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List of Abbreviations

R&D	Research and Development
3BL	Triple bottom line
CSR	Corporate Social Responsibility
CS	Corporate Sustainability
CSP	Corporate Social Performance
DJSI	Dow Jones Sustainability Index
NGO	Non-governmental organization
NPO	Non-Profit organization
FTSE	Financial Times Stock Exchange
NYSE	New York Stock Exchange
SRI	Sustainable and Responsible Investment
GDP	Gross Domestic Product
GRI	Global Reporting Initiative

Introduction

Ethics and ethical behavior are topics which have been part of ancient history and philosophy influencing the daily life of various groups of people. Over time many concepts became established, revised and discarded, letting only those which proved to be worthy in either the philosophical sense or businesswise prevail. Corporate Social Responsibility and Business Ethics, which will be the focus of my thesis, are thought to have no real history per se and opinions about the history of those usually stray apart in terms of mutual agreement. Different opinions exist, such as the discourse of Aristotle like regarding the ethics of business or that Business Ethics might only be understood in a historical and conceptual context, not talking about theorists believing that everything has value and is therefore an ethical issue. Disagreements with customers, suppliers or a product in ancient times were normally brought to court, leaving this a matter of law, rather than ethics, although rules of how to behave during business were made by Confucius and even the Prophet Mohammed (as he was also a businessman) (Armstrong, 1991). This continued with Aquinas's price theory, attempting to adjust Greek tradition with the Scripture, marking the pinnacle of Western philosophy in terms of Christian philosophers influencing modern ethic texts. Logically following is Immanuel Kant, overtaking Aquinas's position, but showing little interest in business philosophy (Bowie, 1999), and giving way for the first crucial development of Western business ethics, resulting in the emerge of capitalism: the market ethic of Adam Smith, liberty ethic of John Locke and Max Weber's legitimacy of accumulating capital without any ethical concerns (Wren & Bedeian, 2009).

For my studies it is important to understand that the umbrella term Business Ethics is still a maturing field in Japan and China and heavily influenced by Western ethics and different values adapted from Confucianism, Buddhism, and Daoism. It is essential to see everything in a much broader picture, rather than just to look at ethical values embedded in eastern companies. Both the Japanese and the Chinese Societies are massively affected by traditional values, which regulate the way how people act within a community that is strictly hierarchical organized. On top of that, there exist little separation between private and business life, making private behavior a strong indicator for acting in a corporate environment. Japan and China also have their own social concepts, which furthermore mix up with business life. *Guanxi* (關係), *mianzi* (面子), different systems of gift giving, *kyōsei* (共棲), *chōnin-dō* (町人道) or *sōkaiya* (総会屋) are some of those. According to Hofstede's research, which compared cultural traits of different nations, Chinese have (Hofstede, 2016):

- High Power Distance, believing that inequality is acceptable and relationships must be strictly superior-subordinate orientated. Abuse of power is only socially prohibited by using Confucianism as a defense-mechanism, saying that *ren* will assure the exercise of power in a human way with further regards to the importance of reciprocity.

- Low Individualism, which addresses the collective nature of China. People act in the interest of the group, gain loyalty and indirectly affect workplace conditions, giving rise to nepotism and cronyism.
- High masculinity score, prioritizing masculine values, using competition and success as key drivers for the society. On the other hand, this negatively effects family and leisure time.
- Low Uncertainty Avoidance, indicating preferred ambiguity, which shows in the manifold options of how to interpret the Chinese language as well as in contracts in a corporate environment, leaving room for flexible changes suiting upcoming unpredictable situations. Relationships and dynamic changes are above strict laws and contracts.
- An emphasis on long-term planning, illustrating a society that focuses on relationships, projects and investments in a sustainable fashion, preferring perseverance rather than quick returns.

In comparison Japanese have (Hofstede, 2016):

- Medium Power Distance, showing a structure of a hierarchical system, but do differ in detail. Decisions need to run through a long system before approved, indicating that there is no top leader executing all decisions without considering other layers of the structure. They also believe that, as everyone is born equal, success can be achieved through hard work.
- Medium Individualism, indicating that harmony and losing face are important issues, but when compared to other Asian countries like China or Korea, missing those extensive family systems, only promoting paternalism, in which the oldest son inherits from his father. Japanese seem to be loyal to a company because of their individual decision, whereas Chinese are loyal to a company because of their extended family circle.
- High masculinity score. In combination with their medium individualism, this score shows that masculine attitudes exist between groups, rather than individuals. It is also common to work overtime and express the masculine nature by perfection in material production, service and presentation.
- High Uncertainty Avoidance, making Japan a country which is always prepared for every situation, securing highest caution at all time. This is mostly due to the Japan's geographical position of Japan, leaving it vulnerable to many natural disasters. In society, the Japanese have a ritual for everything, which prescribes what to wear, what to say and what to do at what time. Due to this high score, changes are very hard to realize, either on national or on local level.
- High prioritization of long-term planning, as Japanese see their life in the bigger picture, believing that you have to do your best in your life time, practicing virtues and being a role

model for others. On corporate level, Japanese invest greatly in R&D and in making decisions that will serve stake holders and the society in a sustainable fashion, outlasting generations to come.

As we can see, China and Japan do have a number of overlapping points, but also significant differences, which reflect in their way how they each tackle the problem of ethical behavior inside companies. Business Ethics in Asia are therefore a product of sustaining those cultural traits and applying solutions to corporate related problems like corruption, pollution and other issues while at the same time preserving a harmonious working environment and “face”.

Research Question

My thesis will attempt to answer the following research questions:

- a. Does Confucianism influence Japanese and Chinese Business Ethics and if yes, to what extent?
- b. Is Harmony the underlying concept of both Japanese and Chinese Corporate Social Responsibility?
- c. Is the concept of harmony found in today's Chinese and Japanese companies?

Outline

The main research focus of my thesis is Corporate Social Responsibility and its connection to Confucianism in China and Japan. To clarify the terms and provide the reader with sufficient theoretical knowledge, I will first explain Sustainability in a corporate context by giving examples of crucial turning points in its evolution. After that, Corporate Social Responsibility will be discussed, specifically analyzed in terms of evolution and definition, illustrating important models relevant to modern society. The concluding part will discuss the differences and similarities between those two aforementioned terms. I will then present six important measuring methods for Sustainability and add the Business Ethics Index, which specializes in measuring the consumer's sentiments towards the ethical behavior of businesses and is one of the few including China and Japan. The empirical analysis opens with a study on Confucianism and Business Ethics in China and Japan, briefly explaining the origins and then focusing on the direct and indirect influence of Confucianism on Business Society and Ethics. After this comes a thorough analysis of Corporate Social Responsibility in Japan and China, including definitions, approaches and historical evolution as well as its impact on modern society. The last point of my thesis covers four case studies of Chinese and Japanese companies that showed ethical involvement in society, displaying at least one attribute of ethical behavior, which can be extracted from my research on Corporate Social Responsibility.

Theoretical Background

Sustainability

The pursuit of wealth and economic growth without any hesitation and restraint have inflicted severe problems upon development, as it shows in the struggle between humanity and nature, with its rapidly decreasing natural resources and environmental pollution. In addition to these ecological problems, the heedless strife for money accumulation brings forth other issues like decadence and greed.

Therefore, the idea of Sustainability is a product of decisive factors like the degrading ecology and biophysical contamination, causing the United Nations to assign the World Commission on Environment and Development to counteract these in some way (Kemp, Parto, & Gibson, 2005). If we take conservative economical thinking into account, there is no disagreement between the protection of the environment and economic growth, just the need to combine the elements of effective use of natural resources to achieve the best possible economic outcome without disregarding prospects on future productivity; a mutual augmentation so to say.

The concept itself surfaced around the 1980s when those aforementioned environmental problems emerged, but its origins lie deep further in history (Wang C. , 2007).

The Origins: Hans Carl Von Carlowitz

The mining industry in the early eighteenth century, namely its shortage of lumber to smelt metal, was the catalyst for Hans Carl Von Carlowitz to discuss the concept of Sustainability in one of his works from 1713 called "*Sylvicultura oeconomica*". The shortage was caused by blindly cutting down forests, thus raising prices for resources and resulting in bankruptcies and breakdowns of many mining companies. In reaction to this severe setback, Hans Carl, at that time Mining Supervisor in Saxony, decided to publish a book on the economics of forestry, in which he described a logging practice that needs to be in sync with the tree growing rate in order to create a sustainable momentum (McElroy & van Engelen, 2012).

His theory subsequently helped to establish a model called 3BL or Triple-Bottom-Line by John Elkington in 1994, as his work emphasized the importance of economical, ecological and social aspects in addition to binding the human activity to the amount and recovery rate of natural resources. His view took nature into consideration and introduced the importance of commerce as a decisive factor to serve society and always act according to future prospects (Edinger & S., 2003).

Further Development: Malthus, Stuart & Mishan

Roughly 85 years later, in 1798, Thomas R. Malthus implemented his thoughts on resolving the geometric growth rate of the human population and the arithmetic growth rate of food production,

into an essay called *“An Essay on the Principle of Population”*. He states that the rate of food production will eventually fall behind the population growth, resulting in famine and chaos.

The economist John Stuart published a work called *“Principles of Political Economy with Some of Their Applications to Social Philosophy”* in 1885 and describes the need to conserve earth’s biodiversity without transforming all natural capital into human-made capital (Costanza, 1997). His theory of a stationary state, which is opposite to the current prevailing state, advocates a change away from a growth and resource based economy to a utopian vision. In this progress is a negative way that will eventually lead to a ceasing of all finite resources and leave the question open what our world will look like when these resources are all spent. We must take action, before the world takes action for us by depleting our numbers. The idea behind this whole theory is to manage resources with long-term goals in mind (McElroy & van Engelen, 2012).

Almost one hundred years later, in the post second-world-war economy, Mishan published his book called *“The Costs of Economic Growth”* (1967), in which he points out the need of, for example, social welfare and cultural and living environment conditions, to counterweight the effects of strictly economic growth orientated goals.

The Club of Rome: “The Limits of Growth”

With its first report in 1972 on *“The Limits of Growth”*, the Club of Rome wanted to raise awareness on the topic of Sustainability, namely the relation between the earth and us humans as former interactions led to problems like Malthus had predicted in 1798. Their key focus was to address poverty problems, chaotic urbanization, environmental degradation, job-insecurity, refusal of traditional values as well as inflation and various other economic disturbances. According to the Club of Rome, those problems shared three common features: they all appear on every level of society, contain social and economical aspects and are deeply intertwined with each other (Meadows, 1972).

To counteract this, the society believed in a model of the World, in which the population-growth must stop in 1975 and industrialization must also come to a halt in 1990. This zero-economic growth concept was meant to prevent population and industrialization from gaining momentum, which could lead to a downfall in 2100, based on overgrowth, ceasing of resources and massive pollution (McElroy & van Engelen, 2012).

WCED and the UN: Environmental Strategies

By joining forces in 1980, the United Nations Environment Programme, the International Union for Conservation of Nature and Natural Resources and the World Wide Fund of Nature created *“The World Conservation Strategy”*. It was aiming at maintaining ecological functions, reassuring genetic diversity

and a sustainable usage of our ecosystem and its inhabitants. Although modified later on, this work laid the groundwork for other subsequent concepts and ideas.

Another important global player in the field of Sustainability is the Report of the World Commission on Environment and Development called *“Our Common Future”*, which features discussion points as to how we can meet our needs and at the same time assure the ability for future generations to meet their needs. Two noteworthy points in this agenda are first of all the word need, as it implies the demand of poor people, as well as the theory of limits and that whatever action is technologically or socially taken, we must first of all reinsure that present and future needs can be met.

The report further talks about Sustainability as a promoter for harmony between man and nature. It requires a political system to incorporate and secure the participation of citizen, an economic system to provide technological advancements on independent ground, a social system to ease any upcoming anxiety, a production system with consideration for the environment, a technological system supporting the constant lookout for new answers, an international system strengthening and having the back of a sustainable system and a dynamic administrative system adapting to any given situation (WCED, 1987).

After the publication of *“Our Common Future”*, the word Sustainability became widely integrated as jargon in the dialect vocabulary of journalists, researchers or politicians discussing about development and protection of the ecological system. One view of Sustainability is that the trinity of economy, society and environment must develop together and at the same time without exploiting each other's chances. After the 1992 held Earth Summit of the United Nations in Rio de Janeiro, the action agenda, called Agenda 21, for multilateral organizations, individual governments and the UN, which could be enforced on local, national and global levels, came into place. It is a 40 chapter long document, which deals with four sections, concerning social and economic dimensions, conservation and management resources for development, strengthen the role of major groups and their means of implementation (Holmberg, 1992; Reed, 1997).

The Concepts of Sustainability

There are analysts that believe financial performance cannot be part of a Sustainability analysis (Dyllick & Hockerts, 2002; Spangenberg, 2004), whereas others state that there is no compromise when counting in monetary aspects at the same level as social and environmental aspects. Logically, the former scholars often leave the financial analysis in Corporate Sustainability out of consideration. The latter believe in a comprehensive analysis with all dimensions in mind to get a full understanding of Sustainability.

The gap between those two groups of researchers originate from two different definitions of Sustainability: one assumes that the term Sustainability is interchangeable with Corporate Sustainability, the other one believes in incorporating social and environmental issues into the strategic agenda of a company (Crowther & Aras, 2008).

A different group of scholars considers Corporate Sustainability as non-definable, but to be the subject of discussion in every company, as the strategy for Corporate Sustainability adapts to individual goals and needs (Van Marrewijk & Werre, 2003). Social influence should be used to determine the impact of society on a corporation, regarding the influence of stakeholders or the social/political contract; ecological impact should measure how companies' actions influence its environment; organizational culture defines the relation between the company and its in-house stakeholders, namely employees; financial culture concerns the risk-return tradeoff. These four dimensions, social, ecological, organizational and financial, are all of equal importance and paramount to measure sustainable development. Aras and Crowther's model furthermore puts a stress on implementing the past, present and future views on globalization into the equation and naturally transforms everyone and everything into a potentially stakeholder (Crowther & Aras, 2008).

Corporate Social Responsibility

"Companies that are breaking the mold are moving beyond corporate social responsibility to social innovation. These companies are the vanguard of the new paradigm. They view community needs as opportunities to develop ideas and demonstrate business technologies, to find and serve new markets, and to solve longstanding business problems." (Rosabeth Moss Kanter, Harvard Business Review.)

Corporate Social Responsibility (CSR) is a concept that attempts to combine social and environmental elements into the process of business operations, while at the same time standing in full interactive contact with its stakeholders. There is a need for core values enabling the support and strengthening of topics like human rights, labor standards, anti-bribery and corruption and so forth. With this in mind, I will tackle its origins and analyze its evolution.

The Origins: Oliver Sheldon

Since its introduction by Oliver Sheldon in 1924, CSR has been gaining momentum as a practice up for discussion for companies to assess, whether and how they should integrate social responsible measurements. After that, CSR became widely accepted as a code of business conduct and is debated throughout the fields of economists, entrepreneurs and scholars (Ren & Zhu, 2009).

In the timespan between ancient Greece and the Industrial Revolution, business was always somehow controlled, thus the temporary CSR must be a modern-times adaptation of ancient Western concepts. The ancient Greeks were always equally supporting the gain of social development, as in benefiting

the community, whilst gaining profit. This law especially applied to merchants, who had to stick strictly to social norms (Eberstadt, 1973).

As many scholars agree to the idea of profit in accordance with social norms, some others oppose to this opinion, as they define goals of businesses rather differently. A business, for example, should strive for long-term high profit goals and seek out a way to survive with this tactic in their given environment. In this example welfare and business do not align and the four roles of the economy, labor, agriculture, government and business must be interpreted independently and isolated. A mixture of them will lead to an uncontrollable mass called economy and become a hindrance itself (Levitt, 1958).

Another controversial opinion is that CSR strengthens the authority of the government, as it is a distortion of freedom. Participating in social activities is at the same time weakening the companies' freedom and damaging itself through the authority of the government. Additionally the long-term goal for companies must be to generate profit for their investors, but to do so align with the rules of society, which are part of the law, which again is embraced in ethical rules (Friedman, 1970).

Nevertheless, due to arguments between scholars and businessmen, the CSR development has been welcomed by both and was introduced as modern CSR after serious evolution began in the 1950s. Up until the 1980s a great deal of definition augmentation could be seen, as well as multiplication of terms, but then empirical research took over in search for fostering existing definitions and the development of alternative ideas, like Corporate Social Performance, Stakeholder Theories and Business Ethics concepts. Above all this, CSR remained the core to new upcoming ideas (Carroll, 1999).

Further Development and Definition: Votaw & Carroll

In Oliver Sheldon's opinion, the concepts of moral and CSR were deeply interconnected (Sheldon, 1924). Howard Bowen referred to CSR as obligations, which every businessman must pursue in order to reach his goals under the premise of doing something valuable for society (Bowen, 1953). It is their responsibility to cover up for their actions, even if its reach is outside of the financial dimension.

In 1963, Joseph W. McGuire defined CSR as a commitment towards society to act in accordance with economic and legal terms and extend those by responsibilities beyond and described companies as being obligated to social rules by nature (McGuire, 1963). In 1967, Clarence C. Walton made a similar statement, labeling relations between business and society as intimate and tying those two together by keeping this in mind when striving towards certain objectives (Walton, 1967).

In Dow Votaw's view, CSR is a multi-purpose term, meaning different things to different people. For some it could be legal duty, for others it could intend to be responsible for something, be obliged to contribute in a charitable way, take a step towards social consciousness, belong and behave properly in a society or be in a trust-demanding position as a businessman rather than a citizen (Votaw, 1972).

Archie Carroll is another leader in the field of CSR and defines the 1990s as dominated by themes like Corporate Sustainable Profitability, Business Ethics, Stakeholder Theory as well as Corporate Citizenship. According to his four part pyramid theory, CSR should consist of four different kinds of social responsibilities: philanthropical, ethical, legal, economical.

Carroll's pyramid starts off with economic responsibilities, meaning that the primary responsibility of every business should be of economical nature, whose environment is nurtured with set rules and regulations to guarantee a certain limit in which it can operate and fulfill its legal responsibilities. The third part (the ethical responsibilities) are to some extent included in the first two categories, but extend beyond legal rules set by law to ethical rules included by society. Those expectations from society are easy to note, but hard to distinguish when adapting them into written requirements expected from companies.

At the top-part of the pyramid, philanthropic responsibilities are even more vague and harder to grasp, but leave companies a way in how to deal with this topic. Society considers philanthropic choices fully voluntary and up to the individual businesses themselves, making it into a decision not required by law and beyond ethical responsibilities. The level of these particular responsibilities are only defined by a company's strife for social contribution (Carroll, 1979).

The four parts in Carroll's model are furthermore not exclusive, but should be considered and discussed in an inclusive and interdependent way (Carroll, 2004). On the other hand, if viewed exclusively, managers might be able to distinguish an ongoing conflict, which involves one or more parts of the pyramid. If still connected, one might miss the point and not get a clear view. To be a CSR company, a business must be profitable, obey the law, be ethical and a good corporate citizen (Carroll, 1991).

Balancing the interests of different groups is part of some other CSR definition and basically describes an approach developed by Marco Werre and Marcel van Marrewijk, including three different categories:

1. Shareholder Approach

This one states that the primary function of every business is to generate profit, while at the same time giving the most focus on treating the shareholders and implementing CSR in relation to the profit value and authorization of each individual; this approach only includes the economic dimension (Friedman, 1970).

2. Stakeholder Approach

In this concept, a business is not only accountable for its owners, but also for its stakeholders, which include employees, business partners, customers or different affiliated organizations (profit and non-profit) (Jensen, 2002; Panwar & Rinne, 2006).

3. Social Approach

This approach encourages a business to profit society and at the same time to generate profits. A company is always responsible for society and needs to fulfill its needs (Van Marrewijk & Werre, 2003).

With that brief overview of the pyramid model by Carroll and the interest group approach by Marrewijk and Werre, another concept needs to be mentioned as it is essential and might even be considered a compass to guide the ideas of scholars developing CSR-Models since then: the three concentric circles, which were established by the Committee for Economic Development in 1971.

This model consists of three interconnected circles, in which the inner circle refers to economic tasks like offering services, profit, goods, as well as giving future employees opportunities for employment. The second circle raises the awareness for changing social values, as a company must keep an eye on altering circumstances in the relationship between business and society. The outer circle is ultimately encouraging direct involvement in changing the social environment with various projects and actions in relation to each company's options (CED, 1971).

Another three-stage model was established by Prakash Sethi in 1975 and describes a company's involvement in social responsibilities (Sethi, 1975). The first obligation is of social nature and must be complied by prevailing laws and operating the economic system in regards to market forces. The second stage is social responsibility and activates when a business realizes its stand in the social environment and considers itself as a corporate citizen with responsibilities extending the prescribed laws and economic demands. A corporate citizenship comes along with responsibilities placed upon businesses by shareholders, which consist of legal, ethical and economic obligations. The underlying idea is to maintain a good relationship between investors, consumers and employees to avoid punishment, boycott of products, and refusal of investment or badmouthing. The third stage refers to social responsiveness or the pro-active reaction towards social issues in a dynamic social system (Butcher, 2009).

The last model that will be mentioned in this study is the two-dimension model of William Frederick (Frederick, 1983), which includes a voluntary and a coerced social responsibility. Voluntary means the unforced contribution to society like charity, community projects or advising on local and national issues. Coerced means complying to regulated, government enforced rules like pollution control, employee guidelines or trade union and consumer protection measurements (Frederick, 1983).

Modern Corporate Social Responsibility: Kakabadse & Dahlsrud

Unfortunately due to disagreement and dissent there is no universal definition of CSR. Nevertheless there are a lot of approaches and I want to give an overview of the most important ones, starting with Nada Kakabadse, who thinks of CSR as a *“portfolio of concepts, which expresses society’s expectations as to the role and responsibility of business towards society”* (Kakabadse, 2005). To David Crowther, it is always different to different people. He puts the most focus on the discovery of the relation between a global corporation, the government and the citizen. In detail and on a more local level, it describes the relationship between a corporation and the society, in which a citizen lives. Lastly, it adds the importance of the connection between a corporation and its coherent stakeholders (Crowther & Rayman-Bacchus, 2004).

Jacques Lépissier analyzes the whole situation from a two-dimensional view, as he regards the academic approach to CSR as a mix between different concepts of CSR and Corporate Social Performance. For this reason he believes that values of stakeholders, sustainable development and CSR should be considered likewise, making CSR a wide ranging topic reaching through highly theoretical, managerial and practical concepts (Lepissier, 2001). The topic of CSR is therefore rather multidisciplinary rather than only a single discipline (Ougaard & Nielsen, 2004).

Expressions like society in relation with business, social issue and stakeholder management and corporate accountability are the key words for the complex and controversial nature of the whole CSR topic (Garriga & Melé, 2004). To Garriga and Melé the existing concepts of CSR are too narrow and deliver no strong arguments for the connection of business and society. They suggest the extended development of a new theoretical model including a total of four dimensions. The first one is instrumental, fulfilling objectives to sustain long-term profits, the second one is political, using means of business power in a responsible way, the third one is integrative, considering and including social demands, the last one is value, which means the contribution of ethically correct decisions to foster the growth and well-being of the community (Garriga & Melé, 2004).

Most contemporary CSR definitions have been extended by terms like corporate citizenship and Corporate Sustainability, but at the core the main issue still deals with responsibilities regarding society and environment (Montiel, 2008).

A reasonable and thorough approach is made by Matthias Fifka, as his definition of CSR deals with business and society topics likewise. He takes in the environment, legal and economical obligations and adds the responsibility for each business to voluntarily and in accordance with available resources contribute to the social development while maintaining their business strategy (Fifka, 2009).

Returning to Kakabadse, he distinguishes eight core elements for the definition of CSR (Kakabadse, 2005):

1. CSR is different from corporate humanitarianism (Philanthropy)
2. CSR always includes the concept of long-term Sustainability (Sustainability)
3. CSR is above law and not interconnected (Legal)
4. CSR describes the idea of companies being responsible for stakeholders (Stakeholder)
5. CSR is correlated with some kind of social contract (Social)
6. CSR is a concept of power in terms of responsibility related to its influence and means (Power)
7. CSR demands that any kind of business activity is legitimate (Legitimacy)
8. CSR is a dynamic process that should change in accordance to environmental changes (Contextual Dynamic)

According to Alexander Dahlsrud, who did a comprehensive job by covering 37 definitions of 27 different authors for CSR in the timespan from 1980 to 2003, there are five key concepts representing the term at hand; these are social, environmental, stakeholder, legal and economic (Dahlsrud, 2008).

This makes a total of 12 core elements for the Western definition of CSR:

1. Multi-discipline
2. Philanthropy
3. Voluntary
4. Sustainability
5. Legal
6. Stakeholder
7. Social contract
8. Power
9. Legitimacy
10. Context
11. Environment
12. Economy

Four Theories of Corporate Social Responsibility: Garriga & Melé

The hardest part for most businesses, apart from defining CSR for their own business strategy, is how it is actually implemented and to what extent interpreted and eventually performed.

A number of theories have been established on how to approach the application of CSR, which leaves room for different understandings and thus different theories on what relation business and society might have. To give companies a better and first and foremost systematically tool to approach the whole topic, Garriga and Melé have developed a system including four categories helping to enhance knowledge (Garriga & Melé, 2004).

1. Instrumental Theories

The primary task of this category is to state that all CSR-theories are used as a tool to reach economic goals, as the only goal in a free society should be to increase one's own profits (Friedman, 1970). It furthermore explains the importance of satisfying the needs of stakeholders in order to maximize the shareholder value (Mitchell, Agle, & Wood, 1997). The top criterion for business decision making is to exploit stakeholders for higher shareholder value, followed by strategies for competitive advantage and last but not least cause-related marketing (Garriga & Melé, 2004). While following this theory, expenses should only be made when they serve the purpose of increasing the shareholder value, instead of fulfilling social demands and leading to no positive economic effect (Garriga & Melé, 2004). Michael Jensen has a very fitting term for this situation, called *Enlightened Value Maximization*, meaning that the goal of every company should be to have just one objective, as *multiple-objectives* is no objective. He stresses the importance of maximizing the total market value, but also recognizes that non-shareholder constituencies are important to accomplish the aforementioned objective as well. By having a motivated workforce and trusting consumers and investors, the company is automatically maximizing its shareholder value and hence its total market value (Jensen, 2002).

The second criterion, competitive advantage, aims at dominating the market through smart resource allocation leading to long-term advantages (Husted & Allen, 2006). Businesses are usually stimulated to invest in philanthropic activities rather than other donations in order to have a higher chance of generating wealth (Burke & Logsdon, 1996). An example could be the investment into a lower class customer to boost his stand in the social and economic environment with long-term goals in mind, which will help the business to establish sustainable competitive advantages (Prahalad & Hammond, 2002).

The last point, cause-related marketing, is helping a business to polish up its image by donating to charities. The help in those charitable causes will eventually lead to financial benefits for the business (Smith & Higgins, 2000).

2. Political Theories

This theory lays its focus on the relationship between business and society, as well as incorporating the factor of the power of each individual business in relation to society. As stated, each business does possess a certain level of power and with this power comes responsibility on how to use it to influence society (Davis, 1960). If the power is not used in an appropriate way, groups regulating the power balance might take it away and compromise the company's position in society (Davis, 1960).

Corporate Citizenship also plays a big role in this theory, as it promotes the idea of companies appreciating the society around them, as they are inevitably a part of it (Altman & Vidaver-Cohen, 2000). To this extent, a company might have a similar function as a government (Matten, Crane, & Chapple, 2003). There are examples in the world market, where powerful multinationals have overtaken parts of the governmental power when this government fails to protect their citizens (Garriga & Melé, 2004).

3. Integrative Theories

Society and Business do have a special means of communication, meaning business is dependent upon society and society corresponds with business via social demands (Garriga & Melé, 2004). It is thus mandatory for a business to implement social demands into their management strategy. It is additionally complicated because there are no defined responsibilities in this category, leaving the business with the task to individually identify each social demand (Post & Preston, 2002).

To integrate those demands, various approaches have been made available like social responsiveness that helps to pinpoint the disparity between expectation and actual execution of the business (Sethi, 1975). A second effective strategy is to include sensitive social issue recognition into the management process to help companies to spot threats and opportunities likewise (Ackerman & Bauer, 1976).

When talking about integration, stakeholder management is of high importance. This strategy focuses more on people rather than issues at hand and is preferably executed to affect and resolve multiple stakeholder issues at the same time. The best outcome of this strategy is to actively involve stakeholders in decision-making procedures and establish a positive relation between stakeholder and the company (Garriga & Melé, 2004)

4. Ethical Theories

As the name indicates, the last category of theories focuses on ethics as a tool to enhance the relation between business and society. For this to succeed, stakeholder theories need to be endowed with a normative core (Freeman, 1994). This could be for one, as Douglass Cassel proposes, human rights as the base for CSR. In more detail it could mean the ten principles of the universal rights approach by the United Nations Global Compact, which deal with various areas of human right and corruption laws and are widely accepted by different organizations (Garriga & Melé, 2004).

Adding up to the human rights, comes the theory of Sustainability, which generally implies a process of attaining human development in a secure and inclusive way, where the way of achieving it should differentiate between different organizations in relation to goals, means and their individual context (Gladwin & Kennelly, 1995).

The *Common-Good-Approach* suggests that each business should benefit society in a different way, whether it may be through protection of human rights or the creation of job opportunities. The main focus must be the construction of a harmonious society and the prosperity of the people living in it (Velasquez, Andre, & Shanks, 1992).

Concluding this chapter, the four main points are sustainable maximization of profit, the liable use of power, the integration of social demand in management strategies and the need for an ethical society. By comparing this with our core elements we can match all up.

Sustainable maximization of profit drives the economy. The liable use of power assigns to notions of power and legitimacy. The integration of social demands matches with multi-disciplined, sustained involvement of stakeholder, legal, social contracts and context-orientation and the ethical society fits for voluntary, the environment and philanthropy.

The direction of CSR definition in the West is consistent to some point, but it varies when defined and interpreted for different groups, organizations, companies and scholars.

Corporate Social Responsibility vs. Sustainability

Sustainability is often interchangeably used by some management literature, as it generally refers to social and environmental issues, but there is no definite distinction between those two. There are scholars believing that CS and CSR seem to be merging (Montiel, 2008) and others state that there are only subtle differences, as they share many common parallels (Millar & Magala, 2012). The following will describe the key similarities and differences.

Similarities

As previously stated, researches still argue about to what extent the terms CSR and Sustainability are interchangeable or at least have a strong link (Montiel, 2008; Chua, Morris, & Ingram, 2009). The opinions and their coinciding discussions are of very particular nature.

The convergence of CSR and Sustainability could be explained by their common shared environmental and social involvement, though they still engage in different models (Montiel, 2008). The practical part dictates that a sustainable and socially responsible company must occupy oneself in the matter of gaining economic growth, social impartiality and environmental sincerity. This means that CSR includes three dimensions, economic, social and environmental, making it similar to the triple bottom line model, which theorizes Sustainability as being compromised of the three same considerations. Consequently, CSR and Sustainability likewise have the need to coordinate all three elements of the model to attain social responsibility and Sustainability (Montiel, 2008).

Another similar element of both terms is the way how researchers measure the social and environmental performance and apply their concepts. For this reasons they use related variables like ethics policy, humanitarian contributions, relations of stakeholders, urban development, minority support, safety and health programs, anti-pollution programs, as well as natural resources savings (Montiel, 2008). Furthermore included are eco initiatives, environmental restoration, waste and emission reducing, social dimensions like government and stakeholder relations and the development of the community. The overlapping of measures and variables is quite obvious and makes it able to compare the triple bottom line model of Sustainability to the three dimensional view of CSR (Montiel, 2008).

Differences

The perception of CSR and Sustainability might be the same in a general overlook, but still compromises of subtle differences. CSR on one hand refers to the conducting of business in such a way that there is no harm but rather benefit for the society and the environment, whereas Sustainability on the other hand simply aims at letting a company survive as long as possible (Millar & Magala, 2012).

Another opinion on this topic states that Sustainability's goal is to transform a company into a green and environmental friendly operation with the side-quest of taking care of people and generating profit. CSR, in a traditional sense, does not include this environmental element (Fazey & Ingram, 2013). Some scholars also believe that Sustainability is nothing more than an element of CSR and others confront this statement by saying that CSR is one of the three Ps of Sustainability, namely planet, people and profit (Elkington, 1999).

In the 1970s, when the conceptualization of CSR began, scholars were mostly focusing on the social rather than environmental issues, considering those later only a subset of the social category (Alexander & Buchholz, 1978). The same thing happened vice versa, as CSR was also sometimes considered to be just an approach to Sustainability. Along with this, Corporate Citizenship, CSP or cause related marketing was also regarded the same for both terms (Graves & Waddock, 1994).

The three dimensions of CSR and CS might be the same or at least share the same names, but the difference lies in how scholars tackle questions and issues about them. On the Sustainability side, scholars believe that economic, social and environmental elements are interconnected. The CSR position treats those as being independent (Montiel, 2008). There is also a vast gap between different definitions of CSR as some approach the topic from a single focused side (Brammer, Millington, & Rayton, 2005), whereas others combine various elements into single big construct like governance or pollution. Sustainability has fewer problems, as it is a new area and there is one fundamental document by the World Commission on Environment and Development (WCED) defining Sustainability and creating common ground to start research from (Bansal, 2004) (Christmann & Taylor, 2006).

When taking Carroll's on model economic dimension into account, business is held as the fundamental economic element in our society. It is responsible for production on demand and selling them for a profit. Further business roles are only a product of this basis presupposition (Carroll, 1979). Tima Bansal on the other hand sees economic growth as a result of value creation. To be precise, a company produces goods and supplies services. By improving and raising the effectiveness of those, they increase the value (Bansal, 2004). Carroll regards, as defined by his concept of CSR, economic growth as the top responsibility of business and social responsibility only as a supplement, whereas Bansal treats environmental, social and economic responsibilities on the same level, each one being a part of the whole and his definition of Sustainability. Sustainability is therefore a product of the combination of all three (Bansal, 2004).

There seems to be more differences than similarities when comparing various academic approaches, as well as taking practical business implementation into account. The best way might be to combine elements of CSR and Sustainability to establish a better definition and consequently supply companies with easier ways to be socially responsible in a sustainable way. Therefore, CSR and Sustainability should be interchangeably used (Montiel, 2008).

Measurement and Indices

An important part to determine whether a company is ethical or sustainable is to look at a number of different methods of how to measure it in as detailed and as standardized as possible. Very often, indices provide results without explaining the proper method, applying fields of measurement, which could not be compared to other companies or were just limited and uncomprehensive in their scope

and indices that are clearly not independent or objective enough. This left a total of six indices to focus on and identify their means of measurement, as well as their strengths and weaknesses.

The six indices are:

1. Dow Jones Sustainability Index
2. Ethibel
3. FTSE4Good
4. Domini 400 Social Index
5. Vanguard Calvert Social Index Fund
6. Corporate Governance Quotient

Ethibel

The Ethibel Sustainability Index provides asset managers, banks and retail investors or institutional investors (Nachhaltiges Investment, 2016) with an exhaustive angle of the respective financial performance of globally leading sustainable companies. Having contracted Standard & Poor to take care of the calculations, they maintain four regional indexes on Americas, Europe, Asia Pacific and Global to approximate sector weights on the Standard & Poor Global 1200, but with Ethibel's own choice of selection (Ethibel, 2016). Ethibel wants to apply free float weighted indexes to include the best companies in terms of Sustainability across the globe. To assure this, they use an eight step screening methodology.

1. Initial Screening

Ethibel reviews annual and NGO reports, databases, websites and lists of companies that stand out through their policy by unconventional practice or environmental friendly policy.

2. Screening

Preliminary to the screening process, the companies must pass Ethibel's standards by open and transparent contact, as well as respect for the legal framework, which is about to be applied. They are also evaluated by the way of contact, the information on this specific company by third parties and additional extensive research and stakeholder inspection. They will test four performance categories: the quality of working conditions and their social contribution, the internal organization, their contribution to a sustainable and environmental friendly development and review the companies' ethics and its coherent innovation.

3. Creation of a Company Profile

The gained conclusion is open and available for further screening to investors.

4. Rating

Based upon the performance categories in step number 2, Ethibel rates each company and evaluates them in relation to their general performance of sector and field. If the rating is high enough, the respective companies will be considered for an inclusion in the index.

5. Opinion of an objective Committee

In this step, Ethibel's choice, their results and their methodology will be tested and rated by an objective committee.

6. Board Director Decision

In this final reviewing, the board will take a closer look at the applicants and decide whether a company will be included or excluded.

7. Constant Reviewing

When a company is decided as being worthy of inclusion in the register, it will be under constant surveillance by the Ethibel team and will undergo a general and formal review every three years.

8. Announcement

Ethibel informs the company about its inclusion and announces it publicly so that it can be officially monitored by everyone through their database.

Strengths: The Ethibel Sustainability Index is outperforming the Standard & Poor Global 1200 and also possesses more credibility as it is independent and screened by an objective committee. Nevertheless, the Standard & Poor partnership does boost the overall credibility and accounts for a prominent stand in the finance community, which leaves the Ethibel as one of the three major ethics and Sustainability indexes besides the Dow Jones Sustainability Index and the FTSE4Good. An additional advantage is the strict and accurate research conducted rather on sustainable than financial factors. With their headquarters in Europe (Belgium), they have reached a strong reputation in the financial sector by applying private labeled ethical investing products (Dexia Sustainable World Equities Fund) and gained fame for their CSR focus, gathering the interest from a growing number of oversea-companies.

Weaknesses: Their strengths are also one of their greatest weaknesses; European based Ethibel has more credibility and influence in their vicinity and might leave out important companies elsewhere in the world. It also aims at high-performers, diminishing the chances to take smaller Sustainability efforts in the broader context into account.

[Dow Jones Sustainability Index](#)

Taking the 10 % of leading companies in each field of major industry, the DJSI, which was launched in 1999 and is a partnership between STOXX Limited, SAM Group and Dow Jones Indexes, evaluates in

terms of social, environmental and economic criteria (Robecosam, 2016). To gather their data, they rely on questionnaires for each industry group, company documents in finance, environment, Sustainability and health safety reports, analysis of media that is available to the public, as well as stakeholder reports and general contact with other companies.

To give a general and simplified overlook its field of measurement can be divided in three dimensions: Economic, environment and Social (S&P Dow Jones Indices, 2016).

Economic includes: Codes of Conduct, Corporate Governance, Customer Relationship Management, Investor Relations, Risk and Crisis Management, Scorecards, Strategic Planning.

Environment includes: Environmental Policy, Environmental Performance, and Environmental Reporting.

Social includes: Corporate Citizenship, Stakeholder Engagement, Labor Practice Indicators, Human Capital Development, Knowledge Management, Social Reporting, Talent Attraction, Standards for Supplies.

For each dimension also exists a large proportion of industry specific criteria, which is roughly around 35 – 40 %.

Strengths: The DJSI is offering a wide approach as it deals with a lot of data covering the full spectrum of financial and Sustainability subjects. They also put that work into use, as investors and others are able to reuse the data to create, for example, alternate indexes for excluded industries (tobacco, gambling) to meet standards of different investors. The transparent data also exceeds major world stock markets and the prominent position of the Dow Jones in being the first big Sustainability index leaves them unrivaled and motivated companies to win addition to the index.

Weaknesses: As the group of companies is mostly predetermined and high performing for the cause, it might leave out other subjects, which might be highly performing in regards to Sustainability but not representative for the market. The Index also takes thorough self-reports and self-information into account, which leaves them open to man-made errors, deceit and subjectivity. Even if the approach seems far-reaching at first glance, the overall methodology is globally criticized for its lack of extent.

Corporate Governance Quotient

The Corporate Governance Quotient is recognized as the most versatile and broadly-applied index on the market due to its ranking methodology, which originates from the biggest proxy analysis company in the world, Institutional Shareholder Services. It uses a vast profile, which is created through the combination of sectors and Index (Russel 3000, Wilshire 5000, S&P 500, EAFE etc.) (ISS, Jonesday, 2016).

The Quotient utilizes eight core topics, which are comprised of 61 sub-topics. The eight core topics are (ISS, 2016):

1. Board Structure and Composition
2. Audit Issues
3. Charter and Bylaw Provisions
4. Laws of the State of Incorporation
5. Executive and Director Compensation
6. Qualitative Factors
7. Director and Officer Stock Ownership
8. Director Education

All these topics and sub-topics are analyzed with regards to their weight and score differently if they can be discussed in combination with other arrangements. If the board structure, for example, is seated with a majority of independent directors, decisions conditioned to these members are higher valued in the overall score than it would normally be (Barrett & Todd, 2004).

The information for this quotient is mostly gathered by publicly available files, like from the U.S. Securities and Exchange Commission or annual reports of the companies. It is even possible for companies to hand in additional information on vague or sensitive topics, if the information somehow helps to rectify a certain matter.

Strengths: Due to the vast focus of their detailed sub-topics, the Corporate Governance Quotient delivers an extensive analysis and furthermore provides them a prominent stance in every other analysis done by the Institutional Shareholder Services by placing their rating on the first page of the respective reports. By taking thousands of firms into consideration, the Quotient provides the most comprehensive coverage of all CSR Indexes.

Weaknesses: The index as a stand-alone product prevails, but due to the connection between the Corporate Governance Quotient and the ISS, an issue of conflict of interest arises. The legitimacy at question is how an Index like this can be taken seriously if the ISS sells consulting services for companies to give them insight on how to improve their stand in the ranking. Those consulting fees may thus be regarded as bribery in a broad sense.

FTSE4Good

FTSE serves thousands of clients in about 77 countries by working with investment banks, consultants, brokers, stock exchanges and fund managers (FTSE, FTSE Russell). As an independent company they create and manage around 60.000 indices daily, running over 600 of those in real time. Their key objectives are to serve investors as indices to analyze investment, performance and asset allocation,

as well as establishing index tracking funds. In doing so, they provide a tool for the socially responsible investor to determine globally recognized companies in terms of corporate responsibility. Through a benchmark for the socially responsible investor they serve as a tool to provide correlating products and eventually contribute to a steady development of ethical business practices around the globe.

The selection process is a four step program of different criteria, which is updated on a regular basis (FTSE). The first step includes a company questionnaire, direct contact, and a company report, reviewing the company's website and direct FTSE Company Engagement over new criteria. After that, EIRIS (Empowering Responsible Investment) and its coherent network of international research providers appraise the data with the FTSE4Good criteria. In the third step the committee of the FTSE4Good Policy reviews companies in the FTSE4Good Universe and lastly changes to the constituents in the FTSE4Good Index Series are semiannually authorized by the policy committee.

To be included, companies have to meet certain criteria in three different dimensions, which are the development of good relationships with stakeholders, the shared goal of environmental stability and the defence of universal human rights. As for environmental stability, companies must present environmental policy, identify important impacts, set documented goals in key areas, give a framework for responsibilities, action plans and agenda, hold internal audits and give internal reports and reviews of the management level. Concerning stakeholder and social criteria, companies must provide at least two out of seven indicators following up in regards to their global or in their home operating country.

Indicator:

1. Having an equal opportunity policy or commitment to diversity policy publicly displayed on their website or annual report
2. Support a code of conduct based on ethics and business principles
3. Verify the equal opportunity policy by including at least one of the following
 - a. Surveillance of the policy
 - b. Flexible working hours and benefits for families
 - c. At least 10 % proportion of women on the managerial level, or two fifths of the managers who are women having an ethnic minority background
4. Verifying a functioning health and safety system by including at least one of the following
 - a. Officially published accident rates
 - b. Awards
 - c. Details on training in the field of safety and health
5. Verification of progress in training and employee development by including at least one of the following
 - a. Yearly reviews on training reviews for the staff

- b. Presenting data on the time and money spent on staff-training
6. Verifying data on good relationships between employer and employees
7. Human Rights criteria, including policy criteria and monitoring, human rights training for employees, stakeholder consultation and an impact assessment of human rights

If a company passes all these screening criteria, it becomes eligible for the FTSE4Good Index Series, which consists of the FTSE4Good UK, Europe, US and Global. They are then ranked accordingly to their free float and liquidity.

Strengths: The FTSE4Good uses a set of flexible and ever evolving selection criteria and reassures that globally accepted corporate responsibility standards are always up-to-date. Their system demands a higher standard from higher impact companies and leaves room for new criteria exposed to broad consultation.

Domini 400 Social Index

The Domini 400 Social Index is a common stock index with a focus on capitalization weight and was developed by KLD Research & Analytics. It monitors around 400 American Companies. To select companies, KLD uses a combination of screens of exclusive and qualitative nature (Domini, 2016).

The exclusive screening includes the elimination of companies that derive 2 % or more of their annual sales from military purpose (weapon systems etc.), acquire profit from any alcoholic or tobacco products and acquire any funds from the gaming industry, including services like in-game-payment. Furthermore it eliminates companies that own interests or gain electricity from nuclear power plants.

As for the qualitative screening, the KLD evaluates records from branches like diversity, environmental or employee relations. They exclude companies exceeding in a negative way in those previously outlined fields and include companies that are positive in these areas. The key component to be included or excluded is the overall balance. One negative rating can therefore be redeemed by a positive.

For starters, the index used the representing Standard & Poor 500 companies list and ran them through the screening, eliminating the failing companies. In addition they also disqualified companies with severe financial problems, meaning a financial situation is counterproductive for a long-term viability, as well as companies with a stock price under 5 \$. The final yield was around 250 companies.

In the next step, KLD surveyed non Standard & Poor 500 companies by looking at representatives of industries and large market capitalization. In the last step, they included around 50 more companies, fulfilling conditions like exceeding social characteristics. All three methods of evaluation combined brought forth an index of around 400 companies.

Strengths: The Index puts a great focus on financially stable companies and uses them as a benchmark to represent different industries. At the same time it also includes financial weaker, but socially exceptional companies to cover up underrepresented branched of the industry. If an index mentioned company enters a business that is excluded by the screening methods it will be excluded immediately and replaced by another.

Weaknesses: It is not made clear how strong each of the screening factors is weighted in the process and in each industry, as well as each company, is weighted differently on non-set rules. As the KLD is reluctant to eliminate companies based on qualitative concerns, the exclusive and financial screening seems more decisive (Statman, 2005). An exception is made when the company's condition is bound to worsen and create long term problems. The KLD's selection of companies might not be the genuine top 400 socially conscious companies, as the majority of the firms are in the finance sector, like banking, thus putting the focus on large capitalized companies even if their social side is unsatisfactory.

Vanguard Calvert Social Index Fund

To make it to this index, a company must undergo a financial analysis by Calvert portfolio managers and attest that they meet the needed social standards and are eligible for investment. An investment can mean the full investment satisfaction or a part-satisfaction, where in latter they initiate an investment, but raise questions about the company's management and what fields are required to improve. Taking everything into account, Calvert's portfolio manager will eventually select those meeting both financial and social criteria to qualify them as sustainable investments with long-term success (Calvert, 2016).

The criteria to be included are first of all in governance and ethics, as Calvert closely monitors board independence, diversity, compensation of executives and consultation of stakeholders (Investment, 2016). The next thing to consider is the issue of workplace environment, where they show a rigorous opinion against violations of labor practices, health and occupational safety and promote standards for promotion and salary without any difference in age, gender, religion, physical ability, ethnicity or place of origin. Furthermore the environmental aspect plays a big role in determining an inclusion in the index, as companies with low environmental records in relation to their industry are rejected. Another important point is the compliance with safety guidelines for products and reluctance toward manufacturers of weapons and firearms, alcoholics and establishments allowing or promoting gambling. Calvert also avoids companies that have violated or show signs of violating human rights laws and also companies supporting governments which violate or deny human rights. In respect to the rights of indigenous people, they favor companies that support economic development on such ground or at least impacting indigenous while at the same time respecting culture, territories and

livelihoods (Statman, 2005). Last but not least they advocate efforts to foster community relations by taking corporate humanitarianism and voluntary employee work into account.

Strengths: With the high impact and importance of the Calvert Index and in collaboration with shareholders, it was possible to persuade corporations to think over their policies and take on a more sustainable course of actions. Nevertheless, the year to date return is at around 24 %, which is double the amount of the Standard & Poor 500.

Weaknesses: The core group mainly consists of large American-based companies that are represented on the NYSE and the NASDAQ-AMEX based on their ranking of market capitalization. After a social audit and fulfillment of the stock requirements, companies will be included in the index. They are also relatively new on the market (2000) and might miss some experience in their formula, as they added the Enron and WorldCom despite their big scandals in the early 2000. Similar to some other indexes, certain sectors are overrepresented due to their high financial rating in terms of market capitalization, meaning finance, technology and health care.

Conclusion

Every Index shows great strength in their own method of measuring Sustainability. But there are still major problems, when we address the topics of interference and uniformity. Most evaluated factors differ from index to index, pursue different ways of complexity of methodologies, conflict of interest in the individual ways of companies assessing Sustainability and have a lack of consistency when coming to conclusions and giving out results.

Complexity: A significant negative feature was the unavailability of explicit scores for each company. The complexity of the metrics was present and the amount of data vast, but regardless of the effort to obtain all this, the presentation was rather poorly and unorganized. It was mostly the fact whether a company was included or excluded. Furthermore, there was no assessment by category available, making it hard to understand if a company was included by an overall great score or just exceptionally good scoring in one of the categories. Due to the lack of a universal scale for weighing a certain area of Sustainability, it was unnecessarily complicated.

Conflict: It is complicated to utilize the presented indices to measure Sustainability, as the main goal of the managers of these indices is to attract investors, who rely on financial measures to assess performance. Each index is a tool to hook an investor by displaying a high Sustainability rating, but the impetus clearly is to select large cap companies. This makes it unclear whether really high sustainable-performing companies are included or excluded because they lack the required financial performance.

Consistency: When analyzing the indices in regards to their evaluated areas and key drivers we see similarities on the surface, but disparities in detail. Most indices do evaluate areas like environment or

social-topics, but use different parameters or organize them differently. For some there are only a few key figures, but others break them down in tiny sub-categories or internal and external factors. Other than that the terminology is not uniform, as some were referring to social responsibility and others to Sustainability.

If we go further into detail, the lack of consistency continues to companies that were included in the indices. There are only a handful of companies that appear on all indices. This problem can be explained due to the geographical emphasis of each index and leaves the Dow Jones Sustainability Index as the most comprehensive with roughly about 70 % companies that are found in one or more indices we reviewed. The least comprehensive is the Vanguard Calvert Social Index Fund with an intersection of only 40 % with any of the others.

The International Business Ethics Index: Japan & China

In addition to the aforementioned Sustainability indices, there is also a type of index focusing on Japan and China, called Business Ethics Index. This index incorporates country-specific and culture-based attributes and has the task to continuative measure the sentiment of consumers towards the ethical behavior of companies (Tsalikis & Seaton, 2008). Since its first implementation in 2004 in the United States, it spread across the European Union, China and India and last but not least Japan, functioning as an instrument to expose ethical misbehavior like illegal conspiracy or death by overwork, called *karoshi* (Demise & Miwa, 2006). The main reason for Japan's implementation was the sum of different facts: first of all, Japan is an economic global player and still not able to completely recover from its bubble in the real estate and stock market. This is mostly, despite the positive score in the Corruption Perception Index, due to the unfair business practices. Secondly, as Japan is a homogenous culture, most people belong to a single ethnic consumer group, in this case: Shinto. The last unique feature is their culture, a blend of Buddhism, Confucianism, Shintoism and Western thoughts, that all come together as being Eastern in ethics and Western in terms of science, making Japan's culture one of a kind (Dollinger, 1988).

Japan

The life of most Japanese people is determined by Buddhist and Shintoism rituals, while at the same time have their roots in Confucian ideals when dealing in a business environment. In this case the term *kyōsei* is of high importance, as it describes the symbiosis, the harmonious approach towards how companies establish their relation with customers, suppliers, competitors, government and their ecological environment (Miles, 2006). For this index the two following Confucian principles are most relevant:

- Collectivism, as it marks a very distinctive feature between Western and Eastern cultures. Western cultures tend to conduct the good of the individual, as in individualism, whereas the east promotes the point of view that the good of the group, the company's interests, should always be considered first when taking an action.
- Social satisfaction, as it gives away the difference in power distance in regards to Hofstede's model, while at the same time including the division of classes from the Confucian teachings. Businessmen, merchants, are the lowest class and lack the constitutional capability of performing ethical actions.

China

To successfully measure the Business Ethics Index in China, four issues must be considered:

- Economic/Political issues
Since before 1980 business transactions were mostly prohibited by the government, many Chinese might still not know what is acceptable ethic business behaviour.
- Philosophical issues
On one hand, business choices are highly based on Confucian principles, as material interests are only acceptable if obtained in the right way. On the other hand modern business does not conduct on such moral principles, whether it be due to economic expansion or rapid globalization, resulting in a devaluation of traditional values in order to keep up with the West (Cheung & King, 2004). Another influencing factor is the Confucian-based, Marxist and Maoist fostered collectivism in combination with Hofstede's discovered power distance between different classes, putting the merchant at the bottom of society.
- Methodological issues
Due to limited phone access (only in major metropolitan areas) and budgetary reasons, the data was collected in computer-assisted telephone interviews, naturally capturing only a qualitative and not quantitative picture of the situation (Lee & Wong, 1996).

The instrument

To measure the Business Ethics Index and to sustain stable results throughout different countries, the following four questions were used:

1. Based on your own experiences as a consumer in the past year, business you dealt with generally behaved:
2. Based on what you heard from others or the median in the past year, business behaved:
3. Based on your experience as a consumer last year, do you expect business in the coming year to behave:

4. Based on what you heard from others or the media last year, do you expect business in the coming year to behave:

The interviewed candidates were allowed to answer: very unethically, somewhat unethically, neither nor, somewhat ethically and very ethically.

In addition to those multiple choice questions, an open-ended question was asked:

What particular ethical or unethical behavior did you personally experience or hear from others or the media?

Conclusion (Japan)

In terms of ethical perceptions, Japanese and American managers showed similar views on corporate responsibility as well as unethical business practices, valuing friendship and family and placing a handshake as a sign of mutual trust above a contract (Nakano, 1997). Japan's national psyche might also be negatively influenced by the media, reporting of misbehaving Japanese companies, but will prevail in the end, as, according to Koehn (Koehn, 1999), corporations already have our trust and do not need to obtain it. The mind of humans is naturally resilient to unethical behavior, but also bound to break at a certain point. The BEI for Japan is at 99.1, slightly below 100 and therefore indicating a consumer sentiment toward the unethical side.

Conclusion (China)

The Chinese business can mostly be characterized by collectivism, as the Chinese consumer is heavily influenced by rather group norms than their own ethical standard (Chan, Wong, & Leung, 1998). They also possess two ethical standards: one is for their personal and one for their public life. Due to the organizational systems of Chinese companies, it is easy for managers to conduct unethical behavior and also easier to slip past punishment by the government (Chen & Chen, 2005). Although East Chinese people are pessimistic about the ethical climate at hand (Wu X. , 1999), they see their overall outlook positive and acknowledge the change that happened in the past 10 – 15 years, as many companies tend to return ethically educated from abroad (Pederson, 2006). The BEI of China is at 117.7.

Empirical Analysis

Corporate Social Responsibility in Japan

The term CSR has been in the Japanese consciousness for about 50 years now. According to the peak of newspaper coverage, every ten years or so, when companies admit to scandals and abuses in order to correct them, media covers a variety of CSR-related topics. First initiated by the Kansai Keizai Doyukai (関西経済同友会) in 1956, a Japanese Association of Corporate Executives, I will trace the changing conditions for CSR in terms of changing economical situations in Japan. The Keizai Doyukai is a nonprofit organization promoting the interests of economic and political nature of major Japanese business leaders. It was founded in 1946 and hosts a wide array of events, does research and lobbies the government.

Definitions, Approaches and Demand

Definitions

The definition of CSR is complicated, as this term spans a variety of topics that are included in its meaning, such as legal ones, environmental aspects, ethical, social contribution and of course economic. To be more specific, CSR stresses mostly the social and ethical behavior of a company in a set environment that includes Business Ethics, anti-corruption and bribery, labor practices, safety and health issues, consumer protection, employee rights, as well as product standards and oversee handling of operations (Birch, 2003).

The hard part is to set on a universal consensus that can be applied to every company worldwide, as the core aspect of social and ethical behavior in terms of values and justice strongly differs between societies. These differences can be of local nature, like culture and customs, national nature, like religion and history, or even previously mentioned social and ethical conditions for certain regions.

Approaches

The term CSR is quiet hard to grasp, as its meaning varies from country to country and is interpreted differently in different cultures and times. Following are three approaches to Japan's overall CSR as we know it today (Low & Idowu, 2013).

1. Corporate Ethics Approach

As mentioned before, Japan was undergoing some scandals in the past, where the integrity of companies and their ethical methods was questioned. With the year 2000, voices called for better and general implementation of Business Ethics in the corporate environment. The existence of a company was now on equal terms with corporate ethics. For our approach,

ethics are thus regarded as the centerpiece to initiate a process of finding suitable strategies that could be implemented in the non-transparent business habitat of Japan.

2. Stakeholder Approach

Due to the large power companies in Japan held, there was little or no need to foster stakeholder relations or investor transparency. The central pillar of the economy and society were companies, offering life time employment in exchange for unconditional loyalty. Their system was further reinforced by the pyramid-like structure of the *keiretsu* system. Through scandals it became clear that employer and employees and their intercommunication was a problem that needed to be dealt with in order to reestablish lost trust and build up transparency, as well as fairness. Additionally, the status of minority stakeholders, like women, foreigner or senior citizen was significantly improved.

3. Sustainability Approach

The word Sustainability and its background concept had to be tackled in two ways; environmental and community-wise, as the capacity of what the earth is capable of was slowly showing due to the heavy industry worldwide. This was lifting the whole topic of CSR from a society focused to a global scale issue, where companies now need to react in designated ways that simultaneously respect the environment and at the same time generate profit by raising stakeholder value.

We now have three different approaches for three different problems in Japan. The first one tackles explicit emerging of scandals by reconfiguring corporate ethics, the second one is aiming at changing the focus from the company to the stakeholders and the last one takes the limits of our environmental limit into account by pressing for a more sustainable resolution.

Demand

There are four reasons why companies drop back on implementing CSR into their businesses. The first is to assure the creation of a sustainable global community, by leading companies to increase their attention towards social responsibilities. This should have a snowball effect to also motivate stakeholders and local communities. The goal is to construct a role model image for the company and vice versa helps to foster a balanced growth of countries worldwide in a sustainable manner (Chapple & Moon, 2005). The second reason is the side effect of globalization, whereas Japanese companies have become more and more targets for foreign rating agencies. Major Japanese Companies are now under detailed surveillance in terms of socially responsible investing, SRI, and tested in environmental, social and ethical areas. To avoid exclusion and stay in the game, Japanese companies bow to the foreign pressure and adapt to ethical and social standards. The third reason implies necessity to

counteract corporate scandals happening worldwide and gaining increased attention. As markets and consumers are the target group for most businesses, the ethical and social awareness of how a company is behaving and by what means it is transparent to the consumer has been on the constant rise. The last reason is the lack of reliable CSR evaluation tools. Each outbreak of scandals brought forth a wave of inspections in terms of managing style and ethical and social values. These evaluations, however, were mostly at the mercy of the managers in charge and missed any objective standpoint. Thus the lack of proper framework and industries wanting to protect weaker companies, who played an important role to them (supplier etc.), lead to a failed rootedness of CSR in management.

Nevertheless, with the announcement of national and foreign rating agencies to conduct evaluations on a regular basis, the awareness of CSR has increased as companies now value the communication with their stakeholders more (transparency), want to increase their amount of perspectives on different topics to raise their stand in the overall economic environment or identify environmental or social issues before they actually become problems.

The Japanese orthodox position on CSR is that a company should first and foremost enlarge the value of shareholders by making profit and paying taxes. As far as it goes for the environmental problem in the 1970s, this was no issue to deal with for the companies, but rather outside of their responsibilities as a social institution. Later on it was corrected by saying that Companies and Society are not separable, but rather a single entity and therefore must look into their own corporate consciences and act in ways contributing to the advancement of society and aim at sustainable growth to ultimately gain trust from them. The profit of companies is inevitably connected to the needs of customers and should therefore be seen as rewards for contributing to society. They play an important role and should put themselves in the position of society first to see how they can generate profit through socially worthy methods, as well as fulfill their social mission in these regards.

The whole debate on CSR took a rise with the oil shocks around 1973 (Low & Idowu, 2013), where the art of handling matters during the inflation period was soaked through by uncontrollable social management caused by the great global economical development before. Following this, companies tried to settle for makeshift solutions like foundations or contributions to foster social environment. After all, the image of unprofitable companies not able to perform social acts existed and is now transformed into using the profit as a way to increase stakeholder worth.

[Timeline of Corporate Social Responsibility Development](#)

CSR has, differently from other parts of the world, gained momentum in Japan in the Post-War Era, where the aforementioned Kansai Keizai Doyukai has been issuing an adjudication that needs companies to transform from private companies into an integer part of the society. The management is bound to accept a form of Corporate Citizenship, meaning that companies need to cooperate with

communities and governments (Wokutch & McLaughlin, 1999). The business must search for a way to gain profit, but at the same time extend or enrich this goal by maintaining harmony with the economy and society likewise, e.g. producing top quality products and distribute them for fair prices on the market to achieve stability and Sustainability.

In the 1960s, heavy and chemical industry initiated the first rise of causes to engage the CSR debate. The management tactic was straight forward profit-orientated with no thought for environmental problems, like water- or air-pollution, the contamination of food or the poisoning through various wastes of the industry. As these problems affected the social environment in many ways, the question of accountability arose and brought forth protests and movements by actual victims or aware citizens. In 1967 the Basic Law for Environmental Pollution Control was enacted to fight the industrial pollution.

The 1970s were shaped by the flood of land prices, giving momentum to wild speculating of trading companies in terms of land and commodity (Low & Idowu, 2013). These speculations were of course a major social issue, adding up to the oil price shock from 1973 and bringing inflation in daily essentials as a result of price jumps and decreasing product quality. The Japanese Diet had to respond and conducted extensive research in the field of CSR as a way to stop or at least slow down hyperinflation. The Keidanren then suggested setting up special departments inside companies that would deal with environmental issues, as well as how to distribute parts of the profit to society. Furthermore, Japan was introduced to a fluctuating exchange rate, which put a halt to the rapid economical growth by leaving the central bank out of the picture. Companies were still shaped by the heavy economical years before, but eventually adapted to the needs of corresponding CSR.

The 1980s were a decade of sinking enforcement and interest of CSR, most probably due to the voluntary actions by companies in the decade before. As this topic was not a hot-debate point anymore, another one occurred, called *sōkaiya*, small groups of independent male criminals who extort money from companies by threatening (to reveal secrets, scandals etc.), disrupting meetings or even applying violence towards management and their families. The new applied transparency, as a side-effect of CSR, made companies more vulnerable and publicly open and the uneasiness towards open confrontation weak against taking a standpoint with occurring scandals like the mercury poisoning (Smith & Smith, 1975), as well as other issues concerning the public. The last threat, violence, therefore rarely needs to be enforced, as the Japanese society gives many options by embarrassing, intimidating or shaming the targeted people. With the plaza accord of 1985, an agreement between France, West-Germany, UK, US and Japan, the Japanese Yen gained strength and enabled Japanese companies to conduct business overseas (Fletcher, 2012). The globalization was not only limited to currency, but also brought forth in how many areas the conduct of business style was different. The Japanese realized

that their long working hours, the gender inequality and their overall low standard of life was something that needs to be questioned in order to adapt not only economically, but also socially.

To realize a change, Japanese companies were now part of a financing system to help growing areas like arts, welfare, academics and of course exchange with foreign corporations and institutions, fostering the formation of various associations helping the cause.

The subsequent late 80s were the starting phase to the bubble era, which gained momentum in 1990 due to the flood of land prices, just to burst in 1991. The economical blow that companies had to endure because of that connected through to areas like security firms (compensating the loss of big investors, therefore falling into bankruptcy), banks and of course construction companies who were in it for the easy money, abandoning security regulations for more jobs. The Job of the Keidanren (経団連) was now more important than ever to renew the trust in Japanese company's worldwide. Initially, the leaders of the Keidanren Group saw the descent of the price for land as a good sign and the 43 months of economic expansion up until June 1990 were also a good indicator. Nevertheless, their concern applied to the need to keep prices stable and to counteract the asset inflation (Fletcher, 2012). It was on the one hand a risk to carry over the land speculation of the 80s, but on the other hand favorable for the national recovery after the Plaza-Accord from 1985, which now left Japan as an economy mostly led by domestic growth, rather than by export. The challenge at hand was to make a shift from a strong bureaucratic lead economy coined by the Meiji Era to a private sector led market economy, which is dynamic and strong. To accomplish this and adapt to the needs of a globalizing competition, Japan had to introduce various market principles and become an open international ground for capital. As already mentioned, Japan should struggle free from their Meiji Era coined regulated market and aim for a deregulated and government interference-free market environment (Fletcher, 2012).

Around April 1991, banks slowly realized the beginning of the financial crisis by released figures showing drops by lending banks. Some two months later, another released figure now showed that the worth of assets for all members of the Japanese Banks Association fell for the first time since 1948 (Nanto, 2009). Again, this was not worth any ruckus and Japanese Banks saw this as appropriate and not dangerous for the operation of the bubble economy, more interested in rivaling with the present postal savings system of the government, advocating the economical shift towards private sector market economy and deregulation. In September, the then Keidanren's Chairman Hiraiwa Gaishi supported the general call to lower the discount rate for the Bank of Japan, which then gradually dropped to 0.5 % in 1995 (Grimes, 2002). Some other business leaders even took this further as to demand additional willingness for more flexible and expansive policies to repair the static point of view of enterprises (Grimes, 2002). In March 1992, the stock market price fell below 20,000 yen, which is a

50 % drop since early 1990, raising a new awareness for the urgency of the situation and leaving the business community with two counter-measurements: a large subsidiary for the national budget to animate demand and tax cuts on income, as well as investment (Nanto, 2009). The reality was somewhat different, as there was some movement towards the tax cutting policies by banks, but the leading role was played by more private sectors, namely retailers and manufacturers. They urged the need for more public investment in the national budget and tax cuts of income for renewed mind-sets in the consumption sector. The delay caused by indecisive government representatives was severe and would throw back Japan's restoration plan by a year (Nanto, 2009). Finally, after enough pressure was applied to the tax problem at hand, a tax investigation committee advised a reduction of income tax with a simultaneous rise of consumption tax, which was also supported by the Keidanren chairman Hiraiwa. Many other positions opposed to this idea, because lowering one tax and raising another at the same time would have a balancing effect and eventually achieve nothing. They suggested to first lower the income tax, let the economy recover and then raise the consumption tax regarding to the situation (Kerbo & McKinstry, 1995).

At the same time, banks were set out to clear non-performing loans by using public funds to help those financial institutions facing problems. This continued for about two years and by late 1995, the government once again used public funds to refill bank capital of those facing bankruptcy due to still no profit generating loans (Kerbo & McKinstry, 1995). Keidanren on the other hand, while many business groups called for fast redemption of those loans with a huge one-time amount of money, still went on with the idea of part-by-part redemption, enabled through low income tax and high consumption taxes as an importable package. Their main goal was to pursue the thinning of bureaucratic regulations and a fortification of the private sector, as well as a future pursuit of a transparent economy. By July 1994, most of these proposals by the Keidanren were enforced and somehow resonated with the calls of other business groups, not word by word, but in the meaning of reducing governmental interference, still on the outlook for governmental action to foster the economy. When, in 1992, Keidanren was still hostile towards public funds investing to help nonprofit generating loans, in 1995 they shifted towards a more liberal standpoint with saying that the measures taken were necessary for long-term goals and prevention of future problems (Kerbo & McKinstry, 1995). They also advocated the use of public funds to generate an economical friendly image of Japan for international investors (Vogel, 1985). The overall stagnating social system of Japan, meant that the bureaucracy and the government needed to be changed since Japan was now facing structural challenges issued by the new scale of the expanded economy. Japan was now in line with the changes in the US, who introduced income tax reduction already in the 80s, displaying a global power that needs to be met now. Following the timeline, when economy was showing signs of significant growth in 1996, the cabinet then legislated the consumption tax rise in 1997, as suggested by the Keidanren.

Unfortunately, the next six years were not an economical highlight, but still, this showed the strong influence of this particular business group.

Furthermore, environmental problems took their rise, as global warming, the desertification and the partial decomposition of the ozone layer were now up-to-date talk.

With the implementation of socially responsible investment in Japan in 1999, the year 2000 marked an important cornerstone in the development and spread of CSR. Japan was now a target for foreign research agencies screening companies for SRI purposes and what first began as eco funds as a reaction against environmental problems, developed into governance and social areas, widening the scope of SRI (Keizai Doyukai). Japanese companies gave in, as those SRI ratings were crucial for corporate valuations. To go along with this new sensibility for former disregarded topics came scandals ranging from meat scandals to mishandling of corporate governance matters. As a reaction even more attention was raised and the scope of investigations widened towards ethics and compliance.

Changes in the Japanese System

Share- and stakeholders were usually weak voiced in regards to corporate management, most likely due? to the post war situation of high economic growth, in which their interests were simple absorbed into the interests of the company; a shared fate so to say. At that point growth of the company was on equal footing with social prosperity, thus the company's goals were set above all and no system developed to let stakeholders act in independent ways to observe the corporate management.

With the beginning of the new millennium, the influence of stakeholders was growing, as foreign investment began to increase, letting them have a larger role in financing and at the same time pension funds were losing grip. The break of the traditional landscape within companies, e.g. free labor movement and dissolving employment practices, was a determinant for employees to reassess their interrelation with the company. On the other side, consumers were now more involved in former out of bound matters, like starting to wonder not only about the product at the end, but also how it is manufactured and what kind of role the company at hand plays in terms of environment and safety. It went to such lengths that even *keiretsu* (系列) relationships were questioned (Miwa & Ramseyer, 2006).

The 1990s were a prominent decade, not only for the bubble economy, but also stand for the rise of economical and environmental globalization, bringing with it certain problems. When Japanese companies made their first major moves into Asian territory, issues like global warming, ecology damage, difference between industrialized and non-industrialized countries and human rights came up. To counteract those problems, many NGOs and NPOs were created and existing institutions expanded their scope towards more international grounds.

The 1992 summit in Rio de Janeiro, the 2002 Summit in Johannesburg and last but not least the World Economic Forum were important step stones to raise awareness for the need of large companies being responsible for solving issues, local and global-wise, in partnership with the government and private sector (Shah, 2002).

CSR is still a double-edged sword, as there are proponents for two different concepts. One group aims at hauling companies into economic and social responsibility, meaning they wish for companies to produce and distribute economic profit regarding laws and include social functions to help foster the society as a whole. The other group strictly limits responsibility to the economic part, namely the rise of the shareholders worth. The latter group of people is slowly but steadily becoming weaker, as most voices nowadays call for both responsibilities in companies.

Commercial Code and Corporate Social Responsibility

The Commercial code is a system that allows flexible change when scandals in the environment of corporate governance appear or when criticism on national and international basis occurs. The Japanese also apply a high amount of objectivity by implementing a committee style structure, which allows audit, nomination and outside members.

One of the most important years in terms of CSR for the Commercial Code was the year 1974, whereas CSR was made available as a topic to be discussed by the legislative council (Szymkowiak, 2001). The goal of the Commercial Code was diverse, for example, ranging from the elimination of the *sōkaiya* to renewing of the accounting system, but met some problems when scandals arose and indicated major flaws in terms of compliance. The Commercial Code and the part on CSR was only applicable when companies had a social existence.

The problem with implementing rules by law is the longevity, as rules can be revised or changed over time. In 1975 the Keidanren (Low & Idowu, 2013) supported the legislation of CSR, but on the other hand put an emphasis on creating a sustainable thought of social awareness within companies, namely ethics, which could not be implemented as a law into the commercial code. Roughly 30 years later they proposed ISO standards for CSR, in which they will promote CSR, encourage voluntary promotion of CSR by the private sector, rather than the government and extract guideline for CSR from the charter for good corporate behavior.

CSR is an important topic and needs to be investigated in detail, instead of being left ambiguous and open to interpretation.

Influence of Confucianism on the Emergence of Corporate Philosophy and Corporate Social Responsibility

The first and early roots of corporate philosophy emerged in Japan around the seventeenth century, when the merchant Suminokura Ryoï and the Confucian scholar Fujiwara Seika worked together to create a set of house rules, called *shūchū kiyaku* (舟中規約) (De Bettignies & Thonpson, 2010), which formed a guideline on how to conduct trade properly. The two underlying principles of this code of conduct were that both parties in a trade will have their profit ensured while building a sustainable relationship and that both parties will respect each other and engage on an equal level despite their color, language or cultural background (Boardman & Kato, 2003).

To better understand the strong influence of Confucianism in the process of establishing those house rules, the following observations are important to mention:

1. One should treat others the way you would like to be treated in the sense of reciprocity.
2. Virtue should be the goal of the superior man.
3. A proper balance should be maintained between self-interest and altruism.
4. We exist as a part of a large and complex family, in which we can and should achieve harmony by acting in an appropriate manner.
5. We should avoid any risk by keeping to the middle or average with the help of the golden mean.
6. We should engage in filial piety by respecting our parents and keep relationships to women on a respectful level.
7. Life should be infused by learning how to live the simple life and always be in search for teachers who can be a role model for further self-development.

The translated *shūchū kiyaku* is as follows (Kawashima, 1921):

1. Trade must be beneficial for both parties. We should not make money by making our trade partner worse off. If we do not share the profit with our trade partner, we may lose business opportunities in the long run. The profits will grow as long as we share them without trade partner. Otherwise, they will decline. What is called profit is that which accrues through right conduct. Therefore, the merchant trying to make a quick profit will get less return than the merchant trying to make a profit in the long run.
2. Although Japan and foreign countries have different languages and cultures, the principle accorded by Heaven should be the same. We cannot justify cheating and looking down upon foreign trade partners by focusing on these differences and disregarding the commonalities. Even if they do not take cognizance of the principle accorded by Heaven, we should not tolerate our own ignorance of them. Even the dolphin honors trust and even the seagull

manifests the ways of Heaven. Heaven will not tolerate deception, so we should not dishonor our own manners and customs. When we have an opportunity to meet a gentleman of virtue from another country, we should respect him as if he were our own father or teacher. We should try to learn from him what to do and what not to do according to his country's manners and customs, so as to practice them ourselves.

3. All creatures between Heaven and Earth share the same outlook and the same heart. Even more so do the people of the same country or those abroad the same boat. It behooves us to rescue those in trouble. We should not seek relief just for ourselves.
4. However grave a risk a storm at sea might pose, it is to be feared less than the risk that human greed poses. Of all the objects of human greed, wine and women are to be feared most. All of us always walking the same path should remind one another of this greatest risk. Thus it is well said, "fear is to tread the path amidst the temptation of lust and greed."
5. You should write about these particulars and consult them in your conduct of daily affairs.

As we can see, the *shūchū kiyaku* was influenced by the reciprocal thinking, the importance of virtues when meeting another person, righteousness when generating profits, keeping a balanced life whilst staying away from the temptation of alcohol, women or other means, always aiming at proper administration of self development in daily life and ultimately working for a harmonious relationship with everyone as a part of a big and complex family.

All these Confucian values were part of the *Kaitokudō* (懷德堂) Merchant Academy of Osaka (Najita, 1987), which influenced Japanese commercial trade for 142 years until 1867, when the Edo Government collapsed. This Academy was created by merchants from Osaka and was a central forum for scholars to compare their ideas and theories on how trade should be handled. Another important role of this academy was to enhance the low standing of merchants due to the Confucian philosophy controlled society at that time.

With this fundamental groundwork laid, the concept of *kyōsei* emerged and marked the beginning of a new era of corporate philosophy, representing a fair business practice in responsibility of the corporation in a community environment. Next to the ten point charter of the Keidanren, the Caux Round table was formed in 1986 and established various principles rooted in *kyōsei* and human dignity to assure a process to identify shared values, reconcile differing values, and the development of a shared perspective on business behavior acceptable and honored by all (Kaynak & Sai, 1996).

The Keidanren Charter of Corporate Behavior is directed at corporations, as they have the responsibility to contribute towards the economic development of society and should also make their existence use to society at large. The following ten point charter was first established in 1991 and most recently revised in 2010 (Keidanren, 2016).

1. Develop and provide socially beneficial and safe goods and services that give satisfaction to consumers and customers.
2. Engage in fair, transparent and free competition and ensure that transactions are appropriate. Also, maintain a sound and proper relationship with political bodies and government agencies.
3. In addition to communication with shareholders, interact extensively with the public, and disclose corporate information actively and fairly. Also, protect and properly manage personal and customer data and other types of information.
4. Respect diversity, character and personality of employees and ensure a safe and comfortable working environment, thereby providing a sense of comfort and richness.
5. Proactively initiate measures in acknowledgment of environmental issues, the common challenges they pose to humanity and their importance to its existence and livelihood.
6. Actively engage in community involvement activities including philanthropy as a “good corporate citizen”.
7. Resolutely confront antisocial forces and organizations that pose a threat to the order and security of civil society and sever all relations with such individuals and groups.
8. In line with the globalization of business activities, comply with laws and regulations of the countries and regions where its business operations are based and respect human rights and other international norms of behavior. Also, conduct business by taking into consideration the local culture and customs as well as the interests of stakeholders, and contribute toward the development of the local economy and society.
9. Top management recognizes that it is its role to realize the spirit of this Charter and takes the lead in an exemplary manner to implement the Charter within the corporation and its entire corporate group, while encouraging its business counterparts to follow the same example. Furthermore, it should always try to keep abreast of what people inside and outside the corporation say and set up an effective mechanism throughout the corporation to implement the Charter.
10. In case the charter is violated, top management should clarify both internally and externally that it will take charge to resolve the situation, determine the cause of infringement and make efforts to prevent similar violations in the future. At the same time, top management should promptly make full public disclosure, explain what has occurred, and, upon determining the source of competence and responsibility, impose strict disciplinary action against those held responsible, including top management itself.

The subsequent topic to be discussed is the Caux Round Table, which established an approach to conduct business responsibly, consisting of seven core principles, all rooted in three ethical foundations, namely: responsible stewardship, living and working for mutual advantage, and the

respect and protection of human dignity (Caux Round Table, 2016). They all fundamentally build upon risk management, as good ethics equals good risk management, balancing the interests of business with the aspiration of society to ensure sustainable and mutual prosperity for all. Next to those seven core principles, the Caux Round Table also published Stakeholder Management Guidelines, Principles for Governments, NGOs, Ownership of Wealth and Responsible Globalization, covering every aspect of corporate responsibility and function as a comprehensive statement of responsible business practice formulated by business leaders for business leaders.

1. Respect stakeholders beyond shareholders
2. Contribute to economic, social and environmental development
3. Build trust by going beyond the letter of the law
4. Respect rules and conventions
5. Support responsible globalization
6. Respect the environment
7. Avoid illicit activities

Today, most Japanese companies put a great emphasis on their company philosophy, which, if the company at hand is of traditional origin, often also implies some sort of corporate strategy. These philosophies do of course vary in accordance to the overall orientation of the company. Toyota, for example, does express a great commitment for responsibility towards customers, employees, the community and the environment. It underlines the significance of long-term relationships, as well as the gain of trust when handling matters concerning environment and the society (Toyota). Although Japan was influenced by many different religions like Buddhism, which tend to be too metaphysical, and Shintoism, expressing too much elitism, Confucianism prevailed as the trend-setting principle for modern CSR.

Before going into detail, two other noteworthy concepts in modern management practices of Japan which should be mentioned are *chōnin-dō* (Khan, 1998) and *sampo-yoshi* (三方良し) (OECD), which basically promotes proper contribution to society, the buyer, the seller and ultimately triple satisfaction for corporate longevity. The *sampo-yoshi* can be seen as a reflection of the *kyōsei*.

Kyōsei

The word *kyōsei* can best be translated as “working together for a greater and common good”; this includes that all people, regardless of culture and race, live and work together, whilst advocating the idea of harmonious cooperation (Goodpaster, 1996). This harmony must be established between the company and its customers, suppliers, competitors, government and ecological environment.

The concept of *kyōsei* assembles political, technological, social and environmental solutions under the idea of peace and improvement in social and ecological environment and works in five stages (Kaku, 1997).

1. In the first stage, the goal of a company is to establish a strong position in the market by generating enough profit that will guarantee a sustainable income. Stakeholder benefits or other things are only of secondary importance, while economical survival is the main goal.
2. The second stage marks the beginning of a manager-worker relationship, in which both parties realize their importance to the company's success and also their right to have a share of the company's profit. Main problems at this stage are disputes among managers and workers.
3. In the third stage the view is shifted from inside only to the outside, including customers, suppliers, competitors and the community. Companies do have social responsibilities in the third stage and are also aware of stakeholder, staff, shareholder and supplier interests. In this reciprocal stage, both parties receive and give on equal terms. Partnerships or joint-ventures also differ greatly from cartels, as they are formed in the sense of *kyōsei*-partnerships, meaning they aim at higher profits for everyone and strengthen the awareness for social responsibilities.
4. The fourth stage includes a global view, addressing international imbalances and raising attention for global responsibilities. The company cares for all stakeholders and its coherent community, taking a step beyond local corporate obligations and start to minimize trade fraction by training workers and building facilities in other countries. The living standard of poor countries will be improved by introducing new technologies.
5. In the last stage, which is rarely achieved, a company will urge the national government to take measures against trade, income and environmental imbalances by instituting economic, political and educational reforms.

The underlying principle of the *kyōsei* philosophy is to build up strong relationships in order to strive for unity and harmony in a sense that conflicts will be replaced by working together and the government pushes the executive leaders to benefit all stakeholders.

Corporate Social Responsibility in China

The globalization is the main promoter of expanding Sustainability and CSR. Sustainability is quite simple and easy to define, as it is an improvement to fit the present needs without putting the future fulfillment of needs at risk. CSR however is more complicated in definition, as it is heavily based on context and perspective. One definition is from the World Business Council for Sustainable Development and says CSR *"is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."*

Because of the context orientation, influence of CSR has been differing widely between companies all around the world (Bondy, Moon, & Matten, 2012). In the post-war era after 1945, the goal of most countries was to develop through economic growth, whereas some countries only targeted the economic side and totally neglected the social side of development, ending up in different problems and consequences, like a shortage on energy or an imbalanced economic environment, corruption and political disturbance (Berglund, 2003).

[The Harmonious Society: Impacts on Corporate Social Responsibility and Sustainability](#)

The 1970s mark a point where technology and science had been gaining rapid momentum, enabling large growth in economic globalization, industrialization and population. For those reasons on the other hand, the quality and quantity of food was dropping and the logistics of energy support couldn't keep up, leading to environmental problems. This whole new view on energy politics has forced people to reevaluate their stand in the environment and how they could be able to get on a sustainable long-term path in terms of development (Merkt & Kalis, 2003). Solutions for these problems include a more comprehensive way of progress by combining aspects like politics, economic, society, culture, environment and ecology into one thread. An example indicator for this is the Green GDP, incorporating not only the quantity, but also the quality of economic growth by considering resource depletion, environmental degradation and protective and restorative environmental initiatives.

The topic of CSR arose again when China entered the World Trade Organization in November 2001. Foreign companies were slowly but steadily introducing different business related patterns, as well as, upon the pressure of globalization, the term of CSR (Tang & Li, 2009).

Along with the entrance of multinational corporations in China, came subtle introductions with economic reforms requesting companies to act up to economic responsibilities like building schools and other public institutions that would normally fall into the jurisdiction of the government. Later on, in 1989, China additionally introduced the Environmental Protection and Trade Union Law. Various other laws followed, like the Consumer Protection Law in 1994 and the Labor Law in 1995, all serving to set a base for CSR as we know it today (SICCSR, 2016).

In the year 2006 then, with the help of other multinational companies, the Chinese and especially the consumers were more and more aware of the connection between business performance and CSR. A document signed in Beijing concerning Chinese Corporations and CSR was aiming at a harmonious development of both business and society by fostering social and environmental matter (CSR-China). In the next year, 2007, around 1500 multinational companies joined a written proposal to align their business practices with compliance laws, employee safety laws, protection of environment and sustainable energy use, as well as public service activities. Another big role in CSR was played by the

Ministry of Commerce, which was setting guidelines for inter- or multinational companies, as they had to obey the law, protect employee rights and respect the environment (Law Star, 2016).

Apart from that and with the now wide ranged scope of attention CSR gained in the media, multinational companies had to look out for their suppliers stationed in China, as many of the aforementioned aspects, especially employee protections, were not in place and thus attracted a lot of public critic (China Daily).

For the last 50 years China has been undergoing rapid change in various fields like urbanization, industrialization, globalization and computerization, giving rise to discrepancies on the social, economical, political and cultural level, leaving citizens with uneven income, corruption or bribery. As the socialization of China is still in progress, the government has acknowledged to aim at combining the satisfaction of the people's cultural and economical needs, while at the same time providing them with proper human development (Chao, 2006).

Different Chinese leaders have tackled this problem so far, like Deng Xiaoping, assigning science and technology as key factors for the productive force in order to attain consistent economic development. He incorporated efficiency, speed, quantity and quality in regards to development while at the same time nurturing the coordination of all these factors with politics and spiritual structure. The intention was to reinforce the economy by balancing development and opening up China on equal terms whilst fighting against corruption (Zhang K. , 2005). When the reforms were first initiated in the 1980s, the benefitting audiences were the mere middle- and upper-classes in the coastal provinces and cities likewise. Favoring and supporting this certain group of people naturally resulted in a quick growth of economy, but created a humongous gap in terms of social structure between different regions. The losing factions of this development were mostly peasants and workers, who had been laid off, creating a potential social disturbance among the Chinese people.

Subsequent to this was the development plan by Jiang Zemin, who sought to further the plan of economic revolution by pending from a planned to a market economy, as well as shifting the focus of China's extensive economy towards an intensive, striving to succeed by the means of advocating science, education and technology. The ultimate goal was to achieve a higher standard for living by including sustainable plans for the economic development, linking all together with advancements in technology and reform.

The next big step was the harmonious socialist society doctrine, promoted in 2005 under the Hu Wen Administration during the National People's Congress. It was hugely advanced by Hu Jintao and aimed at building a Chinese characterized socialism (Wu, Yao, & Chen, 2013). The interesting part in this doctrine was how China now perceived economic development, as Hu Jintao claimed that when

countries enter a phase, in which the GDP per capita exceeded 1000 US Dollar, they become socioeconomically critical in regards to development. At this turning point either rapid economical growth and social stability or economic stagnation and social disturbances result, depending on the upcoming most crucial decisions. To avoid the latter, Hu Jintao mentioned various critical aspects, like shortage of energy supplies, regional divergences, environmental depravity, corruption, crime and difference in social values. The party, facing these challenges, had to implement a course that would guide China through these turbulent waters caused by rapid economic development, meaning tackling these problems by implementing a harmonious approach to a sustainable socialist society (Shen & Blanchard, 2012).

This society should be one defined by a scientific development concept, which shifts China's focus away from a mono-economical focused to a balanced, Confucian approach that simultaneously advocates growth and addresses social issues, reaching from the gap between rich and poor to environmental problems and the degrading governmental and corporation values and ethics. Taking a look at the "*Analects*" of Confucius, it is said that when authorities lead unjust or are just unable to lead the society in a paternal way they lose the Mandate of Heaven. It now becomes the duty of every Confucian to prevent society from falling to this corrupted administration by fighting for a bettering of society and helping the environment. Thus, social inequalities need to be eradicated and welfare in underdeveloped and underprivileged groups must be prioritized.

Since then, some progress have been made, as Xi Jinping further advanced the mono-economical growth strategy towards a more balanced model, including health, justice and scientific aspects. Sustainability also helped equity and environmental issues to match up to economical importance and made a point that China will exclude any short-term economic growth goal on the shoulders of social and environmental degradation. President Xi Jinping also advocated a self-healing plan for nature by unburdening it through a better scientific distribution of living and ecological space and drew a line that should never be overstepped by any means. People's health is of utmost importance and a good environmental climate is essential for sustainable development (Wencong, 2013). To implement this new idea of awareness into the mind of every official, Xi Jinping shifted the benchmark for political achievement from mere GDP growth rate towards maintaining a certain level of ecological environment.

The concept of harmony runs through traditional Chinese philosophies from the Hundreds Schools of Thought (諸子百家) like a red thread and hence it is common belief that China's ability to live is mainly due to the applied moral dogma of the Confucianism, as its norms uninterrupted continue to influence nowadays business behavior, as well as the political system (Guo, 2008).

That said and with the knowledge of interpersonal relations based on the five cardinal relationships previously mentioned, the general strife for harmony does not categorically refuse the idea of conflicts or opposition, but strongly promote the need of order and stability in order to minimize those disagreements (Guo, 2008).

In align with the former statement on how the Mandate of Heaven needs to be pursued at all time, the transition from dynasty to dynasty that took place 23 times during 1766 and 1912, is understood as a divine message, foreshadowing the decline of a nation that needs to be replaced with another one, still keeping continued governing structures due to the strong influence of Confucianism.

Harmonious Society in Religion and Culture

There are various definitions of Chinese culture, most of them attaching a great deal of importance to the relation between human and nature and advocating the harmonious thought of a human and human relationship. They also value beliefs of cultural construction, integrate ideologies and norms, serving as principles shared by everyone, putting the idea of sustainable social development in balance with nature, society and humanity (Wei & Li, 2013).

The idea of culture itself is said to be God-given, sprinkled with mythological beliefs like the creation of *Pangu* or *Nü wa*. Later on, Confucius established teachings to include ideals of the cardinal guides (a ruler guides his subjects, and a father his son and a husband his wife) and the five virtues (*ren, yi, li, zhi, xin*). Together, Confucianism, Daoism and Buddhism build the base for today's beliefs of the structure of Chinese culture.

As previously outlined, the relationship between nature and humans is of great importance, as it leads the way to sustainable thinking and environmental protection as a way to maximize the economic growth and counter-measure the concept of mono-economical policies (Rošker, 2015). Mencius once said that balancing out fishing and wood cutting will ensure long-term development of important resources and maintain harmony (Legge, The Sacred Books of the East, 2015). This idea of sustainable development can also be found in other philosophies like Daoism and Buddhism.

Confucianism

The concept of a harmonious culture is deeply rooted within the Chinese culture, as it focuses on the coexistence of human and nature, which should be conducted in a respectful way (Bruya, 2015). One view, which can be found both in Confucianism and Daoism, is the relationship between heaven and humankind, advocated by the theory of Lao Zhuang. Chinese development can benefit from thousands of years of history, which put Sustainability in the spotlight, meaning that Chinese people are able to enhance the understanding of development strategies with their culture, negating any shortcomings Western approaches would face due to the lack of crucial historical background (Frisina, 2002).

The Chinese philosophy of Confucianism has now dominated for over 5000 years, when it first originated in an agricultural based civilization, promoting the value of harmonization through doctrine to cultivate oneself while regulating others and using the power of governing to benefit the empire (Legge, 2015). Two things are meant by harmonization: first, the unity of all internal forces, the inner status, where each part is ready to strengthen each other; second, the unity, which is able to rebalance any upcoming conflicts in a dynamic moving process.

Taking the *“Book of Changes”* and its theory of yin and yang into account, we must take a look at the relation between nature and man, as nature is interpreted as a part of the heaven and heaven as a symbol for a mysterious force. The nature and man dynamic and their interdependence is crucial for future prospects, hence implying that humans must stick to certain rules of the nature, otherwise they would be awaiting misfortune (Xiguo, 2008).

Another important point is the standing of humans, who often regard themselves as superior to other life forms. On the contrary, Confucianism states that our role is to treat every life as equal, without an ulterior motive to destroy other life. However, Confucianism indicates that beings with the ability to treat each other in an ethical and humane way are still superior (Aiguo, 2006).

If we take a look back in history and appeal to the practical side of implementing those theoretical Confucian doctrines, there was, for example, the prohibition of hunting in the Zhou Dynasty to protect the forest and wildlife. Seasons should indicate what animals could be hunted and what young animals should be protected. It is said that this policy saved the Zhou Dynasty from severe negative impacts of its period of rapid economic growth (Xinying, 2005).

Returning to the topic of yin and yang, or shadow and light, it is interesting to see how totally contrary forces still relate to each other and connect interdependently in the natural world, meaning the strengthening or weakening of each other. Examples are male and female, cold and hot or water and fire, just to name a few concepts that could be physically grasped (Fang, 2012). We can conclude that two seemingly contrary forces complement rather than oppose each other and can create something that is far superior to its separate parts. Confucianism takes this concept to explain why compromises and the existence of different sides of one topic are mandatory to achieve a good outcome. One must first of all consider both sides when approaching a problem and set certain rules and boundaries, in which the dispute should be settled without going to the extreme, meaning a balanced environment is ensured.

Those Confucian approaches can also backfire in some way, as the aforementioned Cardinal Guides and five virtues may be the reason why Chinese people so readily accepted an absolute power or dictatorship. While being a double edged sword, Confucianism on the one hand advocates harmony,

but on the other hand, does it through the implementation of hierarchy. Nevertheless, this system of harmonious belief still played and will further play a crucial role in past and future CSR, as well as Sustainability practices and Business Ethics.

Daoism

Laozi and Confucius are two of the most popular known thinkers in Chinese philosophy. The former is known for founding Daoism, predominantly studied by scholars and more philosophical than Confucianism, which has a more global and universal set of values.

The philosophy of Daoism follows the psychological structure of the Chinese people and does offer a great variety on the subject of ecological knowledge, combining the view on all things as being one and the role of individuals that have a specific place in society, alas in the circular procedure of nature (Capra, 1989).

The Daoism, whereas *dao* (道) means “way”, is in itself the origin and the rule of all beings existing in the universe.

“A Tao that can be tao-ed is not lasting Tao.

A name that can be named is not lasting name.

Name-less — the beginning of Heaven and Earth.

Named — the mother of all things” (MacLagan, 1998)

The name in this excerpt is representing the Dao, which translates into the origin of the universe.

“There was something formless yet complete,

That existed before heaven and earth;

Without sound, without substance,

Dependent on nothing, unchanging,

All pervading, unfailing (Waley, 1934)”

“The Tao gives birth to One;

One gives birth to Two;

Two gives birth to Three;

Three gives birth to all things (Mitchell S. , 1988).”

The “one” in this quote is the origin mentioned previously and the two that are produced out of this one are Yin and Yang and the three, as well as then all the things that are produced when the origin and the yin and yang collide and blend (Wang Z. , 2009). Based on this, Daoism is to be considered the first systematic approach for a theory to explain the creation of the universe, according to Chinese

history. Later on, as cosmology developed further, the “*Dao De Jing*” was still regarded as the mandatory head-start for modern views of the cosmos (Li G. , 2001).

With our knowledge, that Daoism explains the origin of the universe, it is only normal to adapt it to social life and politics. Laozi describes the Dao on basis of his observant studies of the human life, with all of its aspects, like society, politics and ontology. The *de* (德) is an expanded version of the *dao*, aiming at guiding us in all these previously mentioned aspects, with the background of nature and man being one and heaven and earth being one vice versa. Concluding from that, Daoism strongly believes that all life forms, including human beings, share common laws, as they originate from the same universe. This is, without question, a major contributing aspect to the modern struggle for Sustainability in the decision making progress.

Dao is thus a formless form and void image, depending on everything else, all things in the universe, ever-changing to the cyclical movement of reality. *Dao* is servant in the way that it does give birth to everything, helps all things to grow, but at the same time does not reign over them, is consciously aware of its own power or takes possession.

Laozi believed that all things are made in a contradictory relation, and we first need to analyze them thoroughly in order to understand both sides, as everything has a positive and negative side. By grasping its full meaning we are able to make the best use. Another important intersecting feature with Confucianism is its appeal to stick to the roots, to explore the beginning in accordance to circular movement, while at the same time remaining serene and astute.

Adding up to this, which helps to create modern concepts of Sustainability, comes the relationship including the Dai, the being, the non-being and *de*, whereas the non-being represents the beginning, the origin. From this point of view, one can identify the enigma of the *dao* and from the point of the being, one is able to distinguish order and limits. The *de* in our equation is a set of rules for the political environment, like expectations for a leader or ceremonial laws. With time, those tribal regulations developed into norms, demands and customs that lasted throughout the existence of its originating tribe. *De* is therefore the practical part of the *dao*; it is a manifestation of norms and patterns.

Following this idea, the *dao* can be seen as a body and its limbs and the *de* as its functions. The *dao* represents the unwavering natural status quo, whilst *de* refers to the action of returning to this aforementioned state. When we take a look at society and politics, we discover that they are interactions considering Sustainability, while including nature and reciprocal actions among humans.

“Man follows the earth.

Earth follows the universe,

*The universe follows the Tao,
The Tao follows only itself (Mitchell S. , 1988)."*

We conclude that man, earth and heaven follow *tao (dao)* and *tao (dao)* represents the natural state, so man should follow what is natural to him and not against nature, but clearly rather for Sustainability.

Human relations on the other hand should be characterized by non-action, meaning that we should not desire, struggle or take action, but aim for a peaceful life, advocating the ways of nature.

Buddhism

There are about 185 million citizens in China, who identify themselves as Buddhist and Buddhism is one of the three biggest religions of the world. The religion has its birthplace in India and was introduced to China at the end of the Han Dynasty, and is thus called Han Buddhism (Zürcher, 2007). Together with Daoism and Confucianism it peacefully coexisted and advocated the need of man and nature to live in tune, promoting harmony and peace in society and overall respect for all life forms. Hence, Buddhist ideas were spread by doctrines and practices. In alignment with Daoism, the origin of the universe was not God and we humans are not dominated by any almighty and are fully able to shape our own destiny (David, 2005).

According to Buddhism, the roots for environmental protection lie in the awareness of the Shakyamuni to the creation, as this religion acknowledges all matters in our world as part of the Genesis, thus integrated and separate at the same time. All things in this infinite universe are interrelated to each other, because in a former life things could have been something else and therefore interrelated (Sasaki, 1993).

For Buddhism every life is equal, but divided into two categories: sentient and non-sentient beings, whereas the first experience life with awareness and excitement (humans and animals) and the latter, such as stones, trees or the universe, compromise their life without these sensations. The first group, the sentient, can be further divided into what the Buddhism calls "Ways": Heaven, Animals, Ashura, Human Beings, Ghoul and Hell. According to Buddhism, these ways represent a cycle in which we will be born and reborn over and over again according to our level of how we practice Buddhist doctrines. The "*Brahmajala Sutra*" states that every sentient being is infused with the doctrines of the Buddha Nature and therefore and through the right cause of the Buddha Nature, bound to attain the Dharma Body (Sasaki, 1993). Buddhism is teaching us to embrace our life, while at the same time appreciate the life of others, as it is not part of the human being to dictate others' life.

Concluding from this, it is strongly forbidden to take an animal's life, as all life is equal. The key to achieve harmony is to treat all lives with the same respect, responding to the need to be one with nature. Taking a look at non-sentient beings, it is also forbidden to take their life, as the "*Brahmajala*

Sutra” prevents us from starting wildfires or, as stated in the “*Vinayapitaka*”, prevents us from stepping on grass to terminate life (Sasaki, 1993).

Getting to the ecological point of Buddhism, we must take definition of mercy into account, as it defines humankind as a part of nature, thus everything around us is nature and there is no detailed distinction between what is impermanent, as everything follows the same natural laws. In Buddhism, everything is connected by the law of causality and the factors of the existence of everything are interconnected, but at the same time interdependent. Everything is impermanent but also bound by the law of causality.

Returning to the concept of harmony, one must recognize the unique place of human beings in the natural environment, their humbleness towards it and their spiritual development. Nature must be neither dominated, nor should the humans submit to it. If we assume the ability to detach ourselves from the thought of only two possibilities, we must conclude that there is another alternative, which means coexistence with nature and for this part, Buddhism plays a great role to inspire and nurture this concept.

Conclusion

Daoism and Buddhism deal with the aspects of spirituality, whereas they are not bound to any certain culture, but are universal in their way. Buddhism, especially, has the ability to adapt itself to various cultural situations throughout history (Pommaret, 2012). Furthermore, Buddhism strongly advocates the gain of knowledge with a compassionate heart. Gaining knowledge without any compassion just does not work and hence modern science and every step towards any development should be soaked with social concern, otherwise it would have no value (Capra, 1989).

Confucianism and Daoism have their own way of handling nature. The first promotes a harmonious convergence of human and nature, the latter wants to cut humans out of the equation by letting nature take its own course without interference. Those non-aggressive concepts are more likely to succeed in creating a balanced relationship with nature, than modern subduing tactics, which are immoral and corrupted in their very roots (Toynbee, 1973).

Taking a look at Chinese cosmology, we always must take the unity of heaven and humanity into account. It is commonly accepted that evil will be punished and good deeds will be rewarded.

“Zi gong (a disciple of Confucius) asked: “Is there any one word that could guide a person throughout life?”

The Master replied: “How about ‘shu’ [reciprocity]: never impose on others what you would not choose for yourself?”” (Hinton, 1999)

The standard for social and personal morality is the core value of Confucius' cardinal virtues of benevolence, righteousness, propriety, wisdom and faithfulness. The Chinese channeled these into kindness, harmony, tolerance and honesty, harmony between the universe and man, as well as underlining each and everyone's need for ethics and morality in their concept of culture (Tang Y. , 2015).

Through the use of Confucianism, Buddhism and Daoism Chinese people are bound to obtain humanity and kindness towards each and everything. It is strongly believed that the cultivation of these practices left them tolerant and a safeguard for morality, as well as for social development and virtuous belief (Li C. , 2013).

Confucianism focuses on the mundane world, as it puts an emphasis on family ethics, namely filial piety, which is the core value for all other kindness based concepts. From this basis, ethics can be easily extended towards sustainable social morality, enabling persons to cultivate family and vice versa. When the family is regulated, the state will be rightfully governed and when the state is rightfully governed, the empire is in harmony (Legge, 2009; Yao, 2011).

Buddhism and Daoism, on the other hand, focus more on the spiritual world, but nevertheless have a strong impact on every aspect of ordinary life. Examples are *qigong* (气功), *fengshui* (风水), medicine or divination. The image of karma, justice for evil, the image of a hell and a heavenly kingdom, as well as the Confucian ethics are accountable for creating the core of the Chinese culture and shaping the moral system Chinese people use to strive towards peace, harmony and Sustainability (Fan, 2000).

Summarizing all the previously mentioned aspects, humans should try to minimize conflicts, aim for balanced relationships and set a goal to coexist and develop with the help of each other in the universe. Those beliefs are the base of modern concepts of family society, and development (Guo, 2008).

Harmonious Society in Ancient China

According to scholars, the origin of Sustainability can also be found in ancient China, as the thoughts of Lü Buwei (besides all traditional philosophical and religious concepts from the Confucianism, Daoism and Buddhism) have extraordinary views on the idea of Sustainability, even when compared to contemporary Sustainability (Shen & Shun, 2007).

His greatest work, "*Lüshi Chunqiu*" (吕氏春秋), "*Mr. Lü's [Spring and Autumn] Annals*", is a collection of readings and ancient classics and contains economic theories similar to agricultural development theories. The Annals also cover topics about demography, consumption and management. Its focus, however, lies in its agricultural theories, rather than its commercial use.

An important term is the sustainable benefit, meaning that scholars would strive for secure long term benefit and rather do this than endangering its future prospect by choosing a quick method, bringing in unsustainable, but high profit (Knoblock & Riegel, 2001).

Another pivotal concept is the theory of the three elements, describing agricultural practices in which the human is in peaceful coexistence with nature. The ecological problem we often face is our way of dealing with nature, namely putting us above nature and exploiting it through our superior means of domination. The three elements coming into play here are man, sowing the ground, the earth, sprouting the seeds and heaven and nurturing them (Knoblock & Riegel, 2001).

Other expressions underlining the connection between the agricultural focus and its impact for Sustainability are when Lü Buwei talks about the good farmer, as he is to choose the best piece of land, but still lacks the certainty of a good harvest. It is said, that Heaven is responsible for the seasons and that earth will bear those, but that heaven does not confer with man. Thus a good harvest is always in accordance with man watching the seasons and planting when it is most suitable (Knoblock & Riegel, 2001).

Human beings should therefore neither subdue nor dominate nature, but must aim at keeping a good relationship with it. To grow a plant, man must do his part, whilst also taking a natural environment into account, including the seasons, the heaven and the earth (Shen & Shun, 2007).

The theory of the three elements is a dynamic concept in which the nature is in constant change and vice versa in relation to all elements surrounding it, namely, heaven, earth and human. Humans do possess the ability to take actions, but have to keep a close watch on what they are doing (meaning the resource supply), preventing blindly decided actions and consistently contributing to a healthy and stable ecosystem (Shen & Shun, 2007).

With our current advancement of technology, it is easy to exploit and control nature, but it is of utmost importance to learn from mistakes of the past and adapt to the degeneration of nature.

[The Five Virtues and Corporate Social Responsibility](#)

After its first introduction to China in the 90s, the idea of Corporate Social Responsibility (CSR) has gained rapid momentum and was afterwards an integer element into management theories and practices. Since then many scholars have noted, that the practice of CSR is by no means a Western concept that the Chinese imported, but rather a part of Chinese culture that is largely integrated. A good example for that would be the concept of the Confucian merchant, dealing with goods while at the same time respecting and considering his environment by acting with integrity and seeking profit not only for himself, but for the benefit of the whole community (Schmidpeter & Lu, 2015). There was of course no explicit model in ancient times called CSR, but nevertheless these Confucian business

ethics do resemble what we nowadays call contemporary CSR; it is useful to consider such concepts from ancient times and the kinds of impact they had to fully understand present concepts of Sustainability and CSR in China.

With Chinese commerce during the Shang Dynasty came economic growth and social development. With this, some merchants turned to more shady and unethical tactics to obtain profit, triggering the need of ancient trade ethics to facilitate commerce relations between buyers and sellers, providing merchants with a guide on how to act (Zürcher, 2007).

While these ethics absorbed many ideas from the Hundreds Schools of Thought, Confucianism was the main influencer of traditional Chinese culture. This set of Chinese commercial ethics created a moral and ethical system (including the harmonious theory discussed previously), and was backed by the five virtues as pillars, which impacted and influenced ancient ethics and social responsibility (Shen & Shun, 2007).

Ren, benevolence, is the first virtue and typifies the essence of Confucianism through its three implications. With the first implication I mean a concept based on the center of humans, as the pronunciation of *ren* is similar with the Chinese character for human, therefore benevolence is the differentiating characteristic of a human being. When incorporated in conduct, it is *dao*, the way of truth or duty (Legge, 2011). In its second implication, it highlights the relationship between individuals based on harmony, whereas the difference between a benevolent and a man with proprietary attitudes is the love and respect for others (Legge, 2011). Thirdly, it emphasizes the importance of the relationship between individuals and society, as one should treat both the elderly and the young with similar respect, to eventually set off a chain reaction that permeates through all layers of society, ending in a harmonious kingdom (Legge, 2011).

As we can see, the ancient Chinese society was defined by humanity in the sense of *ren*, benevolence, as it distinguished human beings from everything else by indirectly describing how man (thus merchants), should act socially responsible. This means loving and maintaining a harmonious relationship with others whilst translating this to the higher goal of contributing to a harmonious society. Another important deduction is that the world does not only belong to one person, but to everyone and that yin and yang advocate's growth in everything rather than only one thing. Hence, the human being must always put his self-interests last, when they do not simultaneously benefit the interests of his family or the country (Knoblock & Riegel, 2001). Also, respecting and loving others will result in reciprocal feelings; in a business ethics context, this is exemplified through loyalty and trust in a customer and merchant relationship being built by ethical decisions serving both the customer and wider society.

Ancient Chinese thinkers were often concerned with the relation between righteousness and benefit, as the second virtue *yi* (righteousness), has sparked various views on how to relate them to each other (Woods & Lamond, 2011). Due to Confucianism, righteousness should be valued above benefit, while Legalism shares the opposing view (that of benefit being more important). If we take a look at Daoism, neither righteousness nor benefit should be taken too seriously, whereas Moism equally values both. However, the fact is that throughout Han until the Qing Dynasty, the Confucian perspective predominated and advocated Business Ethics in accordance with ethical principles. The factor of benefiting while doing business is only regarded valuable if it is abided by ethics and morality, otherwise benefit means nothing. In Confucianism benefit gained without honors is like a “floating cloud” (Legge, 2009)

Interestingly, Confucianism thought of both righteousness and benefit as directly related, because in business conduct, righteousness would yield advantages, such as a good reputation leading to profit gain. The way to gain righteousness thus seemed normal in order to benefit society, rather than benefit the company. This way many ancient businesses seemingly gave up their direct revenue to support philanthropic projects like building schools, donating for various society needs or just for the cause. In accordance with Confucius only men with their minds filled with righteousness were ethical.

The third virtue, *li*, propriety, is a somewhat vague term and can be defined in different ways. It could mean social norms and institutional systems, or, in a more narrow way, ethical laws. Due to the high standing of the hierarchical system in Chinese society, the practice of propriety became a leading indicator for regulating social relations, while at the same time promoting and maintaining stable relations between all humans. Propriety was a useful instrument in settling disputes and rectifying wrongs (Legge, 1966).

It is only natural that things are not all of equal quality, therefore the rules of propriety were needed to achieve harmony among the citizens. If we follow this concept to the establishment of the five cardinal relationships, propriety is also needed to even have something that can be used to measure the stand of every citizen in society. If there would be no such indicator, how would one establish a proper relation with their king (Legge, 2011)?

The fourth virtue, *zhi*, shares a similar meaning to the English word wisdom. Wisdom is meant to help us comprehend the ways of others and ourselves. The ideal merchant must therefore always question his methods and talk to his customers to be better able to examine and self-reflect on his behavior. This further stresses the ability to differentiate between opposites like wrong and right, righteousness and unrighteousness etc.

Xin, the last virtue, can be translated as sincerity or fidelity, as it aims at following the rule to treat everyone with equality, be it the old or young customer (Low & Ang, 2012). According to Confucianism, *xin* lays the foundation for our social identity, as it presumes a certain level of truthfulness to even get on with life. For the social life, sincerity means always being truthful, honorable and careful. With the help of sincerity we are also able to survive any hardship coming unto us. Furthermore, sincerity touches the aspects of harmony and social life, as it is required in order to be able to follow created social norms and ultimately stabilize social order and harmony (Knoblock & Riegel, 2001).

After designating each virtue to the field of practices in Business Ethics, we can conclude that their importance for ancient Chinese merchants is great. They dictate that merchants should always keep their promises and maintain sincere relations in fair trades. If they generate profit it should be used to support local communities by initiating various projects on behalf of philanthropic activities, such as education, disaster relief or national defense (Chapple & Moon, 2005).

Contemporary Corporate Social Responsibility in China

CSR has been gaining more and more interest in terms of terminology definition, theory creation and ultimately scope of approaching. Its popularity is widespread among scholars and industries alike, and is believed to be influenced by cultural, historical and social background, which shapes and adapts the contents of CSR to their needs (Garriga & Melé, 2004).

While scholars from the West and China have conducted research, the bulk of it was based on Western approaches and was thus analyzed based on Western values. With the majority of Western origin, only a relatively small number of theories even consider Chinese values and cultural elements (Wei & Li, 2013).

As CSR is regarded as a collective term, it cuts across a variety of concepts that involve relations between business and society. Furthermore, CSR is a concept that needs the right balance between rules and dynamic openness towards a changing environment, as there are differences even between two similar cultural worlds, such as Europe and the United States (Crane & Matten, 2010). Instead of applying theories that were researched based upon Western culture, they need to explore local issues and develop original concepts fitting the Asian market (Meyer, 2006).

According to the CSR Surveys of CSR Asia, there is a connection between developing CSR and developing the economy, as CSR policies are often established by taking local and national relevant issues into account. When taking a look at social responsibility or sustainable development in both the West and China, they share a common context, but differ greatly in regards to the priorities (CSR Asia, 2016).

Following this thought, copied CSR concepts from the West are of no or only limited use to the Chinese market, as their real goal should be to include aspects of the Chinese culture, economics and politics into such concepts. China needs to utilize the harmony approach, in which nature is respected and people are loved (when fusing doctrines from Daoism and Confucianism) for the sake of the Chinese management (Wei & Li, 2013).

On the contrary, China is currently pursuing a plan in which their leadership is selecting certain positive aspects from the European welfare model and combining that with selected Chinese interpretations of CSR in regards to tradition and culture. The outcome of this is a pitted version of CSR, lacking the Western CSR-typical stakeholder dialogue that builds the nucleus of the theory (Jensen, 2002).

CSR in China differs from its Western model in terms of practice and academic research. China's CSR is closely connected to its culture and social background, whereas the gap between Western countries and China arises from its implementation, which acts in accordance to a Chinese context, and its research, which is dictated by a Western mindset.

Another big problem is that the theoretical work done in China is mostly focused on a mere single aspect of CSR instead of conceptualizing a systematic approach to CSR and Sustainability, hence leading to a decline in quality. Due to its late implementation in the academic research environment, most Chinese scholars think of CSR as an imported theory and keep focusing their work based on Western approaches, just implementing and adapting newly found concepts into their own. The whole framework is missing a system and research on CSR has become a problem in terms of breaking out from prefabricated ideas towards considering political, cultural and economic background (Chapple & Moon, 2005).

Nowadays most enterprises have attached a great deal of importance to CSR and acknowledge social compliance topics as crucial for the Sustainability, competitiveness and longevity of a company. Their main concern is to better relations with stakeholders by improving their image. While companies focus on their ethics and implementation of CSR, the media and trade associations as well as research institutions aim at advocating CSR standards. While there has been a positive change, the development of CSR is still in its initial phase, as reports largely miss comparable elements or are not sufficiently comprehensive (Chapple & Moon, 2005).

Confucianism and Business Ethics

Good conduct, proper social behavior and practical wisdom are the key pillars to achieve harmonized human relations, which lead to the regulation of society, as well as provide a benchmark on which a social hierarchical order can be built upon. Confucius, who instituted China's main philosophy, mentioned in his work *"Great Learning"* that people should cultivate themselves, regulate the family

and the state and ultimately work toward world peace (Li C. , 2013). To achieve this, the individual must be in constant search of one's own failures and try to eradicate them accordingly. For this purpose, Confucianism has given us the five virtues, which consist of *yi* (義), *li* (禮), *zhi* (智), *ren* (仁) and *xin* (信). Their function is to guide the family; a family in order and allegiance to these virtues will support the state, with the state doing the same for the country and so on. The main thought is to self-cultivate in order to reach perfect harmony, and to maintain this harmony by practicing and constantly keeping the five virtues in mind.

In the “*Analects*” of Confucius Yen Yuan asked about benevolence and the Master said: “*The Master said, 'to return to the observance of the rites through overcoming the self-constitutes benevolence.*” (Confucius, 1997).

Li and *ren* are deeply intertwined with each other, as *li* (rites) manifests out of *ren* (benevolence). *Zhi* (wisdom) is the underlying principle to distinguish the good from bad and to give a basis for *xin* (sincerity) and *yi* (righteousness). By combining all those virtues we get *zhong* (忠, loyalty) and *shu* (恕, reciprocity), illustrating the perfect behavior one should aim for.

Taking into account Western ideals of the right behavior, the main difference can be found when looking at a solution for an imaginative social conflict. Whereas Confucianism always seeks to preserve the group by self-sacrificing the rights of the individual, Western thinking highly holds the guarantee of rights and interests of the individual. By Confucian thinking, we should look inward and self-cultivate to find a solution rather than bringing up charges against other people or looking for someone to blame on. This inward sight will lead to harmonized relationships and relationships between individuals are the foundation of relationships in a bigger scope, reaching as far as preserving peace and prosperity.

Confucianism had and still has a big impact on the life of Chinese, as well as the life of Japanese when it comes to raising benchmarks and structures of moral and ethical values, seamlessly translating into social values and practices in political theories and institutions. It penetrates into personal, social and business life.

The Impact on Japan

By 285 A.D. Confucianism had entered Japan, while at the same time the “*Analects*”(under the reign of the Jin Dynasty), were regarded as the most decisive source for Confucian ideas. Japan was not only using them as core principles for regulating political policies, but also as a considered mimicry of the Chinese political system, their architecture and arts due to a high respect for its force.

Up until the early Tokugawa Era, Confucianism was part of the vindication for rulers to justify their rights and their reign. The *Shōgun*, as the sole ruler, was faced with the problem of combining the

military and political power under his name. To maintain strong leadership he was in need of a strong ethical code, reaching into the social and political structures of the country. Subsequent to this was the adaption of customized sets of rules for each present class. The merchants, for example, got the code of *chōnin-dō* (町人道; way of the merchant), whereas the samurai got *bushi-dō* (武士道; way of the warrior). These codes contained Confucian patterns, embodied in principles of the aforementioned virtues, cultivating the individual and contributing to the social order without much direct control of the *shōgun*. Especially powerful classes like the merchants were now passively prevented from abusing their wealth to disturb order (Bellah, 1985) (Wei-ming, 1996). For the samurai class, the code was specialized on learning the martial arts, as well as the classics (meaning *li, ren, zhi, xin* and *yi*). This enabled *bushi-dō* to act as some sort of catalyst for advocating Confucianism in Japanese society. Of course, this was the ideal theoretical conception; in practice the codes were often overlapping, leaving classes open and even enabling changes to other classes, for example when a samurai was in debt and a merchant class helped out, thus the merchant also becoming one of samurai-status (Woods & Lamond, 2011).

Roughly 200 years later, in the Meiji era, the feudal system was disposed of, leaving privileged classes (the ones with a Confucian code) a pay-off, with the idea in mind of those investing back into the commercial sector, and thus into the community (Woods & Lamond). As the samurai were shaped by Confucian ideals, they would naturally bring these virtues into their new businesses, not only subliminal dictating their own management, but also connecting Confucianism to the whole Japanese business sector. Naturally, the merchant class was now dominating the market, giving rise to widespread transition of former privileged classes to join. As for the rest of the privileged class, which would not change to the merchant class, they joined universities for the cause of further developing and studying their inherited ethical and moral beliefs and translating them into a wide array of modern business fields such as communication. The term businessman and Confucian scholar was literally interchangeable.

Education

Confucianism was the basic and most important educational teaching method in the middle of the 17th Century, as it aimed at developing ones character in moral and ethical issues to commit oneself to human duty (e.g. perfecting samurai duties). Even the textbooks of the early Meiji Era until 1945, introduced by the Ministry of Education, were containing Confucian learning matter to bolster filial and sibling piety; ethical and moral guidelines to achieve harmony in the relationship between husband and wife, as well as between friends, modesty, benevolence, and the ambition to perfect moral patterns (Ballhatchet, 1988) (Nakajima, The Restoration of Confucianism in China and Japan: A New

Source of Morality and Religion). These textbooks were the foundation of every work-related guideline on how to manage and build an enterprise, adapted from promoted Confucian education.

A prominent example for Japan is Shibusawa Eiichi, born 1840, considered to be the father of modern Japanese capitalism, as his literary work “*rongo to soroban*” (論語と算盤), combines Confucianism with modern business – the only problem left was incorporating the moral aspects opposing profit into the world of commerce. Shibusawa was convinced that true value, as in national prosperity (the harmony of the whole), is only within one’s means when one can make profit. The earned profit in turn, can only be sustained when national prosperity is based on a firm net of moral principles, given to us in the *Analects* of Confucius (Nakajima, 2010). So he strengthened the significance of business development and mixed it with the notion that one has to possess business talent, and that this can be obtained through the diligent studies of the *Analects* moral and ethical principles.

The Impact on Business Society

As of today, ethics in business have become more and more a major part of a corporate identity to bolster a corporate integrity as a whole, although Confucianism was ironically mainly perceived as a way to maintain social and political order by dealing with moral and ethical issues. The merchant was the most underprivileged class in ancient China compared to the farmer due to one logical reason at that time: that he was not a productive class, but a social parasite and a poison of the society (Tang Y. , 2015). The farmer, on the other hand, was producing food and other commodities in order to help society to grow as a whole, in contrast to merchants, who were insinuated to be profit-focused for their own good. The ideal of *Ren* would be compromised, as the virtues strive for maintaining harmony rather than making decisions leading to individual profit.

This leads to another important point, distinguishing the gentleman from the small man by analyzing the attitude towards profit. The gentleman is by no means perfect in this regard, but he is willing to sacrifice himself to search for what is morally right, whereas the small man will only strive for finding a way to benefit him. For Confucius’ ideal world of a perfect social harmony this behavior displayed a grave danger, thus explaining his averseness to profit-seeking activities (Romar, 2002). Nowadays, many scholars still believe in the risk of business activities disturbing the peace of society, but only if profit-making is a first-priority-goal for these companies. Instead of searching for a way to benefit the business alone, they should focus on the truthfulness of their transactions, as well as the quality of the product. By sticking to simple ethical rules, profit should come naturally and benefit the company as well as wider society. Whatever action is undertaken, it should aim at pleasing the customers, stakeholders, and employees, as well as having a real purpose for the society (Iwao, 1994). We can conclude that national prosperity comes at the price of working business activities, which again need

to have the underlying ethical and moral principles laid out by Confucius in order to last and provide a stable base.

Hierarchy

Relationships are of uttermost importance in Confucianism. There are five major relationships in total:

- Ruler – Subject
- Father – Son
- Husband – Wife
- Elder Brother – Junior Brother
- Friend – Friend

Each role has to obey the rules of rectification of names, as each has a set of appropriate duties attached to them. As a superior, the ruler has to take care, protect, guide and treat their subject well; the subject has to offer loyalty, as well as not questioning commands and exhibiting decent behavior (Cheng, 2002). The father has to care, feed and educate the son, whereas the son must in turn devote himself to the father. The husband has to care and the wife has to keep fidelity and distance. The elder brother has to conduct benevolence and counseling and the Junior Brother must respect, obey and observe. Last but not least, the friend – friend-relationship is solely based on reciprocity, as both parties have to maintain trust and reliability. In addition, all classes need to conduct according to rank and observe and react according to their either inferior or superior position.

If those rules of relationship are kept over the generations and stand firm as a business dogma, harmony can be exploited to achieve harmonious and ethical behavior. To put it into Confucian terms: *Ren*, as in humanity/love is expressed in good product expertise and quality, leading to environmentally friendly and sustainable products under the strict rules of the employee's welfare and benefit; benevolence is practicable in fair pricing and Corporate Social Integrity (CSI) (Brown, 2005) Harmony is synonymous with Sustainability. If practiced right and sticking to the duties of the rectification of names, generations of businessman could achieve harmony as a whole by combining all relevant places of nowadays social culture.

Getting China into the picture, harmony is a matter of historical facts. Farmers were second highest in the hierarchy due to their role as food supporter, only scholars ranked higher. They were followed by artisans and then merchants. Farmers naturally stick to the ways of nature, as they, meaning the crops, were dependent on natural facts. To grow seeds one needs stability and has to avoid extremes (Schlevogt, 2002). They were embracing the concept of balance, as it is to remain cautious at all times, even in prosperity, and aiming and hoping for betterment in dangerous times. This lead to a static

position of never changing or to reject the desire to, leading to business actions that discouraged inventions, capital expenditures or broad scale exploration.

Comparison based on Geert Hofstede: China and Japan

Geert Hofstede, a Dutch expert for cultural science, conducted research on the characteristics of societies in different countries. He came to the conclusion that the Chinese, in terms of “Risk and Uncertainty Avoidance”, are scarcely putting anything on the line and prefer to stay on the safe side, despite their low rating. This means that most Chinese Companies are mainly manufacturers and suppliers, with only a few taking the risk to work in Research and Development; thus demonstrating a lack of ambition to be creative and innovative, as well as halt the growth of talent in society. They tend to avoid situations where there the outcome is uncertain, trying to bypass this by implementing more rules or discouraging innovative ideas. The Chinese are also flexible with their laws, shaping them to their needs to be opportunistic, as well as pragmatic.

Japanese companies, on the other hand, have a very high “Uncertainty Avoidance”, meaning none or little motivation to develop new ideas. However, the truth is a little different, as Japan, in combination with China, is one of the two Countries with the most GDP Expenditure for Research and Development. This is contrary to the high security need of the everyday-Japanese. Japan is constantly threatened by natural disasters and thus they adapted to this situation by planning everything as thoroughly as possible. Nevertheless, many innovative companies like Sony, Toyota or Panasonic emerged from Japanese society, manifesting *ren* by ultimately “Uniting Heaven and Man” as the final goal of Confucianism in our World (Rošker, 2015). The Japanese are constantly improving their products (*kaizen*; 改善) and try to reach the unshaped godlike being of the universe. As illogical it may seem on first note, Japan is not only trying to improve for its own good, but also, and more importantly, to fulfil the Confucian requirement of a harmonious world. By setting job and life security as the number one goal and implementing society rules everyone adapts to, they not only secure the needs of every individual, but also let the word “innovation” hover above all as a tool to attain this security (Iwao, 1994).

We conclude that Confucianism can be seen and interpreted in many different ways, as harmony can mean innovation and also standstill.

Guanxi and mianzi

Relationships are a big part in Confucianism, as the central goal is to achieve harmony; but relationships are reciprocal. Another very important point is the preservation of one’s dignity, meaning only the combination of maintaining proper relations regarding the five cardinal ties is not enough. We need a *guanxi*, a relation, beforehand and then protect our face, *mianzi*, our self-respect. *Guanxi* is

seen as an extension of a personal relation and aims at exchanging favors (White, 2006). These favors are of course a game of giving and taking, leaving both partners continuously in a position where the relation needs to be balanced by either receiving or giving something; it is utilitarian in a sense, hence suitable for the business society. The bigger the favors, the greater the possibilities to develop strong business relationships in order to pursue one's goal.

Most Chinese businesses are rather small or medium sized and often revolve around a management consisting of core family members. With this in mind, it is of cardinal importance that a bond of trust and reliability is shared among the family and that the *guanxi* of the family business is strong enough to rely on their *guanxi* network (Bond, 1991). A perfect Chinese businessman always honors his obligations and seeks to be loyal to his family, as well as to the family's friends. The bond created can be enormous, connecting millions of small Chinese businesses into a big network, making them strong enough to compete on the global market (Iwao, 1994).

In context to Japan, China builds up *guanxi* by attributes, meaning each individual's traits given by birth, like being a member of a certain family or social group. Japan's way of building up *guanxi* is totally different, as its emphasis is based on the frame, the situational background in which an individual or business is in, e.g. an institution or a locality. China's strength of *guanxi*, and thereby the strength of the individual in a business environment, is therefore solely dependent upon the quantity of attributes (Luo, 2000).

Family

Three out of the five relationships in Confucianism are based on family. The family is the augmentation of *ren* and the virtues connected to *ren* like filial piety, obedience or trust can easily be found within the boundaries of family. The complex part is the right balance of the opposing forces to achieve harmony or yin and yang. It is no coincidence then that most businesses start off from the circle of the family, as affection and harmony are balanced in it and most likely will be maintained, as the frame of social responsibility and obligation toward family members ensure stability and prevent change.

Another positive point of a family business is how "employees" of this kind of business are rewarded. We implied that many family businesses revolve around core family members, and family members are most likely to accept hard work and non-proportionate compensation. Their interest lies in benefiting the company as a whole and in developing their syndetic relationships, bringing harmony as a welcoming side effect (Tu, 1996).

In addition, family businesses are lineage-based, presuming trust and unspoken understanding, thus resulting in strategic business decisions unchallenged by non-family-based companies, which still need

to develop this ability, if they are indeed capable of achieving this. A business could rapidly react to market changes and is flexible enough to manage unforeseen events. Confucian ethics in business are considering persons more as a part of a relationship, rather than part of a contract; they uphold mutual bonds and trust human relations (Hui-Chen Huang & Gove, 2012).

Following this, hierarchy based relations are bound to emerge, where one particular person holds the power to determine certain issues and gain respect from inferior persons. This method is the outcome of *guanxi*, where two persons are bound together by the exchange of favors. This nepotism, letters of recommendation and introductions by superiors, is quite personal and describes the typical top-down management system most Chinese companies employ (Alston, 1989). Japan, in contrast, uses a combined system of top-down decisions and bottom-up reinsurance to pursue collectively settled decisions. They put staff welfare as the highest priority and leave room to implement individual ideas. Those will be reflected by the top executive and then bounce back to the staff for further discussion. The final decision is led by the management, but through the process it includes every member of the company in order to decide what's best for everyone under a set pattern of rules. It neglects the idea of hostility between the management and subordinates, instead promoting harmony in the presence of unification. This decision-making progress in Japanese companies is a way of interpreting the concept of harmony within Confucianism.

There is of course a downside to this approach of family-based business. The relationship between members decides which person will be in which role, excluding rationale-based benchmarks to hire competent staff. The whole principle of affection is poison to the process of firing, hiring and promotion of employees, which is usually based on factors like experience, qualification and performance (Alston, 1989).

In Japanese companies family-based virtues help to fortify the affection between employees, and are hence widely thought to be a key reason for the success of the Japanese industry. The *zaibatsu* (財閥), large family-controlled vertical business conglomerates, are a good example of traditional Japanese businesses that are unified through Confucian virtues and also successful in the global market.

Family - Japan

Japan inherited three major aspects of Confucianism into their company structures.

- Lifetime employment
- Seniority based salary
- Enterprise trade union

Lifetime Employment contains the thought of the reciprocal system of the five Confucian relations, which imply kindness from above and fealty from below, the top-down and bottoms-up system (Mizuo,

2004). If employees swear loyalty to the company, they get rewarded with lifetime employment, a win-win system of mutual benefit. If the employee's welfare is the highest goal of the company, the working attitude is bound to increase, fostering a strong and sincere contribution for the job, leading to a highly motivated workforce. Working overtime, for example, will be readily tolerated if the company positions itself right beside the family. This newly created group is of uttermost importance for the employee, as there is nothing worse in Japanese Society than being rejected by a group. Eventually and with time the employee grows to be an inherent part of the company, now becoming more like a corporate family, based on reciprocity (Warner, 2003). Loyalty is the key Confucian virtue to obtain high performance employees with sustainable motivation and continual efficacy.

A seniority-based system for wages and promotion is another principal part of the Japanese corporate structure, placing harmony as the highest Confucian value on top by applying hierarchy of age, establishing a social ranking among the employees (Mizuo, 2004). This is also common in Chinese companies, as promotion is often decided by two factors: the overall time an employee has been working in the company and how dense his bonds with the owner are. These seniority-based benefits additionally motivate employees to stay in one company as long as possible and explain why most of them are directly recruited from universities. By implementing this manner of conduct, leaving employees with little choice to stray from the given system, they further strengthen the harmonious working environment and promote seniority.

Enterprise trade unions are serving as conflict management between employers and employees and inherit the Confucian virtue in terms of handling internal disputes. This system is a big advantage of the Japanese management, as the union deals with everyone on equal terms. This means there is no distinction as to occupation or job status. The relationship is again mutual, and since both parties benefit from their existence they are often placed inside the companies building rather than treated as an enemy. Employers take advantage of the unions' experience and see their employees improving in abilities like efficient management, and employees feel secure and treated equally (Warner, 2003). If we look at this from a strictly Confucian perspective, this solution to labour management is equal to the kingly way, which implies that when combining labor and management both parties must understand their shared interests and co-operate in the spirit of harmony.

Another look on harmony is that conflict and arguments need to be resolved by the established family ties within and through persuasion. If a problem of complicated nature occurs, we need to save face by avoiding voting, thus avoiding direct confrontation. It should be resolved though hard debating. Otherwise, the party in the minority will look for faults in the majority and weaken the harmony. Through a continuous struggle to look for a solution, we are bound to eventually figure out something

that most people can agree upon (even if this may take months), without losing face or leading to ill feelings (Warner, 2003).

Due to the lifetime-employment system a harmonious relation is a priority to every Japanese company, as they regard every employee as an asset set up with information and technology. If the company does not run very well, they rather take a stick than letting this worker go. They accept less profit rather than optimizing from letting employees go, even if they are counter-productive to the process. If they were to fire employees in times of recession and then hire new workers in times of recovery, their whole business ethos would display a lack of trust and loyalty.

We see that these three key points are undermining the company as a family-like institution, encouraging harmonious relationship between employer and employees.

Compared to Japan, China lacks an enterprise trade union and would probably entitle a third party to solve any employee-employer disputes, with the goal to not directly involve first or second party members and protect the established *guanxi*. Lifetime employment is impossible and also unnecessary if we take into account that there is a large rate of job mobility and the *guanxi* enables everyone to switch jobs if they see the need to (Alston, 1989).

Family - China

As the family plays a vital role in Confucianism, one might presume that it is based on authoritarianism due to the high role of filial piety. Family and authority are deeply correlated; when we take a look at the five relationships, all inferior members have to show respect and adhere to the will of the superior members. Therefore it is safe to surmise that authoritarianism derives from Confucianism itself. Confucianism supports the reinforcement of a hierarchical structure on social terms and aims at enhancing and stabilizing the power of those with authority, meaning the father/husband/elder brother. *Li*, the proper social behavior taught by the father or elders in general, then attaches to certain social roles, which predetermine superior and inferior roles and maintain the order, in which wives and children take on subordinate roles; thus establishing authoritarianism in the family (Chong, Tan, & Ten, 2003).

If we apply this to Chinese businesses, similarities can be found, as the relationship between superiors and inferiors is the same as the father and son or master and servant relationships. Businesses have to keep track of mutual obligations, foster relationships and reciprocity and value the interests of the company to keep the family together and always put company interests first. Like in a family, important positions like sales, management and production are mostly in hands of the inner core family or trusted kinship. These family members or kin are superior to the rest and report back to the owner of the business, which represents the father in our family picture (Dollinger, 1988). This centralized structure

of power encourages many Chinese to strive for becoming their own boss, *laoban* (老板), rather than just being a small part of the whole (Fu-Lai Yu, 1995).

A *laoban* is in charge of events, makes decisions and, last but not least, gets respect from his subordinates. This goal goes hand in hand with the strong drive for success, as there is a high value for achievement in Confucianism. “Sageliness Within/Kingliness without” – This saying describes the paradox of practicing their own virtue within, but not having an impact on the outside. The inner virtue needs to be projected outside and for this reason you need to obtain an official post, which can be exploited as a mouthpiece (Cheng, 2002). The position of *laoban* is therefore the highest standard one can try for, enabling an individual to exert authority and autocracy.

The next goal is to maintain this position through keeping the information-flow tight and making the few trusted people close members of the inner-circle, casting the burden of relationship-reciprocity on them. Major decisions are left for the owner to make or are partially handed to trusted members of the family and to persons who have high *guanxi* (Warner, 2003). Also, dissent should be kept close until a decision is made, otherwise it will only cause trouble and disorder within the set structure, resulting in the potential loss of face (Chen & Chen, 2005). Another interesting fact is that most *laoban* truly believe for their power to be a naturally-given ability, rather than representing a relationship created by the subordinate’s contract. They cast away rational arguments like expertise and knowledge and take authority as the implication drawn from the master/servant structure of the hierarchical order of Confucianism.

Business Relationships

So far we have learned that making business in both China and Japan is built upon the quantity and quality of *guanxi*, in which a system a smart mind can outclass a set of laws. If we compare different arrangements, *guanxi* towers above them all, as contracts can be changed or nullified, promises easily broken or forgotten, but a strong relationship prevails due to both the system of reciprocity and the fear of losing face in front of others (Chang, 2012).

If any kind of problem arises, the Chinese business system will most probably work out a plan that includes solving half of the problems by coming to a mutual understanding or meeting halfway and solving the other half by relying on the network they built. Such a method naturally leaves legal limbos and loopholes, compared to stricter Western-based contracts, but enables and motivates them to keep working together and maintaining good relationships. In addition, every co-signatory does not just sign the contract as a business partner, but also pledges oneself to be a friend in need. This method is not only a possibility, but widely regarded as a business imperative (EU SME Centre, 2013).

The Japanese are almost the same in this regard by rejecting strict and detailed contracts, instead wanting business parameters to be kept open and changeable if certain situations arise, as well as being able to react on a short term notice. This tactic is called *naniwabushi* (浪花節) (Nishiyama, 1999) and is the most typical way for the Japanese to avoid conflicts. It works out as follows: if, for example, something in the business environment changes for the worse, you would lay out a base called *kikkake* (きっかけ) to the customer or lender. *Kikkake* involves a lot of sweet talk and reminding the other side of your good features and why your relationship with them is strong and worthwhile to maintain. In your next step you mention how bad the current situation is and how you have been doing everything in your power to cut costs and see through this crisis, but were impotent to do so at the end and might need forbearance for payment terms etc. *Urei* (愁い) is the next step, as it involves giving the worst outcome of this situation as possible to the other side to undermine the gravity of the problem. This whole act is considered everyday Japanese business etiquette and, if artfully mastered, will solve many problems when dealing with business related issues. Most Japanese will be swayed and don't want to be seen as cold and heartless businessman, losing face over too strict contracts. *Nemawashi* (根回し) is another interesting and integral part of the Japanese business environment; it describes the informal sounding of people's ideas before the real proposal. It helps to steer the course when negotiating, as well as getting the best possible outcome by considering opinions and adjusting the final proposal (Nishiyama, 1999).

Downsides of Confucianism in Business

Unethical Behavior & High Maintenance Costs

The use of *guanxi* as the underlying principle to establish business relationships on a personal level may not only be beneficial, but can also lead to confusion, low efficiency and hindered rational judgement when one cannot implement institutional rules and have to comply to resonating obligations (Zhang & Zhang, 2006). People trapped inside this net of obligations will be forced to maintain the connection and oblige to any request that might occur in this interdependent rapport, just to be socially accepted (Zhang & Zhang, 2006). By using *guanxi* it is possible to gain an advantage on the market, hence becoming more competitive. On the other hand, *guanxi* connections allow you an informal and unofficial way of solving things, leading to unfairness on the market and unethical procedures in business, rather than fostering the market with ideas of better prices or higher quality. Furthermore, a developed *guanxi* often needs time and a lot of money to grow by finding the right persons and building up trust by paying respect in terms of bribery or whatever else is needed.

Fragmentation

Thinking ahead, harmony cannot be a possible long-term outcome of a *guanxi* system when competition and conflict appears in family owned businesses. The social system promotes mutual relationships with benefits, but also soils the ground for competition between brothers, segments and lineages. When, for example, two brothers are on equal terms regarding the right of heir, there will eventually be a fragmentation inside the family (Alon, 2003). When an owner dies, the next generation takes over and will try to increase the fortune. Naturally, multiple siblings will claim the right to be the only-owner and try to segment the business. Unable to do so due to an inevitable loss on economic terms, they entangle themselves in endless power conflicts. The generation after this then consequently matures even further and will finally splinter the company.

A Chinese proverb says: “*Wealth does not pass three generations*” (富不过三代), which can be interpreted by poor people and rich people alike. The former use it to comfort their ego and reassure that one has to patiently wait and take their chance, and the latter keep it in mind to teach their offspring to live modestly. This is a major downside of the lineage inheritance in China, and the reason why most companies based on family business rarely survive for more than 100 years (Warner, 2003).

Japan is also based on family inheritance, but with a different twist, as businesses promote the birthright of the eldest son to take over a business. If there is no eldest son available, families even resort to the point where they adopt a man, who is then a representative husband to the daughter and lawful heir to the company. When there is no daughter available, Japanese society even encourages families to adopt a male to be the only heir (Weede, 2004). Naturally, this person first has to clear certain requirements of the owner in order to be accepted and seen able to sustain and advance the business.

The progress to be an acceptable and respectable heir to the company is tedious and involves fully understanding of the company’s strengths and weaknesses, as well as the ethical beliefs and traditional and stylistic underlying principles. The heir is therefore not automatically legitimized by blood, but rather an inheritor of the task, still regarded as a successor to the family (*ie*; 家).

This system enables Japanese companies to further spread whilst simultaneously protecting their wealth through choosing a suitable heir, instead of only relying on a small fallible pool of blood-related descendants (Sato, 2010). Japanese companies now possess the ability to operate on a large global scale whilst still retaining all the advantages of a family-like organization. This fact is a major reason, why Japanese companies outlive their Chinese counterparts; both are characterized by lineage-inheritance, but Japan uses deeply loyal inheritors with sentiment to the company and abilities to lead.

In addition to this, it is necessary to know that the primogeniture rule does not exist in China and all blood-related offspring have the same right to a share of the inheritance. The rational undertone is missing, as well as the effectiveness of an ability-controlled business.

Trust Issues

Confucianism puts the family first and describes it as the most important social element. However, this is interpreted differently in Japan and China, where loyalty and trust target different groups of people, giving us a hint why the aforementioned fragmentation might happen.

China bears a strong sense of loyalty and trust only towards the core family, where most crucial decisions are made within the family. People outside of this group, such as people with no relations and no useful skills whatsoever, will most probably get lower salaries and are not even worthy of establishing *guanxi*. This naturally leads to a lower level of identification with the business and results in low performance and little loyalty, with such individuals feeling more like outsiders than part of the team; another possible reason for fragmentation. A chance to overcome this downwards-spiral is to marry into the family of power and gain momentum in terms of promotion and salary. The key factor here is trustworthiness and not only loyalty, because you first have to convince the family that you are worthy of their trust (Fu-Lai Yu, 1995).

In contrast, Japan uses a system whereby mutual trust is gained by performing in a competent and intelligent manner, devaluating the position of lineage relation as a key criteria to inherit a business. As we have discussed before, adoption was a way to continue a family business and reaches somewhat deep into Japanese history, as it was also commonly practiced among samurai and daimyo. The Japanese hold continuation by competence higher than continuation by blood, as the main focus lies on reassuring an ongoing business (rather than if there was a son, who could inherit, but was considered insufficiently qualified). *Kō* (孝), filial piety, explains best when putting it into relation to the house, *ie*. The filial piety means the loyalty to a house, whether it's your house or another house. Vice versa will the house regard you as a son, whether you are related by blood or have shown an exceptional display of loyalty and love (Hirschmeier, 2006). As we can see, the scope of trust is much wider in Japan than in China, and also undermines the argument that Japan advocates Confucianism in its pure form without treating people differently, meaning that ranked love discourages people to love one another on equal terms (Hirschmeier, 2006). People should treat everyone with the same respect, but devote themselves to loving people, with whom they are most affectionate with (Iwao, 1994). It is only natural then, that loving our own parent's ranks higher than loving people outside of the family.

We have now asserted that China and Japan are both influenced by Confucianism in terms of family businesses with a hierarchical order, although they differ in their styles, as Chinese businesses trust and treat personnel differently from Japanese. An explanation might lie in their historical background.

China has a long history and therefore fear of disunity, given the circumstances of their colonialization, the rebellion to the Qing government and their conflicts with warlords and civil war since the nineteenth century. As anticipated, Chinese people were afraid of being exploited by disunity and scarcely regained their ability to develop trust to outsiders (Koehn & Lu, 2010). Japan however welcomed anything that would help to establish a good feeling for the people and make everyone feel at home due to their centuries of peace since the Tokugawa and Meiji Era (Hirschmeier, 2006). They maintained their cohesiveness even when the Western hemisphere displayed a threat (unlike China, facing disunity at that time). The Japanese just felt as a homogeneous mass; members of the same society with a strong feeling of unity.

The Impact on Business Ethics

Building upon our recent discoveries as how Confucianism is influencing Japanese and Chinese businesses, I would like to analyze how it can affect actual business ethics. An underlying principle is Confucius' view on humans and beasts: Humans are superior to beasts, as they are able to make a distinction between good and bad and then act according to the route, leading to the good way (White, 2006). Every decision made by man is then a decision dependent upon morality, and every commercial activity would be a decision leaning toward clean business and an ethical environment, by cultivating certain standards depicting the right and worthy thing.

There are a lot of Japanese Synonyms for business and one of them is *keizai* (経済), which means "to govern the world in harmony and to bring about the well-being of the people". Iwao Taka notes that the Japanese word originates from the Chinese word, *jingji* (经济). In contrast to this, the English meaning is: *"a large set of inter-related production and consumption activities that aid in determining how scarce resources are allocated"* (Investopedia). So understood, the English meaning has no connection to ethics whatsoever, but the Japanese and Chinese meaning implicates that economy includes morality and ethics as their core elements.

Business ethics then are the study of the connection between economic activities and realizing fairness in society; thinking further, this can even be the reason for achieving this fairness. Ethical practices consider an equal distribution of services and goods, neutral businesses with moral operatives, equal evaluation and treatment of employees, commitment to develop a harmonious society, equal sharing of global goods between countries and clean transactions with diverse cultures (Crane & Matten, 2010). Besides being profit-orientated, business decisions must also consider the stakeholders benefit, as well

as generate a healthy investment environment. Confucianism promotes a strong sense of social responsibilities and is creating awareness for duty on these terms. Guidelines could be drawn from the Confucian teachings on how to behave in a company, and how this picture can help to project the consciousness outwards to benefit the business by teaching its staff and preventing them from behaving incorrectly (Woods & Lamond, 2011).

Corruption

One indicator is very elemental when it comes to gauge the ethical nature of a business, especially when the cause for this is rooted in *guanxi* relations; corruption. A company with good *guanxi* relations is urged to use them for their personal gain, meaning exploiting their private contacts to maximize the money, power and mutual benefit-factors (Fan, 2002). These special relations are an exchange of money for power or vice versa and would count as bribery in the Western hemisphere. If we put it into relation, every *guanxi* connection is a form of corruption, namely nepotism, favoritism, fraud or unethical competition (Fan, 2002). In the overall Asian ranking of perception of corruption, China is ranked 11th out of 16, Japan only second in this regards. (Transparency International)

Guanxi relations may arguably have some positive points, as these relations can help to reduce transaction costs by getting things done quickly with no major hindrances, thus improving the efficiency. However, these arguments leave out the enormous costs, which are needed to foster and maintain one of these relationships. Additionally, a large sum of public funds is annually allocated or leaked to “*guanxi*-projects”, effectively hindering greater economic growth, as this money counts for roughly 13-16 % of the GDP (Li L. , 2011).

On the other hand, Japan has a better developed legal system to eliminate factors that render the environment vulnerable to corruption.. As the economy is open market orientated, it holds a high standard of competence, responsibility and expertise in both the private and public sectors. A *guanxi* relation is an unfair tool to promote an individual’s profit gain, whilst reducing opportunities for others to be a competitive company. One could say that Japan is the country of the law to which everyone abides, whereas China is ruled by *guanxi* relations, a law centered on personal relationships and that lasts longer than the writing on the contract, while also reflecting back on the person in the contract (Koehn, 1999).

The contract is also very fallible, as it only lays the foundation for distrust. If two parties come to an agreement and settle this through written words, rather than by trusting each other or valuing each other as persons, there could easily be an outbreak of accusations should one party fail to fulfill the agreements by just one inch. In conclusion, a contract of tacit understanding and lesser words is preferred. However, vague contracts also have a tendency to strongly rely on fixed patterns of how to

deal with certain situations, like guidelines or regulations. If those are not provided and shared, a simple mistake could lead to corruption, if this were not prevented by the Confucian concept of ren.

Guanxi is of course still relevant in today's China, though it has become more and more obsolete due to the high relevance of contracts. Legal structures are the dominant factor for the decisive approval of a project, and personal relationships are but a mere plus instead of a decisive factor. With the rise of the open market, aspects like efficiency, price or quality have become more important than the influence of *guanxi* relations (Luo, 2000). A successful business relationship is now dependent on the standardization of a product of consistent and reliable quality, marking the way for contractual development.

Though Confucianism promotes morality and conventionalist characteristics, China has still become a synonym for corruption, and its unethical behavior is a serious threat to its global trade standing. It is sound and right to establish personal relationships for self-education and to comprise benevolence. Self-sacrifice should be used to reach harmony in terms of relationships rather than for individual profit gain. Humans must inaugurate peace and stability for the country as a whole, instead of doing it for self-interest based reasons.

Transaction

Fair and Open Transaction and corruption are deeply correlated, as the effect of failed legal transaction is corruption. In Confucianism, humans are encouraged to foster personal relations to the point where they treat people differently dependent on their level of intimacy, resulting in unfair and closed treatment with others, here representing transactions (Tsai & Young, 2011). Personal favours gain the upper hand, creating an environment of nepotism among businessmen, with little or no business transparency, as indicated in the Corruption Perception Index, which ranks China on place 83 of 168 (Transparency International).

Then again, Confucianism not only demands to love everyone equally, but also to accept that there are different roles designated to different people, where they have to act accordingly and must fulfil their responsibilities in alignment with the hierarchical order. Transferred to a business environment, this theory promotes the reciprocity between inferior and superior, rather than generating injustice among employees (Iwao, 1994).

Continuing the Confucian thoughts, a trustworthy person always teams up with a person who wants to learn, as Confucius lectures his students for criticizing another student with an unwelcome personal background. Further, he points out that filial piety must not be exclusive, but inclusive, meaning both respect towards others and for a climate of trust and altruism (Dollinger, 1988). Relationships should

be handled openly to promote goodwill to establish a *guanxi* with everyone, instead of only those who are benefiting one's own personal needs, branding nepotism as uncalled for (Dollinger, 1988).

Code of Conduct

It is indispensable for proper management to establish standards of style for communicating among all employees and managers. Over time, a classic way has crystalized out of the many options and was called 'code of conduct.' This is a written expression of doctrines, which differ right from wrong and guide groups of the same society, profession or attitude (Crane & Matten, 2010). Code stands for a fixed pattern of ethical arrangements, whereas conduct accounts for the content, which is used to set a way of dealing with obligations of employers and employees towards all kinds of stakeholders of the company, as well as the local community (and, in accordance with Confucian thought, also to the nationwide government) (Alon, 2003). The absence of such a code can be equated with using Confucianism as a basis for ethical behavior in business, but without giving it a shape. Companies should set their goal by providing a means to focus moral behavior and train their staff in conducting the code. If we put this into Confucian words, this moral code of conduct is the same as practicing *li*, the rites. Confucius points this out in different parts of the "*Analects*", as he sees the ruler as the North Star, practicing virtue and letting other people revolve around him while remaining static. Another place in the "*Analects*" differentiates two leading styles, where one is to regulate only by law and punishment, but hindering the people to sense honor or shame and another is to lead by virtue and regulate by propriety, so that followers learn about shame to eventually self-cultivate. A last place talks about the superior man to bring good things of other to completion, rather than bringing bad things to this point. He is slow in words, but diligent in action (Confucius, 1997).

These are but a few examples of how a superior man, or an ethical leader in the business context, should behave and what characteristics he would need to demonstrate when dealing with the goal of establishing a Confucian-like society network in the business organization. Once again, the employer should by example, meaning compassion and wisdom, and summarize this in some kind of manual, the code of conduct of Confucian virtues (Dollinger, 1988).

Drawing the connection between Confucianism and the code of conduct, we can conclude that all the roles, rites and virtues are basic components for a structure, in which moral behavior is controlled and reflected, and individual behavior blended with consciousness to avoid wrong decisions in critical questions (Romar, 2002). The Code and Confucianism are highly related, as they both together regulate ethical actions (e.g. preventing child labor) by taking *ren*, benevolence, and in this case self-dignity, into account. The result for a company could be increased performance, loyalty, consumer and public appreciation and reduced symptoms of corruption and bribery (Carroll, 2004).

However, Japan is still not utilizing this to effectively prevent cover-ups, price-rigging and bribery. They are more concerned about recession and other economic factors, leaving the question open if such ethical codes should or rather must be enforced to succeed. The management style of Japanese companies is highly dependent on key components such as the seniority system and lifetime employment, already demanding sustainable loyalty to their company and their team, and such a stiff hierarchy is not helping to encourage communication between different ranks. Unethical practices are therefore passively protected by static rules, which leave employees in fear to speak up, making it impossible to get certain codes of conduct accepted (The Economist, 2001).

China looks quite similar in this regards, as the uncertainty avoidance dictates how uncomfortable an employee would feel to share his thoughts regarding the unethical behavior of others. They would rather lay low and keep silent about any upcoming issues, to both save face and keep up their long and hard built *guanxi*. Chinese are also quite avoidant when asked to lay open their financial statements, as there might be something undiscovered, like transactions or money-flow from unknown sources, qualifications of workers in certain positions counterfeit or promotions indicating nepotism or political attitude. Figures showing how ethical or unethical Chinese business is will most likely be artificial or modified.

Case Studies for Corporate Social Responsibility and Sustainability

To include actual examples of company behavior, I will now discuss short case studies on four big Japanese and Chinese Companies in regards to their profile, CSR policies, reporting, and conflict and solution strategy.

Canon

Profile

The company Canon Inc. was founded in 1937 and is well known for digital cameras, but also produces electronic devices for both industry and office use, whilst also raising their portfolio in medical equipment. Though their headquarters reside in Japan, each regional headquarter, in partnership with other companies, is part of the global Canon Group. They span an overall network of more than 200 companies, which employ about 160.000 people worldwide and dedicate around 10 % annually to Research & Development. They excel at patent granting and have a net sale of around 30.803 million US Dollar (Canon).

Canon's CSR policies and reporting

Canon has put a great importance on CSR reporting and, publishing various Sustainability reports. Additionally, they share their role in society, as well as compliance in regards to different standards, on their web page. The most characterizing fact about this company though is that the CSR strategy, introduced in 1988, is based upon the *kyōsei* philosophy (Canon). *Kyōsei* is a corporate philosophy, which translates to “living and working together for the common good”, as it tackles topics regarding supplies, employees, the local and global community, competitors and other companies, national and local governments, universities and research institutes, NGOs and NPOs, customers and shareholders and investors (Canon). The goal is to aspire to a society in which all people, regardless of race, religion, or culture, harmoniously live and work together for the common good, into the future. Canon does follow the GRI Sustainability Reporting Guidelines of 2006 and is allowing external auditors. These use parts of the G3 Reporting Guidelines to establish their own way of reporting and how to define the content of those reports.

Canon is listed on different Sustainability indices, like the Ethibel Sustainability Index or the Socially Responsible Investment Index of Morningstar. As previously mentioned, it tries to reduce CO2 emissions and works together with its stakeholders to attempt eco-friendly manufacturing. It also takes part in the two-fold approach to maximize the efficiency of resources by giving environmental assurance and conducting economic activities. Canon helps regions affected by disasters like earthquakes, typhoons or floods and is actively participating in recycling projects. Last but not least, they strive to lessen their overall carbon footprint by designing Energy-Star qualified devices.

Canons Conflicts and Solutions

There were two significant CSR programs initiated by Canon to solve *kyōsei*-based conflicts or foster *kyōsei*-related strategies (CSR Europe).

1. The first one is the initiation of an Employee Assistance Program in 2007 at Canon UK to help counteract stress-related absence and attrition rates due to internal changing practices and processes, in which some employees struggled to update their skill sets. In Partnership with PPC Worldwide, now called Optum (an information, technology and health service company), they offered employees consultations for work and non-work related issues. By keeping those consultation services anonymous, the absence and attrition rates dropped to an average lower than the UK industry overall average, as well as supplying Canon with top-level reports on how to tackle employee issues. Problems are therefore solved before having a negative impact on the company and also foster the harmonious approach towards a good manager – worker relationship inside Canon.
2. The second challenge was to strengthen Canons involvement in the environment protection by committing themselves in a partnership with the World Wildlife Fund. The Factor 2 campaign aims at providing an easy explanation to non-Sustainability experts on how Canon wants to reduce the CO2 emission, and also presses the urgency of action for stopping climate change by targeting the polar bears as an easy to understand example for what will perish if nothing is done. Therefore Canon referred to press conferences, education programs at school and internal programs to communicate their beliefs with customers and other stakeholders alike. Through the wide spread application, cooperation with different media like PR, web and events, and various target groups like press, employees and stakeholders, Canon created brand awareness for their Polar Bear Trackers and also promoted their CSR strategy of environmental and educational commitment.

Huawei

Profile

As the largest telecommunications equipment manufacturer in the world, Huawei has its headquarters in Shenzhen in China. It was founded in 1987 and started out as a private company, focusing on providing consulting and operations services for enterprises both in China and internationally. The company employs around 140.000 workers, and around half of them are employed in Research & Development, which is supported by around 10 % of their annual sales revenues. Huawei started different joint ventures with companies like 3Com, and is now in partnership with Motorola, Vodafone, T-Mobile and many more, displaying roughly 80 % of the top 50 telecom companies of the world (Huawei).

Huawei's CSR policies and reporting

Since 2008 Huawei has released a Sustainability report annually (Huawei), which is in line with the GRI Sustainability Reporting Guidelines and also engaged TÜV Rheinland to verify reliability and transparency when reporting. According to their newest Sustainability report from 2014, Huawei aims at bridging the digital divide, so that people can have more access to knowledge, education resources and development opportunities and support stable and secure network operations, so that after a crisis an emergency response system assures stable communications services in order to help protect life and property (Huawei). Furthermore, the company wants to build a low-carbon society, by establishing R&D and joint innovation centers to develop green products and smart-city solutions that will help to reduce resource consumption and increase the overall efficiency. Last but not least, Huawei strives to build a harmonious industry chain that benefits everyone, meaning measures including employee benefits like health and safety programs, value increasing for suppliers by implementing end-to-end supply chain management processes, contributing to local communities and identifying themselves as a corporate citizen in accordance with the United Nations Global Compact.

Huawei's Conflicts and Solutions

There are three noteworthy solutions Huawei came up with while facing problems regarding their CSR (CSR Europe).

1. The first one is addressing the issue of responsible supply chain management, as Huawei sees itself as a responsible corporate citizen, wanting to keep its brand image positive and also prevent any risk to themselves and their customers business due to a potential non-responsible supply chain. For those reasons it is paramount to implement a responsive CSR supply chain management process, encourage suppliers to adopt this behavior and start collaborating with NGOs, customers, suppliers, government representatives and other

stakeholders in accordance with their business strategy. The developed CSR risk ranking tool is especially helpful to identify any upcoming issues and guarantees that high risk suppliers either change their strategy or have to undergo corrective measures, or face being excluded from the chain. This solution, which was implemented in 2012, strengthens the relation between Huawei and its suppliers, customers and society, as well as improves working conditions of supplier's employees, their environment as well as helping to advocate a green supply chain to relieve stress on the ecosystem.

2. Another great concern for Huawei is education in the Information and Communication Technology (ICT) Sector, especially in countries they operate in and were able to identify gaps between the knowledge obtainable in educational institutes and its actual status in the coherent industry. For this instance, they launched the project called "Telecom Seeds for the Future" in 2011 in Kenya, providing students with up to date training to remain desirable in the job market. The impact of this project reaches from universities wanting to become part of this program, to students requesting internships, and last but not least Kenya's vision 2030, which aims at transforming Kenya into a middle-income country, in which education is one of the social pillars.
3. The last noteworthy project is called "Phone Lady", and was active from 2007 until 2011. It targets rural and remote areas with a lack of information access, and tries to develop society by offering services that help people to communicate with friends, relatives, find jobs, have access to farm produce information and last but not least increase their overall income. To achieve this, so called 'Phone Ladies' are given and operate mobile phone devices. In Bangladesh, for example, Huawei selected Grameenphone as its strategic partner and provided training and a small loan from the bank, administering the whole process from a Communication Information Center. This construct will support job information, printing and scanning, serve as a service center to recharge phones or offer pay phones. Huawei helps to discover new regions which are still not connected to the global information network by covering rural areas with green technology supported network devices. On the one hand they create new job positions and are able to contribute to gender equality, as most Phone Ladies are female, and on the other hand they generate income, as well as advance the development of communication and information services.

China Telecom

Profile

China Telecom is a relatively new company specializing in fixed line and mobile telecommunication-services in mainland China. It was founded in 2002 and has its headquarters in Beijing, generating a net income of 17 million RMB in 2014. They are listed in the Stock Exchange Market in Hong Kong, as well as in New York and transformed from a formerly state-owned monopoly to autonomous provincial branches throughout over thirty northern and southern provinces (China Telecom).

China Telecom's CSR policies and reporting

The company is conducting a 6-step program towards proper operation in accordance with their core philosophy of comprehensive innovation, pursuing truth and pragmatism, respecting people and creating overall value (China Telecom). This said, their first step focuses on the operation within the borders of law with integrity and compliance. The second step is about their function as a telecom operator, and with this the fulfillment of their most essential responsibilities, namely constructing and assuring comprehensive communication networks. The third step includes their customers and its connected service philosophy "Customer First, Service Foremost", striving at protecting the interests of customers according to the law. The next step is the fulfillment of responsibilities towards employees, whereas China Telecom considers them their most valuable resource, which must be respected and cherished. The fifth step is about protecting the environment, as the company is committed to being an environmentally friendly integrated information service provider, aiming for energy saving and reduction of emissions. The last step is about contributing to the well-being of the community. China Telecom encourages employees to foster the volunteering spirit, promote the development of science and technology, education, culture, sports and health undertakings, as well as caring for vulnerable groups in society (China Telecom). Since 2002, they annually report on various topics concerning Corporate Governance, Human Resources Development and CSR.

China Telecom's Conflicts and Solutions

1. Until its completion in 2014, China Telecom was continually supporting its project called "Village to Village", which is assuring communication in rural and remote areas by constructing a communication network. Their key target was to raise the standard of information in rural areas and to assure agricultural enterprises and individual farmers the possibility of a bridge to overcome the digital gap, hindering business and therefore development between the countryside and cities.
2. China Telecom developed online sales and mobile sales outlets, as well as other third-party social media customer services like YiChat, Weibee and WeChat. By centralizing those sales

outlets in 2014 they were able to acquire a total of 120 million new users, winning the “Best China Enterprise New Media Micro Customer Service Award”. This advantageous position rendered them able to help in the 2014 occurring earthquakes in Ludian and Jinggu Country, the Yunnan and Sichuan Province, by disseminating rescue information and implementing 24/7 content delivery mechanisms on its various social media services, releasing timely updates to the society on the progress of the relief work of the communication field.

3. To support the environmental relief, China Telecom proactively implemented the notice of “Catalogue for Elimination of Obsolete Telecommunications Equipment with High Energy Consumption”. For this plan (which was issued by the Ministry of Industry and Information Technology) to work, they developed elimination plans for obsolete equipment and implemented centralized deployment plans. They also promoted network switching of Core Data Communication Network, as well as closing down of inefficient business platforms on the cloud.

Sony

Profile

The Sony Corporation was founded in 1946 and is a multinational conglomerate with its headquarters located in Tokyo. They produce electronics, gaming and entertainment systems as well as providing financial services, like insurance and banking. They belong to the Sumitomo Mitsui Financial Group, which is a *keiretsu* and are located in various major cities, having their European headquarters in England (Sony).

Sony's CSR policies and reporting

They first issued an environmental report in 1994 and enhanced this to information regarding CSR in 2003, thereby also changing the name to "CSR report". In 2012 Sony reviewed their CSR activities related directly to their business activities, including certain topics of interests for their stakeholders. Sony's code of conduct is to pursue value enhancement through innovation and sound business practice, as they are aware of business activities having a direct and indirect impact on the society in which they operate (Sony). Their goal is to conduct business whilst considering the interests of stakeholders, shareholders, customers, employees, suppliers, business partners, local communities and other organizations.

Sony's Conflicts and Solutions

1. One challenge for Sony is the broad support for visually impaired people, who require an audio description feature as an additional narrative soundtrack to follow the storyline during gaps in the programme dialogue. Indeed this feature is available, but only when purchasing separate set-top boxes or satellite receivers. Sony's goal is to include Integrated Digital Television as a standard to provide access to the aforementioned Audio Description, without the need for additional decoders. The problem at hand is the low awareness and lack of legislation, which mutually reinforces manufacturers and broadcasters to turn a blind eye to the whole problem. By taking a step towards solving this dispute, Sony gained a lot of credibility from the visually impaired community, and was able to position itself on top of manufacturers of TVs for blind and partially sighted, as well as setting an example for the rest of the industry, directly and indirectly impacting society.
2. As natural resources are getting scarce, Sony has put an emphasis on diminishing products and packaging that heavily rely on virgin resources. Their initiated Closed Loop Recycling program is focusing on using waste as a substitute for raw material, formerly mandatory for production. To achieve this, they changed their way of recycling, from disposing their waste to other organizations (which operated beyond their control) to reintroducing this waste to their own

manufacturing and packaging operations, cooperating with local business partners. Sony's recycling program is having a big impact on their operations and also helps to connect different business areas even closer than before, like engineering, design and procurement. It furthermore helps to foster stronger relationships with other companies involved in similar kinds of recycling projects. Through the whole program, Sony was able to reduce the amount of virgin materials consumption, strengthening their ties with the local communities and demonstrating how global companies should use their communication network to share ideas and experiences to ensure that programs like this remain dynamic and keep on growing.

3. By engaging in a cross-sector partnership with streetfootballworld, Sony was on the one hand developing its future leaders and on the other hand empowering social enterprises by aiming to achieve a long-term and sustainable change in disadvantaged communities, both in developed and developing countries. They were sending out teams of Sony's talents, who would conduct different work involving health promotion, children rights or education. By fostering and developing those social skills in combination with their business skills, future leaders should be able to grow and positively contribute towards society, their own development and organization. Sony achieved in benefiting the community by providing business expertise, creating income-generating business projects and providing the members of streetfootballworld with reports and information, as well as administering professional development by applying graduate business training outside of the traditional comfort zone, letting them work together in international teams and on international projects as well as encouraging creativity and innovation.

Conclusion

After supplying this thesis with a profound theoretical background and giving a comprehensive empirical analysis, I have come to the following conclusions to my three research questions:

- a. Does Confucianism influence Japanese and Chinese Business Ethics and if yes, to what extent?

Confucianism and its virtues are key drivers in the personal, social and business life of both the Japanese and Chinese, as they influence society with various concepts. Firstly, there is the strict hierarchy, defining the five major relationships, in which each part has a set of duties and rules to follow. If this is done correctly, generations can enjoy harmony and are able to sustain long-term businesses successfully. Another important point is the “face”, *mianzi*, and the network of personal relationships, called *guanxi*. These are strongly related to business aspects and define the way of how to deal with each other, customers, suppliers, stakeholders and so forth. Most businesses revolve around a core originally consisting of family members, therefore bonds of trust and respect are of utmost importance. By connecting different companies through a network of relations, Chinese and Japanese companies are able to compete on a global scale. Coming back to hierarchy and family businesses, it is crucial to understand that those models are fundamental to every family-based company, in which employees strive for the benefit of the company, rather than individual profit, and decisions concerning the market can be dynamically decided without first going through a vast network of competences and positions. Furthermore, it promotes harmony inside the company, whereas the Chinese system of top-down management might be slightly less efficient and rewarding than the Japanese system, which uses a more reflected concept, including the management and its staff alike. For Japanese company structures Confucianism provided three notable aspects: lifetime employment, containing the reciprocal nature of Confucianism, a seniority-based salary system, containing social rank by age and encouraging long-term employment as a way to harmonize a company and last but not least enterprise trade unions, resolving problems and providing solutions, further strengthening harmony. Concluding our theory on *mianzi* and *guanxi* it is safe to say that they both create a system in which harmony is not only an option, but essential to sustain a business. In times where a problem arises both parties will work out a plan to which they can agree, most often leaving out strict rules by contract or laws. After all, every contract is to obtain a business partner as well as a friend in times of trouble and helping a friend in trouble, which if this happens to be your business partner, fills up the reciprocal stash of favours. If, according to Confucianism in the business world, harmony is the topmost principle, then this stash will guarantee a working cycle of mutuality. If we take a look at the opening statement on “Confucianism and Business Ethics”, we can clearly see that every business decision is always a decision for fairness in society, an equal distribution of services and goods, equal treatment of employees, committing oneself to develop a harmonious society, consideration of stakeholders,

consumers and suppliers, promoting social responsibility and generating a healthy investment environment. We need a code of conduct which establishes a standard for communication among employees and managers, displays ethical arrangements and functions as a modern and adapted tool to practice the rites and virtues and follows the golden rule.

- b. Is Harmony the underlying concept of both Japanese and Chinese Corporate Social Responsibility?

The reason for implementing CSR into business is quite simple and can be wrapped up by four short points: creation of a sustainable global community, establishment of a proper framework for CSR evaluation, ability to foresee and counteract scandals affecting business and most importantly address the growing pressure in the face of globalization and international rating agencies. For these reasons Japan has made use of the *shūchū kiyaku*, a guideline on how to conduct business and how to build sustainable relationships to further develop this groundwork into what the Keidanren Charter of Corporate Behavior is today. With this in mind the term *kyōsei* was formed and fosters the idea of working together, regardless of culture or race, whilst advocating the idea of harmonious cooperation between the company and its suppliers, customers, competitors, government and ecological environment.

For the Chinese, the government decided that its task is to combine the satisfaction of the people's cultural and economic needs, while at the same time providing them with proper human development. This has triggered different approaches inside the country, fighting either corruption or bribery or changing the economical course from a planned to a market economy, all while advocating science, education and technology to match the growing social gap between different regions. In 2005, the harmonious socialist society doctrine entered the scene and was meant to fight against various discrepancies such as shortage of energy supplies, pollution, bribery or crime by implementing a harmonious approach to a sustainable socialist society. In detail, the Confucian thought of counteracting unjust leadership by the authorities leads to them losing their Mandate of Heaven and transferring the task of preventing society to fall to this corrupted administration to every Confucian. This said the political course was furthermore changed towards a balanced model, promoting economic, social and environmental goals likewise.

Both countries utilize a harmonious approach to CSR, but are still young und undefined in practice. They often translate and copy ideas from Western CSR-models and try to blend them in with their own cultural traits. This often leads to mixed forms of CSR, which in theory sound plausible, but lack the interpretation of culture and social background with an Asian mindset. Organizations like the Keidanren, the Caux Round Table or CSR Asia make it possible to slowly implement a comprehensive

framework and at the same time respect the harmonious approach originating from Confucianism while shifting priorities of CSR fitting for the Asian market.

c. Is the concept of harmony found in today's Chinese and Japanese companies?

After confirming that Confucianism and harmony are indicative of the Japanese and Chinese corporate environment, I conducted research on four different companies to prove my statement. The most distinctive argument lies within the very core of Canon, as they introduced the *kyōsei* CSR-strategy in 1988 and were striving to aspire to a society in which all people work together for the common good. They furthermore initiated various CSR programs, such as the Employee Assistance Program, fostering harmonious relationships inside the company or the Factor 2 campaign, promoting environmental and educational commitment. The second Japanese company, Sony, also shows strong engagement towards applicable CSR strategies, as they are aware of their direct and indirect impact on society and demonstrated this through different campaigns: helping the visually impaired society, strengthening the need of responsible resource management and encouraging cross-sector partnerships to help their employees and society grow.

On the Chinese side I investigated Huawei and China Telecom. Huawei is putting a lot of effort into education development and environmental protection. They stress the importance of a harmonious industry chain that should benefit employees, suppliers, and customers, as well as the wider community, as they identify themselves as a corporate citizen. For this reason Huawei provided many CSR-related solutions, like implementing a CSR ranking tool to optimize their supply chain management, educating students through internships and programs in low-income countries and supporting rural and remote areas with an affordable communication network to advance development, creating jobs and generating income. China Telecom is a relatively new player on the field, but has been very active since its founding, promoting the volunteering spirit and the development of science and technology, education, culture, sports and health safety. They also help to overcome the digital gap in rural and remote areas, using their vast media network to assure network stability for the community and actively take part in the elimination of obsolete equipment that is harming our environment.

These four big global players are good examples for a working CSR culture and promising evidence for the future development of a harmonious approach towards CSR in a globalized working environment.

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Appendix

Abstract

English

This thesis examines the relationship between Confucianism and Corporate Social Responsibility in Japan and China whilst also considering a wide array of developed theories from the West and the East alike. Its research is focused on the evolution of Corporate Social Responsibility as well as Sustainability concepts in Japan and China throughout history, and considers the heavy influence of culture and religion as catalysts for contemporary business management theories. Based on the concluding case studies on Canon, Sony, Huawei and China Telecom, it is safe to say that modern business strategies are well nurtured by a harmonious approach towards Corporate Social Responsibility.

German

Die Thesis untersucht den Zusammenhang zwischen Konfuzianismus und Corporate Social Responsibility in Japan und China unter Berücksichtigung diverser im Westen und Osten entwickelter Theorien. Der Fokus liegt dabei auf der Entwicklung von Konzepten für Corporate Social Responsibility und Nachhaltigkeit, die erheblich von Kultur und Religion beeinflusst wurden und gleichzeitig als Katalysator für heutige Business Management Theorien galten. Durch die abschließenden Fallbeispiele von Canon, Sony, Huawei und China Telecom wird eine deutlich durch den „harmonious approach“ geprägte Geschäftsstrategie deutlich und unterstreicht die Hypothese, dass Konfuzianismus einen Einfluß auf heutige Unternehmensstrategien hat.

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