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DOES (OR CAN) CONFUCIANISM INFORM ENVIRONMENTAL ACCOUNTING AND REPORTING CHINA?

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Does (or can) Confucianism inform environmental accounting and reporting in China?

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Abstract

This paper seeks to do two things: Firstly it reviews some of the literature on both Confucianism and its application to business. Secondly it outlines a proposed research project that will further explore the usefulness of Confucianism in the social and environmental accounting and reporting arena.

It is from Neo-Confucian philosophy that this paper mainly draws. In particular the idea of “anthropocosmic” shows that Confucianism has close ties with ecology (and thence with environmental issues).

The research project proposed involves interviewing a small group of Chinese accountants and managers using semi-structured interviews to establish how useful Confucian thinking is to them in their environmental accounting and reporting work (now or in the future).

Workshop Paper

This paper seeks to do two things: Firstly it reviews some of the literature on both Confucianism and its application to business. Secondly it outlines a proposed research project that will further explore the usefulness of Confucianism in the environmental accounting and reporting arena. It is hoped that the workshop will explore:

- Whether it is possible to question accountants in such a way as to establish links between their philosophical values and their attitudes towards environmental accounting and reporting.
- Existing research that employs interview method which could inform the current project.
- The dangers of a deductive method being used as opposed to a more open inductive approach.

In the period since 2005 China has seen a burgeoning of reporting on corporate social responsibility by major companies (including limited reporting on environmental matters)

(Guo, Zhong et al. 2008), whilst at the same time its government has become more proactive in environmental legislation (Anon 2007). Recent pronouncements by government show that there is a growing awareness particularly about environmental matters in China. This author argues that developments in China are unlikely to be successful if they are seen as part of external pressure for change from the West. Developments in environmental accounting and reporting are more likely to be successful if they are firmly rooted in the Chinese philosophical tradition.

Confucianism is a tradition which began many centuries before the birth of Confucius in 551BCE. It was particularly developed in the Song Dynasty (960-1279CE) into a school of thought called Neo-Confucianism. It is from Neo-Confucian philosophy that this paper mainly draws. In particular, the idea of “anthropocosmic” shows that Confucianism has close ties with ecology (and thence with environmental issues). An anthropocosmic world-view (Tucker and Berthrong 1998) sees the human as a microcosm situated in the macrocosm of the universe itself. This relates back to ancient Chinese cosmology (Oldstone-Moore 2003) where the cosmos is seen as a sacred place and this sacredness is upheld by maintaining harmony between human beings and between humanity and nature.

These ideas are at odds with a Western anthropocentric view derived from The Enlightenment (Weiming 1998). In an anthropocentric view man is the measure of all things and the only source of power for economic well-being, political stability, and social development (Ibid). This view leads to rampant self-interest that Tu Weiming argues needs to be replaced by a new Golden Rule: “Do not do unto others what you would not want others to do unto you.” He also argues that supreme values such as: the sanctity of the earth, the continuity of being, the beneficiary interaction between the human community and nature, and the mutuality between humankind and Heaven need to be cultivated in an anthropocosmic world-view.

In his Introduction to Confucianism, Xinzhong Yao (Yao 2000) reinforces the views put forward by Tu Weiming, quoting three Confucian scholars from different eras – Wang Chong (27-107 CE), Liu Yuxi (722-843 CE) and Wang Fuzhi (1619-92 CE) – these scholars understood Heaven to mean Nature, and that harmony comes from abiding by natural laws. However, he does emphasise that these scholars cannot be considered to be environmentalists and their ideas cannot be construed as eco-ethics. In a recent article by Paul Goldin (Goldin 2005) on Daoism, he warns of the dangers of “self-serving appropriation of the past for purposes grounded in the present” (ibid p76). There is no doubt though that New Confucian thinkers around the end of the 20th Century did develop anthropocosmic ideas and that these are seen as having implications for China and the World (Weiming 2001).

Several writers note the contradiction between theory and practice (Li 1998; Tucker and Berthrong 1998; Economy 2004). Each of these writers point out that in China (and East Asia), in spite of the philosophical writings by New Confucians, there is a high level of industrialisation and associated pollution and that traditions such as Confucianism have been ineffective in inhibiting ecologically destructive human actions. This author’s own

experience of lecturing on environmental issues in China is that young Chinese students see China as a developing country and therefore exempt from “Western” environmental regulation until it has had chance to catch up economically with the developed world. On the other hand, recent interview based research on a group of Chinese managers working for Chinese and foreign multinationals in China shows a high level of awareness of environmental responsibilities (Moletsane and Margerison 2009) and evidence of actions to fulfil these responsibilities.

In recent research in the business ethics and management areas, Confucianism is often cited as a strong influence on individuals, Chinese enterprises or on modern China (Roper and Weymes 2007; Chan 2008; Chung, Eichenseher et al. 2008). Hofstede and Bond (Hofstede and Bond 1988) described a cultural dimension called Confucian Dynamism that was associated with a set of values such as: persistence; ordering of relationships; thrift; having a sense of shame; personal steadiness; protecting your face; respect for tradition; and, reciprocation of greetings, favours and gifts. Their work has been criticised by some (Fang 2003) but it did attempt to factor Confucian values into understanding about culture. The Journal of Business Ethics has a useful stream of articles on Confucianism and its ethical effects (Chan 2008; Chung, Eichenseher et al. 2008; Ip 2008). The first of these articles (Chan 2008) looks at the relevance and value of Confucianism in contemporary business ethics and focuses on Confucian notions of reciprocity and harmony. Chan argues that with the growing stature of the Chinese economy and with continuing internationalisation the role of Confucian Ethics is likely to grow and have influences on contemporary business ethics. The second article (Chung, Eichenseher et al. 2008) explores ethical perceptions of business students among East Asian Confucian cultures and compares with the USA. China forms one of the Confucian cultures in this article and it is noted that on the level of personal relationships and actions, residual Confucian values may apply, in particular the importance of personal relationships and saving face. The third article (Ip 2008) focuses on Taiwan and looks at the growth of corporate social responsibility along with corporate scandals that provides a contradictory scene. He notes that what he calls Confucian familism – the family as the apex of society – fits well with the “crony capitalism” that he observes.

In another recent article in the Journal of Business Ethics (Zu and Song 2009) a group of Chinese managers across the whole of China are questioned on their values on corporate social responsibility and the determinants of those values. Surprisingly the article finds that firms of smaller size, owned by the State, and located in the poorer regions would be more likely to have managers who value CSR more. The business case seems to be the most likely determinant but correlations and causality are uncertain. No mention is made of Confucianism in this article but it does make one wonder that perhaps in more undeveloped regions economically the influence of Confucian values may be greater still.

The point should be made that these are articles in English and that this writer is not able to tap into the wealth of Chinese articles on the subject. By definition a non-Chinese speaker only obtains a partial view of Confucianism and the writings on it. However, this writer has not found any research in the business area that focuses on the anthropocosmic ideas of the

New Confucian thinkers derived from neo-Confucian philosophy. This represents a gap in the literature which the research proposed in this paper hopes to address in a small way.

The research project proposed involves interviewing a small group of Chinese company accountants using semi-structured interviews to establish how relevant Confucian thinking is to them and to ascertain their knowledge and application of environmental accounting and reporting in their companies. The interviews will be analysed using qualitative research method to draw out the main themes that recur and to offer new understanding about the importance of Confucianism to environmental accounting and reporting in China. Existing research on environmental reporting in China has been tackled in a study based on interviews with managers in Shanghai (Rowe and Guthrie 2009) and has generally found a dearth of environmental reporting in the Chinese companies sampled. As to environmental accounting, apart from certain requirements in China to report on environmental fines there is little evidence of attempts being made to use modern environmental accounting techniques such as full cost accounting. So the research proposed will have to engage in theoretical questioning and herein lies the problem for this researcher – how to engage in questioning about a subject that most if not all of the Chinese accountants will probably have no knowledge. On the environmental reporting it seems to this researcher that there are two types – firstly the more typical reporting in general terms on environmental impacts and initiatives by the company; secondly reporting of environmental accounting numbers. The first type will probably not be the responsibility of the accountant and the second will be a rare thing indeed in a Chinese context. But the research has a normative perspective in that it is hoped that Chinese accountants will embrace environmental accounting and reporting (type 2) in the future and one purpose of the research is to see if this will be facilitated by any influence from Confucian teachings.

The Chinese situation is of course a very complex one and there are a myriad of influences on any Chinese accountant – Confucianism, Daoism, Buddhism, Communism, Western values. How is it possible to isolate the effect of one of these – Confucianism? Again here is the problem for this researcher and it is perhaps more appropriate to come to this research using an inductive approach where the values of Chinese accountants on environmental matters generally are tested and from this the different influences could be teased out. Perhaps a matched sample of Western accountants could be similarly tested and, from this, differences between Chinese accountants' values and Western accountants' found and analysed. Work in this vein has been carried out by Woodbine et al (Woodbine, Fan et al. 2008) when looking at ethical ideologies of Chinese accountants but not with an environmental accounting and reporting emphasis.

As with any research project in its early stages the temptation is to fly out to China and meet with a group of Chinese accountants. However, to do this without a very well worked out schedule of questions would be a very great waste of resources. It is hope that this short paper will stimulate discussion as to the best line of questioning to make this research successful.

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