

The Implications of Confucian and Daoist Values for Multinationals in Intercultural Business Communication

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Abstract

Studies of intercultural communication focus little on the ethical principles that inspire specific communication practices (Dragga, 1999, p. 368). However, with increasing exposure to the intercultural dynamics of the global economy, a comprehensive understanding of ethical differences is necessary for multinational companies to succeed in the global marketplace. This article argues that awareness of ethical assumptions in other cultures is necessary to advance research and practice on intercultural business communication. Specifically, the article looks at the ethical backdrop inside China, which boasts the largest market potential in the world. The article first offers an introduction to Confucian and Daoist thought and the quintessential virtues of ethical behavior in China—harmony, reverence, patience and relationship. Then it depicts Microsoft’s 14-year struggle in China, demonstrating the critical importance of complying with local ethical rules. This analysis supports the argument that a full understanding of ethical differences of multiple cultures is indispensable for enterprises to survive and ultimately thrive in a foreign market. Specific recommendations are offered for companies setting up business in China.

Introduction

“Effective international business-communication skills are the backbone that supports the transaction of business around the world” (Scott, 1996, p. 1), so developing intercultural communication fluency will help the business community cope with such important communication-related challenges as growing workforce diversity and increasing globalization. However, studies of intercultural communication focus little on the ethical principles that inspire specific communication practices (Dragga, 1999), even though those norms are crucial for facilitating business transfer and implementation in different cultural contexts. With increasing exposure to the intercultural dynamics of the global economy, a comprehensive understanding of differences in ethical perspectives is necessary for multinational companies to succeed in the global marketplace. Philosopher Richard DeGeorge (1993) has offered 10 useful ethical guidelines that multinational corporations should observe cross-culturally, such as “do no intentional harm; produce more good than harm for the host country”; however, in terms of business communication in a particular cultural context, his guidelines, while applicable, are too broad for specific problem-solving. Cultural ethics in China, for example, receive disproportionately sporadic scholarly attention, given the huge growing market potential the country offers to the world. With its GDP growth keeping 9% per year since 1978 and consumer savings amounting to 1 trillion USD per year (State Statistical Bureau, 2006), no one in the business community can afford to ignore this enormous market. Nevertheless, market opportunity does not mean that everyone can make money without a good understanding of the target market, especially its culture, ethics, and the way people communicate in that culture. Some issues and standards vary

either significantly or subtly from country to country, which will directly affect certain business practices.

By applying Confucian principles, Dragga (1999), in his paper “Ethical Intercultural Technical Communication: Looking through the Lens of Confucian Ethics,” analyzes the communication issues on a breakfast cereal box created by Kellogg’s as it tries to introduce ready-to-eat cereal to Chinese. The following discuss also uses this strategy and starts by offering an introduction to Confucian and Daoist thought and its quintessential virtues that constitute the basis of ethical behavior in China—harmony, reverence, patience and relationship. Then it depicts Microsoft’s 14-year struggle in China, which demonstrates the vital importance of complying with the local ethical rules. The paper concludes by proposing several recommendations for companies setting up business in China: Respect the Chinese people, establish and maintain a strong relationship with government at all levels, play by China’s market rules, localize, and benefit China.

Confucian and Daoist Tradition in China

Over the past 2500 years, Confucius and Lao-zi have both been esteemed as great philosophers and educators in China. The two great sages are the founders of Confucianism and Daoism, respectively. Their philosophies, which represent a set of moral values and ethics with which people should comply, have long permeated Chinese civilization and culture. In other words, the Chinese nation is deeply rooted in the enduring moral concepts articulated by these two great philosophers, despite efforts, such as those of the former chairman Mao Zedong’s “Cultural revolution” in 1966, to eradicate such “out of date” vestiges of tradition. Teaching of Confucian and Daoist thought in China begins as early as kindergarten and lasts throughout high school and into college. Chinese children, even those just beginning to speak, are taught some popular phrases from the Confucian classics. Moreover, a surge of academic conferences is devoted to the study of Confucianism, Daoism, and other classics, which serve as an incentive to enrich the ancient legacy. Therefore, observation of traditional ethics in China, as reflected in Confucian and Daoist thought, will facilitate China-related business transactions and communication.

However, it is equally unwise to over-emphasize certain specific ethics in a culture, or make premature or hasty generalizations without sufficient evidence, especially if those generalizations tend to ignore external similarities and internal discrepancies. In this age of great cultural and economic transformation when people in the global village are more and more interrelated with each other, cultural assimilation tends to bridge cultural gaps. It is thus impossible to promise that a specific individual within a particular situation will be chiefly motivated by a specific ethical perspective: it is only possible to describe the potential influences of ethics on the individual communication behaviors (Dragga, 1999).

Confucian Ethics

Confucian ethics took root during the Warring States Period (475-221 B.C.) which is marked by extreme social unrest and frequent civil wars. The philosophical teachings of Confucius provided a moral compass to society during this chaotic period, and even today, he is considered to be the greatest teacher in Chinese history.

The landmark of Confucius thought is harmony (*da tong*), which is twofold in meaning. The first implication is the inherently dynamic interaction between our character and our conduct, that is, the consistency of what we are and what we do. The second implication of harmony is the concord in our nature. Confucius emphasizes that man is the center of nature and man should shoulder the responsibility to balance people and nature in order to make the world a better place: “Only after the self is cultivated, can the family be regulated; only after the family is regulated, can the state be governed; and only after the state is governed, can peace be brought to the land” (Confucius, 2006, p. 8).

Thus, the most distinct value of Chinese society is harmonious relationships, not only within oneself, but with other people, or even nature and the whole world. This is a critical concept that people in the business community should pay close attention to. The notion of identity is, for the Confucian, defined in terms of relationships (Brannigan, 2005). There are five relationships in Confucian ethics: ruler and subject; father and son; husband and wife; elder brother and younger brother; friend and friend. That is why there is a multitude of ways to address relatives of different relations in China, to the point where sometimes even native Chinese people are perplexed. For instance, you should call father’s brother *shu shu*; mother’s brother *jiu jiu*; father’s sister *gu gu*; and mother’s sister *yi niang*. Moreover, the name for relatives varies in different geographical locations; while in English-speaking countries people simply say uncle and aunt.

So the how can we bring about this harmony? Confucius’ answer would be: through habitual practice of virtue. The six important virtues defined by Confucius prevalent in Chinese history are benevolence (*ren*), righteousness (*yi*), wisdom (*zhi*), faithfulness (*xin*), reverence (*jin*), and courage (*yong*).

To summarize, Confucian ethics is based on the notion of harmony and six virtues that bring about this harmony. An examination of Confucianism also reveals that relationships have deep roots in Chinese history. In the discussion of Microsoft later in this paper, we will see that an initial failure to observe these principles of Confucian ethics led to problems in Microsoft’s early attempt to establish a presence in China.

Daoism

Daoism developed, along with Confucianism, during the Warring States period of Chinese history. But unlike other great philosophers, the founder of Daoism, Lao-zi’s life is barely known by his offspring. This is, to some extent, a reflection of his low-key philosophy. Daoist philosophy emphasizes various themes that can be found in its classic *Dao De Jing*, among which "non-action" (*wu wei*) is the quintessential element of Daoist thinking. Here are the first two and most known sentences in *Dao De Jing*:

*The way that can be told of is not an unvarying way;
The names that can be named are not unvarying names (Lao-zi, 2004, p.2).*

In Chinese, "Dao", when used as a noun, can be translated as “way” “path” or “natural working of the universe,” but when it is used as a verb, it means “to say” or “to speak it out.” So what Lao-zi tries to convey is that Dao is unutterable, and should be comprehended through meditation in tranquility. Lao-zi says, “The worst leaders are those who are hated;

the next worst are feared; the next are loved and praised; but the best are those people barely know.” When the “path” (*dao*) is forgotten, the doctrines of humanity and morality arise, just as his saying goes: “How did the great rivers and seas get their kingship over the hundred lesser streams? Through the merit of being lower than them; that was how they get their kingship. Therefore the sage” (Lao-zi, 2004, p.141). What Lao-zi recommends in his thought is emptiness, detachment, receptiveness, spontaneity, and flexibility. And those attributes have long been considered as a good attitude towards life in Chinese people’s minds.

The other important stream in Daoism thought is the concept of “yin” and “yang”, which is always accompanied by a beautifully balanced black and white image, as shown in Figure 1. It is a symbol that reflects the inescapably intertwined duality of all things in nature, with black representing “yin” and white representing “yang”. In addition, the concept of “yin” and “yang” connotes another meaning deriving from the streamlined image. It looks like an eternal circle, telling people to be determined and perseverant, which is well demonstrated in one of Daoist classics *Dao De Jing*: “A huge tree that fills one’s arms grows from a tiny seedling; a nine-storied tower rises from a heap of earth; a thousand miles journey begins with a single step.”

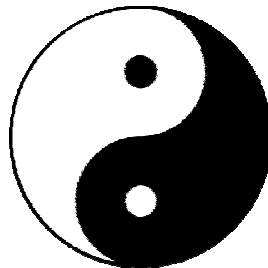


Figure 1. Image traditionally associated with yin and yang.

On the whole, detachment, balance, perseverance and patience are the core concepts of Daoist ethics. Those ethics, combined with Confucian ethics, withstand the test of time and constitute the basis of ethical behavior in China. Table I summarizes the key concepts found in Confucian and Daoist ethics.

Confucianism	Daoism
Harmony	Low-key attitude & position
Relationship	Yin & Yang balance
Benevolence	Perseverance
Righteousness	Patience
Wisdom	
Faithfulness	
Reverence	
courage	

Table I: Key concepts in Confucianism and Daoism

A Case Study: Microsoft’s Experiences in China

Microsoft has been chosen as a case for an ethical analysis of intercultural business communication for three reasons. First, it is a multinational corporation. Second, it’s large

enough in scale to have the possibility to encounter more challenges, especially cultural discomfort, than smaller companies might. Third, it has 14 years' presence in China, and thus any problems or mistakes it encountered or made could possibly be rectified.

Microsoft's Early Struggles in China

After Microsoft established its Beijing office in 1992, this multinational giant began its "twists and turns" in China fraught with controversies and adjustment.

First of all, Microsoft failed to observe the most important virtue, "reverence" toward the Chinese government. As a result, its relationship with government at the beginning stage of its market entry was not good. Unlike other companies such as HP, Intel, and Motorola, whose CEOs paid their visits to the Chinese government long prior to their companies' initial presence; Bill Gates did not visit China until one year after the setup of Microsoft Beijing office. This gave the Chinese people an impression that he took this market lightly, and worse, he did not show much respect for China, though it is possible some other issues may account for his late appearance. Among the six virtues in Confucian philosophy, Chinese people value reverence more than anything else. People are interrelated in five relationships throughout their lifetimes, so they should show respect to others, and only in that way can mutual respect occur. Specifically, among the five relationships, ruler and subject is put in the first place, which denotes that the mutual reverence between government or the community and individual is the prerequisite of a harmonious society. This is particularly true for those companies setting up business in China. Showing reverence to government is of vital importance when interacting with and being recognized by businesses in China. Furthermore, in the classic Confucian text *Book of Rites (Li Zhi)*, Confucius outlines specific rules and codes of conduct for various settings in order to standardize daily behaviors in interactions with those key relationships. Confucian ethics believes that social order and stability is based upon observations of those rules and proprieties.

Business communications between China and other countries can be traced back to the Tang Dynasty approximately 1500 years ago. At that time, businessmen from another country would go to the Capital City Chang'an (now the city of Xi'an) to pay a formal visit to the emperor. They would exchange their ideas and possibly reach agreement on issues related to trade. In addition, if this visit turned out to be successful, which actually it always was, they were guaranteed of smooth trade with few bureaucratic hindrances. And more importantly, the visiting businessmen would be recognized by the Chinese people, and the recognition itself would open their business in China.

Microsoft did not observe these behaviors and therefore aroused criticism from all levels. A survey conducted by *China Fortune* revealed that the words people would associate with Microsoft were overwhelmingly negative: *arrogant, conceited, hegemonic, monopoly, loophole*, etc. (Yi, 2004). This negative impression was partly due to Microsoft's negligence in managing its self-image inside China, and partly due to its insensitive relationship with mass media, which can easily direct public opinion. This was the beginning of Microsoft's unfriendly image in China and also partly accounts for its unsatisfactory sales.

Another contributor to Microsoft's poor sales in China was its turnover of five CEOs within 14 years. This high rate of turnover is extremely uncommon in Chinese business circles, and

it is a popular saying in China that “Microsoft’s China CEO is cursed.” The reason for this curse is due, to some extent, to the sales figures that would never satisfy its headquarters. But the point is, the marketing styles of those five CEOs are totally different, ranging from Wu’s localization theory to Gao’s uncompromising policy. As a result, instead of long-term, unified planning, Microsoft’s marketing strategies in China were never balanced, in defiance of the “Yin” and “Yang” theory in Daoism, and contributed to another flaw of Microsoft’s presence in China.

The third lowlight would be Microsoft’s lack of attention to relationships, the most fundamental element of Chinese society. Actually relationship-building is where communication occurs. The Chinese culture regards relationships highly, especially the five relationships in Confucian ethics. Therefore, Chinese people would rather do business with those in the five relationships than with people they are not familiar with. That’s why it is indispensable for Chinese companies to set up a department called “Public Relations,” the function of which is to establish various relationships with the outside and to make people feel the company is their friend, not a stranger, though it has nothing to do with pre- or post-selling. It is true that people do know Microsoft, the world-famous giant; however, the company does not fit into any category of the five relationships. So in a sense, the brand name has nothing to do with the Chinese people. People do not trust the company unless they have interactions with it. In contrast, when the relationship is fashioned as “friend and friend”, business is no longer harsh. But for China nowadays with a population of 1.3 billion, it is impossible to cater to every individual; the most efficient way is to build a good relationship with government and mass media, the two most important powers that direct public opinion. However, as indicated before, Microsoft’s early appearance in China showed no sign of rapport with the Chinese government. Worse, for Microsoft in the 1990’s, the voice of mass media was more negative than positive.

The fourth lowlight was the obtrusive measures Microsoft took to counter piracy in China, the nightmare of Microsoft for years. Piracy is indeed troublesome in China and is a threat to the development of software companies, national or multinational. However, it does not mean that the Chinese people do not care about copyright, intellectual property, and creative work. Rather, traditional notions prevail of what is ethically appropriate behavior for (high class) scholars as opposed to (low class) merchants. This has meant that Chinese tend to spurn the practice of selling knowledge for private gain; to teach or to sell books if it is for gaining profits is considered immoral and beneath the dignity of a respectable person (Hsieh & Lehnem, 2003). With this cultural background in mind, it is easy to feel the gap between China and Microsoft. We understand Microsoft’s drastic measures to counter piracy in China; nonetheless, the rooted cultural issue cannot be solved overnight.

Moreover, Microsoft adopts a unified pricing system globally, which is seen as unethical or embarrassing in China. The cost of living in China is radically lower than in the U.S. It is cost-prohibitive for the Chinese consumer to buy the Microsoft operating system or Office software, as this financial outlay could match as much as one month’s income. When comparing 2000 RMB for a legal copy and 5 RMB for a pirated one, most consumers would probably choose the latter, or other cheaper brands. The discrepancy of Microsoft’s pricing system and the country’s average personal purchasing power makes the company’s sales in China embarrassing because they appear to violate one of the five virtues of Confucian ethics, that of *ren*. There is no equivalent English expression for the Chinese character *ren*—concepts such as “humanness”, “goodness”, “love” embody some of its meaning. This

concept is probably best expressed in the Confucian version of the golden rule phrased in the negative: "Do not do to others what you would not like yourself" (Confucius, 1998, p.144). In Chinese people's eyes, a man who is not benevolent or patient enough is not worthy of trust.

All those factors ultimately contributed to Microsoft's failure in their Beijing Government Procurement bid in 2001. Jinshan Company, Microsoft's major competitor in China, smiles.

Microsoft's Recent Highlights in China

Recent years have seen Microsoft's adjustment of its marketing strategy in China. Right after its failure to win the Beijing government procurement bid, this multinational giant began to re-think its China policy. Different from its past, it now takes a more friendly stance and a comparatively low-key position.

On June 26, 2002, Microsoft and the State Development Planning Commission (SDPC) of China signed a Memorandum of Understanding regarding their cooperation in the software industry. Under the Memorandum, Microsoft will invest RMB 6.2 billion (USD 750 million) in China in the next three years in the areas of education and training, academic and research cooperation, hardware manufacturing outsourcing, continued support in software outsourcing and strategic investments and cooperative developments in local software companies (Microsoft, 2002). This action can be seen as an icebreaker for Microsoft to work together with the Chinese government and build a dynamic relationship with it. Microsoft's attempt to change its public image was also shown during Chinese President Hu Jintao's state visit to the United States in April 2006. Seattle was the initial stop of President Hu's visit to the States, and the Chinese delegation was welcomed by a grand reception hold by Microsoft Corporation. Moreover, Bill Gates and Tim Chen, Microsoft's vice-president and CEO for Greater China region, have on several occasions reaffirmed Microsoft's long-term commitment to grow together with China's IT industry. Furthermore, "openness and respectfulness" were added to its corporate values in 2003 to attach importance to the reasons that partly account for their initial failure in China. From then on, Microsoft in China has taken on a low-key position, a sign of its willingness to accommodate the country's ancient ethics.

The second Microsoft highlight in recent years is its effort of localization by the partnership with domestic enterprises. Under the accord it signed with Langchao Group, China's biggest server manufacturer and supplier in 2004, cooperation between the two covers software R&D, technical training, solution customization, enterprise management and international cooperation. Also, an announcement was made in April 2006 by Microsoft and China's biggest personal PC manufacturer, Lenovo Group Ltd., to promote the use and benefits of validly licensed Microsoft software products through new and innovative joint sales, marketing and training programs in China and around the world. Through the partnership, Microsoft actually gains almost all Langchao's and Lenovo's customers, and more importantly, people begin to view Microsoft from a new perspective: It's much more localized, rather than an alien that robs their domestic market.

Another issue worth noticing is that the drastic anti-piracy measures taken by Microsoft in its early years in China are being replaced by a plan called “Microsoft Genuine Advantage.” This plan is aimed at promoting people’s awareness of intellectual property by offering extra technical support for those enterprises or individuals who buy legal copies. Steve Ballmer, CEO of Microsoft, has also expressed the company’s patience with China on the issue of piracy. Indeed, a cultural problem may be easier to be solved by the observation of its cultural ethics rather than tough means. As the old Chinese saying goes: “It is one who fastens the bell that can unfasten it.”

Microsoft’s new stance in China has resulted in almost sweeping victories in government procurement projects in several Chinese provinces and municipalities from the year 2002, demonstrating to the world its dominant position in the computer software industry. For example, it was the only provider of operating systems and office software suites to the Beijing municipal government in 2004, with a transaction volume amounting to 29.25 million RMB (3.52 million USD). And the decisions of Beijing Municipality, in its role as the capital, usually have a radiating influence on municipal governments in other regions.

However, Microsoft should never be too optimistic. Its sweeping victories have already aroused increasing concerns and controversies. And the newly released China's Government Procurement Law requires domestic products and services to be preferred in government projects. Haoqiang Tan, a famous professor of Computer Science at Tsinghua University in China, once commented, “Don’t think Chinese companies deserve to lose to foreign companies when foreign companies have a better product. It is different that a foreigner is making money and not a Chinese. The downfall of Chinese companies will come back to hurt all citizens of China” (2002). So, for Microsoft, there is still a long way to go.

Implications for Multinationals

As indicated above, Chin’s 5000-year history endows the nation with deep-rooted values and ethics that affect international business communication. An understanding of those mores and the study of Microsoft’s 14-year struggle reveal some implications for multinationals setting up business in China.

First and foremost, a company, be it small or giant, should respect the Chinese people, and always keep an image of respectfulness and sincerity. Reverence is the utmost virtue in Chinese people’s minds; they would not allow anything that undermines their dignity.

Second, the company should build strong government relationships. Whether or not the company has direct business with the Chinese government like Microsoft does, a strong government relationship is always a cornerstone of running business in China.

Third, play by China’s market rules. It is hard to change an environment, compounded by the unaffordable cost. Thus, to show respect and patience is the golden rule.

Fourth, make every effort to be localized. This is an attempt to fit the Five Relationships in Confucian ethics. Either through cooperation with local companies or nurture of local people, the point is to make people recognize you and consider you as a friend.

Last but not least, benefit China. Given the influence, power, and resources that multinational corporations enjoy, they have a responsibility to provide positive benefits and support for the communities in which they operate (Desjardins, 2003). The Chinese will recognize you if you perform benevolently.

Conclusion

Culture and business communication are inextricably linked. Organizational structure, professional “mores,” corporate goals, and even daily schedules and procedures are quite different, reflecting the larger, unique culture of each country. Significant ethical issues are raised by an examination of the proper role of business in international settings. Culture is only a partially understood but nevertheless powerful force that strongly influences communicative behaviors. Development of the ability to function effectively in other cultures by regularly matching decoded and encoded message meanings should be a top priority (Scott, 1999). It is hoped that this brief introduction to Confucian and Daoist values in China and the lessons drawn from Microsoft will help improve future international business communication and transactions.

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