report, "public welfare has become a vital part of the happy life of every Geely person". This suggests that the purpose of Geely's public welfare activities is not only for the benefit of the society and the company, although this is very likely to happen, but, most importantly, to make their employees and others feel happy with the acts of giving and receiving love. With the same inspiration, Suning has carried out various sports activities to integrate public welfare development into people's daily life. According to Suning, through holding public sports activities, more people can participate and love developing public welfare. It can enhance people's mutual understanding and foster the spirit of mutual love, self-esteem, and independence. In return, it can further promote the development of public welfare (Suning 2018, 53).

CMB have launched a child-care volunteering program with the brand name of 'Sunflower Garden Full of Love'. Since then, volunteering activities have been held every year under the program to demonstrate CMB employee commitment to children's welfare

To conclude, their efforts of the Chinese companies on community development seem to be not only for the improvement of public welfare but are also aimed at empowering people with the ability of love and spreading love amongst people through charitable and voluntary activities. Geely and Suning not only care about what their companies and employees can give to society but also care about the influence of their activities on individual character building and people's feelings of love.

Concerning charity and volunteering activities, in addition to focusing on organising events with employee engagement in spreading love and helping vulnerable groups, both CMB and Suning, jointly with many charitable institutes, use their website as a charity platform providing new channels and opportunities for their clients to make donations to multiple projects. In other words, both CMB and Suning not only focus on doing good for the benefits of their communities directly by themselves but also advocate and facilitate their clients engaging in public welfare initiatives.

In addition to charity and volunteering activities, as a financial services provider, CMB focus on livelihood improvement by providing innovative products and services to make people's lives better and create greater convenience. CMB have integrated community development into their business operation through three categories: 1) increasing loans for important infrastructure and livelihood projects; 2) developing smart banking services and facilitating activities in healthcare, elderly care, education, transportation, tourism, and cultural sectors; 3) revitalizing rural areas by launching various financial solutions for sustainability projects.

In sum, these Chinese companies use charity and volunteering activities not only as a means for community development but also for cultivating their employees with a sense of social responsibility and building their ability and willingness to spread love to others. Also, both CMB and Suning have integrated community development into their daily operations according to their business and market advantages, such as using their website as a charity platform to promote charity projects and CMB's financial services and solutions for livelihood improvement and sustainability projects.

4.3.3 Comparison with standards set by the GRI

By referencing GRI standards in their sustainability reports, like most Western companies, Geely, CMB and Suning have adopted and implemented GRI Standards. The below table

shows the coverage of the GRI standards within the three categories and how each of the CSR reports of the selected companies meets these standards (Y=Yes and N=No)

Category	GRI Standard Number	GRI Standard Title	Disclosure Title	Geely	CMB	Suning
Employee	401-1	Employment	New employee hires and employee turnover	Y	Y	N
Employee	401-2	Employment	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Y	Y	Y
Employee	401-3	Employment	Parental leave	Y	N	N
Employee	402-1	Labour/Management Relations	Minimum notice periods regarding operational changes	Y	N	N
Employee	404-1	Training and Education	Average hours of training per year per employee	Y	Y	Y
Employee	404-2	Training and Education	Programs for upgrading employee skills and transition assistance programs	Y	Y	Y
Employee	404-3	Training and Education	Percentage of employees receiving regular performance and career development reviews	Y	N	N
Employee	405-1	Diversity and Equal Opportunity	Diversity of governance bodies and employees	Y	Y	Y
Employee	405-2	Diversity and Equal Opportunity	The ratio of basic salary and remuneration of women to men	Y	Y	Y
Employee	406-1	Non-discrimination	Incidents of discrimination and corrective actions taken	N	Y	Y
Environment	301-1	Materials	Materials used by weight or volume	Y	N	N

Environment	301-2	Materials	Recycled input materials used	Y	N	N
Environment	301-3	Materials	Reclaimed products and their packaging materials	Y	N	N
Environment	302-1	Energy	Energy consumption within the organization	Y	Y	Y
Environment	302-2	Energy	Energy consumption outside of the organization	Y	N	N
Environment	302-3	Energy	Energy intensity	Y	Y	N
Environment	302-4	Energy	Reduction of energy consumption	Y	Y	Y
Environment	302-5	Energy	Reductions in energy requirements of products and services	Y	Y	Y
Environment	304-1	Biodiversity	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N	N	N
Environment	304-2	Biodiversity	Significant impacts of activities, products, and services on biodiversity	Y	N	N
Environment	304-3	Biodiversity	Habitats protected or restored	N	N	N
Environment	304-4	Biodiversity	IUCN Red List species and national conservation list species with habitats in areas affected by operations	N	N	N
Environment	305-1	Emissions	Direct (Scope 1) GHG emissions	Y	N	N
Environment	305-2	Emissions	Energy indirect (Scope 2) GHG emissions	Y	N	N
Environment	305-3	Emissions	Other indirect (Scope 3) GHG emissions	N	N	N

Environment	305-4	Emissions	GHG emissions intensity	N	N	N
Environment	305-5	Emissions	Reduction of GHG emissions	Y	N	Y
Environment	305-6	Emissions	Emissions of ozone-depleting substances (ODS)	N	N	N
Environment	305-7	Emissions	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Y	N	N
Environment	306-2	Effluents and Waste	Waste by type and disposal method	Y	N	N
Environment	306-3	Effluents and Waste	Significant spills	N	N	N
Environment	306-4	Effluents and Waste	Transport of hazardous waste	N	N	N
Environment	307-1	Environmental Compliance	Non-compliance with environmental laws and regulations	N	Y	N
Environment	308-1	Supplier Environmental Assessment	New suppliers that were screened using environmental criteria	Y	N	N
Environment	308-2	Supplier Environmental Assessment	Negative environmental impacts in the supply chain and actions taken	N	Y	N
Community	413-1	Local Communities	Operations with local community engagement, impact assessments, and development programs	Y	N	Y
Community	413-2	Local Communities	Operations with significant actual and potential negative impacts on local communities	N	N	Y

**Table 4.5 GRI Standards and Chinese CSR Report Disclosure Mapping
(GRI 2016)**

The table shows the mapping between GRI standards, and the content disclosed in the three companies' CSR reports. Whilst Geely meet about 68 per cent of the standards, CMB and Suning meet only 35 and 32 per cent respectively. Some of these differences,

especially those within the environment category, may relate to the sector that each company represents, but the difference in the overall level of compliance is significant.

In the category of the employees, where there are ten GRI standards, the differences are less marked with Geely complying with nine, CMB with seven and Suning with six. Talent Acquisition, Retaining and developing, Compensation and benefits, Diversity and Inclusion and Labour Union are all covered in the GRI Standards. For Community, only Suning reports on both two standards, while CMB's report reflects none of them, and Geely's report includes one. Within the environment category, Geely complies with 60 per cent of GRI standards, CMB with only 24 per cent and Suning with only 16 per cent. These differences are partly explained by the different sectors within which each company operates.

In the above table, there are 7 GRI standards highlighted in yellow, which relate to negative impact disclosures. Both CMB and Suning comply with two of the seven reporting items, while only one is disclosed by Geely. With the disclosure of the reporting items, none of the companies admits that they have any related problems or incidents. The fact that no negative impacts are found or reported does not mean that there are no such impacts. Lack of disclosure of adverse impacts, while only communicating achievements suggests these Chinese companies, too, want to use their CSR reporting to show their achievements rather than use it as a tool to find and communicate their adverse impacts on sustainability.

To conclude, Geely have covered most of the GRI standards in both the employees and the environmental categories, and the other two Chinese companies have much better compliance with the GRI standards of the employees than those of the environment; There are much fewer GRI standards on community development and related activities. CMB have not referred to any of the GRI standards in this category, however, all these three

Chinese companies participated in poverty alleviation, education, and many other community development activities which are not required in the GRI Standards.

4.3.4 Critics on CSR issues

The CSR motivations of initiatives of the three US companies have been investigated in the last section, the following undertake the same analysis for the Chinese companies.

4.3.4.1 Employees

The Chinese companies claim that they place equal importance on realizing employees' talent and wisdom and developing their business. In addition, instead of developing employees as a means to the end of pursuing commercial success for their company, the companies appear to treat their employees as partners rather than merely a resource. Therefore, these companies do not only provide a diverse and inclusive working environment, but also a harmonious and pleasant workplace.

Company	Initiatives	C	PC	SR	Strategic Outcomes
Geely	1 Recruiting diversified workforce	x			Improving employees' productivity and their performance
	2 Providing a sustainable talents training mechanism for employees	x			Improving employees' competence
	3 Signing collective agreements to protect employees' rights and interest			x	
	4 Establishing employee mutual assistance fund and employee caring fund			x	
	5 Providing a sound compensation and welfare system based on employees' performance	x			Attracting and retaining talent

	Promote working ethic		productivity and team performance
	7 Enhance employees' experience with HR services	x	
	Creating a "happy atmosphere" through		
	9 Providing caring services for employees	x	
	for all employees and including spouses, children and parents		employee loyalty
CMB			employees' competence
	3 Encouraging employees to contribute in teaching and sharing knowledge	x	Improving employees' competence
	Ensuring employees' leisure time for maintaining a work-life balance		
	5 Establishing employee opinion collection platform	x	
	transfer opportunities to employees in need		
	7 Building a strong company culture to enhance the internal cohesion	x	Improving team performance
	Enriching employees' life through various		
Suning	system to enhance employees' skills and abilities	x	Improving employees' competence

2	Providing a broad career development opportunity	x	Improving employees' competence
3	Providing employees with competitive compensations	x	Attracting and retaining talent
4	Providing caring services for employees (dining options, leisure centre, support enrolment for employees' children)		x
5	Providing an intelligent working environment	x	Improving employees' productivity and team performance
6	Organizing activities to enrich employees' life (Suning Summer Evening, Suning Sports Competition, Family day)		x

Table 4.6 Chinese Employee Related CSR Initiatives and Reasoning

From the above table we can see that, for Geely, among their total ten kinds of Employee related initiatives, four are in the commercial category, one is partly commercial and partly CSR, five are based purely on CSR. Concerning CMB, among a total of eight initiatives, both commercial and partly commercial are three initiatives, two are in the SR category. For Suning, among six initiatives, three are commercial, one is the partly commercial purpose, and two are within the CSR category. On average, for the three companies, 62 per cent of their initiatives are purely or partly commercial (45 per cent pure commercial and 17 per cent partly commercial), while SR counts for 38 per cent. Although there are relatively more strategic and commercial initiatives related to employees than those SR initiatives, among the three companies, they all emphasise providing harmony and a happy atmosphere for their employees by providing them with extra care and organizing various activities even extended to employees' families members and outside of their working time.

4.3.4.2 Environment

The following table presents all the CSR initiatives within the environment category.

Geely	1	Promoting new energy vehicles and energy-saving models	x	new product and market
	3	Implementing environmental management system including both internal and supplier control		x
	5	Establishing a Green Office Atmosphere and promoting employees' engagement	x	cost reduction
	7	Consolidating logistics to improve efficiency	x	cost reduction
CMB	2	Organizing tree planting activities		x
	6	Provide green lending to support eco-friendly emerging industries	x	new product and market
	7	Supporting the national energy and resource-saving project		x
	8	Organize marathon to promote green commuting		x
Suning	1	Improve the accessibility of green products by strengthening green procurement		x
	2	Promote green design products, and trade-in service for home appliances	x	new product and market

3	Selecting warehouse location with environmental consideration		x	
4	Consolidating logistics to improve efficiency	x		improve efficiency
5	Green packaging		x	
6	Upgrading facility and equipment to reduce energy consumption	x		cost reduction
7	Building a low-carbon and eco-friendly culture and integrating the green philosophy into employees' everyday lives.	x		cost reduction
8	Organizing tree-planting activities		x	

Table 4.7 Chinese Environmental CSR Initiatives and Reasoning

From the above table, for Geely, CMB, and Suning, the SR proportion is respectively 29 per cent, 50 per cent, and 50 per cent. On average, for the three companies, 57 per cent of their environmental initiatives are purely or partly commercial (48 per cent purely commercial and 9 per cent partly commercial), while SR counts for 43 per cent.

4.3.4.3 Community

The following table presents all the CSR initiatives within the community category.

Company	Initiatives	C	PC	SR	Strategic Outcomes
Geely	1 Building Geely factories in targeted poverty alleviation areas			x	
	2 Investing RMB 200 million in educational projects for poverty alleviation			x	
	3 Helping people from registered impoverished households to get employed			x	
	4 Supporting agricultural projects in poverty-restricting areas			x	

CMB	5	Purchasing agricultural products from poverty alleviation areas for employee benefits		x	
	6	Establishing colleges to train high-level technicians	x		talent development
	7	Engaging employees in voluntary activities, such as blood donation, education assistance, first aid training		x	
	1	Providing financial support for students of a poor family		x	
	2	Funding training activities for teachers in poverty-stricken areas		x	
	3	Improving local teaching facilities and the living conditions of teachers and students in poverty-stricken areas		x	
	4	Promoting online learning for students and teachers in poverty-stricken areas		x	
	5	Collaborating with e-commerce platforms to promote the sales of agriculture products in poverty-stricken areas.		x	
	6	Supporting scientific projects to guide local farmers in growing plants		x	
	7	Sponsoring 11 rural cooperatives, helping 4,192 registered poor people		x	
8	Funding for cultural poverty alleviation projects		x		
9	Encouraging employees participating in poverty alleviation projects		x		
	10	Facilitating loans for small and micro-business	x		market expansion

	Boosting loans for public infrastructure and livelihood projects	x	market expansion
	12		customer loyalty
		x	
	14		
Suning	1		
	quality educational resources to children living in remote and poverty-stricken areas through the "Suning Dream Caravan" project		
	5 Organizing sports activities to collect funds for public welfare projects		x
	6 Using their website as an online charity channel for public donation		x
	7 Participating in disaster relief activities		x

Table 4.8 Chinese Community Related CSR Initiatives and Reasoning

From the above table, the purely SR proportion is 86 per cent, 80 per cent and 100 per cent respectively for Geely, CMB and Suning. On average, for the three Chinese companies, the commercial-related initiative is only 7 per cent, while SR accounts for 93 per cent.

4.3.4.4 Summary

Based on the above analysis we can conclude that these Chinese companies all have a greater purpose than just pursuing maximization of financial profit in the discussed areas such as the employees, the environment, and community. These are revealed through their CSR statement and proved by the ratios of pure SR activities against commercial related CSR initiatives.

CSR Category	Initiative Category	Geely	CMB	Suning	Average %
Employee	Commercial	40%	38%	67%	48%
	Partial Commercial	10%	38%	0%	16%
	SR	50%	25%	33%	36%
Environment	Commercial	57%	38%	50%	48%
	Partial Commercial	14%	13%	0%	9%
	SR	29%	50%	50%	43%
Community	Commercial	0%	13%	0%	4%
	Partial Commercial	14%	7%	0%	7%
	SR	86%	80%	100%	89%

Table 4.9 Summary of Chinese Companies CSR Initiatives' Classifications

As the above table shows, on average, the employee-related initiatives have the lowest SR proportion (36 per cent), while the community-related initiatives have the highest SR proportion (89 per cent). The SR proportion for environment-related initiatives is 43 per cent.

Concerning employee-related CSR practice, although there are unavoidable commercial considerations in retaining and developing people with talent, as the employees' loyalty and ability have direct impacts on their commercial performance, these Chinese companies also do many efforts in providing employees with a harmonious workplace and in promoting happiness among their workforce and their families through extra care and organizing various collective activities which are not necessarily related to their work performance. While in the areas of environment and community, the related CSR initiatives are mostly for solving environmental and social problems rather than being a strategic way to improve financial performance. Among the three categories, the community category has the lowest commercial score. In their public welfare value statements, both Geely and Suning advocate delivery of love through their CSR activities while CMB emphasises giving back to society. These statements reveal the purpose of their company is not economic dominant.

It can conclude that the GRI compliance in the employee category is similar while in the environment area, it is varied due to the difference of their industries, and in the community area, the average compliance level is lower than that of employee and environment. It is because there are much fewer standards and guidance in the community category from GRI. On the other hand, these Chinese companies have participated in poverty alleviation, education and many other community development activities which are not required in the GRI Standards. Another conclusion is that as there is no disclosure of any adverse impacts referring to the GRI Standards, these Chinese companies do CSR reports mainly for communicating achievements of their CSR performance rather than showing their weakness and adverse issues.

4.4 Chinese CSR reports Vs. US CSR reports

Given the analysis of the CSR reports for both US and Chinese companies in the previous sections, it is time to find out what are the critical differences between a Chinese company and a US company with their CSR inspirations and performance.

4.4.1 Inspirations

As mentioned, the CSR inspirations of US companies are often directly related to their business performance and competence. On the other side, none of those Chinese companies mentions the impact or consequences of their CSR initiatives on their business performance.

In the employee category, for example, not like PNC who state that their success as an organization follows their employees' success, Geely and CMB treat their employees like partners, and they pursue joint success rather than thinking of one another separately. In addition, Suning mentions that “adhering to development will benefit every Suning person” (Suning 2018, 36). This indicates that Suning regards their commercial development as means to benefit their employees which is the opposite of those US companies.

Concerning the environment, all the three Chinese companies emphasise only their responsibility for environmental protection and no one, like GM, expect their environmental initiatives would improve their long-term business performance. For communities, these Chinese companies pursue some values which do not exist in those US CSR reports. For example, Geely advocate “let the world feel love” (Geely 2018, 70) as their public welfare value statement. Suning also hold their proposition as “deliver love and hope to the whole society” (Suning 2018, 49). Similarly, CMB claims the concept of their social responsibility as “Taking root in the society, giving back to the society” (CMB 2018, 12).

To conclude, comparing the CSR inspirations between US and Chinese companies, the US companies explicitly present their perception of an instrumental and strategic CSR, whereas the Chinese companies claim to go beyond their commercial benefits and integrate human values such as love and compassion into their operations of business and CSR initiatives for achieving a harmonious society. As CMB puts it:

We insist on ... use our services to support economic growth, promote social harmony and stability, and protect the environment to create value for stakeholders to the biggest possible extent. (CMB 2018, 13)

4.4.2 CSR initiatives

In previous sections, the CSR initiatives have been analysed by dividing them into three categories: commercial, partial commercial, and pure SR for both US companies and Chinese companies. It is time to compare the differences between these two groups of companies. The below table shows the variance of the proportions in each category and the difference between the Chinese and the US scores.

CSR Category	Initiative Category	US Company Average %	Chinese Company Average %	Variance
Employee	Commercial	91%	48%	43%
	Partial Commercial	3%	16%	-13%
	CSR	6%	36%	-30%
Environment	Commercial	60%	48%	12%
	Partial Commercial	18%	9%	9%
	CSR	22%	43%	-21%
Community	Commercial	8%	4%	4%
	Partial Commercial	56%	7%	49%
	CSR	36%	89%	-53%

Table 4.10 CSR Initiatives' Classifications Chinese Vs. US

From the above table, in each area, the score of SR initiatives for the Chinese companies are all higher than those of the US companies, the variances are 30 per cent, 21 per cent and 53 per cent for the employees, the environment, and the community in

respectively; on the other hand, their scores of commercial initiatives are all much lower than those of the US companies. Within all the three CSR areas, the strategic purpose for Chinese CSR is much less oriented towards instrumental, commercial aims than is the case for US companies. Their purpose is much more, if not entirely, aimed at wider social needs and responsibilities.

After comparing the weight of instrumental or strategic CSR initiatives (commercial or partly commercial) between the selected Chinese companies and US companies, we can see that the US companies mainly use CSR initiatives to improve their commercial performance. Similarly, according to the *User Guide on ISO 26000* on social responsibility, the rationale of enterprises practising CSR is explained for the pursuing of benefits of CSR behaviours such as:

- Higher motivation and productivity among employees
- An enhanced reputation and trust that leads to higher appreciation from customers and suppliers and therefore greater economic success
- Enhanced recognition as operating publicly in society involves consideration for the intentions of customers, representatives of local communities, banks and other important contacts
- An acknowledgement of commitment because CSR is not a shortcut to business success but an investment that may pay off in the longer term
- A higher acceptance within the community. (NORMAPME 2016, 6)

On the other hand, the Chinese companies, more often if not entirely, see their CSR initiatives as a way of giving back to their stakeholders and society without considering commercial advantage for themselves.

This conclusion may indicate a paradigmatic difference between Chinese and US companies. In addition to the quantitative analysis, we can examine the content in more detail. For the employee-related initiatives, besides the common topics such as talent development, diversity, and inclusion, all the Chinese companies focus on what they refer to as employee happiness, including happy work and happy life, and providing a harmonious workplace. This is not mentioned in any one of the US companies' CSR

reports. To make their employees happy and provide them with a harmonious environment, all these Chinese companies hold various activities such as family days, sports competitions. In addition, other than employee benefits and compensations, the Chinese companies provide their employees with caring services, such as establishing an employee caring fund and providing support for school enrolment for their children. Due to these caring inspirations, the Chinese companies extend their employee-related CSR initiatives outside their working time, and to their family members.

For the community-related initiatives, unlike the US companies, which have a limited scope, all the Chinese companies work to solve public welfare issues, such as cultural dissemination, poverty alleviation, and vulnerable group assistance, which echoes their inspiration of “let the world feel love”. Compared to the US companies, their scope of public welfare is much more extended, especially for those underprivileged groups.

Through the text analysis of Chinese and US CSR reports, it is striking to notice the extent to which the Chinese companies, appear to be led by values reflected by the words such as love, care, happiness, and harmony. On the other hand, none of these words or related values is found in those US CSR reports.

	Geely	CMB	Suning	Average
Happy (Happiness)	5	4	3	4
Care	12	15	12	13
Love	9	18	14	14
Harmony	4	7	11	7

Table 4.11 Humanistic Vocabulary in Chinese Companies’ CSR Reports

The above table lists the frequency of the common humanistic vocabulary (happy, care, love, and harmony) in the three Chinese CSR reports. Given the three companies are not only in different industries but also in different types (private, state-owned, and

public companies), it is significant to note that these words appear in all these Chinese CSR reports, with love and care being the most used.

4.4.3 Conclusion

By comparing the US and Chinese CSR reports there appears to be an underlying cultural difference that shapes how CSR is used and expressed. If the US companies emphasise commercial and financial aims, the Chinese companies are much more inclined to express values related to the needs of society at large.

Why do these Chinese companies, which differ in terms of industry, location, and nature, have such similar ideas about their social responsibilities? Scholars suggest that Confucian philosophy has a significant influence on Chinese business development (Zapalska & Edwards 2001). In the book *Confucianism and Modernisation*, Wei-Bin Zhang (1999, 37-74) states that, in China, the development of a sustainable society is based on the Confucian idea of regarding the world as an organic whole with infinite interconnected parts. Further, he points out that Confucian ethics, which underpin reciprocity, can provide ethical guidance on human behaviour to ensure each part maintains its proper position and function as the foundation of harmony of the whole. This could explain why those Chinese companies take such responsible business behaviour to further some social good, beyond their interests.

Furthermore, those values listed above are deeply rooted in Confucian philosophy. In *Book of Rites (Li Ji 禮記)*, there is a famous chapter called The Grand Union (*li yun da tong 禮運大同*), in which Confucius describes a harmonious society as:

...When the Grand course was pursued, a public and common spirit ruled all under the sky; they chose men of talents, virtue, and ability; their words were sincere, and what they cultivated was harmony. Thus men did not love their parents only, nor treat as children only their sons. A competent provision was secured for the aged till their death, employment for the able-bodied, and the means of growing up to the young. They showed kindness and compassion to

widows, orphans, childless men, and those who were disabled by disease so that they were all sufficiently maintained...

From the above text, we can see that the key values that promoted in those Chinese CSR reports are based on the Confucian teaching about the harmonious society with the following characteristics: 1) Virtuous and able leaders with emphasising on the common good; 2) Cultivating harmony through delivering love for all; 3) Caring for vulnerable people.

In a practical perspective, it is important to note that, in the Chinese context, the state has a huge influence on the CSR behaviours of corporations, which is different from Western CSR as Benoit Vermander mentioned:

The state places great emphasis on the social role of companies, expected to show environmental responsibility, contribute to social harmony and insert their action into a framework of sustainable development. A company's record on all these fronts contributes to the definition of its credit with local and national authorities. (Vermander 2014, 69)

Echoing the prediction in Chapter Three, these CSR characteristics are reflected with the impacts of Confucian philosophy with a unique set of social values and principles and with an emphasis on exemplary leadership on the CSR performance and reports. However, it is also found that both Chinese CSR reports and US CSR reports are all compiled in the same way according to GRI standards. Although there are differences in CSR inspirations and performances compared to those of US companies, the Chinese CSR reports are not presented holistically and systematically which reflects a Chinese CSR model mainly based on Confucian philosophy. Since it is the future for Chinese companies that is my primary concern, in the next chapter, I will, therefore, further explore the principles of Confucian philosophy and make a comparative analysis with the principles of instrumental CSR to identify the principles of the Confucian CSR model which can be used as a guide for both the CSR implementation and reporting of Chinese companies.

Chapter 5 Instrumental CSR Principles vs. Confucian Principles

5.1 Introduction

The structure of this chapter is organized into two parts. Part one describes the principles that govern instrumental CSR. As we have seen in the previous chapters, those appear to be trying to take account of social and environmental responsibilities within the competitive principle of corporate financial success and reflect another principle, which is the importance of the individual. The demonstration of these characteristics includes both theoretical and practical aspects by referring to prevailing instrumental CSR models and US CSR reports, which we have explored in the previous chapter.

Part two shows the principles of Confucianism, which lean more towards the wellbeing of the community as a whole and the wellbeing of the individual within the community, and as a part of the community. By referring to Chapter Three with its exploration of Confucian teaching, we can find the Confucian CSR principles that place much greater emphasis on communal wellbeing in the social and environmental realms; and recognize that economic success also has to be seen within a communal realm.

To conclude, this chapter serves to provide both theoretical and practical understandings of current instrumental CSR principles and Confucian principles. By comparing the differences, we can have some insights into the necessity of applying the Confucian principles to CSR for the wellbeing of the planet as a whole and everyone as a part of their community, in today's global economy.

5.2 Principles of instrumental CSR

5.2.1 The competitive principle of corporate financial success

As we have explored in Chapter Two, among the many CSR models, Carroll's four-part pyramid model has been the most widely and often cited in the literature (Crane & Matten

2004, 81). In the Carroll Pyramid model, through the geometric design, Carroll ranks corporate responsibilities in descending order of importance, among which economic responsibilities are followed by legal, ethical, and philanthropic responsibilities. From this CSR model, we can see how the construction and priorities of CSR are generally understood and applied in the Western context.

Carroll's reasoning for prioritizing economic responsibility claims that gaining profits is the primary condition for the company to survive on a long-term basis without which the company cannot carry out its other responsibilities. However, the prioritization of profit-making over law and other responsibilities may lead to corporate misbehaviour. For business in a highly competitive environment, illegal and/or unethical business practices have been blamed on the necessary application of the economic domination principle (Bennett et al. 2013, 1738; Shleifer 2004, 414). Taking the cases of business scandals, such as Enron, WorldCom, and Arthur Andersen, we see that they all resulted from the prioritization of economic over legal and ethical duties (Sachs & Ruehle 2009, 57).

As mentioned in Chapter Two, there are two types of abuse and misuse in CSR initiatives due to the insincerity of the instrumental approach by the economic domination principle. One type of company is those presenting themselves as socially responsible overall, whereas they act in complete ignorance of social responsibility. The other type involves firms claiming to be socially responsible towards some important stakeholder groups, while they are at the same time irresponsible towards other stakeholder groups. Their CSR strategies are criticized as ending up as hollow by focusing on public relations and marketing without dedicating enough time and resources to put their words into practice.

Furthermore, there are many examples of business failure in delivering on their CSR promises. Those nominal CSR leaders, such as Shell, British American Tobacco, and Coca-Cola, with their high commitment to social and environmental responsibilities, have been accused of environmental damage and human rights violations. The rights of vulnerable stakeholders are often violated by those powerful transnational corporations' misconducts.

Controversially, according to Carroll and Shabana (2010, 89-90), companies seek to claim their environmental and social responsibilities under the economic domination principle due to their belief in the strategic function of CSR as an effective way of building competitive advantage and realizing financial profits. In addition, Burke and Logsdon (1996, 495-499) indicate that firms should only focus on or target CSR initiatives that produce economic benefit, as these activities should be served as a means for profit maximization for shareholders, which, again, reveals the instrumental view of CSR initiatives with an economic domination mentality. Currently, the instrumental and strategic approach seems to be gaining prominence in practice. Indeed, studies disclose that business firms utilize instrumental CSR commitments as strategic activities to improve reputation and financial performance (Vogel 2005, 46). These cases reflect the socially and environmentally irresponsible nature of some companies who conduct instrumental CSR behaviours. These companies are most likely to conduct only the CSR activities with the highest economic returns both short-term and long-term for well-selected groups of stakeholders.

However, the dominant profit-making purpose of corporations raises questions about the significance of CSR. Business managers are likely to pick up those CSR initiatives which are beneficial and convenient for themselves. For example, among other CSR initiatives, environmental programs, such as reduction of greenhouse gas emission

by simply outsourcing pollution (CMU 2007) are often chosen by CSR managers, through which they can improve both efficiency and profit, and enhance brand image and reputation. In this way, CSR is more beneficial for corporations than for society.

The economic dominant principle is also shown in CSR reports. In Chapter Four, the three U.S. companies' CSR reports explicitly present the perception of an instrumental and strategic CSR as their inspirations which are often directly related to their business performance and competence.

In the Employee category, for example, GM clearly state that the reason for attracting and retaining the brightest talent is for 'staying competitive', and the purpose of providing employees with a value-aligned workplace is to 'win and keep talent' (GM 2018, 102). PNC regard their employees as their company's future by saying their success as an organization follows their employees' success (PNC 2018, 14). In addition, PNC believe that diverse teams are the highest-performing, and inclusive workplaces are the most productive (PNC 2018, 14), which could explain why the three U.S. companies all regard building a diverse and inclusive workplace as a priority.

Concerning the Environment, GM, which have the largest environmental footprint among the three U.S. companies, claim to pursue 'long-term business success' by taking strong sustainable measures (GM 2018, 57). This means that the purpose of their sustainable measures is to heighten business performance through lower energy consumption (cost reduction), stronger competitiveness (technical innovation) and a better corporation image. For example, in promoting electrical vehicles and autonomic vehicles, GM present their efforts in terms of CSR, and this seems to be more palatable to business. This is a good example of how CSR activities are shifting from responsible behaviour to new markets, cost reduction, innovation, and profit-making initiatives. Consequentially,

the motivation for CSR engagement is driven out by economic domination (Nijhof and Jeurissen 2010, 619).

In the Community category, GM's inspiration focuses on their shared natural resources with communities and the development of a local workforce of talented people, which is essential for their 'mutual long-term success' (GM 2018, 148). Similarly, PNC claim that they diligently relate and serve their employees, customers, and communities, especially for those relationships which are at the centre of their business model (PNC 2018, 22). Walmart promote inclusive and vibrant communities as they believe they are cornerstones of their business and support their commercial growth (Walmart 2018, 169, 189). This may limit their CSR strategies only to serve those stakeholders who are at the heart of their business model.

In sum, in the above CSR areas, these U.S. companies are all driven by their long-term commercial benefits or business success. The fact that the U.S. companies repeatedly emphasise the purpose of their CSR initiatives are to improve their long-term competitiveness, reveals that their CSR initiatives are only taken into consideration when they have a positive impact on their business success. It has been argued by Nijhof and Jeurissen (2010, 619) that the commercialization of CSR limits its capacity to be a framework for paradigm organizational change. They criticize CSR for being restricted by a 'glass ceiling' of business strategic thinking.

In practice, the high weight of commercial CSR initiatives indicates that these companies are cherry-picking responsibilities according to their business priorities rather than their social and environmental impacts and responsibilities. Giving a concrete example, PNC has provided financial education for potential customers which has had a direct impact on future business rather than funding education for children with financial difficulty. PNC chose the former initiative rather than the latter one to support their future

financial benefits, although the latter one might have had much greater social value. Therefore, instead of focusing on those in society with the greatest needs, there is a tendency that these companies are putting their efforts into the most profitable CSR initiatives. However, it is not to say that this CSR strategy has no positive impacts on economic, social, and environmental wellbeing. The problem is that it may limit the scope of CSR only to those initiatives which are favourable for the company's short-term or long-term financial results. The perception with financial dominant CSR may exclude those CSR initiatives which a firm may choose for ethical reasons to contribute to social and environmental wellbeing even with low economic returns to the company. On the other side, due to the lack of ethical motivation of instrumental CSR, it cannot guarantee that the company will not risk harming society and the environment if doing this can bring considerable financial profit to the company.

Overall, the study of the CSR reports in Chapter Four, shows that the three U.S. companies are undertaking similar CSR initiatives driven by the inspiration of improving their competitive advantage and long-term corporate financial performance. However, making decisions on CSR initiatives by calculating their impact on strategic outcomes and financial impact, rather than focusing on the environmental and social benefits for multi-stakeholders, contradicts the essence of a company's social responsibilities (Wood 2010, 59).

Consequentially, the economic domination principle not only has very limited scope for CSR but also makes the concept of CSR less effective. Pursuing economic objectives and being extrinsically motivated, the organizations are likely to view their social responsibility as a means of public relations and are not motivated to act morally for society (L'Etang 1995, 126). In addition, a recent study (Bondy et al. 2012, 281-2) demonstrates that strategic CSR which reduces the scope of social responsibility has

become institutionalized within multinational companies (MNCs). By interviewing 38 CSR professionals in MNCs, the authors state that CSR managers, rather than feeling a moral obligation, feel under pressure when facing the CSR engagement of their competitors. However, there are many negative impacts of business practices, such as the domination and overuse of natural resources, the inequality between the developing and developed nations, and poverty, that are not addressed. Bondy et al. (2012, 288) argue that “by increasingly working to align CSR activities with core corporate strategy, these MNCs undermined the multi-stakeholder concept of CSR.”

5.2.2 The principle of the individual

Instrumental CSR adopts the philosophy of enlightened self-interest (Garriga & Mele 2004). Accordingly, driven by long-term financial success, its CSR initiatives are taken as a means to enhance competitiveness and business performance. However, giving priority to financial success over social and environmental responsibilities could make CSR both simply pragmatic and intellectually unpersuasive. With a close examination of the principle of enlightened self-interest for instrumental CSR, we could find that corporations are not capable of sustaining their social and environmental responsibilities whenever there is a conflict with their short-term or long-term financial goals. So, what is the reason that self-interest is so prominent in CSR performance? And why is the CSR principle not grounded on explicitly ethical foundations?

Both contemporary corporations and CSR have their root in Western culture. And so, to answer the above questions, it is necessary to have a brief overview of the evolution of economic ethics in the Western context.

Until early modern times, as the Christian Church held pervasive authority on social ethics, the economic activities had a purpose for the common good while the objective of wealth creation for self-interest was condemned to be immoral (Murove 2005, 91).

Further, in the Reformation era, John Calvin's economic ethics was centred on the perception of a businessperson as

... a steward of the gifts of God, whose duty is to increase his capital and utilize it for the good of society as a whole, retaining for himself only that amount which is necessary to provide for his own needs. All surplus wealth should be used for works of public utility, and especially for purposes of ecclesiastical philanthropy. (Troeltsch 1931, 648)

These words signify that for God's sake, economic activities were not only aimed at the needs of the businessperson but also the wellbeing of the society as a whole.

John Wesley, also in the Reformation era, claimed his economic ethics as "Gain all you can; save all you can; give all you can (Marquardt 1992, 35)." This indicates that, while money-making and money-saving were utterly important, there was a social obligation to use the money to show one's love for others. The doctrines of the early reformers did not advocate economic activities in the sense of selfishness or greed.

Sociologists, Max Weber and Richard Tawney argue that the emergence of modern capitalism was influenced by the teachings of the early reformers with the spirit of hard work. Further, Weber describes the rules necessary for the evolution of modern capitalism as

... the rigid limitation of expenditures on personal consumption or charity, the concentration of time and attention on the pursuit of one's business affairs, avoidance of distraction through intimate friendship with others, systematic and pitiless exploitation of labour, and strict observance of honesty in one's relations with others within the limits set by 'formal legality'. (Oslington 2003, 196)

From the above quote, however, Weber implies that the Christian ethic of love for one's neighbour is incompatible with the emergence of modern capitalism, especially for the process of overaccumulation of wealth.

With a paradigm shift from the teachings of religious economic ethics, rooted in liberal individualism, the traditional capitalist firm emerged with the industrial revolution in the late nineteenth century. Due to the influence of the Enlightenment, human nature

was regarded as being free, equal, and independent. Everyone was regarded as being an autonomous person with full responsibility for their actions, and individual development was not related to the community. Based on Adam Smith's idea of the market economy, with few regulatory and moral constraints, traditional firms were allowed to pursue profits through ruthless business conduct with workers, customers, and suppliers. Consequentially, firms gained substantial monopoly power by merging into large business trusts, which led to government intervention with new legal constraints to impede irresponsible conduct such as monopolistic behaviour, false advertising, and unfair treatment of labour (Luthans et al. 1990, 51). As a result, the business conduct of corporations was improved mainly due to the change of legal constraints rather than that of humanistic or ethical motivations.

Although things might have varied since the foundation of the contemporary firm remains unchanged, in contemporary capitalism, people are still assumed to be individualistic and self-interested. As Francis Fukuyama puts it:

The entire imposing edifice of the contemporary neoclassical economic theory rests on a relatively simple model of human nature: that human beings are 'rational utility-maximizing individuals' (Fukuyama 1995, 18).

By nature, individuals are supposed to be separated from everything by possessing unique needs, goals, and desires. Their emphasis is on the importance of the individual self, which represents the ultimate standard of value, and the notion of individual development with no restraint from without. On the other hand, society is seen as an abstract concept representing a mere collection of individuals. In the market context, "self-interest is the motivating force of the various economic units as they express their free choices. Self-interest simply means that each economic unit tries to achieve its own particular goal." (McConnell et al. 2009, 32-3)

In this respect, with the market economy, individuals maximize their utilities, and the ethics of modern economic activities are reduced to self-interest due to the importance of the individual. Therefore, in essence, CSR development is a result of the competition between corporations and their stakeholders for their self-interest, rather than of the willingness of seeking ‘common good’ or community well-being in the social and environmental realms, which can hardly be found in corporate objectives. This can explain why the drivers of CSR for many firms are mainly external factors such as legal legislation, pressure from labour unions, and public awareness of the consequence and externality of consumption and production. And the internal driver is only instrumental for their competitiveness and profitability.

5.2.3 Summary

As discussed above, the author argues that instrumental CSR holds two principles. The first one is the principle of the dominance of corporate financial success. Theoretically, under the famous Carroll pyramid model, economic responsibility is regarded as primary over the other three social responsibilities. In practice, although Western firms present their social and environmental responsibilities in their CSR reports, there is evidence showing that the corresponding CSR initiatives are “cherry-picked” by managers to improve the firms’ long-term financial success. This draws a considerable limit in both scope and effectiveness for solving complex social and environmental problems. This principle indicates that managers would compromise their firm’s social and environmental responsibilities if there was a conflict with their short-term or long-term economic goals.

The reason behind the first principle could be the separation of private good and public good and the excessive focus on the former. This could refer to the second principle, which is the importance of the individual in contemporary capitalism. With the

presumption that humans are rational utility-maximizing individuals, Western firms are supposed to maximize their owner or shareholder's wealth and can hardly integrate 'common good' or community well-being as part of corporate objectives. However, it may be impossible to get public trust for the firm's sincerity of being socially and environmentally responsible unless the top management can go beyond the mentality of self-interest individuals.

In the next section, the principles of Confucian CSR will be presented to show an alternative to instrumental CSR in the characteristics of the Confucian tradition.

5.3 Confucian principles

In Chapter Three, we have explored Confucian philosophy and how it is expressed in different ways in different parts of the family, society, and wider realms. Essentially, in Confucian philosophy, despite the differences among people, everyone can realise the potential to become *junzi*, a person with superior quality, through self-cultivation and contribution to the family, community, nation, and society. Therefore, by comparison to the modern Western individualistic culture, the principles of Confucian CSR lean more towards the wellbeing of the community as a whole and the wellbeing of an individual within the community, and as a part of the community.

From Chapter Three, we know that Confucianism emphasises human becoming rather than focusing on human behaviour. Therefore, a Confucian corporation would be deemed as an entity guided by the spirit of *junzi*. We can apply the principles of *junzi* to Confucian CSR. There are two essential principles of *junzi* mentioned in the Confucian classics. As stated in the *Analects*, "The superior man holds *yi* to be the superior principle [of action] (*Analects* 17:23)", one is the principle of *yi*. The other is *ren* as claimed in the *Analects*, "The superior man (*junzi*) does not, even for the space of a single meal, act contrary to virtue (*ren*)." (*Analects* 4:5)

5.3.1 The principle of *yi*

For the reason of simplicity, in Chapter Three, we have translated *yi*, one of the Confucian constant virtues, into righteousness. However, it is necessary to have a deeper understanding of *yi* to show the fundamental principle of *junzi*.

Yi is usually translated as ‘righteousness’ or ‘appropriateness’. To further define the meaning of *yi*, Chung-Ying Cheng states, “*Yi* is the fundamental principle of morality that confers qualities of right and wrong on human actions and that produces a situation which intrinsically satisfies us as moral agents.” (Cheng 1972, 269)

According to Cheng, *Yi* denotes good moral judgment rather than simple rule-following and involves a balanced perception of a situation, representing an ideal of the totality of all virtues and a decision-making ability to apply a virtue appropriately according to the situation. As for the realization of *yi*, it is a matter of fitting the subjective standard or norm of worthiness to the objective situation. Being a principle of moral judgement, “*yi* is independent of material self-interest.” (Cheng 1972, 270)

In the realm of economic activities, *yi* makes profits acceptable only when they are worthy of acceptance, as Confucius says:

Riches and honours are what men desire. If it cannot be obtained properly, it should not be held. Poverty and meanness are what men dislike. If they cannot be avoided properly, they should not be avoided. (*Analects* 4:5)

In the above statement, Confucius first admits that material self-interest is a part of human nature. But the material self-desire alone cannot justify the appropriateness of the acceptance of material gains. Pursuing material gains is not inherently a worthy action. Its worthiness must be approved by the principle of *yi*, or in other words, appropriateness. For instance, a hungry beggar will not accept food if it is offered with an insulting voice (*Mencius* 6:A:10).

Being the foundation and necessary principle of all virtues (Cheng 1972, 270), *yi* not only evaluates the worthwhileness of material gains, but it also helps people to live with all Confucian virtues properly. For instance, concerning the virtue of courage, Confucius says, “If a superior man has courage but no *yi*, he will make trouble; if a small man has courage but no *yi*, he will become a bandit.”(*Analects* 17:23) This is because any virtue may be applied excessively for a concrete situation in absence of *yi*. As Confucius states: “The superior man, in the world, does not set his mind either for anything or against anything; what is *yi* he will follow.” (*Analects* 4:10) *Yi* is regarded as a universal and total principle which justifies the worthwhileness and reasoning of human activities.

The Confucian ideas about the relationship between virtues and wealth and the reasons for the primacy of *yi* over material gains are explained in the below passage:

In the Book of Poetry, it is said, “Before the sovereigns of the Yin dynasty had lost the hearts of the people, they could appear before God. Take warning from the house of Yin. The great decree is not easily preserved.” This shows that, by gaining the people, the kingdom is gained, and, by losing the people, the kingdom is lost. On this account, the ruler will first take pains about his virtue. Possessing virtue will give him the people. Possessing the people will give the territory. Possessing the territory will give him its wealth. Possessing wealth, he will have resources for expenditure. Virtue is the root; wealth is the result. If he makes the root his secondary object, and the result his primary, he will only wrangle with his people and teach them rapine. Hence, the accumulation of wealth is the way to scatter the people; and the letting it be scattered among them is the way to collect the people. And hence, ... the wealth, gotten by improper ways, will take its departure by the same. (*Great Learning* 13)

The above quote points out that the prosperity and stability of the kingdom depend on the primacy of the ruler’s *yi* over material gains. Giving a historical instance, due to excessive pursuit of selfish desire, the last emperor *Zhou* of dynasty *Yin* lost the support from his people, and his kingdom finally came to an end. It also assumes a virtuous circle, in which, with *yi*, the ruler distributes his wealth to the people as the root cause for winning people’s trust and respect, and with their support and efforts, wealth is generated within the territory. Eventually, “the virtuous ruler, by [distributing his] wealth [to the people],

makes himself more distinguished; the vicious ruler accumulates wealth [for his own sake], at the expense of his life.” (*Great Learning* 15) Although wealth is possessed by the ruler, it is generated and given by the people. It will be not only unfair but also unwise for the ruler to accumulate or maximize wealth for his self-interest only. Although in that time the kingdom legally belonged to the ruler, if the ruler failed to win respect and trust from the people, the people would scatter, and the kingdom would collapse.

According to Confucius, “The mind of the superior man (*junzi*) is conversant with righteousness (*yi*).” (*Analects* 4:16) Pursuing *yi* as the totality of all virtues, *junzi* regards *yi* as the ultimate principle. Therefore, with the mind beyond material self-interest, a *junzi* ruler pursues profit only when it is proper. In parallel to the ruler of a kingdom, the *junzi* CEO of a modern corporation should always put profit gain or financial success with the constraint of the principle of *yi*.

There may be no problem in bringing a moral commitment to profit-making in business activities. For instance, honest operations generally promote trust, which, in return, minimizes transaction costs and, in the long run, improves a brand image. In other situations, however, managers may find their business in a less favourable market position if they stick to their moral principles. In these cases, according to Confucian philosophy, rather than improperly pursuing the material interest, *junzi* managers would keep their principle of *yi* and work hard to improve their economic performance only in appropriate ways.

However, there comes a question: when there is a tension between the moral force to be righteous and the material force to make a profit, which principle is needed to assure *junzi* to make the right decision, or in other words, to apply the principle of *yi*?

Like other Confucian virtues, *yi* is embedded in human nature rather than being set by any external authority. And it is also inclined towards the principle of *ren*, which will

be discussed in the next section. There is a conversation between Zi Gong and Confucius about the application of *yi* in our daily life, recorded in the *Analects*:

Zi Gong asked, saying, “Is there one word which may serve as a rule of practise for all one’s life?” The Master said, “Is not RECIPROCITY such a word? What you do not want done to yourself, do not do to others.” (*Analects* 15:24)

Reciprocity is the result of human relatedness and a manifestation of humanness (*ren*). However, putting one’s feet in the other’s shoes requests two conditions: one is the understanding or experience of the impact of human activity; the other is having the virtue of love, or in Confucian terms, *ren*. For example, if one does not want to get hurt, one will avoid hurting others. It is neither due to a regulation imposed by authority nor a dogma taught by a great teacher. It is because there is an intrinsic motivation for not letting oneself as well as others suffer. To this end, the Confucian principle of *yi* is fully compatible with modern business ethics, and it can be applied to CSR for the consideration of both the corporation and the externality in a way of humanness.

In answering King Hui’s question of “what profit can Mencius offer to his country by travelling thousands of miles to visit him”, Mencius said: “Why must your Majesty use that word ‘profit’? What I am provided with, are counsels to benevolence (*ren*) and righteousness (*yi*), and these are my only topics.” (*Mencius* 1:A:1) According to Mencius, *ren* and *yi* are the two critical, complementing and mutually inclusive principles for human life. The fact of Mencius putting *ren* before *yi* implies that being with the principle of *ren* is the moral foundation for applying the principle of *yi*.

5.3.2 The principle of *ren*

As we have mentioned in Chapter Three, Confucian teaching is not about how we can maximize our satisfaction of material self-desires but about how to become a true human, or in other words, how we realize the full moral potential embedded in our human nature. For Confucius, *ren* is the most distinguished characteristic of man, and it appears 109

times in the *Analects*. As an essential principle and human nature, *ren* is a concept of primary importance in Confucian philosophy. Like a seed can grow up to be a tree. Within the Confucian worldview, embodying the virtue of *ren* requires that one become a *junzi*, an ethically mature human being. Therefore, besides *yi*, *ren* is another primary principle for a *junzi* corporation and Confucian CSR.

As the central idea of Confucianism, the concept of *ren* is extended and complex, with unique features. Although we have introduced *ren* as well as other Confucian concepts in Chapter Three, it is necessary to investigate *ren* as a thread to briefly explore the essence and the broad picture of Confucian philosophy to have an integrated understanding of Confucian basic belief, values, purpose, and required methods related to *ren*. Only then can we have a thorough understanding of its profound meaning.

As introduced in Chapter Three, *ren* can be translated into ‘humanness’ (*Doctrine of the Mean* 20) and ‘love of fellow men’ (*Analects* 12:1). Concerning the meaning of humanness, the Chinese character of *ren* (仁) etymologically consists of ‘person’ (*ren* 亻) and ‘two’ (*er* 二) showing the primaeval form of human-relatedness with the principle of reciprocity. In Confucian philosophy, a person cannot be an isolated individual and is always a self-in-relation-to person situated in a social context. Confucius says, “... the man of perfect virtue, wishing to be established himself, seeks also to establish others; wishing to be enlarged himself, he seeks also to enlarge others.” (*Analects* 6:30) This indicates that reciprocal responsibilities in social relations reflect the manifestations of humanness. Therefore, with the virtue of *ren* a person can embrace a human life of interdependence and realize the self by proactively fulfilling a set of responsibilities.

The second meaning of *ren* is ‘love of fellow men’, which is indispensable for human relatedness and reciprocal obligations. There was a conversation about Confucian love between Confucius and his disciples as reflections on *ren* recorded in *Xunzi*.

Confucius asked, “what a wise and ren person is alike?” Zilu answered, “one who causes others to know and to love him.”; Zigong replied, “one who knows and loves others.”; Yanhui responded, “one who knows and loves himself.” (*Xunzi* 29:6)

Confucius’ evaluation is that the second answer reflects a higher level of moral understanding than the first while the third has the highest level among the three. It can conclude that the first answer entails selfishness and the second is self-effacing, and the third is reflexive. From the three answers, we can understand that Confucian love is not only moral and emotional but also rational, guided by knowledge and understanding of the object of love. Therefore, to understand Confucian love, we need to realize that to whom one should know in the first place and the consequence of that knowledge.

To this end, Mencius provides his insight by saying: “He who has exhausted all his mental constitution knows his nature. Knowing his nature, he knows Heaven. To preserve one's mental constitution, and nourish one's nature, is the way to serve Heaven.” (*Mencius* 7:A:1) It means that an enlightened *junzi* uses all his capacity and strength to understand himself and his nature. There are two indications for this statement: 1) one has the privilege to know himself better than anyone else; 2) one makes all his efforts to know his nature because it is the most valuable for him. As humanness is the intrinsic goodness of human nature which is embedded from Heaven (Tu 1989, 6), a *junzi* first appreciates and cherishes his humanness by following the Heavenly nature to fulfil his reciprocal obligations, which is not just for the sake of others but for following his nature to serve Heaven spontaneously. And by knowing one’s nature one can understand simultaneously the other’s nature because although people are different in many ways, their human nature is always the same. Thus, true love means being a superior human (*junzi*) by following human nature and helping others to know and to follow it as well.

To conclude, the meanings of *ren*: ‘humanness’ and ‘love of fellow men’ are both based on the belief that every human being is gifted with an inner moral faculty from Heaven. As Confucius puts it, “Heaven produced virtue in me.” (*Analects* 7:23) And

Mencius claims, “All things are already complete in us.” (*Mencius* 7:A:4) Moral excellence is presumably a potential for every individual. This belief gives the Confucian purpose of life as being: “to illustrate illustrious virtue; to renovate the people, and to rest in the highest excellence.” (*Great Learning* 1) Therefore, the Confucian philosophy reminds us to be aware, cautious and follow our inner moral selves through which our humanity is to be manifested as the Way.

A unique aspect of Confucian love is its exceptional emphasis on filial piety, which is introduced in Chapter Three. You zi says: “Filial piety and brotherhood! - are they not the root of all benevolent actions?” (*Analects* 1:2) Further, Confucius put it affirmatively: “Filial piety is the root of (all) virtue, and (the stem) out of which grows (all moral) teaching (*Xiao Jing* 1).” Thus, according to Confucian tradition, *xiao* is not only essential for the cultivation of all virtues but also is the foundation of moral education. Following the tradition of *xiao* for many thousands of years, today generally Chinese people do not only take *xiao* as the most important moral virtue and practice it in their daily life, but also they still hold the custom of ancestor worship. For instance, there is a national holiday called the *Qingming* festival (清明節) designated for ancestor worship. On that day, nearly all Chinese, no matter where they are, will do something for the remembrance of their ancestors. This is a remarkable and unique characteristic of Chinese culture among the other world cultures.

One may ask why *xiao* is not only the root of all virtue but is also the foundation of moral education? From the past to the future, the West to the East, as human beings, the first moral school is our family, and the first teachers are our parents. In the first years of childhood, it is neither from *The Holy Bible* nor from the *Analects* that we learn to love, but from the experience with our parents. I still remember an unforgettable moment with my father when I was only three years old. I was sitting in my father’s arms watching TV. It was so comfortable, secure, and full of joy with a sense of wholeness and stillness.

Unexpectedly, I said: “Dad, I do not want to grow, and I want to be three forever.” Although I was only three years old, it was a clear declaration of being united with my father and the unwillingness of separation. It echoes exactly the etymological meaning of 孝 (*xiao*) which signifies the unity of parents and children.

Although it is only anecdotal that I still remember the event with my father, I know that what I have described above is true. From the relationship with my parents, I have a vivid and deep understanding of human relatedness. Confucianism teaches that it is an essential part of human nature that the parent-children relationship presents the highest degree of human relatedness, while with self-cultivation of moral virtues, we can gradually extend the essence of this human relatedness in the other four Confucian relationships.

Mencius says, “The great man is he who does not lose his child’s heart.” (*Mencius* 4:B:40) To my understanding, and based upon my personal experience, that ‘child’s-heart’ should be the same as that which I have described above. And the etymological meaning of *xiao* is an unbiased record of the true love between parents and their children. Based on my personal experience and the approval from the etymological meaning of *xiao*, I also argue that the sense of being united with one’s parents should be common in the infancy of every child. The reason that it is not commonly recognized is that younger children can hardly accurately express their feeling by words, and later when they grow up, they just lose the strong sense of unity with their parents as they become more independent and forget what they felt and knew before. Venerable Master Chin Kung revealed a way to observe the affection between fathers and sons (*fu zi you qin* 父子有親), he says:

Look at a baby who is from three to four months old as it is obvious to observe. Look at the love between the parents and their baby. For the baby, observe him. The love he has for his parents is by nature. No one teaches him. This is a moral virtue without any conditions attached. Without any conditions attached, it is

compassion, it is the virtue, the true virtue of human nature. (Chin Kung 2005)

To conclude, the origin of all virtues is *xiao*, or in other words, the highest manifestation of human love. *Xiao* cannot be learned from any books or dogma but is already embedded in our human nature and should be experienced in the early life of human beings. Moral education is only a way to help us to recover and extend moral virtues to a wider scope to include family, community, society, and all beings under Heaven and Earth, making everyone become a true human.

Another feature of *ren* is ‘love with distinction’ or ‘graded love’ while the scope of love is limitless. The common understanding of “love with distinction” indicates the degree of love naturally depends on the closeness of the relationship. For instance, the love for a family member is stronger than the love for a stranger (Huang 2005, 37). As Mencius states: “A superior person loves things but is not humane (*ren*) to them. He is humane (*ren*) to people in general but is not affectionate (*qin* 親) to them. He is affectionate to his parents, humane to people, and loves all things.” (*Mencius* 7:A:45) There are three different kinds of moral dispositions: having affection, being humane, and love are by three different kinds of parents, humans, and object things. Although the degree of love may vary, they present the same nature of human goodness and, in practice, can be traced to the same root, *xiao*. In addition, the graded love represents the dynamic aspect of the cultivation of *ren*. As the interdependency between people develops in both greater scale and depth, the spirit of *ren* also extends in a broader scope and deeper degree. In short, *ren* is a graded love, which starts from the family and extends to the universe along with personal cultivation and development of relationships.

As mentioned in Chapter Three, the relationships between *ren* and other constant virtues are mutually inclusive rather than mutually exclusive. Therefore, the justification of love with distinction is by the principle of *yi*, which signifies appropriateness with the

modification of the subjective state to the objective quality of being. As Cheng Yi, a neo-Confucian in the Song Dynasty (A.D. 960-1279), says, “(it is) to treat things according to things themselves and not according to ourselves (Cheng & Cheng 1989, 125).” Therefore, Confucian love, with the same nature of *ren*, manifests in different forms and degrees depending upon the particular relationship and objective situation (Huang 2005, 37). That is why each of the five relationships is engaged in specific kinds of virtue ethics. For instance, one should be filial to one’s parents but be trustworthy to one’s friends. Although with different manifestations, Confucian love shares the same nature of humanity (*ren*).

Although *ren* is featured as love with differences, it is also, in a sense, a universal love, which starts from the family and extends outward progressively. As Confucius puts it, “A youth, when at home, should be filial, and abroad, respectful to his elders ... He should overflow in love to all.” (*Analects* 1:6) Mencius claimed in the same vein:

Treat with the reverence due to age the elders in your own family, so that the elders in the families of others shall be similarly treated; treat with the kindness due to youth the young in your own family so that the young in the families of others shall be similarly treated. (*Mencius* 1:A:7)

In this sense, Confucian love starts from the family and then gradually expands to clan, community, nation, and all men and other beings under Heaven and Earth. Therefore, according to Confucian teaching, among human relationships such as son to the father, wife to the husband, subordinate to the ruler, and so on, a moral individual not only acts in the best interest of the others within family relationships but also the interest of society. For instance, rulers and subordinates do what is good not only for each other but also for society as a whole; parents and children do what is good for each other as well as for the family, which itself is good for society.

With the understanding of Confucian principles *ren* and *yi*, which are different from the principles of instrumental CSR, in the next chapter, we will construct a Confucian

model of CSR and discuss how to apply Confucian teaching and principles in the CSR framework to overcome the weakness of instrumental CSR.

Chapter 6 Towards a Confucian CSR

This chapter is organized into three parts. In part one, by concluding previous chapters about the prevalent CSR theory and practice, we first construct and criticise the profit-centred competitive CSR model, which determines the instrumental and political-normative characteristics of CSR drivers. Alternatively, inspired by Confucian philosophy, we then propose a human-centred harmonious CSR model which is rooted in character cultivation and driven by the intrinsic principles of *ren* and *yi* with a shame-honour dynamic. Through an interpretation of related guidelines from current Chinese authorities, the outline is presented at the national level.

In part two, to enable the dramatic change from profit-centred competitive CSR to human-centred harmonious CSR, the implementation of primary conditions, such as *junzi* CEO, supportive environment, and ethical education with the application of principles of *ren* and *yi*, are discussed at the corporation level.

In part three, based on the Confucian CSR model, some recommendations are proposed for CSR reporting. This comes to the question of what Confucian CSR practices and reporting would be like and what would be done differently in contrast to instrumental CSR principles.

6.1 CSR model revision

6.1.1 The profit-centred competitive CSR model and its problems

As we have explored in the previous chapters, the main drivers of US CSR can be concluded as instrumental and political–normative drivers. The instrumental driver refers to the motivation of applying CSR initiatives as a means for gaining financial profit. The political–normative driver regards CSR engagement as “an effort to gain political and societal legitimacy” (Grushina 2017, 368).

With the combination of the instrumental and political-normative perspectives, the CSR engagement of stakeholders can be presented as a profit-centred competitive CSR model (shown in figure 6.1 below). This model is based on individualism and deterrence theory, which assume people seek to maximize their self-interest and make choices in response to personal costs and benefits without consideration of the moral legitimacy of those choices. As CSR initiatives are believed to generate long-term profit, within this model, the CSR strategy is generally determined by the company's trade-off between short-term and long-term financial profit. Given the needs of specific stakeholders, CSR initiatives also take account of the minimum requirements of the law, market regulation and government policy and legislation, and other external factors.

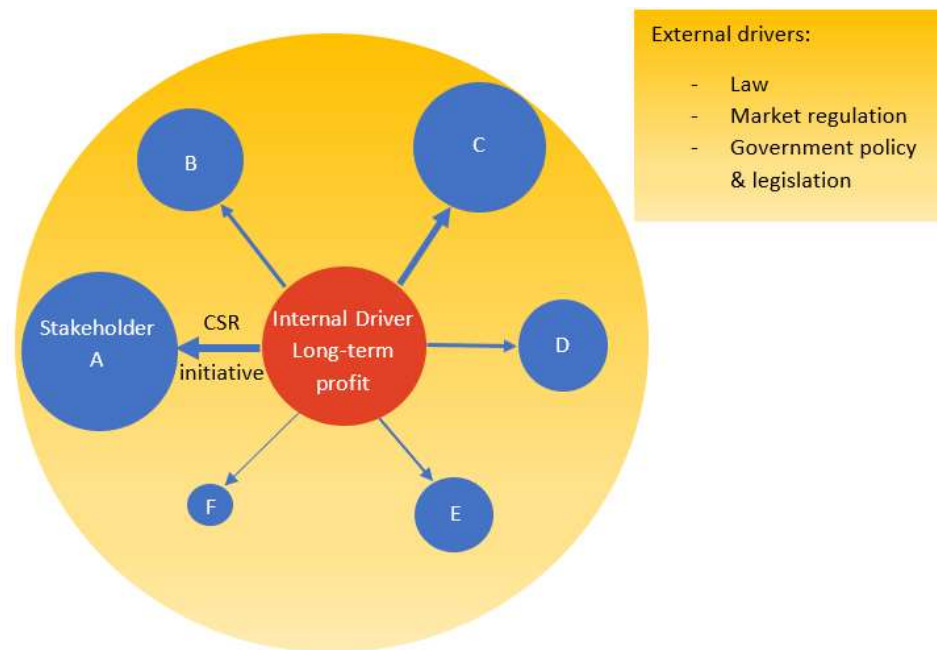


Figure 6.1 Profit-centred Competitive CSR Model

However, there are at least two major shortcomings of this CSR model. The first is that, theoretically, the rationale of maximizing a firm's financial profit both short-term and long-term is not for fulfilling social and environmental responsibilities beyond the consideration of financial results. The second is that, in practice, as the level of development varies by nation and region, the external constraints, such as market

regulations and government policies, may have great variance. Therefore, under the instrumental view of CSR, multinational companies may treat stakeholders of different nations or regions differently by prioritizing the CSR initiatives with the most short-term or long-term financial return. Even in the same region, the stakeholders with the most market power and strongest external policy protection have a competitive advantage over stakeholders with weaker status and conditions. As long as it's an economic decision for CSR engagement, the relationships among a corporation and its stakeholders are competitive rather than collaborative, because the company's resource allocated to CSR initiatives is limited and must be shared among stakeholders according to their perceived importance to the company. As there are unavoidable tensions among corporations and their stakeholders for the seeking of their profit and benefits, and differences of external legislation and status of stakeholders, this model cannot assure the equity and fairness of CSR initiatives.

6.1.2 The human-centred harmonious CSR model

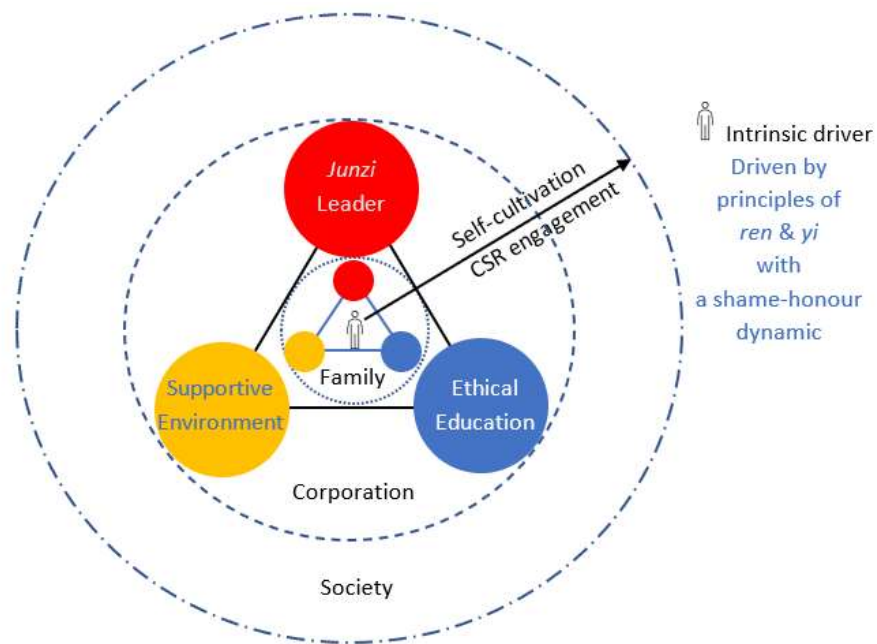


Figure 6.2 Confucian Human-centred Harmonious CSR Model

Alternative to the profit-centred competitive CSR model, the Confucian human-centred harmonious CSR model is based on the belief that, driven by human nature and principles of *ren* and *yi*, with appropriate and systematic guidance and support from human communities, such as family, workplace, and society, people can cultivate their virtue character and become exemplary persons. In return, they can collaborate in taking responsibility to improve the economic, social, and environmental wellbeing of human communities.

To achieve this harmonious purpose, based on the discussion of Confucian philosophy in previous chapters, there are three equally important pillars or conditions of human communities: exemplary leadership, a supportive environment, and an ethical education. Within the business context, being positioned in the centre, and driven by the principle of *ren* and *yi* with the support of the three conditions, people cultivate their virtue character through their CSR engagement. With the principle of *yi*, people know what is right and wrong, and choose to do the right thing on each specific occasion beyond the sole consideration of self-interest; with the principle of *ren*, people love their families, and respect and care for others as well as the environment. In other words, within the Confucian CSR model, it is the level of human cultivation within and without a firm that determines the credibility of its CSR performance.

It is worth clarifying that, although this model is harmony oriented, it does not deny market competition. Fair competition with a focus on innovation rather than simply on price is not in conflict with the principle of *ren* and *yi* but could be beneficial for the health of the economy and have positive impacts on people's development and cultivation. Therefore, it does not undermine the importance of financial profit but emphasises seeking profit within the principle of *yi*, using it as a material condition for human development and sustainability of the business according to the principle of *ren*. Although

it advocates a supportive environment with care for people's needs, it does not overlook discipline and regards justified penalties for the infringement of legitimate norms as fair and appropriate.

Compared to the profit-centred, competitive CSR model, which makes families, corporations, and communities become competitors for their own short-term and long-term benefits within political, social, and environmental constraints, the human-centred harmonious CSR model makes human development, sustainability, and the prosperity of human society as common purposes, and regards human development and cultivation with the supply of exemplary leadership, a supporting environment, and an ethical education the same mission among all the human communities. In addition, with the principle of *ren* and *yi*, CSR initiatives and engagement have a priority to meet the needs of vulnerable groups and solve critical social and environmental problems. The agreement to, and the adaptation of this model by governments, corporations, and families, may result in a harmonious society for all humankind.

This human-centred harmonious CSR model has its root in the family. Responsible and loving parents wish their children to achieve their full potential and to become respectable and successful people who not only live happy lives but also contribute to society. To realize this purpose, firstly, they cultivate themselves to become exemplary parents, or *junzi* parents so that they can lead their children to become good people; secondly, they provide a supporting environment, including good living and developing good and beneficial conditions for their children; thirdly, as social life is essential for people's development, parents also need to provide their children with an ethical education so that they can act to others with proper attitudes and manners according to their specific roles and situations through which they can cultivate themselves as well as fulfil their social responsibilities. As the growth of a plant needs sunshine, earth, and water, these three conditions are all necessary and important for

children to thrive and become exemplary and responsible people.

From a humanistic perspective, the above rationale should not be limited to family but can be extended to the corporation and all other forms and scopes of human communities. For example, responsible and loving leaders of corporations should also support their employees and people related to their business to become virtuous people and live happy lives. Through the three conditions, such as *junzi* leadership, a supporting environment (e.g.: good working and living conditions, sound career developing opportunities, and humanistic company culture), and an ethical education both within and without the business context, the members of corporations can realize their potential and cultivate their virtue of *ren* and *yi* through their CSR engagement. With this rationale, personal development is supported by human communities and is in the direction of the well-being of human communities.

As Socrates proposed in *Republic* that justice is more obvious to see in *Polis* rather than in a person (Book II 368D-E), the same may apply for the Confucian model from the scope of a nation rather than on that of the level of the firm. Chinese State Council (2017) released a Guideline on Encouraging Entrepreneurial Spirit and Creating a Favourable Environment for Entrepreneurship. Through the guideline, the government stressed the protection of the legal rights and interests of entrepreneurs, ensured fair competition, and strengthened the protection of intellectual property rights (IPR) as a support for the promotion of entrepreneurial spirit. Including ‘hard work, pursuing excellence, craftsmanship, innovation, and serving society’ (Ibid.), the entrepreneurial spirit is encouraged by the government to stimulate mass innovation and create a positive climate for CSR. Putting entrepreneurs in the centre, the guideline can be concluded into three categories: supportive environment, ethical education, and *junzi* leadership, therefore, it fits perfectly with the human-centred harmonious CSR model at the national level. The outline of the guideline is shown as below:

- Supportive environment:
 1. To create a legal environment that protects the legal rights and interests of entrepreneurs, such as entrepreneurs' property rights, intellectual property rights, and business autonomy rights.
 2. To create a market environment for entrepreneurs to ensure fair competition and operation with honesty and integrity.
 - a. To strengthen the protection of entrepreneurs' rights to fair competition.
 - b. To improve the incentive and restraint mechanism of entrepreneurs' operation with honesty and integrity
 - c. To improve the fairness, standardization, and simplicity of market supervision
 3. To create a social atmosphere that respects and encourages entrepreneurial spirits.
 - a. To establish a new type of political-business relations with affection and integrity.
 - b. To create a cultural and social atmosphere of encouraging innovation and tolerating mistakes of entrepreneurs.
 - c. To create an atmosphere of positive public opinion by Strengthening the publicity and reporting on the good deeds and contributions of outstanding entrepreneurs
 4. To create a supportive environment and strengthen high-quality, efficient, and pragmatic services for entrepreneurs.
- Ethical education:
 1. To promote the entrepreneurial spirit of patriotism, discipline, law-abiding, and hard work.

2. To promote the entrepreneurial spirit of innovation, craftsmanship, and pursuing excellence.
 3. To promote the spirit of entrepreneurs to fulfil their responsibilities and serve society and actively participate in major national strategies.
 4. To strengthen the cultivation of outstanding entrepreneurs.
 - a. To strengthen the planning and pooling of outstanding entrepreneurs.
 - b. To give full play to the exemplary role of outstanding entrepreneurs.
 - c. To strengthen the education and training of entrepreneurs.
- *Junzi* leadership
1. To strengthen the Chinese Communist Party's (CCP) leadership over entrepreneurs
 - a. To strengthen the party's leadership of entrepreneurs in both state-owned and private companies.
 - b. To give full play to the exemplary role of the Chinese Communist Party members among entrepreneurs.

This guideline covers a wide range of measures taken by the government to promote the cultivation of entrepreneurs and encourage them to fulfil their social responsibilities, especially in the aspects of providing a supportive environment and ethical education. However, the *junzi* leadership category should include the improvement of the exemplary impacts of members of the government. Indeed, within the CCP, governors should also act as good examples for entrepreneurs, especially for those qualities of patriotism, discipline, hard work, innovation, pursuing excellence and being socially responsible.

Treating the country as a big family and the corporation as a smaller family according to Confucian philosophy, this government guideline may share the same

framework for the Confucian CSR model at the corporation level as well as at the base family level. As mentioned above, the entrepreneur may also provide its employees with a supporting environment, ethical education and *junzi* leadership. The outline of the implementation of Confucian CSR at the corporation level will be proposed in the next section.

6.2 The implementation of Confucian CSR at the corporation level

6.2.1 *Junzi* CEO

To apply Confucian CSR, the precondition is that the corporation must be managed by a *junzi* leader. As we have mentioned, Confucian tradition emphasises ‘learning to be human’ rather than merely adopting behaviour because of enforced regulation. It is not to say that in Confucian philosophy there are no norms such as filial piety. The difference is that filial piety, which corresponds to the principle of *ren* and *yi*, can only be taught and developed by following ethical education and good examples rather than being ordered or imposed, and if being consistently practised, it can become one’s character and will be expressed naturally or, in other words, without external intervention. Confucian CSR is, therefore, essentially taken by responsible and highly cultivated people, who take moral action spontaneously, or in Confucian terms, *junzi* members. This is better than being regulated by norms alone because it means taking one’s responsibility with good will and in a proactive manner.

Although every member of a company counts, the CEO is the person who not only holds the best position but also is the most powerful to influence other members in a firm. Therefore, a *junzi* CEO has primary importance for the implementation of Confucian CSR.

The principles of *ren* and *yi* are essential for Confucian CSR. However, they are not norms that people are ordered to follow, rather they reflect the virtues of *junzi*. As discussed in Chapter Three, the unique feature of *junzi* is the focus on self-realization,

which entails not only inner conscientiousness but also altruism practised in human relations. Therefore, Confucian CSR and its implied principles neither result from external drivers such as government regulation, pressure from customers and labour union nor from a corporate strategy for the improvement of competitiveness and financial results. Instead, it reflects a person arising from the governance of a *junzi* CEO. As Confucius said, “Now the man of perfect virtue, wishing to be established himself, seeks also to establish others; wishing to be enlarged himself, he seeks also to enlarge others.” (*Analects* 6:30) A *junzi* CEO aims to manage a responsible firm through which all related people, including himself, can be ‘established’ and ‘enlarged’. As Confucius said, “A man can enlarge the principles which he follows; those principles do not enlarge the man.” (*Analects* 15:29) To ‘enlarge’ others and the principles, the *junzi* CEO must not only establish a set of company policies or ethical codes for others to follow but also be a good moral example by living with the principles of *ren* and *yi* to inspire others so that the Confucian principles can prevail in terms of CSR.

According to Confucius, a good government depends on the leader’s conduct. Confucius said, “When a prince's personal conduct is correct, his government is effective without the issuing of orders. If his conduct is not correct, he may issue orders, but they will not be followed.” (*Analects* 13:6) This means that if a leader shows a good example with ‘correct conduct’ then the subordinates will also have proper behaviour. Applying this to CEOs, the focus of their conduct should not be limited within the firm. Instead, their conduct within their families is more fundamental. As stated in the *Great Learning*, “What is meant by ‘In order rightly to govern the state, it is necessary first to regulate the family,’ is this: One can’t teach others, while he cannot teach his own family.” (*Great Learning* 11) Correspondingly, CEOs should first be good examples with correct conduct at home and succeed in making their families models, then they can have good governance over their firms. Therefore, as a integrity and trustworthy person, a *junzi*

leader should act ethically and consistently well in both public life and private life according to the principles of *ren* and *yi*.

As discussed in Chapter Five, Confucian love is a graded love that is greater to those closer to oneself. Confucius said, “He who does not love his parents but loves other men, is called a rebel against virtue (*Xiao Jing* 9).” Therefore, concerning *junzi* CEOs, they are supposed to be, firstly, filial towards their parents and affectionate to their family, secondly, kind to employees and trustworthy to other stakeholders, thirdly, generous to vulnerable groups in the society. In other words, it is not moral conduct if CEOs love people outside the firm but are not kind to their employees, or if they are kind to their employees but not filial towards their parents.

It is stated in the *Great Learning*:

The ancients who wished to illustrate illustrious virtue throughout the kingdom, first ordered well their own states. Wishing to order well their states, they first regulated their families. Wishing to regulate their families, they first cultivated their persons. (*Great Learning* 2)

Rather than emphasizing an individual’s self-interest and competition with others, the Confucian philosophy aligns individual motivation with the wellbeing of family, community, and society. Accordingly, Confucian CSR is compatible with and mainly driven by the CEO’s motivation of self-realization of moral virtues and the willingness of contributing to society through a continuous and consistent process of self-cultivation, family regulation, and company governance.

6.2.2 The application of the principle of *yi*

Confucius says that *junzi* is someone, “who in the view of gain, thinks of righteousness.” (*Analects* 14:12) As discussed above, CEOs should be *junzi* who always put righteousness (*yi*) as their primary principle over the pursuit of profit both for themselves and the company. Although *junzi* CEOs are essential for corporations to be socially and

environmentally responsible, they cannot function without support from all the employees of the firm. According to Confucius, the ideal society comprises two classes of people, one is the *junzi* ruler with a high level of morality, the other is the common people with moderate morality. The *Great Learning* describes the state of good social well-being as follows:

Junzi deem worthy what they deemed worthy, and love what they loved. The common people delight in what delighted them and are benefited by their beneficial arrangements. (*Great Learning* 4)

Thus, *junzi* leaders prefer the ethical life over economic life, while it is the opposite for common people. Concerning the mass people, *Lun Heng* (论衡), a Confucian classic, recorded: “Virtue of modest comes from abundance; conflict emerges from deficiency (*Lun Heng*, 50:6).” For common people, who are not as virtuous as *junzi*, a sound level of material condition is the precondition of their cultivation of virtue. This also echoes Maslow’s theory of a hierarchy of needs, which states that virtues are developed once individuals have met their basic needs.

Although like those companies which advocate instrumental CSR, Confucian companies also seek financial success, the motivation is somewhat different. The former regard financial success as the end of CSR initiatives, whereas in Confucian companies, the financial profits are instrumental for the employees’ happiness as well as communal and environmental wellbeing. Therefore, to enable all employees to live with material abundance, to cultivate virtues and be able to improve communal wellbeing, Confucian entrepreneurs must strive to lead their companies to achieve financial success while maintaining moral principles which ensure that business decisions are ‘strategically effective and morally sound’ (Zhu 2015, 613). In other words, with Confucian CSR, businesses need to strive to achieve a high level of moral standard as well as an excellent economic performance, which provides a material condition for all members of the

company to cultivate their virtue. Consequentially, in a *junzi* company, better economic performance leads to more satisfaction of employees' material needs. By meeting the basic requirement for the cultivation of employees' moral virtue, it provides better CSR engagement from all levels of employees. Complementary to the instrumental view of CSR, which states that better CSR performance can improve the long-term financial result, in a Confucian corporation, the good economic performance of the company, in return, is the necessary condition for employees' happiness and communal wellbeing.

However, although good economic performance and the satisfaction of employees' material needs are necessary conditions for good CSR performance with employee engagement, they are not sufficient. As Mencius puts it,

But men possess a moral nature; and if they are well fed, warmly clad, and comfortably lodged, without being taught at the same time, they become almost like the beasts. (*Mencius* 3:A:4)

According to Mencius, for people with good nature and living in abundance, if not properly educated, they will be dehumanized by their excess pursuit of sensual enjoyment.

Using water as a metaphor, Mencius states:

The tendency of man's nature to good is like the tendency of water to flow downwards. There are none but have this tendency to good, just as all water flows downwards. Now by striking water and causing it to leap up, you may make it go over your forehead, and, by damming and leading it you may force it up a hill - but are such movements according to the nature of water? It is the force applied which causes them. When men are made to do what is not good, their nature is dealt with in this way. (*Mencius* 6:A:2)

According to Mencius, good human nature is a necessary but not sufficient condition for a person to become a good human. A person's living environment and educational background have a great influence on the formation of human character. To avoid bad human behaviour and the formation of immoral character, in addition to exemplary leadership, it is necessary to provide both a supportive environment and an ethical

education which promote moral cultivation and talent development. Then, Mencius proposes measures taken by the sage Shun and says:

This was a subject of anxious solicitude to the sage Shun, and he appointed Xie to be the Minister of Instruction, to teach the relations of humanity: how, between father and son, there should be affection; between sovereign and minister, righteousness; between husband and wife, attention to their separate functions; between old and young, a proper order; and between friends, fidelity ... Encourage them; lead them on; rectify them; straighten them; help them; give them wings - thus causing them to become possessors of themselves. Then follow this up by stimulating them and conferring benefits on them. (*Mencius* 3:A:4)

After people live in abundance, to realize their good moral nature and ‘become possessors of themselves’, rather than being slaves of sensual desires, the sage Shun appointed a minister of education to teach them about moral ethics for the five cardinal relationships. This covers the whole cycle of the learning process: 1) to show people what are the moral virtues and ethical behaviour according to each specific relationship; 2) to encourage them by words and to lead them by showing good examples; 3) to acknowledge and correct them when they have misconducts; 4) to provide guidance and resources when they are in need; 5) to trust and empower them to become a better self; 6) to check afterwards and employ stimulus and reward for right doing, and a proper discipline for wrongdoing. Accordingly, Confucian moral and ethical education is indispensable for the employee’s moral cultivation and engagement to CSR.

The above quote also indicates that rather than imposing strict regulations or ethical codes and emphasizing negative reinforcement of immoral behaviour, Confucian moral education is taken positively and proactively to promote moral character. As Confucius puts it,

If the people be led by laws, and uniformity sought to be given them by punishments, they will try to avoid the punishment, but have no sense of shame. If they be led by virtue, and uniformity sought to be given them by the rules of propriety, they will have the sense of shame, and moreover will become good. (*Analects* 2:3)

This quote indicates that a society led by laws alone cannot make its people morally better whereas if led by virtuous leaders, inferior people have an example that can drive them to improve their moral character.

Threatened by the law's punitive enforcement, people may make decisions on whether to commit a prohibited behaviour based on the calculation of the risk and reward from it. According to Becker (1968), an individual may not commit a crime only if its expected cost exceeds the expected benefit. Therefore, driven by the threat of punishment, while sometimes laws and external regulations can restrain people from bad behaviour, it occurs through an individual's cost and benefit calculation rather than a moral consideration. In addition, people, seeking benefits through illegal behaviour, tend to make efforts to avoid punishment. In both cases, people lack a sense of shame, and the risk of violation of the law cannot be radically reduced as people are not motivated in improving their moral quality.

On the other hand, Confucian moral education promotes exemplar people with virtuous characters and virtuous government. Different from defining good by abstract norms, Berkson (2021, 40) claims that "in the [Confucian] tradition, morality is known as the 'Good Person Criterion', where we find out what is good by looking at (measuring ourselves against) the 'good person'." It encourages individuals to pursue their inner goodness and strive to realize their potential for excellence. Being close to exemplar persons who succeed in developing more fully ethical character can reinforce the belief of one's own potential for moral excellence and drive self-cultivation for being morally equal. Therefore, Confucius said, "Virtue is not left to stand alone. He who practices it will have neighbours." (*Analects* 4:25) And Mencius said, "If a person is not ashamed of being inferior to other people, how will they ever become their equal?" (*Mencius* 7:A:20) As "the tension between the present state of your character and the ideal state of character

produces shame (Berkson, 2021, 39),” Confucian moral education makes people feel moral shame when they are aware of the gap between current-self and ideal-self mirrored by exemplar people. Driven by this sense of shame of being morally inferior, people are motivated for self-cultivation. As Confucius states that the practice of moral virtue depends on oneself rather than others (*Analects* 12:1), it is natural that people can always enhance their moral character if they are willing and make efforts to improve it. Consequently, people may have a sense of honour for their moral achievement and strive for further progress. And this autonomous shame-honour dynamic makes a virtuous circle for continuous character development. In sum, moral education and exemplar leadership are both necessary for the management team and employees to have a sense of shame-honour dynamic for continuous character enhancement.

However, in some cases, instead of being a driving force for moral cultivation, the sense of shame can also become an obstacle to moral formation. For example, with the influence of corporate culture which overemphasises the value of financial profit and ignores moral values, members of the firm may have high expectation about their monetary performance and benefits rather than their moral virtue. Nevertheless, the economic performance of both collective and individual levels is unpredictable due to uncontrollable external factors. In this situation, with an ever-growing desire for wealth, people may feel anxious and shame for their financial insecurity. For people with a weak moral character, this may drive them to continuously seek financial profit even by harming their social or environmental wellbeing. As a result, presented and supported by company culture, the company’s values, whether being moral or making wealth as the end, have primary impacts on the moral formation of both management team and employees and, consequently, on the credibility of CSR performance.

Therefore, by the principle of *yi*, a company needs to build a supportive environment to facilitate moral cultivation. On one hand, with good economic performance as a means to an end, the supportive environment can provide its members with abundant material benefits to meet their reasonable needs for financial security; on the other hand, by promoting moral values through company culture within the supportive environment, the company can influence people both within and without the company to improve their moral virtues.

In addition to the supportive environment which promotes moral values and motivates people for moral formation, Confucian moral education provides practical guidance for how to achieve one's moral potential. Different from being led by laws that prompt judgment based on the calculation of the benefit and cost of an individual's wrongdoing, Confucian moral education leads to the direction of self-cultivation. It requires a positive and proactive process of self-reflection, "an inner survey of one's actions, feelings, and intentions (Berkson 2021, 40)" towards a moral exemplar, rectification, and improvement. Therefore, Confucian moral education through exemplar leadership prompts inward self-reflection through which people ask themselves questions like "Have I done my best?" instead of "Have I transgressed some norms, rules or laws?" At a collective level, while laws and norms are necessary for regulating corporate behaviour and protecting social and environmental wellbeing, Confucian moral education through exemplar leadership is essential for achieving higher standards of people's moral character, so that corporations can continuously improve their CSR performance driven by people's intrinsic motivation of being an ideal self radically and proactively.

According to the principle of *yi* with the meaning of appropriateness, it is reasonable that people with different capabilities and social statuses should have different levels of responsibility. Similarly, a company's CSR should correspond to a company's

current stage of development and the moral level of management and employees. There is a talk between Confucius and Zi Lu which reveals different responsibilities of *junzi* regarding levels of cultivation:

Zi Lu asked what constituted the superior man. The Master said, “The cultivation of himself in reverential carefulness.” “And is this all?” said Zi Lu. “He cultivates himself so as to give rest to others,” was the reply. “And is this all?” again asked Zi Lu. The Master said, “He cultivates himself so as to give rest to all the people.” He cultivates himself so as to give rest to all the people - even Yao and Shun were still solicitous about this. (*Analects* 14:42)

In the above conversation, Confucius points out three progressive levels of the purpose of *junzi* regarding stages of cultivation. If applied to a company, ‘self-cultivation in reverential carefulness’ could be translated as being, at the beginning of company development, the main purpose, which a company is striving to carefully improve, is its competence, performance and sustainable development; “He cultivates himself so as to give rest to others” means that when good performance and competence has been established, the company needs to concentrate on continuous improvement to meet the needs of its stakeholders; and when the company has built excellent performances and long-term competences and employees have achieved a high moral level, its development is in a way of making a greater and broader contribution for the wellbeing of the whole society. In short, a *junzi* company with more resources, capacity and better economic performance is inclined to take more responsibility to society and the environment.

In summary, as *yi* is the principle of Confucian CSR as well as one of the Confucian constant virtues, to apply *yi* to a firm requires that the CEO should first be an exemplar leader with moral virtues, which is the precondition to influence all employees to improve their moral level. Secondly, the CEO must strive to lead the company to have a good financial result within the constraint of the principle of *yi* and ensure employees and their families enjoy good living conditions so that all employees can go beyond the purpose of maximizing their short-term economic benefits, or in other words, having opportunities

to pursue self-realization as well as extending their contribution to company, community, and society in large. Thirdly, as an exemplar leader, the CEO should use Confucian ethical teachings to educate all employees and commit to helping them cultivate their virtuous characters. As Confucius puts it, “The superior man bends his attention to what is radical. That being established, all practical courses naturally grow up.” (*Analects* 1:2) From a humanistic perspective, Confucian CSR focuses on the cultivation of the virtuous character for everyone in the firm rather than governing a company with strict rules and policies. In addition, according to the principle of *yi*, which signifies appropriateness, Confucian CSR has a specific emphasis corresponding to the company’s status. Similar to the process of personal cultivation, it is in a progressive manner, which can extend to family, community, and the whole society at large. The Confucian CSR should first focus on sustainable development of the company to build up long-term competence in the initial period; Secondly, it should concentrate on continuous improvement and strive to meet stakeholders’ needs when the firm has a good market performance with good employee engagement in CSR. Thirdly, it should focus on development in the direction of contribution to society at large when the firm has excellent market performance and build up long term competence and ensure that most of the firm has achieved the high moral standard. In short, the scope and depth of Confucian CSR should be extended to the development of the company as well as the moral cultivation of its management and employees.

6.2.3 The application of the principle of *ren*

Applying the Confucian concept of ‘learning to be human’ in business management, Inamori (2020, 162) claimed: “Business management can’t help but be a projection of the personal character of the manager.” Similarly, referring to CSR, it depends on the character of the people who work in the company, including both the management and

employees. In other words, a socially responsible corporation depends on socially responsible people in the corporation. As discussed, in the Confucian tradition, a socially responsible person is a *junzi* who has the character of *ren* and *yi*. Besides *yi* as mentioned above, Confucian CSR is also realized through the manifestation of *ren* by members of the organization. Therefore, the cultivation of the character of *ren* for everyone in the organization is essential for the implementation of Confucian CSR.

Although *ren*, as graded love, starts from the affection to one's parents and from within the family, there is a tendency for this love to gradually extend to people in one's corporation, community, and society along with the extension of human relations. As Confucian puts it, "A youth, when at home, should be filial, and, abroad, respectful to his elders. He should be earnest and truthful. He should overflow in love to all." (*Analects* 1:6) According to Confucius, *ren*, the character of Confucian love, is what people are capable to cultivate and should develop continuously to an ever-extending scope.

Why does Confucian philosophy promote the perfection of *ren* but not the maximization of self-interest or financial profit, which is advocated in instrumental CSR? Confucius argues:

If the search for riches is sure to be successful, though I should become a groom with whip in hand to get them, I will do so. As the search may not be successful, I will follow after that which I love. (*Analects* 7:12)

Although, material benefits are desirable for everyone including Confucius, seeking self-interest or financial profit as the end is certainly neither sustainable nor desirable in both collective and individual levels. As mentioned in the previous section, achieving financial success cannot be guaranteed by individual efforts due to the uncertainty of external factors. Lacking intrinsic motivation of shame-honour dynamic for moral formation, when facing high uncertainty, overemphasising on financial success may lead to fierce competition and unethical behaviour. Although external laws and rules can serve to

regulate individual and collective behaviours, in essence, their appropriateness and effectiveness depend on the morality of people, without which people have little sense of security and trust between each other. Therefore, the overemphasis of self-interest and financial profit is not the only obstacle for moral formation and individual happiness but also unsustainable for the development of the community.

On the other side, *ren*, as a loving character, is not only the moral foundation of the human community but also is desired by every human being. Supported by family, organization, and community, and driven by the sense of shame and honour, people tend to cultivate and extend their character of *ren* to a larger scope through a virtuous circle. As a result, people align their personal goals with the well-being of their ever-growing communities. Through cooperation rather than competition, and with continuous moral cultivation, people can not only live a happy life but also can turn the whole society into a big family.

Although Confucian love can be extended to a larger realm, it is rooted in being filial at home. It is said by Confucius, “He who does not love his parents but loves other men, is called a rebel against virtue” (*Xiao Jing* 9). Similarly, it is a contradiction of moral principles if one does not love one’s family or a person within one’s workplace where one spends about one-third of one’s daily life but loves other people outside the firm. Therefore, according to Confucian tradition, with the highest position in a firm, the CEO is supposed to not only love their own family but also make an effort and apply resources to care for all employees, and only then will they be able to care for other stakeholders of the firm as well as people in the society. The same reason applies to managers and employees, they also have a foundation of love within their families and their firm. And when this exists then love can be extended to other people outside of their firm. Therefore,

an authentic CSR requires that all members first practice their love within their families and firm, and then extend their love for others in a bigger realm.

As mentioned, the familial ethic is the core of Confucian philosophy, and so a family culture with people loving each other within a firm is essential for the implementation of CSR. Zhang Ruimin, the CEO of Haier, states:

A leader must be able to inspire and care for the people working under him, and to make the able and the less able to serve each other as a family. It is upon that foundation that a good society and a good business can be built. (Yi & Ye 2003, 170)

When the principle of *ren* is applied by a *junzi* leader, the structure of the organization is transformed into a big family. The relationship between leaders and employees is like the relationship between parents and children, which is based on affection rather than instrumentality (Cheng & Lin 1999). Leaders should not treat their employees as economic resources. Instead, they care about employees' working status as well as their personal feeling and families. They also encourage employees to treat their colleagues like brothers and sisters. By creating a strong family atmosphere, people love each other and care for the needs of all at work (Wang et al. 2005).

In addition, *junzi* leaders put employees' welfare and the benefits of the organization before their interest. As Mencius puts it, "The people are the most important element in a nation; the spirits of the land and grain are the next; the sovereign is the lightest." (*Mencius* 7:B:60) Leaders with the spirit of *ren* recognize employees' value and potential, care about their needs and treat them as their priority of concern. Therefore, leaders have a primary responsibility to lead the firm to create a family environment for employees and help them to thrive. In return, with the cultivation of *ren*, employees will not only care about their families, but also devote themselves to their firm, community, and the society at large.

Venerable Master Chin Kung states:

If an enterprise can inherit the spirit and the functions of a family, it can convince its staff using moral education. The top leader of an enterprise and the chief of a clan are alike in the sense that they can impart virtues such as respect and love, care and consideration, mutual aid and modesty into their members so that a sense of belonging would be created. If the employees could get along with others harmoniously because they treat each other as family, tensions and even antagonisms would be resolved completely. (Wu 2015)

Regarding the principle of *yi*, it is mentioned that a firm should satisfy employees' material needs as a precondition of their moral cultivation. While, regarding the principle of *ren*, establishing a family culture requires that a firm treats its employees as family members with care for both their material and spiritual needs. In addition, with the family culture within a firm, employees' families should also become sub-families of the firm. Therefore, it indicates that, with the spirit and the functions of a family, a firm is requested to be responsible for the happiness and development of both employees and their families. With these conditions being fulfilled by the company, virtuous leaders can make employees feel like members of a big family and cultivate their character to build harmonious relationships with each other within the firm.

To establish a family culture in a company, it needs love among its members. With the feeling of warm care from leaders and co-workers, employees can experience a sense of authenticity and trust from other members of the firm. Only then can they treat each other as family members and cultivate their character of *ren*. For example, in a report of Shanxi Tianyuan Corporation, it is recorded that there were two young new employees. When the deputy general manager of the store knew that they had no goals for the future, she proactively decided to help them grow in the company. To inspire them to learn Confucian teaching and to set up proper goals for life, she introduced them to books and explained the teaching using her personal experience. She also took care of them as her family members. For instance, she helped them clean their rooms, and cook delicious food for them. They were deeply moved and became enthusiastic about learning and

practising Chinese traditional teachings. As a result, both became able and virtuous employees. When asked why she helped these employees, she said,

When I came to Tianyuan ten years ago, like them, carrying an empty bag, and leaving my parents from the countryside, the future was unknown. It is the people in Tianyuan who nurture me to grow into talent. Today, I have a responsibility to help new employees grow. (Li 2019, 8)

Rather than individualistic thinking, with a heart of gratitude, the deputy general manager credited her career success to the help from the firm and its people. Rather than being driven by company policy, a code of ethics or an instrumental purpose, she did these things for the sake of other members of staff. Because of her sincere love, she could win the employees' hearts and succeed in helping them become able and virtuous talents. According to her sayings and deeds, we can conclude that instead of treating the firm as an entity with isolated individuals, she regarded the firm as a whole family or community with a shared future. If all leaders and able members of a firm can have the same thoughts as this manager, a family culture can be naturally established with ease.

The questions are how was her character of *ren* cultivated, and how to cultivate it for all members of a firm? As mentioned in Chapter Three, the attitude of gratitude, sense of unity and reciprocity, or in other words, the virtue of *ren*, have their origin in *xiao*, filial piety. According to Confucius,

Filial piety is the root of (all) virtue, and (the stem) out of which grows (all moral) teaching ... Our bodies - to every hair and bit of skin - are received by us from our parents, and we must not presume to injure or wound them. This is the beginning of filial piety. When we have established our character by the practice of the (filial) course, so as to make our name famous in future ages and thereby glorify our parents, this is the end of filial piety. It commences with the service of parents; it proceeds to the service of the ruler; it is completed by the establishment of character. (*Xiao Jing* 1)

With the spirit of *xiao*, a person has an end to bringing glory to one's parents as well as for the sake of oneself. And it is not for the pursuit of self-interest but the establishment of character through serving people, which starts from the relation with one's parents and extends to leaders and other people. Therefore, to promote Confucian CSR in a firm and

cultivate the character of *ren* among members of the firm, it should focus on the cultivation of the virtue of *xiao* for each employee. For example, Tianyuan puts this idea into practice as follows:

1. Arrange members of the firm to study Confucian teachings, which emphasise the cultivation of *xiao*, every day.
2. Encourage employees to spend more time with their parents, Tianyuan provides employees with paid leave on the birthdays of their parents and parents-in-law in addition to their statutory holidays.
3. Show the company's gratitude to employees' parents, Tianyuan sets up filial accounts for employees' parents and transfer 100 Rmb to them every month.
4. Guide employees in being filial to their parents, Tianyuan signs a filial piety agreement with each employee. (Li 2019, 13)

Tianyuan establishes policies and organizes activities to guide employees to learn and practice *xiao*, reminding employees to put their parents into their hearts. It aims to guide employees to care for and accompany their parents, and to learn to be filial. In this way, their employees become more and more filial. In addition, being cultivated with a sense of responsibility and caring for others as they carry out their duty of *xiao* with daily practice, they become more responsive to their families as well as to the workplace.

In Tianyuan, there is an example showing how Confucian education can lead to an employee's self-rectification to become a model both in the family and workplace. The employee (ZRJ)'s mother was ill for years. Before learning Confucian teaching in the company, ZRJ and his four siblings arranged to take care of his mother in turn. However, they often quarrelled because they all wanted others to take more responsibility for their mother. After ZRJ learned the book *Di Zi Gui*, a Confucian classic book introducing guidelines of being a good person, he understood that filial piety is the most basic morality,

and parents are happy to see their children love each other. Then, he decided to take care of his mother in his house. And he told his siblings to come and see her only if they have time. Under his influence, all children rushed to take care of their mother. His change brought harmony and happiness to the whole family. ZRJ appreciated the company for providing him with the Confucian education which helped him to cultivate the character of *ren* and to live a happier life in both family and workplace. Driven by the motivation of being *xiao*, ZRJ took more responsibilities both in his family and in the workplace. His attitude and behaviour also had an exemplary effect on other members of both his family and the firm (Ibid., 9).

Although the cultivation of *ren* starts from one's family, it extends beyond the scope of one's family. As Mencius puts it, "Treat with the reverence due to age the elders in your own family so that the elders in the families of others shall be similarly treated." (*Mencius* 1:A:7) With the extension of the virtue of *xiao*, employees are inclined to treat other elders similarly to the elders in their own families. For example, an employee of Tianyuan, who is responsible for delivery, sent a refrigerator to a customer, an elderly couple who lived on the thirteenth floor. When he delivered the goods, he realized that the elevator was out of service. The customer sensibly said that it could be delivered another day, but knowing that their children lived in another city, the employee decided to carry it to the 13th floor without delay. This made the customer deeply moved by his service. When he was asked afterwards why he didn't wait until the elevator was back to function, he said:

The elderly couple reminded me of my parents. It was in the middle of summer. Food spoils easily. Like my parents, people of the same age are generally very frugal. The customer may not throw left-over food. If there was no refrigerator to use, it was very dangerous because they may eat spoiled food and their children were not around to help. (Ibid., 35)

Speaking of this, his eyes were moist. He continued:

My parents are not around, and I cannot always do my duty of filial piety, which makes me regretful. When I deliver home appliances to elderly people, I always patiently teach them how to use the home appliances safely with ease. In this case, I can take care of them in the way I am supposed to treat my parents. (Ibid., 35)

This example is vivid evidence, showing how employees' self-cultivation can drive them to serve sincerely people outside of their family for the sake of humanity rather than be driven by instrumental purposes. In this way, customers receive authentic care and excellent services beyond the terms of the contract because they are treated by employees with the virtue of *ren* not as 'party A' defined by the sales contract but as human beings. Similarly, this humane attitude provided by virtuous members of the firm should not be limited to customers, but also be possible to other stakeholders of the firm and people in the community and the society at large.

With the continuous development of the family culture within a firm and the character cultivation of its members, the big family can be further extended from the firm to the community. This could be realized with a focus on the aid of vulnerable groups, which means giving love to the most needed, and providing Confucian moral education so that people can pay more attention to their self-cultivation and live a harmonious life with their families, workplaces as well as their communities.

For instance, taking another example of Tianyuan, in helping vulnerable people in the community, some initiatives include: 1) operating a charity canteen, which is called Deshanzhai, providing free meals for local vulnerable people, such as lonely elderly people and left-behind children; 2) providing financial aid for students with financial difficulties; 3) arranging volunteer activities, such as blood giving and nursing house visits. And the initiatives of Confucian moral education include: 1) giving video lectures to promote Chinese traditional culture for people who visit Deshanzhai; 2) joining hands with local schools to establish a Confucian education base to promote Confucian

teachings; 3) holding Chinese Traditional Culture forums in the community. According to the feedback from the local police office, through these benevolence initiatives and the introduction of Confucian education to people living in the community, the company contributed not only to the individuals' moral improvement and harmony of their family relationships but also to the stability of the community.

In addition to the positive feedback from the local police office, there is a concrete example showing how people in the community are influenced by Tianyuan's benevolent activities. Mr Wang, a local villager, who is an elderly person with a disability, lives a difficult life. The company proactively contacted him and invited him to have free meals in Deshanzhai every day. In the beginning, he was suspicious and resistant to help from the company. Later, when he realized that their help was sincere, he was deeply moved and started to appreciate the company's good deeds. He said:

My growth came from the Tianyuan Company, and I want to be grateful to Li Jingchun, the founder of the Tianyuan family, and the company. Without the kindness of everyone, we cannot have today's happy life. Every day we are in Deshanzhai, what we enjoy is that we are treated like VIPs, and what we feel is the warmth of home and the harmonious relationships between the family. In the past two years, I have blended in with everyone's hearts and understood that Tianyuan is like a big family where people love each other. I am grateful to Tianyuan for the delicious meals prepared for us every day. They also celebrated our birthdays, provided free haircut services, and made dumplings for us at the traditional elderly festival. All these made us feel the joy and excitement we have never had before. I have a thought, that is, I should also dedicate my love to others and do something to return for the big family. (Ibid., 12)

The growth that Mr Wang mentioned is about his change from being suspicious about others' kindness to not only trusting others and feeling grateful but also being willing to love others and to give back to the community. This example proves that from the members of the firm to people living in the community, a firm can plant the seeds of the virtue of *ren* to take root in more people's hearts, not only contributing to their cultivation of character but also promoting a harmonious atmosphere in the community.

There is another example for the application of virtue principles and a set of values within the economic context. Mayfair Yang has analysed the ritual economy in Wenzhou China. She found that “through the channelling of wealth into the ritual economy, today’s rural Wenzhou residents not only construct and maintain a higher cosmic order but also keep in check the ravages of the runaway predatory modern capitalist market economy (Yang 2020, 310).” With the ritual economy, the business profit is not only used for the expansion of business and the generation of the economic surplus of the firm but also “expended on non-productive and non-accumulative activities, such as family and community rituals” (Ibid., 281).

According to Yang, the ritual economy in Wenzhou reflects “an older religious logic that refuses to submit to the maximization and cost-benefit logic of the market economy” (Ibid., 305). This ancient logic should refer to the Five Blessings (*Wufu* 五福) that first recorded in the chapter of Hong Fan (洪範) in *The Book of Documents* (*Shujing* 書經), more than 2,000 years ago. The meaning of Five Blessings is an integrated term of good luck composed by longevity (*shou* 壽), wealth (*fu* 富), health and serenity (*kang ning* 康寧), love of virtue (*yu hao de* 攸好德) and peaceful death (*kao zhong ming* 考終命).

According to Confucian teaching, among the Five Blessings, love of virtue rather than wealth is the foundation of other blessings. Accumulating good fortune without virtue is like erecting a building on sand, and it will collapse without delay (*Guoyu Jinyu* 國語·晉語 6). Similarly, it reads in *The Book of Change*:

The family that insists on doing benevolent and kind deeds will be blessed for the coming generations. The family that is unceasingly doing evil things will be cursed in days to come. (*The Book of Change* Hexagram Kun)

This quote indicates that without virtue, a person cannot have a long-lasting good life, and a corporation cannot operate in a manner of sustainability and prosperity. Therefore,

influenced by the Confucian tradition, the Chinese culture emphasises the importance of virtue in personal life as well as business. As recorded in the *Great Learning*, “The virtuous ruler, using his wealth, makes himself more distinguished. The vicious ruler accumulates wealth, at the expense of his life.” (*Great Learning* 15) This explains why in rural Wenzhou people tend to reinforce the foundation of their blessings by spending their spare money on good deeds such as family and community rituals, whereas accumulating excessive wealth by sacrificing other blessings, especially the virtue of *ren* and *yi* is deemed as unwise. With this logic, people believe that seeking good and meaningful lives is realised by continuously improving one’s virtue character. Similarly, people consider that doing good deeds and avoiding harming others is the key for a firm to succeed in the long term.

In addition, it is worth mentioning that the issue of overspending in the Wenzhou ritual economy (Yang 2020, 281) reflects that there is a need for the understanding of the importance of the educational function rather than that of the economic function of rituals in Confucian philosophy. As recorded in the *Analects*:

He sacrificed to the dead as if they were present. He sacrificed to the spirits as if the spirits were present. The Master said, “I consider my not being present at the sacrifice, as if I did not sacrifice”. (*Analects* 3:12)

According to Confucius, what is important for the ceremony of sacrifice is the presence of people and their reverence, but not the importance of the money spent for the ceremony. While it is reasonable that within a community the rich people take more economic responsibility than the poor in holding a solemn ceremony with a certain standard, it is a traditional belief that people thinking that they can get more blessings by spending more is nothing but logic of bribery to gods. And the real purpose of the Confucian emphasis on ritual sacrifice is its educational function and the importance of personal cultivation. As it is put in the *Great Learning*:

The superior man must be watchful over himself when he is alone. The disciple Zeng said, “What ten eyes behold, what ten hands point to, is to be regarded with reverence!” Riches adorn a house, and virtue adorns the person. The mind is expanded, and the body is at ease. Therefore, the superior man must make his thoughts sincere. (*Great Learning* 3)

According to the above quote, holding ceremonies and living with reverence and sincere thought by supposing there are invisible spirits are effective ways for personal cultivation and the alignment of personal activities with the common good. The purpose of the rituals and ceremonies are for the development of a habit for the proactive cultivation of virtue. Although wealth is essential for human life and has instrumental values, in the end, the virtue lies in making a person or an organization distinguished.

The Wenzhou ritual economy shows that contemporary Chinese people increasingly regard individual happiness as being closely linked with a noble personality, a happy family, a harmonious society, and a beautiful natural environment. Indeed, with modern connotations, the noble personality, which is an organic whole composed of good characters such as *ren* and *yi*, rich knowledge, outstanding ability, and other elements, is the subjective condition of happiness, whereas a harmonious family and society and a beautiful natural environment are objective conditions for happiness.

Therefore, both from a practical and theoretical perspective, on one hand, the case of Wenzhou with the Five Blessings demonstrates that Chinese businesses already break through the cycle of profit accumulation for their own sake, thus providing an example for others. On the other hand, this Chinese model of economic growth with the principle of virtue can shed light on how business can contribute to the joint development of the individual, kinship, firm, and community, and “reduce the alienation and individual isolation of competitive capitalism” (Yang 2020, 314).

In summary, the issues related to the application of the principle of *ren* to CSR can be concluded as follows:

1. In essence, CSR is determined by the character of people within a firm, therefore, the cultivation of the moral character of *ren*, which signifies humanness and love, is the foundation of Confucian CSR.
2. As *ren* is graded love with priority on family relationships, in order to create a sense of belonging for employees in according to Confucian tradition, it is wise for *junzi* leaders to transform their firms into a big family by treating employees as their children and encouraging employees to treat each other as brothers and sisters. And under such a harmonious atmosphere and family-like workplace, employees are most likely to follow their moral exemplar and cultivate their virtuous character by serving and helping others.
3. The family culture within a firm is established with three steps: 1) giving care for employees' material and spiritual needs; 2) treating employee's families as the sub-families of the firm and caring for their happiness and development; 3) providing Confucian education to employees and promote Confucian culture to their families.
4. Confucian education starts from the cultivation of *xiao*, which is the root of *ren* and other constant virtues. A company must establish policies and organize activities, including ceremonies and other ritual activities, to guide employees to learn and practice the virtues of *xiao* and reverence.
5. With the cultivation of *ren* for a firm's members, through the CSR initiatives to the community, the big family can be further extended from the firm to the community and society. Like the establishment of the family culture within a firm described in point three, these CSR initiatives include two parts: 1) care and support for vulnerable people, such as the elderly, the disabled, left-behind children, and people living in poverty; 2) the introduction and promotion of Confucian education in the community so that people know how to pursue long-

lasting happiness and meaningful life through self-cultivation and caring for others.

To conclude, with the same set of principles and values, being consistent with the implementation of Confucian CSR at both the family level and at the national level mentioned in the previous section, members of corporations are put at the centre of the model at the corporation level. Based on the analysis of the CSR reports and above discussions, the outline of the implementation of Confucian CSR at the corporation level is shown below:

- Supportive environment:
 1. To create an environment with company policies to protect employees' human rights and interests.
 - a. To commit to strict compliance with relevant national and local laws and regulations to protect employees' legitimate rights and interests.
 - b. To provide a sound compensation and welfare system based on employees' efforts and achievements.
 - c. To ensure employees' leisure time for maintaining a work-life balance.
 2. To create a safe and pleasant working environment.
 - a. To implement occupational hazard identification and risk management and control system.
 - b. To provide H&S activities and training for employees.
 - c. To maintain a pleasant working environment to promote physical and mental health for employees.
 3. To create a 'happy atmosphere' through various corporate activities (e.g., family open days, sports meetings, cultural trips)

4. To create a service environment for employees according to their personal needs.
 - a. To strengthen high-quality, efficient, and pragmatic HR services.
 - b. To care for employees and their families (such as overtime dinner, kinder garden for employees' children, retirement ceremony)
5. To create a fair and transparent management environment for employees.
 - a. To create an effective and efficient information communication environment across the firm.
 - b. To create a fair and transparent career development channel for employees.
 - c. To evaluate employees' achievements and progress and provide feedback and assistants in a timely basis.
 - d. To improve the incentive and restraint mechanism of employees' operation with honesty and integrity
 - e. To improve the fairness, standardization, and simplicity of management supervision
6. To create a family company culture that promotes spirits of teamwork, innovation, and hard work.
 - a. To establish new types of superior-to-subordinate and peer-to-peer relationships with affection and integrity.
 - b. To create a culture and atmosphere of encouraging innovation and tolerating mistakes of employees.
 - c. To create a positive atmosphere by strengthening the publicity and reporting on the good deeds and contributions of outstanding employees

7. To create an employee training system to improve employees' professional and management skills according to their specific conditions and needs.
- Ethical education:
 1. To promote the *junzi* spirit of self-discipline, law-abiding, and hard work.
 2. To promote the *junzi* spirit of innovation, craftsmanship, and pursuing excellence.
 3. To promote the spirit of *junzi* to fulfil their responsibilities according to the principle of *ren* and *yi*, and actively participate in the company's strategies to improve social and environmental well-being.
 4. To strengthen the cultivation of outstanding employees.
 - a. To strengthen the planning and pooling of outstanding employees.
 - b. To give full play to the exemplary role of outstanding employees.
 - c. To strengthen the ethical education and training of outstanding employees.
 - *Junzi* leadership
 1. The CEO and the management team should show a high standard of entrepreneurial spirit.
 - a. To show a good example in personal cultivation and ethical learning.
 - b. To show a good example with spirits of entrepreneurs, such as patriotism, discipline, law-abiding, hard work, innovation, craftsmanship, and pursuing excellence to fulfil their responsibilities and to serve society and actively participate in major national strategies.
 - c. To be consistently well not only in public life but also in private life according to the principles of *ren* and *yi*.

2. To define criteria and procedure for management team assessment and selection according to the entrepreneurial spirits mentioned above and the principles of *ren* and *yi*.
3. To evaluate the competency of the management team according to the criteria and share with employees the improvement plan of the management team.
4. To ensure employees are engaged with the company's vision, mission, and action plan of the management team defined by the principles of *ren* and *yi*.

6.3 Implications of Confucian CSR for CSR reporting

As discussed, based on the assumption of individualism, instrumental CSR and its reporting are not sufficient in solving current social and environmental problems. Moreover, according to Professor Ralph Fevre (2016, 126-145), there is evidence for the linkage between the development of individualism in the system of business and the increase of social inequity. Advocating competition for the pursuit of material self-interest, individualistic thinking makes the rich richer and the poor poorer. As a result, “the richest 1% of the world's population is worth more than the other 99% (Hope 2018).”

Professor Geoffrey Jones from Harvard Kennedy School states:

By 2013 there was hardly a large corporation ... that claimed in its published annual report that its primary purpose was solely to maximize the wealth of its shareholders. Of course, the reality was often quite different. ... CSR was frequently used as little more than public relations. (Roy 2018)

The individualistic foundation of instrumental CSR appears incompatible with the essence of CSR. Although with the idea of instrumental CSR employers may present many achievements in the CSR reporting, the individualistic mentality itself lacks credibility and is incapable of developing responsible entrepreneurship. Similarly, in an instrumental CSR report, although, there are promises of greater benefits for all, the interests of certain stakeholders within weaker positions, such as employees and

vulnerable groups of the community, are seems to be considered with marginal attention as long as individualistic employers give priority for their self-interest.

In addition, a firm with sound CSR performances defined by CSR reporting institutions may not be truly socially and environmentally responsible. For instance, shortly before Enron’s scandal of fraudulent accounting practices, the company received CSR awards for its CSR policies and initiatives in curbing climate change, promoting human rights and endorsing anti-corruption measures. Emphasizing the values of ‘communication, respect, and integrity’, the CEO actively participated in conferences on business ethics and invested in various social mutual funds (Kelly 2002). Eventually, the top executives of Enron used CSR initiatives to decorate the company’s image and hide their irresponsible deeds. Therefore, lacking an intrinsic purpose for the wellbeing of society and the environment, the instrumental rationale of CSR is not convincing.

However, there is evidence showing that the guidelines of GRI, the most prevalent CSR reporting framework, emphasise the instrumental impacts on the financial results of a company’s CSR initiatives and its performance. This instrumental rationale cannot provide an accountable justification for corporations to go beyond financial consideration. For example, as shown in the below table, the guidelines of GRI standards about employment give a rationale for how these requirements can help to improve employees’ satisfaction and productivity, which leads to the improvement of the efficiency and the profitability of the firm. This instrumental rationale is limited to the firm’s financial consideration, eventually, and this hurts the accountability of the CSR reporting.

GRI No.	Disclosure Standards	Impact on Employee	Impact on Corporation
401-1	New employee hires and employee turnover	Levels of uncertainty and dissatisfaction among employees	Reduced payroll or greater expenses of recruitment
401-2	Benefits provided to employees	Employees’ satisfaction	A key factor in retaining employees

401-3	Parental leave	Boost employee morale and productivity	Greater recruitment and retention of qualified employees
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Table 6.1 GRI 401 Guideline on Employment (GRI 2016)

The G3 guideline of GRI claims that “the mission of the GRI is to provide a trusted and credible framework for sustainability reporting that can be used by organizations of any size, sector, or location (GRI 2016, 2).” As discussed, based on the humanistic perspective of the principles of *ren* and *yi*, the Confucian philosophy perfectly matches the ethical spirit of CSR, which is beyond the financial rationale. Being different from the instrumental approach, Confucian philosophy can provide an ethical rationale with a ‘trusted and credible’ framework for CSR reporting, which is human-centred instead of profit-centred, and harmony oriented rather than competition oriented.

As mentioned, Confucian CSR is much different from instrumental CSR with distinct principles and value systems. Correspondingly, there should be a different form of CSR report. The reformed CSR report needs not only to reflect the characteristics of Confucian CSR but, in return, can drive the dramatic change towards Confucian CSR implementation. Therefore, according to the implication of Confucian CSR, some recommendations are made for CSR reporting:

- 1) As discussed, the instrumental rationale is neither necessary nor sufficient for implementing authentic CSR. On the other side, in Confucian CSR, the sincere consideration of social and environmental well-being beyond the financial interest of the corporation has its root in the moral principles of *ren* and *yi*. However, as the instrumental rationale of CSR still prevails in business and academic realms, it is necessary to infuse the company’s moral rationale with humanistic values which are compatible with authentic CSR, especially in the section of the executive statement of the CSR report to justify the humanistic rationality from the top management.

- 2) Human communities are essential for the well-being and cultivation of the character of their members. According to the principle of *ren* and *yi*, it is, therefore, important to recognize employees' happiness and cultivation as one of the company's primary responsibilities and make this clear in the company's mission statement.
- 3) Although exemplary leadership from top management is vital for authentic CSR, most CSR reports only have an executive statement with overall comments on the company's CSR performance. In addition to the executive statement, it is necessary to have a section to describe not only what the top management say but also what they do to promote CSR and how they behave as models to inspire other members of the firm.
- 4) As a precondition of CSR engagement, employees' satisfaction should be regarded as an essential indicator for the evaluation of CSR performance. According to the GRI standards, there are general indicators such as employee turnover, employee benefits and parental leave, which could be used to compare with other companies in the same industry. However, it is hard to evaluate how the supportive condition and environment provided by the company meet the needs of employees. Therefore, it is necessary to include more information about the variation of employees' satisfaction by categories, such as region, gender, level of employee, and feedback from employees' satisfaction surveys. Accordingly, the company need to present strategies and measures to improve employees' satisfaction.
- 5) Concerning the training and education standards of GRI, which are 'average hours of training per year per employee', 'programmes for upgrading employee skills', 'transition assistance programmes', and 'the percentage of employees receiving regular performance and career development reviews' (GRI 2016), these

standards mainly focus on the development of working skills and have no specification for ethical and moral education. According to Confucian tradition, it is essential to provide people with an ethical and moral education, which is indispensable for character cultivation and CSR engagement. Therefore, in addition to professional training and education, it is necessary to describe how the company provides ethical education to make its members good people in roles that are not limited to managers, employees, and other professionals, but also extend to their relationships with parents, wives, husbands, brothers, sisters, and friends.

- 6) In addition, to meet the requirement of social and political norms for stakeholders according to the principle of *ren* and *yi*, CSR reports need to explain how a company's CSR initiatives respond to the needs of vulnerable groups, to critical social and environmental problems, and to providing help for people's development and cultivation.
- 7) To change the function of the CSR report from a PR tool to a management tool to improve CSR performance. Rather than showing how good the CSR performance is, with a proactive attitude and a shame-honour dynamic, the company should set appropriate CSR targets referring to exemplary peers as benchmarks and plan for annual improvement to drive excellence with CSR performance. In each CSR category, the CSR report should adopt a structure of performance improvement system according to the Plan-Do-Check-Act circle.
- 8) To reorganize the employee and community categories with the three pillars of Confucian CSR, which are respectively supportive environment, ethical education, and *junzi* leadership.

Chapter 7 Conclusion and Recommendations

7.1 Conclusion

This thesis started with the following three questions:

- 1) Is Chinese traditional culture, especially Confucian philosophy, relevant to CSR from both theoretical and practical perspectives?
- 2) What are the differences between the principles of prevailing Western instrumental CSR and the Confucian principles?
- 3) What is the Confucian CSR model? And how might this model be applied and implemented to overcome the problems and limits of instrumental CSR?

It concludes as follows:

In the context of a global economy, initialized in the West and quickly spreading around the world, the idea of CSR and the corresponding reporting are a result of the significant impacts of companies' activities on all aspects of human life in the village of the Earth, "not just in terms of the products and services they offer or the jobs and opportunities they create, but also in terms of working conditions, human rights, health, the environment, innovation, education and training (European Commission 2021)." Although much progress has been made, based on the individualistic Western culture, the major motivation for many companies to engage in CSR activities has been and is the pursuit of short- or long-term financial success, most especially as a response to external drivers, such as legislation, pressure from labour unions, and public awareness of the damaging consequences of consumption and production. This has caused two problems. One is the domination of the aim of financial success, which has arisen from treating business and ethics as two distinct and separate conceptual frameworks. The other is the individualistic thinking of business which treats corporations and their stakeholders as

distinct and separate entities and overemphasises their competition relationships rather than their cooperative and interdependent relationships.

Alternatively, as explored in Chapter Three, Confucian philosophy is all about ‘learning to be human’ with the purpose of life being to become a *junzi*. By taking a corporation as a *junzi* community, the concept of Confucian CSR is defined by adapting the responsibility of *junzi* to the corporation. According to Confucian ethics, the responsibility of *junzi* is best defined in the *Great Learning*, which states:

In the Book of Poetry, it is said, “Profound was King Wen. With how bright and unceasing a feeling of reverence did he regard his resting places!” As a sovereign, he rested in benevolence. As a minister, he rested in reverence. As a son, he rested in filial piety. As a father, he rested in kindness. In communication with his subjects, he rested in good faith. (*Great Learning* 7)

This quotation indicates that a *junzi* is a person who does their best according to their specific roles when interacting with others. In our modern time, a *junzi* means a good manager as well as a good subordinate, a good professional, a good son, a good father, a good friend, a good citizen... Similarly, a *junzi* corporation should be a good producer as well as a good supplier, a good buyer, a good taxpayer, a good employer... Consequentially, Confucian CSR means taking the full functions of a corporation towards its stakeholders appropriately and, most importantly, in good will.

Based on the analysis of CSR reports of the US and Chinese companies in Chapter Four, we can see that although the problem of corporate social irresponsibility reflects a moral issue, there is a lack of explicit moral justification and intrinsic moral motivation in the implementation of US CSR reports. As many business scandals have happened in multinational companies with seemingly excellent CSR reports, CSR and its reporting have been criticized as greenwashing or PR marketing initiatives for the company’s benefit, a benefit which is approved in the US CSR reports analysis where there is a high percentage of commercial CSR initiatives in all categories explored in this study.

Therefore, on the one hand, to provide a moral justification for CSR, it is necessary to explore companies' intrinsic moral values for CSR performance and the corresponding culture and principles that emphasise both individual wellbeing and social wellbeing. On the other hand, in CSR reporting, given the notion of corporations as economic entities with responsibilities to make a profit by default, in taking their social and environmental responsibilities, senior management should make an explicit statement of their intrinsic motivations and principles and adopt a value-principle-based framework and present values, principles, business strategies, policies, CSR initiatives and evaluations consistently and systematically. From the analysis of CSR reports of the Chinese companies, it reveals that those CSR inspirations and initiatives are based on the Confucian teaching about the harmonious society with the following characteristics: 1) Virtuous and able leaders with emphasising on the common good; 2) Cultivating harmony through delivering love for all; 3) Caring for vulnerable people.

Based on the theoretical discussion of CSR models in Chapter Two and practical analysis of CSR reports in Chapter Four, principles of instrumental Western CSR have been set out in Chapter Five with a comparison of Confucian principles. Western instrumental CSR is shown to be based on the fixed view of the individual as an economic being with the pursuit of self-interest. It seems to regard CSR initiatives as a means to improve a firm's competitive advantages and to make better financial results. This reflects the principle of the dominance of financial success of the instrumental CSR. In this case, unless there are restrictions of law, market regulations, or pressure from other external institutions, based on the assumption of human-being as isolated self-interest-seeking individuals a firm is unlikely to proactively adopt CSR aims if they cannot be seen to be of financial benefits to the firm; or in other words, there is a lack of intrinsic motivation for a firm to carry out their CSR for the sake of society and the environment from a humanistic perspective. The second principle of the instrumental CSR is the importance

of individual. In contemporary capitalism, the emphasis is put on the importance of the individual self, which represents the ultimate standard of value, and the notion of individual development with no restraint from without. On the other hand, society is seen as an abstract concept representing a mere collection of individuals. Therefore, the ethics of modern economic activities are reduced to self-interest due to the importance of the individual.

As a result, instrumental CSR initiatives may make people both within and without the firm lose confidence in human goodness. The more people see CSR as being only instrumental for the maximization of interest for a very specific group of people, such as the firm's shareholders or top leaders, rather than a reflection of the dignity and goodness of human nature, the fewer people will engage and support such ideas and activities sincerely.

Based on the theoretical exploration of Confucian philosophy in Chapter Three, with a more focused view on the essence of Confucianism, in Chapter Five, the Confucian philosophy is summarised as being comprised of two primary principles, which are namely *ren* and *yi*. The principle of *yi* denotes a moral judgement for human activities including business decisions on profit-making. And the principle of *ren* is presented as a Confucian term of human relatedness and human love. Unlike contemporary economic theory, which presumes that each person or company acts only on their self-interest, these Confucian principles are said to be rooted in a human nature which is derived from Heaven, with a natural inclination of being good for both self and other people. Therefore, it is found that the Confucian principles emphasise the development of both individuals and society in a harmonious way rather than in a competitive manner, and this can provide CSR with a strong cultural and moral foundation.

Different from the profit-centred competitive model of instrumental CSR, in Chapter Six, Confucian CSR is presented as a human-centred and harmony-oriented model, which is implemented by the exemplary leadership of *junzi* CEOs and the application of the principles of *ren* and *yi* to promote moral cultivation of members with a shame-honour dynamic. Centred within the human being, the Confucian CSR model emphasises the importance of continuous moral cultivation led by moral exemplars with material and spiritual support and ethical education from all levels of the community such as nation, local community, corporation, and family. Confucian teachings suggest that as people are social beings, lacking these conditions is the main reason for social disorder and consequential moral disruption. Through the integration of individuals with the family, corporation, community, and society as concentric circles, it is suggested that this model not only can solve the problems of corporate and social separation that treats business and ethics as two distinct and separate conceptual frameworks but also presents the corporation and stakeholders as communities of a shared future for humankind. To conclude, based on the logic of the Five Blessings mentioned in Chapter Six, the Confucian CSR model puts people's cultivation and happiness in the centre and make corporations as communities that guide and support their members' development in a way of doing good for not only the economic but also the social and environmental well-being of society.

Overall, as the *Great Learning* puts it:

The ancients who wished to illustrate illustrious virtue throughout the kingdom, first ordered well their own states. Wishing to order well their states, they first regulated their families. Wishing to regulate their families, they first cultivated their persons ... Their persons being cultivated, their families were regulated. Their families being regulated, their states were rightly governed. Their states being rightly governed, the whole kingdom was made tranquil and happy. From the Son of Heaven down to the mass of the people, all must consider the cultivation of the person the root of everything besides. (*Great Learning* 1)

Taking the corporation as a form of human community, the significance of Confucian CSR appears as a manifestation of human nature in the economic, social, and environmental realm with the full support from the corporation to the moral cultivation and talent development of its members as well as people in a larger scope. Therefore, in the context of CSR, the above quote can be translated as follow: to build a prosperous, harmonious, and sustainable society or planet, it is necessary, first, that nations need to support and facilitate entrepreneurs to manage well their corporations and fulfil their economic, social, and environmental responsibilities; to manage such corporations, it is necessary, first, to help its members to regulate their families. To regulate these families, it is necessary, first, to cultivate the members' characters of *ren* and *yi* through Confucian moral education. The members of corporations being cultivated in the character of *ren* and *yi*, their families are rightly regulated, corporations are well managed and can fulfil their CSR, and nations are well-governed. Consequentially, it is suggested that the world would become prosperous and harmonious. Confucian principles suggest that from the top leaders to the lowest level employees of a corporation, all must consider the cultivation of people as the root of CSR. To conclude, the realization of Confucian CSR is thus rooted in the cultivation of human characters according to the principles of *ren* and *yi*, which take effect in the following order: first within the members of firms and their families, then with other stakeholders, community, and then society at large.

Confucian CSR implies that entrepreneurs, managers, employees, governors, consumers, family members, and all citizens in the society, either directly or indirectly, have a stake in CSR performance. Therefore, Confucian CSR cannot be realized by corporations alone. The implementation of Confucian CSR is a societal systematic project involving governments, corporations, and families with all members of society. As shown in the CSR model developed in this research, all the people together with communities of different scopes such as families, corporations, local communities, and nations, exist and

operate within concentric circles. Contrary to the belief of *Homo economicus* which separates people and communities, the Confucian belief of human beings serves as the centre of circles and unites people and communities. Therefore, it requires that everyone, especially the leaders of communities, one after another, share the same vision and belief about the positive correlation between personal development with moral cultivation and the development of communities. With this belief, the *junzi* leaders of communities develop themselves as well as developing others within and without their communities by being exemplary leaders, setting up supportive environments, and reinforcing ethical education.

To conclude, sustainable development “must take root in the consciousness and cultures of society” (Corcoran et al. 2002, 103). With a significantly different set of values and principles compared to those of the prevailing instrumental CSR, based on the unique Chinese culture, and especially Confucian philosophy, there could be a different CSR model for Chinese companies. Through a comparison of CSR reports and an investigation of Confucian philosophy and its principles contrary to those of instrumental CSR from both practical and theoretical perspectives, this research constructs a holistic human-centred and harmony-oriented CSR model with a shame-honour dynamic. It also provides outlines for the implementation of this model at both the national level and corporate level. In addition, it gives suggestions for CSR reporting by the Confucian CSR model to improve both CSR performance and credibility of CSR report.

7.2 Recommendations

As concluded above, Confucian philosophy, which focuses on the development of human moral characters, can shed light on how intrinsic motivations, by human goodness, can bring the members of a firm together to fulfil CSR without the pressure of

enforcement from external institutions and going beyond the sole purpose of the pursuit of financial success.

Inspired by the Guideline on Encouraging Entrepreneurial Spirit and Creating a Favourable Environment for Entrepreneurship issued by the Chinese government in 2017, the concrete steps for the implementation of the Confucian CSR model have been outlined at both the national level and corporation level. Correspondingly, as there is a dramatic change compared to current CSR models, some recommendations for CSR implementation are proposed according to characteristics of Confucian CSR to improve CSR performance and credibility:

1. **Led by *Junzi* CEO.** To implement Confucian CSR, the CEO needs to be a good moral example by consistently living with the principles of *ren* and *yi* and provides necessary conditions such as *junzi* leadership, supportive environment, and ethical education to enable employees to cultivate their virtue characters and become responsible people.
2. **Set a humanistic purpose for the organization.** Instead of seeking to maximise financial profit, the firm should aim to be a familial community of responsible people, led by virtuous people, and for people thriving with the Five Blessings.
3. **Build a family culture with Confucian ethics.** Given the shame-honour dynamic of employees, the firm needs to build a family culture which embraces Confucian ethics so that employees can proactively cultivate their virtue characters within/out workplace.
4. **Fulfil responsibilities with an appropriate and progressive manner.** Depending on the stage and scope of development, the firm needs to take corresponding responsibilities. For example, in the initial stage, the firm needs

to strive to improve its performance and competence as well as help employees to thrive. In the developing stage of a SME, the firm should not only concentrate on continuous improvement of its business but also take progressive responsibilities towards its stakeholders. In the developed stage of a MNC, the firm shall aim to make greater and broader contributions for the wellbeing of the whole society.

5. **Transform CSR reporting for continuous improvement and going towards Confucian CSR.** To improve the credibility of CSR reporting and ensure authentic CSR performance, instead of using CSR report as a PR tool to show the firm's achievements, some contents should be added into CSR report, such as, a mission statement of responsible enterprise which explicitly reflects Confucian principles and values, the content about *junzi* leadership, supportive environment, and ethical education with corresponding employee satisfaction survey, appropriate CSR targets referring to industrial benchmarks with exemplary peers, and specific improvement plan.

Concerning the limits of the Confucian CSR model, as Confucius says: "A man can enlarge the principles which he follows; those principles do not enlarge the man." (*Analects* 15:29) The Confucian CSR model cannot, therefore, function by itself, it depends on *junzi* entrepreneurs to realize it. As mentioned, a *junzi* is an exemplar person with a high standard of both morality and capability according to Confucian teaching. Although a *junzi* is an ideal person that Confucius encourages everyone to become, it may be hard to find someone who has perfectly attained the standard of *junzi*. Therefore, in the Confucian CSR model, a *junzi* entrepreneur is someone not necessarily with a perfect moral character but with the willingness to improve himself or herself to become a *junzi* and with a more virtuous capability than others in the corporation. Even with this compromising concept of the *junzi* entrepreneur, not all entrepreneurs have such a

willingness for self-cultivation to become morally distinguished people. In this case, the Confucian CSR model can serve as complementary to other existing CSR models. And it is a recommendation for those entrepreneurs who want to implement authentic CSR beyond an instrumental purpose and legal requirement, to be driven by their intrinsic values and principles. Therefore, rather than proposing a new standard of CSR reporting system, it is suggested that CSR should now include some considerations and recommendations from the Confucian CSR model into the current mainstream CSR reporting systems such as GRI to give organizations a higher inspiration while keeping the basic requirement of conventional CSR reporting.

One may argue that the Confucian concept of CSR is simply an ideal, and although it may be hard to disagree with, it is not far away from reality. This echoes a conversation between the Chinese poet Bai Juyi (白居易 772-846 A.D.) and Buddhist Master Niao Ke (鳥窠) recorded in a Buddhist classic *Zhi Yue Lu* 指月录. In the conversation, Bai asked: “What is Buddhism about?” The master said: “Do not do anything evil. Do all good things.” Bai said: “Even a three-year-old child knows it.” The Master said: “Although a three-year-old child can know it well, an eighty-year-old elder cannot do it.” In this conversation, what is ironic is that Bai cannot practice what it is that he thinks is so easy to know. But is it true that to know is so easy and to do is so difficult? Or is it too ideal to be realized?

Sun Yat-sen (1866-1925 A.D.), the ‘Father of Nation’ in the Republic of China, stated:

The country is the accumulation of people; a person is the appliance of the heart, and state affairs are the phenomenon of a group of people's psychology. The prosperity or decline of politics is related to the uplifting or malaise of the hearts of the people. If our hearts believe it is feasible, even as difficult as moving a mountain and filling up a sea, there will be a day of success; if our hearts believe that it is not feasible, even as easy as a flip of a hand or like breaking branches, it can never get an effect. How powerful are our hearts! Our hearts are the source of

everything. (Sun 1994, 3)

Therefore, in terms of the implementation of the ideas of Confucian CSR set out in this research, it is not a problem of difficulty in doing it but rather a problem of whether we can believe it in our hearts? And from where comes the belief in a harmonious world with Confucian CSR? Do we believe our human nature is the source of virtue and goodness rather than selfishness and can it be realized in the world of business today?

The Chinese president Xi Jinping stated:

The Chinese nation has cultivated and formed unique ideas and ethics in long-term practice. It emphasises ideas of benevolence (*ren*), people-centred, honesty and integrity, dialectics, harmony, and cosmopolitanism, and has traditional virtues, such as constant self-improvement, dedication to work, righteousness (*yi*), helping the vulnerable, doing what is right, being filial and loving relatives. Many ideologies and ethics in the excellent Chinese traditional culture have a constant value in the past as well as at present. We must inherit and carry forward the excellent traditional Chinese culture by the conditions of the new era. (Xi 2015)

Most of these traditional values and virtues are equally mentioned in the Guideline on Encouraging Entrepreneurial Spirit and Creating a Favourable Environment for Entrepreneurship issued by the State Council of China, set out in Chapter Six, and are the basic principles of Confucian CSR proposed in this research. This shows the confidence and determination of the current Chinese government to encourage *junzi* entrepreneurs and all Chinese people to embrace the principles of *ren* and *yi* and to build a harmonious and prosperous society.

With the world-renown achievements led by the Chinese government, the Chinese satisfaction with the government reaches the highest point. Three experts from the Ash Centre for Democratic Governance and Innovation of Harvard University conducted eight surveys in China from 2003 to 2016, including face-to-face conversations with more than 31,000 Chinese urban and rural residents to track Chinese citizens' satisfaction with

various levels of government in China at different times, and then wrote an investigation report. The report concluded that the Chinese people's satisfaction with the government has comprehensively increased since 2003, especially in the inland and poor areas. The survey report showed that the Chinese people's satisfaction with the four levels of government³ had increased from 2003 to 2016. In 2016, the central government had a 93.1% satisfaction rate from the Chinese people, and the satisfaction rate of the other three levels of government exceeded 70%. The satisfaction of the four levels of government of province (municipality), cities and counties, and townships was 81.7% and 73.9%, and 70.2%, respectively. Overall, the higher the government level, the higher the public satisfaction. In addition, from the perspective of the improvement of satisfaction, the improvement in the level of satisfaction amongst the people of the township government is the most obvious, from 43.6% in 2003 to 70.2% (Cunningham et al. 2020).

In terms of the questions of this thesis, this high satisfaction and strong support from Chinese people indicate that Chinese people might well embrace the values and principles promoted by the Chinese government. As discussed above, the requirement of the Confucian CSR proposed by this research is the belief of the *junzi* entrepreneurship and the application of principles of *ren* and *yi* in the business context.

As Confucius puts it, "If a man can for one day subdue himself and return to propriety, all under heaven will cultivate their virtue of *ren*." (*Analects* 12:1) Countries vary in history, culture, politics, and economic development level, but peoples of all countries share the same nature as human beings. Perhaps if one person can cultivate himself or herself and become a *junzi*, everyone can do it. Therefore, starting from anyone who has the willingness for self-cultivation, more and more people can perhaps be

³ The four levels of government include: the central, provincial (Municipality), cities and counties, and townships.

influenced to have faith in human goodness and encourage them to cultivate their character of love, care, and sense of responsibility through which we can make our planet a better place for all. Confucian CSR certainly has a role to play in this.

Although, due to the limit of time and volume, this research only concentrates on Confucian philosophy and the form of Confucian CSR for Confucianism has a prime impact on Chinese culture, there are also other traditions such as Taoism and Buddhism which have great influence on Chinese culture throughout the history. In addition, in China's plural religious environment, through mutual learning and influence of their adherents, since the sixteenth century, there was a famous phrase "the unity of the Three Teachings" of Confucianism, Taoism, and Buddhism (三教合一 *sanjiao heyi*) (Brook 1993). Although each of these Three Teachings has specific focus, the Three Teachings are not exclusive and could be syncretized into a unitary cultural system. Similarly, it may indicate that there could be a unitary form of CSR based on the principles and values of the Three Teachings. Therefore, given this research on Confucian form of CSR, the future research may first explore the forms of CSR based on Taoism and Buddhism respectively. Then, further research can compare and syncretize the three forms of CSR of the Three Teachings into a unitary form of CSR based on a complete set of Chinese traditional culture.

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Appendix 1 Summary of Employees of US CSR Reports

	GM	PNC	Walmart
Aspiration	Attracting and retaining the brightest talent globally.	Supporting individuals' personal and professional needs.	Increasing economic opportunity for employees.
Talent acquisition & development	<ul style="list-style-type: none"> - building connections with universities through donation - provide Take 2 Internship Programme to recruit talent who have left their profession for a while - career development resources - autonomous development processes - offering programmes in partnership with top academic institutions - providing a comprehensive set of training programmes for all levels of employee 	<ul style="list-style-type: none"> - provide internship programmes for college students - focusing on leadership development for each level of management - Comprehensive processes to support managers to develop employees - PNC university provides both classroom and online training with a wide range of training topics 	<ul style="list-style-type: none"> - provide job opportunities for low-skilled people with a ready to work attitude - building foundational skills through training programmes - building advanced skills through Walmart Academies - offering Lifelong Learning Programmes which enable employees to access higher education
Payment and Benefits	<ul style="list-style-type: none"> - paid parental leave - dependent Care Leave - flexible work arrangements - health and well-being programmes 	<ul style="list-style-type: none"> - providing the employee with competitive benefits and compensation - focusing on health, money and quality of life. 	<ul style="list-style-type: none"> - benefits include wages, healthcare, 401k (US retirement savings plan), bonuses, stock purchase plan, associate discounts, paid leave and advance scheduling.
Diversity & Inclusion	<ul style="list-style-type: none"> - promoting diversity and common values and behaviours within integrated company culture and procedure - policies and processes that ensure equal payment - top executives review diversity initiatives 	<ul style="list-style-type: none"> - establishing diversity and inclusion policies - supporting employees with disabilities - Attracting and retaining women and military members with various programmes and initiatives. - providing benefits to LGBTQ+ and their families - Training, seminars and workshops on 	<ul style="list-style-type: none"> - establishing diversity and inclusion policies - public commitments from the CEO - Developing inclusive leaders by offering inclusive training. - Using engagement surveys to measure progress and to inform future priorities in building inclusiveness.

		(dis)ability awareness, inclusive language, inclusive onboarding.	- promoting diverse and inclusive recruitment, engaging and retaining women and people of colour.
Employee engagement	<ul style="list-style-type: none"> - using a recognition programme to integrate GM's purpose and values with its global workforce - measuring engagement through employee surveys 	<ul style="list-style-type: none"> - acknowledging employees' contributions through various initiatives - encouraging employees' philanthropy by matching their charitable donations - offering each employee paid time off to support volunteering activities - measuring engagement through employee engagement surveys 	<ul style="list-style-type: none"> - Empowering Employees to give through several programmes and initiatives - using engagement surveys to measure engagement.
Labour Union	<ul style="list-style-type: none"> - working with unions both from the top and local level regularly globally - In the 2018 transition period, giving transfer opportunities for all affected employees 		

Appendix 2 Summary of Environment of US CSR Reports

	GM	PNC	Walmart
Aspiration	<ul style="list-style-type: none"> - Products Pursuing zero emissions, GM commit to developing and deploying advanced technologies and enhancing traditional ones. - Supply chain GM seek to work with suppliers to move toward a future of zero crashes, zero emissions and zero congestion. - Operation GM strive to reduce their operational impact by operating more efficiently with lower cost structures and higher levels of quality. 	<p>“In 2017 we set even more ambitious, science-informed targets for 2035 — a 75% reduction in carbon emissions and energy use, and a 50% reduction in water use. Additionally, in May 2019 we set a goal to achieve 100% renewable energy use by 2025”</p>	<p>“As a large international retailer, Walmart is recognized as a leader in sustainability, not only in our operations but in working with hundreds of suppliers, NGOs and others to help improve the sustainability of product supply chains in terms of reducing environmental impact, respecting human rights and promoting product transparency.”</p>
Product and Services	<ul style="list-style-type: none"> - growing EV market and charging Infrastructure - improving the efficiency of Conventional Vehicle 	<ul style="list-style-type: none"> - In 2018, PNC committed more than \$7 billion (3%of total loans) in sustainable finance including transactions such as public finance, capital markets, real estate, corporate banking, etc. 	
Supply Chains/ Stakeholders	<ul style="list-style-type: none"> - overseeing and controlling supply chain compliance on environmental footprint - promoting environmental impact disclosure across the supply chain 	<ul style="list-style-type: none"> - Responsible Investing (RI) team provide a portfolio or investment-level ESG analysis and recommendations. - In 2018, PNC had \$2.42 billion in RI (2.9% of total investment asset) 	<ul style="list-style-type: none"> - By 2025, Walmart focus to source more sustainable products on key commodities, such as meat, seafood, packaged food and crops, as well as non-food items like textiles, household and personal care products.
Operations	<ul style="list-style-type: none"> - integrating environmental governance into annual business planning and 	<ul style="list-style-type: none"> - Improving building efficiency through upgrading equipment and management software 	<ul style="list-style-type: none"> - adopting renewable energy to power 50 per cent of their operations by the end of 2025

	<p>compensation process</p> <ul style="list-style-type: none"> - Establishing an environmental policy based on Guiding Environmental Commitments - Implementing Environmental Management System according to ISO14001 - Providing training to employees as well as environmental professionals - Improving efficiency through GM manufactory process - Adopting renewable energy 	<ul style="list-style-type: none"> - Upgrading to weather-based smart irrigation systems to save water usage in the US - In 2018, GM donated 190 tons of excess furniture to divert from landfills and reduce carbon emission - Recycling coffee waste in several PNC buildings in Pittsburgh 	<ul style="list-style-type: none"> - Improving building efficiency through upgrading equipment and control systems - reducing non-food waste by refurbishing, recycling or donating goods that can't be sold - reducing food waste by price discounting, donating unsold food and converting inedible food - saving water through upgrading equipment and technology and employee training - conserving and restoring natural habitat
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Appendix 3 Summary of Community Development of US CSR Reports

	GM	PNC	Walmart
Aspiration	<ul style="list-style-type: none"> - “To serve and improve the communities in which we live and work around the world” - “Our mutual long-term success is interdependent with these communities as we share many of the same natural resources and depend upon a local workforce of talented individuals.” 	<ul style="list-style-type: none"> - “As a Main Street bank, we believe that being a part of the community is about more than our physical location. We take pride in how we relate to and serve our employees, customers, and communities, as these relationships are at the heart of our business model. - focus on early childhood education, community development, the arts and culture, and health and human services. - 	<ul style="list-style-type: none"> - “The local communities where our stores are located and where our customers and associates live are the cornerstones of our business.” - “We believe that strengthening local communities creates a virtuous circle of value for the business, as well as society.” - “Inclusive, vibrant communities support business growth, in turn, having associates and customers who are better-engaged leads to more inclusive and vibrant communities.”
Education	<ul style="list-style-type: none"> - STEM Education - Vehicle and Road Safety training - improving employability by helping people develop the essential skills required by the job market. 	<ul style="list-style-type: none"> - Providing access to financial education to improve employability - Funding and volunteering pre-education and art education programmes - 	<ul style="list-style-type: none"> - providing teaching programmes for healthy food - providing college access and job training programmes to diversify the talent pipeline
Community Development	<ul style="list-style-type: none"> - facilitating mobility by developing shared mobility solutions. - Enhancing liveability by investing in long-term solutions including neighbourhood infrastructure upgrading, housing stabilization, revitalization and school improvement 	<ul style="list-style-type: none"> - providing community development financing that benefited low- and moderate-income populations - Investing in affordable housing equity 	<ul style="list-style-type: none"> - Connecting minority, women, and younger entrepreneurs with affordable financing - Hiring more veterans and helping them reintegrate into local communities. - Supporting community initiatives

	projects; and creating safe places for recreation and play.		- Empowering Employees to give
Hunger Relief & Disaster Relief	-	One-off donation for disaster relief in 2018	Hunger Relief <ul style="list-style-type: none"> - Strengthening the charitable meal system - Mobilizing customers and employees - Extending the reach of hunger relief programmes Disaster Relief <ul style="list-style-type: none"> - Mobilizing products through Walmart Emergency Operations Centre - Employee's volunteerism - Supporting employees in times of crisis

Appendix 4 Summary of Employees of Chinese CSR Reports

	Geely	CMB	Suning
Aspiration	<ul style="list-style-type: none"> - create an equal, fair, and harmonious working environment - focus on cultural integration - promote an inclusive culture 	<ul style="list-style-type: none"> - provide a create an open, honest, fair, pleasant, and harmonious platform for employees to fully realise their potential - develop employee innovation capability and expertise - keep improving compensations and benefits for employees 	<ul style="list-style-type: none"> - create a harmonious working atmosphere - encourage employees to achieve success - protect their legitimate rights and interests - commit to caring for employee happiness
Talent Acquisition and development	<ul style="list-style-type: none"> - Acquisition diversified workforce - provide a Sustainable Talents Training Mechanism (Geely University) 	<ul style="list-style-type: none"> - provide dual career paths (management and technical role) - promote edutainment and proactive learning through the tailored online and offline platform - encourage employees to contribute in teaching and sharing knowledge 	<ul style="list-style-type: none"> - enhance employees' skill and abilities through employee training system and self-learning platform - provide a broad career development space for employees.
Protecting Employees' Rights and Interests	<ul style="list-style-type: none"> - sign collective agreements; - establish employee mutual assistance fund and employee caring fund; - Provide a sound compensation and welfare system based on employees' efforts and achievements. 	<ul style="list-style-type: none"> - ensure employees' leisure time for maintaining a work-life balance; - provide employees with flexible benefits; - establish employee opinion collection platform; - set up "Intra-City Rail" programme to help employees transfer to meet employees' needs. 	<ul style="list-style-type: none"> - commit to implementing various social welfare security systems and providing employees with competitive compensations - commit to strict compliance with relevant national and local laws and regulations to protect employees' legitimate rights and interests - Promote democratic management

<p>Employee Happiness</p>	<ul style="list-style-type: none"> - promote working ethic by corporate culture integration - enhance employee experience with HR services - create a “happy atmosphere” through various corporate activities (e.g., collective weddings, family open days, relay races, cultural trips) - care for employees (such as overtime dinner, Geely kinder garden, retirement ceremony) 	<ul style="list-style-type: none"> - build a strong company culture to enhance internal cohesion. (e.g., the new CMB Museum showcase) - enrich employees’ lives with various activities (e.g., Family Day, health lecture and birthday party) 	<ul style="list-style-type: none"> - provide services for employees (e.g., dining options, company shuttle, leisure centre, support employees’ children's school enrolment) - organize colourful activities (e.g., Suning Summer Evening, Holiday activities, Suning Sports Competition and Family Day) - provide an intelligent working environment
<p>Health and Safety</p>	<ul style="list-style-type: none"> - H&S activities and training - Carry out occupational hazard identification and risk management and control - purchase commercial insurance for all employees and their families (spouses, children, and parents) 	<ul style="list-style-type: none"> - 	<ul style="list-style-type: none"> - Promote physical and mental health for employees through various activities (e.g., voluntary clinic and psychological counselling)

Appendix 5 Summary of Environment of Chinese CSR Reports

	Geely	CMB	Suning
Aspiration	<ul style="list-style-type: none"> - Adhere to the concept of environmental protection in the whole auto life cycle - Actively promote Geely's new energy strategy and accelerate the construction of a greener and smarter modern plant 	<ul style="list-style-type: none"> - Emphasis on the management of environmental and social risks, and integrated environmental protection into its strategic decision-making and operation - Promote green finance and strived to support the development of an eco-friendly, low-carbon and recyclable economy. 	<ul style="list-style-type: none"> - Actively promote green operations and spread the concept of environmental protection throughout the value chain, calling on the whole public to jointly build an ecological society.
Product and Services	<ul style="list-style-type: none"> - Promote new energy vehicles and energy-saving models 	<ul style="list-style-type: none"> - Provide green lending to support eco-friendly emerging industries - Supporting the national energy and resource-saving project - Control the new loans made to industries with high pollution or high energy consumption. 	<ul style="list-style-type: none"> - Improve the accessibility of green products by strengthening green procurement - Promote green design products and trade-in service for home appliances
Operation	<ul style="list-style-type: none"> - Select factory location - Implement an advanced environmental management system including both internal and supplier control. - Take energy saving and consumption reduction measures throughout production operation - Establish a Green Office Atmosphere and promote employees' engagement 	<ul style="list-style-type: none"> - Implement "paperless" operations. - Build a low-carbon and eco-friendly workplace culture and influence employees with the concept of environmental protection. - Upgrading facility and equipment to reduce energy consumption 	<ul style="list-style-type: none"> - Green Logistic: warehouse location selection, consolidated transportation, green packaging - Green Store: Enhanced management system, Upgrading store facilities and Employee Training - Green Workforce: Build a low-carbon and eco-friendly culture and integrate the green philosophy

	<ul style="list-style-type: none"> - Adapt new Energy and recycle battery - Consolidate logistics to improve efficiency 		into employees' everyday lives.
Volunteering		<ul style="list-style-type: none"> - Hold tree planting activities - Organize marathon to promote green commuting 	- Grant and organize tree-planting activities.

Appendix 6 Summary of Community Development of Chinese CSR

Reports

	Geely	CMB	Suning
Aspiration	<ul style="list-style-type: none"> - Strive to convey warmth and care to more people in need - Focus on education, environmental protection, cultural dissemination, poverty alleviation and disaster relief, and vulnerable group assistance. - Four public welfare principles are to solve real social problems, achieve community integration, promote the deep participation of stakeholders, and explore a sustainable public welfare model. 	<ul style="list-style-type: none"> - Taking root in society, giving back to society - Insist on delivering the best financial services, and use our services to support economic growth, promote social harmony and stability, and protect the environment to create value for stakeholders to the biggest possible extent. 	<ul style="list-style-type: none"> - Suning works to deliver love and hope to the whole society. - Suning actively work for charity mainly through poverty alleviation through e-commerce, donation, volunteer services.
Poverty Alleviation	<ul style="list-style-type: none"> - Industrial Development: Geely build factories and introduce partners in targeted poverty alleviation areas - Invest in Education: RMB200 million in poverty alleviation through education - Enhance Employment: Geely has helped nearly 4,000 people from registered impoverished households to get employed. - Invest in Agriculture Geely invested £ 4.7 million in special agricultural projects - Products Consumption 	<ul style="list-style-type: none"> - Financial Solutions: In 2018, CMB made £ 2.4 billion in loans to targeted poverty alleviation projects. - Invest in Education: <ul style="list-style-type: none"> ○ “one-to-one” support to targeted students; ○ Fund training activities for local teachers. ○ Improve local teaching facilities and the living conditions of teachers and students. ○ Introduce the “Internet + Education” mode to reduce poverty. - Industrial Development: 	<ul style="list-style-type: none"> - Suning help people in poverty-stricken areas set up their own business on Suning E-commerce Platform - Suning promote industrial products and agricultural products of poverty-stricken areas. - Suning Poverty Alleviation Training Shop (SPATS): <ul style="list-style-type: none"> ○ Provide accurate poverty targeting by keeping a file for every poor household. ○ Provide training and training

	In 2018, Geely spent £ 4.5 million employee benefits in purchasing agricultural products in poor villages	<p>Develop e-commerce platforms to promote sales for households in poverty-stricken areas.</p> <ul style="list-style-type: none"> - Invest in Agriculture o Support scientific projects. o Build refrigeration plants for agriculture products storage. o Sponsor rural cooperatives. 	<p>compensation for poor people.</p> <ul style="list-style-type: none"> o Suning donates 70% of the profits of SPATS to local poverty alleviation projects.
Education	<ul style="list-style-type: none"> - Establish colleges and universities and train talents to meet the demand in the industry. - Provide broad training opportunities and employment channels for students. 	-	<ul style="list-style-type: none"> - Build basic education facilities in poverty-stricken areas - Promote advanced education methods and the equalization of education
Charity and Volunteering Activities	<ul style="list-style-type: none"> - Geely's employees proactively engage in public welfare such as blood donation, education assistance for needy students, automobile maintenance, subway service, first aid training and assistance for people in need. 	<ul style="list-style-type: none"> - Provide new channels and opportunities for the public to contribute to charity - Employee volunteering activities focus on caring for underprivileged people, including care for children left behind, blood donation, disaster relief, anti-fraud education to the elderly, etc. 	<ul style="list-style-type: none"> - Use their website as a channel for promoting public charity donations. - Promote public welfare by carrying out various sports activities. - Suning actively participate in disaster relief activities.
Livelihood Improvement	-	<ul style="list-style-type: none"> - Increase loans for important infrastructure and livelihood projects. - Provide smart banking services to make people's lives better and create 	

		<p>greater convenience.</p> <ul style="list-style-type: none">- Revitalize rural areas by issuing bonds for house site system reform, industrial development, infrastructure construction and ecological protection in the rural area.- Support small and micro businesses by increasing loans and cutting transaction fees.-	
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Appendix 7 Summary of Poverty Alleviation

	Geely	CMB	Suning
Industry	- Developing business with partners in poverty-stricken areas	- Providing Poverty Alleviation loans	- Opening of Suning Poverty Alleviation Training Shop (SPATS)
Education and Cultural Development	- Vocational education - Construction of facilities - Training of teachers - Subsidisation of students	- Providing financial support to students - Training of teachers - Construction of teaching and living facilities for teachers and students - Introducing online teaching resource - Hosting cultural poverty alleviation projects	- Suning Poverty Alleviation Training Shop (SPATS) - Teaching people in poverty-stricken areas how to set up their own business on Suning E-commerce Platform - Construction of basic education facilities in poverty-stricken areas - promote advanced education methods and the equalization of education to enable more children to have access to quality educational resources.
Employment	- Giving priority to recruiting candidates from registered impoverished households.		- Suning Poverty Alleviation Training Shop (SPATS)
Agriculture	- Investing in special agricultural projects	- Collaborating with e-commerce platforms to promote the sales of agriculture products - Supporting agricultural projects	- Promoting agricultural products sales through E-commerce and SPATS
Consumption and others	- Purchasing agricultural products for Employee Benefits	- Encouraging employees to participate in their poverty alleviation projects by buying agricultural products, making donations, and volunteering activities.	