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This article attempts to capture a few key elements of my ongoing journey in research and teaching international business ethics in China over the last 25 years.

The work of Kirk Hanson, the former Director of the Markkula Center for Applied Ethics at Santa Clara University, USA, has been an important reference point for people and institutions from different walks of life over the last decades. Lately, he has been exploring different interpretations of so-called “Megatrends” in the development of business ethics.¹ For quite some time I have been collaborating with Kirk Hanson on the challenge of promoting international business ethics in China. Our essay, “Taking Codes to China,” developed a roadmap for enterprises struggling to remain faithful to their core values as they do business in China.²

INTERNATIONAL BUSINESS ETHICS
MEGATREND:

A story of International Business Ethics of the last 25
years from a Chinese perspective

Stephan Rothlin

It was therefore no surprise to receive from Kirk a newsletter, in which he announced a project trying to capture what he is calling “The Bigger Ethics Story of Our Time.” Along with a colleague in the UK, David Grayson, he hopes to craft a history of “the responsible business movement.” Kirk has outlined six different narratives that he hopes might frame this history: “1. Business Ethics, 2. Capitalism Redefined, 3. Corporate Scandal and Government Regulation, 4. Corporate Responsibility and Government Regulation, 5. A New Definition of Enlightened Leadership, and 6. The Global Diffusion of Innovation.” He then challenges his readers with the question, “Which of these narratives best represents what we have experienced over the past 50 years?” In reading these, I couldn’t help noticing how each of these perspectives illuminated the dramatic changes happening in the Chinese context.

This article will try to highlight how these trends have worked themselves out in business theory and practice in

China. It is important to realize that the adjective “international” in “international business ethics” must reflect the genuinely global character of applied ethics which cannot be restricted to developments in Europe and North America. I will base my reflections on the last 25 years since I relocated from Europe to China, where I have been able to witness one of the most exceptional social and economic changes in recent history.

Given the complexity of modern Chinese history, there will always be the risk of bias based on anecdotal evidence. Nevertheless, though my experience only touches certain aspects of Hanson’s proverbial elephant, I hope to persuade you that “the bigger story,” in China - may I call it “the big gorilla in the room” - is not just the obvious rise of China as an economic player on the world stage but the surprising emergence of a pragmatic approach to ethics which is shaped by the wisdom traditions of Asia, spiritual as well as secular. As we try to grasp the challenge of China’s emergence as one of the most dynamic economic

regions in the world, we well may wonder whether such a development is supported by adequate ethical values and legal guardrails. In what follows, I will use Hanson's six narratives as a sounding board to achieve resonance with what I believe is emerging as the bigger ethics story in China.

1) **International Business Ethics.** Hanson's first narrative focuses on the history of business ethics: "Businesses' attention to ethical values and behavior was rare before World War II. But with economic expansion after the war and greater prosperity in the West, new questions were asked, particularly by the relatively affluent baby boomer generation: What more should businesses be doing to act ethically? In addition, new problems such as climate change, global corporate tax strategies and technological advances raised a series of new ethical dilemmas which needed to be resolved at the same time. New values emerged which changed the expectations of companies and their executives." (Hanson, 2023)

In China we must start with the question of appropriate terminology: How to translate "business ethics" into Chinese seems like the monumental task of finding an adequate

term for "God". The Shanghai Academy of Social Sciences, which was one of the most prominent pioneers in establishing the field of business ethics in China, were arguing along the lines of the German "*Wirtschaftsethik*" (经济伦理学 "*jingji lunlixue*") which comprehends the ethical underpinnings not only of aspects of management at the micro-level, but also of meso- and macroeconomic approaches. As China was emerging from the Cultural Revolution and later in 1978 embarking on its "open-door" policy, pioneering business ethics meant breaking the chains of the planned economy while still sticking to the ideological framework of "Marxism with Chinese characteristics." At that initial stage, business ethics in academic circles proved useful by providing case studies for updating the increasingly obsolete study of Marxism.

In my work in China, I have tried to honor the great pioneering work over the last 50 years of mostly American and European business ethicists. With Prof. Yang Hengda of Renmin University, I created a series of translations of milestone reference books on business ethics. Since 2000, 15 volumes in this series have been published by Peking University Press.³ With their pragmatic focus on ethical

dilemmas, such as just working conditions, fair competition, environmental degradation etc., such translations have provided a doable way to reconnect with the type of genuine dialogue with the Chinese pioneered by Matteo Ricci and his associates. Instead of overstressing the philosophical presuppositions of ethical reasoning, the pragmatic approach characteristic of "applied ethics" tests key values in case studies. The real challenge then was to develop case studies based on real business experience in China. This has been a major priority for Rothlin Ltd. whose Case Studies Archive collected and published 46 case studies based specifically on Chinese business challenges.⁴

2) **Capitalism Redefined.** Here is Hanson's second narrative: "Capitalism and communism engaged in an ideological struggle for the better part of the 20th century. With capitalism's triumph in the post-World War II period, and particularly after the fall of the Soviet Union, deeper questions could be asked about how capitalism might better serve society. An exclusive focus on self-interest and shareholder value and a built-in bias for short-term thinking were seen as flaws of capitalism, as was its tendency to produce periodic scandals. New problems such as

environmental degradation and the impacts of new technologies encouraged a rethinking of capitalism as it was practiced in the developed and developing world; and a greater emphasis on a “stakeholder” view of the firm. This, in turn, has led to more recent ideas of sustainable business and even regenerative businesses i.e. businesses that have “net positive” impact on people and the planet.”

China’s impressive economic development over the past 25 years had sometimes a devastating impact on nature. Proposals for improving business ethics were dismissed, in those days, not only as lonely voices in the desert but as complete economic nonsense, given the urgency of pressing forward with China’s economic development. How devastating this type of thinking has proven to be, ought to be clear from the monumental destruction and dangerous pollution of the air, soil, and water, which could hardly be more dramatic than it has been in China. Clearly Hanson is right about how the “flaws of capitalism” were exposed in the West, but the very same tendencies emerged in a China ostensibly governed by Marxist values.

But the wishful thinking promoted by optimists among Western pundits of the last

decades, i.e. that economic liberalization would necessarily give rise to political liberalization did not prove to be true in China, while Russia’s unsteady venture into democracy after the collapse of the Soviet Union seems to have fallen back into patterns of Czarist authoritarianism. Here seems the fundamental error of Western observers of China: after the so-called Open-Door Policy which was introduced by Deng Xiaoping in late 1978, in an attempt to recover from the catastrophe of the Cultural Revolution, and with all the double-digit growth it entailed, mainstream Western analysts presumed that Communism in China would fade away as swiftly as it had collapsed in the former Soviet Union, and give rise to more democratic governance patterns. This proved to be wrong. In a deeper continuity with the Chinese tradition of centuries and millennia of rule by dynasties, the “Communist dynasty” proved to be far more resistant to democratic change than most pundits presumed. In fact, while Deng Xiaoping’s successors were cautiously moving to more inclusive styles of governance, the style of current President Xi Jinping resonates with the authoritarian rule of the founder of the People’s Republic of China, Chairman Mao Zedong. Whether Xi’s leadership will support

China’s impressive record of economic development, or undermine it, is yet to be seen.

3) Corporate Scandal and Government Regulation.

Hanson’s third narrative highlights the challenges of economic reform through promoting business ethics: “With the growing scale and geographic spread of business in the post-war period, incidents of corporate misconduct took a heavier and heavier toll on employees, consumers, and society. Some argued that the ethics of business itself declined significantly. A new era of government activism and the emergence of citizen activists set new guardrails for corporate behavior and increasing penalties for misbehavior. The continuing struggle to establish guardrails had to contend with corporate creativity in evading constraints and what seemed to be an unending series of prominent scandals.”

It seems little known in the West that despite China’s relentless expansion of state control over all aspects of social life, including business, the so-called “new media” were also eager to reveal corporate misconduct. At some point new media—for example, journals like “Southern Weekly” and countless netizens active in the so-called blogosphere—

became prominent, and effective, in exposing the scandals of corrupt lifestyles.⁵ It may be very difficult for Western observers to recognize positive elements in increasingly autocratic patterns in the governance of China. However, given rampant corruption we may also recognize the benefits of such a massive, comprehensive, while often ruthless way of eradicating corrupt practices that predecessor regimes were just unable to deal with. This pattern needs of course to be mitigated by the progress of civil society. The silent but significant growth of civil society of the last four decades seems often overlooked.

4) Corporate Responsibility and the License to Operate. Here is Hanson's 4th narrative: "Business has always had an unwritten social contract with society, giving it a license to operate with relative freedom. Business has responded to new social demands in order to maintain its reputation, trust and legitimacy. Beginning in the 1960s, society's expectations of business began to change more rapidly, focused initially on human rights, including the treatment of minorities and women, and on regional economic development. As new problems emerged, such as climate change and the

dangers of some technologies, businesses pioneered new policies and practices to respond to those expectations. Reputation and trust in business became the primary indicator of whether companies have fulfilled the social contract."

The implied social contract described by Hanson has a somewhat different focus in economies like China's and India's. In these regions where state laws and regulations may not easily be implemented, the role of firms, both multinationals (MNCs) and local small and midsize enterprises (SMEs), has been defined more in terms of their contribution to the common good. As China seems to have a vastly different understanding of the term "human rights" and often gets strongly criticized by its human rights record, promoting international business ethics may challenge dialogue partners to look for common ground.

In fact, as a result of intense discussions inside the Communist Party the term "dignity" emerged as a concept which would cover very pragmatic areas, such as working conditions, fair competition, and various forms of discrimination, discussed in the West under the heading of "human rights" discourse. However, along these pragmatic lines, respect

for "human dignity" would also include government policies lifting millions out of abject poverty, providing them with enough food and economic opportunities. This happened in China, not in response to classical Western "entitlement" interpretations of the social contract claiming equal access to the full range of political rights. The Chinese development, which seems still not fully understood, indicates that even if there is not the full range of political rights including voting rights there is still much space for flexibility and creative adaptation within a primarily non-democratic autocratic system which made it possible for different levels of cooperation between business and government for the common good.

5) A New Definition of Enlightened Leadership: Hanson's 5th narrative is as follows: "In the post-World War II period, industrial enterprises and other businesses grew in size and influence. An increasing number of global businesses rivaled and even exceeded the power of communities and national governments. Leading thinkers recognized that only by training and promoting a new generation of business leaders, who embraced a shared responsibility for the health of the societies and economies in

which they operated, would business continue to prosper. A steady flow of books touting new dimensions of leadership, with such titles as servant leadership, heroic leadership, and compassionate leadership, plus prominent educational programs at leading business schools promoted these ideas. Business leadership organizations such as the Business Roundtable, Business in the Community and the World Economic Forum came to promote the concept as well.”

From a Confucian perspective the ethical leader plays a crucial role in bringing about desired changes even more than law. The key term is encapsulated in the “*Junzi*” (“君子”), “the morally refined person,” contrary to the “*Xiaoren*” (“小人”), the petty, mean person. Within the modern secular framework of Confucian Ethics, there has been a strong movement of “Confucian Entrepreneurs” (“儒商”), who regularly meet and reflect how the Confucian values of honesty, truthfulness and fairness may be given a real chance in a very competitive and sometimes corrupt marketplace. One internationally recognized example of Confucian Entrepreneurship is Jack Ma, once lionized as a model of business leadership in China, for the success of his Alibaba companies. Ma’s responses to

the challenges that surfaced through his attempt to do an Alibaba IPO on Wall Street, help dramatize the unprecedented challenges faced by those who would sincerely try to implement the values of Confucian entrepreneurship.⁶ It deserves to be recognized globally as China’s contribution to the international discussion of enlightened leadership in business.

6) The Global Diffusion of Innovation. Hanson’s sixth and final narrative: “Beginning in about 1960, issues such as urban blight, the persistence of unemployment in certain regions and among certain segments of the workforce and damage to the environment from advanced industrialization led a range of institutions in the U.S. to study, teach, advocate and innovate new business practices. These were typically called “corporate responsibility” or “ethical practices.” With the growth of global enterprises and the global spread of business education, discussion of these ideas soon spread beyond the U.S. to Europe, and eventually to Asia and Latin America. In each region and national setting, this debate took on a different form and addressed different priorities. With the growing globalization in the 1990s, and especially after the beginning of the 21st century,

dialogue on these issues became truly global. Innovations and legal developments in one region quickly influenced other regions.”

Viewed from my perspective in China, Hanson’s narrative suggests that innovative attempts to study, teach, advocate and innovate new business practices, responsive to the calls for moral leadership in business, began in the USA and then spread to the rest of the world. Different major actors are writing the story of the development of truly international business ethics: today’s watershed moment seems to be precisely that it is not Europe and the USA any more that is writing the BIG story. Moral leadership in business, focused on the common good for all, is a story that must be understood in the context of multiple efforts to reinterpret and renew values taught in the world’s spiritual traditions. While these perspectives may differ in various ways, they all resonate well with the ideal of self-cultivation, embodied in the Confucian “*Junzi*” (“君子”), as is evident in the norms of Islamic business ethics⁷, as well as in Catholic Social Teaching’s understanding of the “Vocation of the Business Leader”⁸.

Conclusion

We may always be tempted to favor either an overly pessimistic or an overly optimistic view on China. A first step toward a better grasp of the complex Chinese realities is to become aware of the constant ambiguity of relevant statements about China.⁹ A management scholar based in Europe during her first trip through China rightly observed that she always received completely divergent answers to the same question. This may lead to some bewilderment. My argument is to keep radically in mind a Golden Rule for dealing with China, namely that nothing is clear. This challenges not only scholars to strive first of all to define the main parameters of international business ethics by balancing universal values which need to be maintained in different cultural contexts while considering the specific approaches to ethics from, among other perspectives, a radically secular Confucian framework.

As this framework always risks falling apart as a “monumental ruin,” as Sinologist Erik Zuercher famously cautioned, it is the intriguing irony of China today that despite tight state control the wisdom traditions with a stronger religious focus such as Christianity, Islam, Taoism and Buddhism are

attracting people from different walks of life as they provide the tools needed to keep alive crucial Chinese values and ensure that Chinese culture does not fall apart. The catastrophe of the so-called “Great Cultural Revolution” (1966-1976) could never complete the annihilation of one of the world’s most elaborate cultures and religions: on the contrary, it provoked a strong yearning for religion and different forms of culture, Western and Chinese, which were violently dismissed under Mao as “bourgeois”. No wonder that all the religions are now drawing Chinese people from different circles of life despite an overall tight control and restrictions.

Contrary to the widespread perception in Western countries of negative views of organized religion, including the Church, religions and wisdom traditions in China are often considered “cool”, for they may offer something fresh and uncorrupted by government propaganda, a possible pathway for families to flourish in all the materialistic hustle and bustle of city life in today’s China. Chinese social media, for example, offer a constant flow of helpful hints through short videos shared from leading Buddhist monks on the art of living, inviting everyone to learn what meditation is all

about. Similar trends are evident in all Chinese religious communities, including Catholic and Protestant Christian groups. The conclusion of these limited reflections suggest that the Chinese wisdom traditions and religions may make a decisive contribution to supporting the key Confucian values of trustworthiness, honesty, filial piety. These may shape a marketplace in a way that is never limited to an exclusive focus on maximizing profit, but always keeps an eye on the duty to make an adequate contribution to the common good and the well-being of the larger society.

My experience in China suggests that an ethical underpinning of the economic development of China must be built upon the values supported by its wisdom traditions and religions which, among other things, make economic progress sustainable. Such an agenda would keep concern for the left-behind and destitute as the new cornerstone for corporate philanthropy, under the moral leadership of exceptionally successful corporations and individuals. China possesses a wealth of managerial know-how, self-discipline, and boldness in forging ahead, that clearly qualify it for respect as a trusted international partner. My approach would by no means prevent a critical

analysis of its perceived flaws and shortcomings; however, it would caution against perpetuating any widespread

negative image of China and argue for a genuine dialogue with her, taking into account that this will always continue

to be a bumpy road.

¹Hanson, Kirk O., October 15, 2023, Newsletter: "Ethics Megatrend: The Bigger Ethics Story of Our Time," Retrieved from: <https://static1.squarespace.com/static/5d49f737a4a12b0001564e65/t/652a3c383f1c9e59cd22216/1697266745310/ETHICS+MEGATRENDS+by+Kirk+Hanson+65.pdf>

² Hanson, K. & Rothlin, S. (2013). "Taking your Codes to China." In Rothlin, S. and Haghirian P., eds. *Dimensions of Teaching Business Ethics in Asia*, Heidelberg, Springer Verlag, pp. 77–89. Cf. Rothlin, S. and McCann, D. P. (2018). "The Long March Toward Moral Leadership in Business," *The Silliman Journal*, Volume 59, Number 1 (January to June 2018), pp. 131-148.

³ Rothlin, S. & Yang H. (2001-). Series Editors of the Chinese translation of books on Business Ethics Series, Beijing: Peking University Press: R.T. De George: Business Ethics; J. Boatright: Ethics in Finance; G. Enderle: International Business Ethics; J.R. Des Jardins: Environmental Ethics. An Introduction to Environmental Philosophy; R.T. de George: The Ethics of Information Technology and Business; D. Koehn: Local Insights, Global Ethics for Business; P.H. Werhane, T.J. Radin, N.E. Bowie: Employment and Employee Rights; P. Sethi: Setting Global Standards. Guidelines for creating codes of conduct in multinational corporations; M.J. Epstein, K.O. Hanson:

Corporate Governance: G. Laczniak, N.E. Bowie, T.A. Klein: Ethical Marketing.

⁴ Rothlin, S., McCann, D., and Haghirian P., *Doing Good Business in China: Case Studies in International Business Ethics*. Singapore: World Scientific Press, 2021.

⁵For example, the scandals of "Celebrity Philanthropy," exposed in the wake of the 2008 Szechuan earthquake by the blogosphere, contributed to the comprehensive legislation regulating Chinese philanthropy, "The Charity Law of the People's Republic of China," promulgated in March 2016. For a case study on the controversy over "Celebrity Philanthropy," see McCann, D. P. and Pufpaff, M., "The Perils and Possibilities of 'Celebrity Philanthropy' in China: No Good Deed Goes Unpunished", in Rothlin, S., McCann, D., and Haghirian P., *Doing Good Business in China: Case Studies in International Business Ethics*. Singapore: World Scientific Press, 2021, pp. 349-356. For an analysis of China's "Charity Law" in the context of international trends in philanthropy today, see Rothlin, S., and Stueckelberger, C., *Corporate Philanthropy in China and Beyond: A Comparative Handbook*, Singapore: World Scientific Press, 2024.

⁶For a detailed analysis of Jack Ma's struggle to live up to the values of Confucian entrepreneurship, see Rothlin, S.,

McCann D. P., and Myers, T. (2022). "Transparency: A Necessary First Step toward an Ethic of Finance." *Silliman Journal*, 58 (2). Available online at <https://sillimanjournal.su.edu.ph/index.php/sj/article/view/47.d>

⁷McCann, D. P., "Appreciating Islamic Business Ethics." In Macau Ricci Institute Journal, Issue 4, June 2019, pp. 61-71, available online at <https://mrijournal.riccimac.org/index.php/en/issues/issue-4/48-appreciating-islamic-business-ethics>

⁸The Vatican's Dicastery for Promoting Integral Human Development has published *The Vocation of the Business Leader: 5th Edition*, available online at <https://www.humandevlopment.va/content/dam/sviluppoumano/pubblicazioni-documenti/documenti/vocation-of-the-business-leader-5th-edition/The%20Vocation%20of%20the%20Business%20Leader%20EN.pdf>.

⁹One way to work through the challenge of sorting through the differing perspectives on China today is to become familiar with the great contours of China's long history, which may provide a useful context for improved understanding. One work that I have found helpful in this regard is Ray Huang's *China: A Macro History*. London: M. E. Sharpe, 1997.