

Confucian Virtue Ethics and Ethical Leadership in Modern China

Li Yuan, Robert Chia, Jonathan Gosling

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Roughly two thousand five hundred years ago, a philosopher told his students that the most important thing a ruler could do was cultivate himself first. Govern yourself, and governance of others follows. That idea — ancient and almost disarmingly simple — is now being seriously proposed as the missing framework for why so many modern Chinese business leaders fail ethically, and why Western models of leadership keep sliding off when applied in China. The distance between the Analects and a Fortune 500 boardroom in Shanghai is the subject of this paper by Yuan Li, Robert Chia, and Jonathan Gosling. And it turns out that distance may be shorter than it looks.

The starting problem is a mismatch. Research on ethical leadership, Li, Chia, and Gosling note, has been built almost entirely on Western philosophical traditions — primarily utilitarianism, which judges acts by their calculable consequences, and deontology, which judges acts by duty and obligation. Both traditions treat the individual as an autonomous moral agent who consults rules or outcomes. That assumption sits uncomfortably in Chinese organizational life, where moral weight is carried by relational hierarchies, collective responsibilities, and deeply embedded expectations about how people behave toward one another. Codes of ethics written by Westerners, the paper cites, can feel far too Western to Chinese employees — not dishonest, just aimed at a different moral animal.

And the stakes are not abstract. China held one hundred twenty-four firms in the Fortune 500 in 2020, edging past the United States' one hundred twenty-one. Alongside that economic ascent, the authors document a surge in exposed ethical failures: food safety scandals, environmental pollution, and wanton neglect of labor rights. They trace these failures to the rapid economic liberalization that began in

the late 1970s, arguing that opening-up reforms intensified a profit-minded orientation that has greatly undermined traditional values. What's needed, they argue, is not a better-translated Western ethics manual but a culturally coherent ethical framework that Chinese leaders can actually inhabit.

Their answer is virtue ethics — the third tradition, less prominent in business schools than its two siblings. Li, Chia, and Gosling invoke Solomon's definition: virtue ethics is centrally concerned with what kind of person one should become. Not what rules apply, not what outcomes to maximize, but character — the habits, dispositions, and cultivated sensibilities that produce right action almost instinctively. The Aristotelian tradition is part of this lineage, and so is Confucian ethics. Both are usually classified as virtue ethics, but they differ in a fundamental starting assumption. Aristotelian ethics centers individual character development — the virtuous person internalized as the *phronimos*, the practically wise individual. Confucian ethics conceives the self as, in the paper's phrase, an inextricable node of a network of social relations. You cannot cultivate yourself in isolation because the self is constituted by its relationships. That difference matters enormously for leadership.

And there's empirical evidence that the Confucian ideal still resonates. Gao and colleagues found that among one hundred seventy-one Shanghai MBA students asked to nominate their leadership ideal, thirty-four percent chose the virtuous leader — the largest single category, ahead of transformational leaders at twenty-four percent and charismatic leaders at seventeen percent. A larger survey by Fu and Guo in 2018, covering two thousand seven hundred fifty-three Chinese respondents, showed Confucian virtues — filial piety and honesty — remain top priorities. The tradition is not a museum piece.

So what does Confucian virtue ethics actually say? Li, Chia, and Gosling organize their account around three interlocking virtues from the classical canon: *ren*, *yi*, and *li*. These sit within a broader set of five constants, but these three carry the analytical weight. *Ren* — benevolence or humaneness — is identified as the virtue of all virtues. It appears one hundred nine times in the *Analects*. The Chinese character combines the characters for human and two, a pictorial reminder that *ren* is essentially relational, realized only in relation to another. It begins with filial love and radiates outward until, in the *Analects*' phrase, all within the four seas are his brothers. *Yi* is righteousness — not a fixed rule but a situational discernment, the capacity to assess what conduct is fitting given the specific circumstances. Confucius warns that if a *junzi* has courage but no *yi*, he will make trouble. And *li* is ritual propriety: the enacted social forms, ceremonies, and patterned habits

through which virtue is expressed and habituated. Li is not mere formality — without ren, Confucius asks, what is the point to observe li? These three are mutually constitutive. Ren supplies the emotional ground, yi supplies the situational judgment, and li supplies the practical vehicle through which they become real conduct.

The mechanism that binds them together in leadership is self-cultivation — xiuji. This is the foundational claim of the paper. A Confucian leader cannot shape others morally without first shaping themselves. The ideal leader is the junzi — not a born ruler, but an exemplary person who has disciplined and refined their character through sustained daily effort. Zengzi's threefold daily self-examination is the model: Am I conscientious in my duties? Sincere with friends? Am I practicing what I preach? The aim, as the Analects puts it, is to cultivate himself so as to enable others to live in placidity. The classical formula runs: to govern the state, first regulate the family; to regulate the family, first cultivate your personal life. The movement is always from inside outward.

This is not merely historical sentiment. Ma's two thousand thirteen study, cited by the authors, documents early twentieth-century Confucian business leaders — Rong Desheng, Chen Guangfu, and Mu Ouchu — who combined modern management methods with Confucian vocation rhetoric. Mu introduced Taylorist scientific management while explicitly linking commercial life to a Confucian sense of moral calling. Cheung and King found that self-identifying Confucian business leaders resisted the temptation of profit alone. Zhang and Jin, drawing on forty in-depth interviews, report these leaders shared a deep sense of righteousness and care for employees, often establishing schools and social projects to cultivate others beyond the firm's walls.

That outward cultivation operates through two linked mechanisms: role modeling and ritualization. Role modeling is primary. If the ruler himself is upright, people will go well even though he does not give orders. A Confucian leader is exemplar and educator simultaneously — displaying moral habits through consistent conduct so that employees are drawn to imitate them, not because they are ordered to, but because the example is genuinely admirable. This moral influence is not individual spectacle. It establishes a moral atmosphere in which members voluntarily incline towards being more virtuous.

Ritualization is li in organizational form. The paper argues that corporate ceremonies, morning routines, and even the recitation of a mission statement perform the same function as classical ritual: they moderate desires, cultivate an internal sense of shame rather than reliance on punitive law, and gradually internalize values until

the ritual ceases to feel like a constraint and becomes an expression of an aesthetically and ethically refined self. The authors point to the Wal-Mart cheer as an example of this ritualization logic — habituated collective practice shaping organizational identity. In Confucian terms, corporate social responsibility ideally emerges from exactly this process: not an instrumental strategy, but a natural expression of moral inclination cultivated from within.

The paper is candid about the pressure this model faces. Mencius held that financial profit is not considered as real profit whereas righteousness is considered the real profit — a position that sits uneasily in environments defined by quarterly metrics. Li, Chia, and Gosling acknowledge that authentic Confucian business leaders remain a minority and that even committed ones face painful dilemmas between inner moral standards and potential economic costs. They also flag a darker risk: Confucian ideas about hierarchy and deference can be distorted to justify authoritarian or particularistic abuses. The doctrine itself is not to blame, but the distortion is real.

Their conclusion is neither triumphalist nor defeatist. Confucian virtue ethics — anchored in ren, yi, and li, driven by self-cultivation, transmitted through role modeling and ritualized practice — offers a culturally grounded framework for ethical leadership in China that Western rule-based and outcome-based models simply do not provide. But it is not a prescription. Virtues must be critically selected and transformed to suit contemporary contexts, and virtue must coexist with rules, because both are indispensable in practice. The question the paper ultimately poses is not just a China question: wherever a universal ethical model meets a local moral world, the fit must be interrogated. In China, with one hundred twenty-four firms in the Fortune 500 and rising, the interrogation is overdue.

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