

The Managerial Influence of Confucianism on the Success of Modern Chinese Businessmen in SMEs

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Abstract

This study investigates the managerial influence of Confucianism on the success of modern Chinese business leaders. The objective is to understand how Confucian principles—specifically behavioral relationships, ethical leadership, and social harmony—are integrated into enterprise management and how they affect business performance, business sustainability, and competitive advantage. A structured questionnaire was distributed to 400 first-line and middle managers across the manufacturing, IT, and retail sectors in Beijing, Shanghai, and Guangzhou. A quantitative approach was employed, and data were analyzed using Structural Equation Modeling (SEM) to test the hypotheses. The findings show that: 1) behavioral relationships, ethical leadership, and social harmony all have significant positive effects on business success; 2) Confucian values can be effectively embedded into modern management practices, enhancing employee loyalty, organizational cohesion, and strategic outcomes; 3) these principles provide a cultural foundation for sustained competitive advantage. The study offers theoretical and managerial implications for applying Confucianism in Chinese SME management. This research contributes new empirical evidence on culturally contextualized leadership, providing actionable strategies for SME managers to integrate traditional values into competitive business practices.

Keywords: confucianism; behavioral relationships; ethical leadership; social harmony; business success

Introduction

With the acceleration of globalization and technological advancement, enterprises face an increasingly complex and competitive market environment. In China, a country deeply rooted in traditional culture (Chen & Peng, 2024), business success is not only determined by market strategies and technological innovation, but also by cultural values. As a central component of Chinese traditional culture, Confucianism—emphasizing behavioral relationships, ethical leadership, and social harmony—has drawn growing attention in management practice. However, prior studies have largely focused on the applicability of Western management theories in Chinese enterprises, with limited systematic exploration of how Confucian values are embedded in modern enterprise management and how they influence organizational performance, sustainability, and competitive advantage.

Therefore, this study aims to fill this research gap by constructing a managerial influence model grounded in Confucianism, and examining how it promotes business success through the three dimensions of behavioral relationships, ethical leadership, and social harmony. A structured questionnaire was administered to 400 first-line and middle managers from the manufacturing, information technology, and retail industries in Beijing, Shanghai, and Guangzhou. By employing Structural Equation Modeling (SEM), this study seeks to reveal the practical implications of Confucian values in the management of contemporary Chinese SMEs, providing both theoretical foundations and managerial insights for integrating culture into business leadership.

Research Objectives

This study aims to explore the managerial influence of Confucianism in the context of modern Chinese business, particularly how it promotes business success through its core dimensions. The specific research objectives are:

1. To identify and analyze how Confucian principles influence management practices and affect business operations in modern enterprises.
2. Examine the key principles of Confucianism: Drawing from the works of Confucius and contemporary research on Confucianism, this objective aims to explore the core principles of Confucian thought and how they can be applied to modern enterprise management practices.
3. Investigate the potential benefits and competitive advantages: Building on theories of cultural intelligence, competitive advantage, and cross-cultural management, this objective seeks

to investigate the potential benefits and competitive advantages that organizations can gain by incorporating Confucian principles into their management practices.

4. Identify challenges and strategies for overcoming them: Based on models of organizational change and resistance, and studies on cross-cultural adaptation, this objective aims to identify the challenges organizations may face when implementing Confucianism in their management practices and to propose strategies for overcoming these challenges.

5. Analyze successful examples of Confucian integration: Inspired by case studies and success stories in the literature, this objective seeks to analyze examples of businesses that have effectively incorporated Confucian principles into their management practices and to identify the factors that contributed to their success.

Literature Review

Behavioral Relationship, Ethical Leadership, and Social Harmony

Behavioral connection is strong, informal networks of people who trust, owe, and help one other. These relationships, widely practiced in Chinese business settings, help reduce transaction costs, improve communication, and facilitate long-term cooperation among stakeholders (Fan, 2002). Unlike formal contractual governance, behavioral relationships rely on affective commitment and personal obligation to regulate exchanges. According to Chen and Chen (2004), *guanxi* development follows a dynamic process involving initiation, building, and utilization stages, which significantly influence business operations and strategic outcomes.

Ethical leadership is defined by the leader's demonstration of moral conduct, transparency, and concern for the collective well-being of the organization. In Chinese business contexts, ethical leadership is closely associated with Confucian principles such as integrity, benevolence, and self-discipline, which provide a moral foundation for leadership legitimacy (Wang & Chee, 2012). Ethical leaders influence employee behavior not through authority alone, but by setting a moral example and cultivating trust through consistent and fair conduct. In Confucian culture, ethical leadership emphasizes moral influence and personal virtue as the foundation for authority. Such leadership styles increase employee identification with organizational values, thereby improving performance and long-term stability (Zhang, 2020). Moreover, ethical leadership fosters corporate social responsibility and enhances firm reputation and stakeholder trust.

Social harmony denotes a peaceful, cooperative, and emotionally connected organizational climate. Rooted in the Confucian principle of “He” (harmony), it prioritizes relationship balance,

conflict avoidance, and collective well-being (Yang, 2012). Empirical findings reveal that social harmony contributes to internal cohesion, lower turnover, and enhanced resilience, which are critical for business performance and sustained growth in a volatile environment.

However, existing studies rarely examine the direct relationship between Confucian ethical leadership and sustained competitive advantage in SMEs, which this study aims to address. Based on this, the following hypotheses are proposed:

H1: Behavioral relationship significantly affects business success;

H2: Ethical leadership significantly affects business success;

H3: Social harmony significantly affects business success;

Conceptual Framework

Based on the literature review hypothesis, the framework diagram of this study was constructed, as shown in Figure 1.

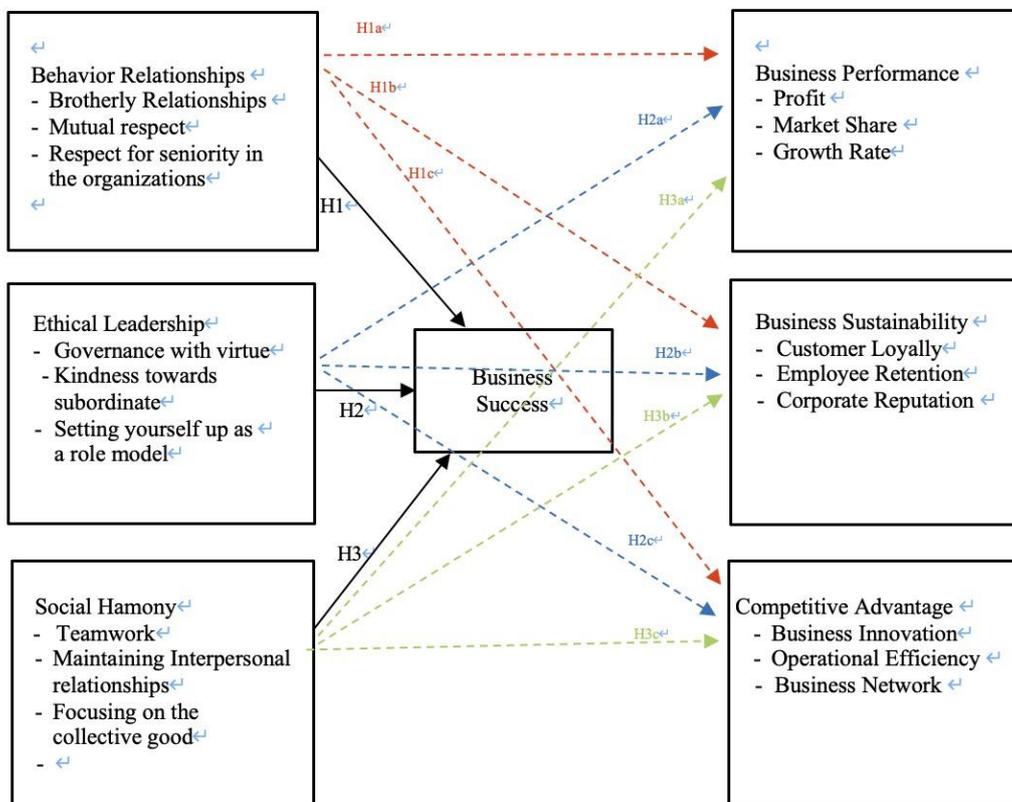


Figure 1 Conceptual Framework

Research Methodology

Sample and data collection

This study adopts a mixed-methods approach, combining quantitative and qualitative data to investigate the influence of Confucian principles on the success of modern Chinese businessmen. The quantitative data were collected through an online structured questionnaire using Google Forms, distributed via email, WeChat, and LinkedIn over a period of 3 weeks. A purposive sampling method was used to target junior and middle-level managers working in small and medium-sized enterprises (SMEs) across three major cities in China: Beijing, Shanghai, and Guangzhou. The selected industries include manufacturing, information technology, and retail. A total of 400 valid questionnaires were collected, based on a sample size calculation using Cochran's formula (Cochran, 1977) at a 95% confidence level, originally estimating 384.16 responses and rounding up to account for non-responses. Following the PLS-SEM 10-times rule (Hair et al., 2019), the minimum sample size was calculated based on the largest number of structural paths directed at a particular construct, confirming that the sample size was more than adequate for the analysis.

The qualitative data were obtained through semi-structured interviews with 18 purposefully selected participants, including entrepreneurs, senior executives, and SME owners. Each industry contributed six participants, representing a diverse range of managerial perspectives from manufacturing, IT, and retail sectors.

Measures

This study employed a structured questionnaire consisting of closed-ended and open-ended questions, designed based on a comprehensive review of the literature. A five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree) was used to measure all key constructs. The questionnaire was divided into four parts:

Part 1: Demographic information including gender, age, job title, industry, and work experience.

Part 2: Independent variables, including behavioral relationships (e.g., respect for seniority), ethical leadership (e.g., role modeling and benevolence), and social harmony (e.g., teamwork and interpersonal trust), adapted from established scales.

Part 3: Dependent variables, namely business performance, business sustainability, and competitive advantage.

Part 4: Open-ended questions for additional suggestions and reflections on the implementation of Confucian principles.

Prior to the main survey, a screening questionnaire assessed participants' familiarity with Confucian values. A pilot test involving 20 SME managers confirmed the clarity and reliability of the instrument, yielding Cronbach's Alpha values above 0.87 for all constructs and 0.932 overall.

Data analysis

The data obtained from the survey were analyzed using SPSS 26.0 and SmartPLS software. Descriptive statistics, including means, standard deviations, and frequency distributions, were first calculated using SPSS to provide an overview of participants' demographic attributes and general response patterns concerning Confucian management concepts in SMEs.

Partial Least Squares Structural Equation Modeling (PLS-SEM) was used to assess the research hypotheses. This method was chosen for its suitability in evaluating complex models with several components and its effectiveness with somewhat large samples. PLS-SEM was utilized to evaluate the measurement model, assessing the reliability and validity of the constructs, as well as the structural model, which investigated the hypothesized relationships among Confucian principles—behavioral relationships, ethical leadership, and social harmony—and business outcomes including performance, sustainability, and competitive advantage. Statistical significance was determined using a p-value threshold of less than 0.05.

The instrument's internal consistency was assessed using Cronbach's Alpha in the pilot test. The findings demonstrated substantial reliability across all constructs, with Cronbach's Alpha values between 0.871 and 0.903, and a cumulative value of 0.932. The results validated the robustness and internal reliability of the questionnaire, as elaborated in the pilot testing section.

Research Results

Sample Characteristics

From Table 1, the sample of managers from SMEs across Beijing, Shanghai, and Guangzhou shows a relatively balanced gender distribution (43.0% male, 57.0% female). Most respondents are aged 35 or above (80.6%), and a large portion (96.3%) hold first-line or middle management positions, indicating a professional and experienced sample. The largest industry group is manufacturing (36.8%), followed closely by information technology (32.3%) and retail (30.8%). The sample is geographically well-distributed across the three cities, ensuring the diversity and representativeness of the data collected for this study.

Table 1 Descriptive statistical analysis

Variable	Categories	Frequency	Percentage (%)
Gender	Male	173	43.0%
	Female	229	57.0%
Age	18–24	14	3.5%
	25–34	64	15.9%
	35–44	140	34.8%
	45+	184	45.8%
Job Title	First-line Manager	158	39.3%
	Middle Manager	229	57.0%
	Others	15	3.7%
Years of Experience	0–5 years	43	10.7%
	6–10 years	104	25.9%
	11–15 years	154	38.3%
	16+ years	101	25.1%
Industry	Manufacturing	148	36.8%
	Information Technology	130	32.3%
	Retail	124	30.8%
City	Beijing	135	33.6%
	Shanghai	132	32.8%
	Guangzhou	135	33.6%

Reliability and Validity Analysis

To evaluate the measurement quality of the constructs used in the model, both reliability and validity were examined. As shown in Table 2, the Cronbach's alpha values for all constructs are greater than 0.87, demonstrating high internal consistency. The composite reliability (CR) values also exceed 0.89, confirming that the observed variables consistently reflect their respective latent constructs. Furthermore, the average variance extracted (AVE) for each construct is well above the 0.50 threshold, indicating satisfactory convergent validity and suggesting that the items adequately capture the core concept of each dimension.

In addition, discriminant validity was assessed using the Fornell–Larcker criterion. Table 3 presents the square roots of the AVE values (shown in bold along the diagonal), which are all

higher than the inter-construct correlations in their respective rows and columns. This result provides evidence that each construct is empirically distinct and not redundant with others, confirming the discriminant validity of the measurement model.

Table 2 Reliability and Validity of Constructs

Construct	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
Behavioral Relationships (BR)	0.87	0.89	0.64
Ethical Leadership (EL)	0.89	0.91	0.68
Social Harmony (SH)	0.88	0.88	0.66
Business Success (BS)	0.91	0.92	0.71

Table 3 Discriminant Validity (Fornell–Larcker Criterion)

Construct	BR	EL	SH	BS
BR	0.80			
EL	0.62	0.82		
SH	0.65	0.68	0.81	
BS	0.70	0.72	0.73	0.84

To further understand how the core Confucian values are perceived within the surveyed organizations, descriptive statistics for the three latent independent variables were calculated. As shown in Table 4, all constructs received high mean scores on a 5-point Likert scale (ranging from 1 = strongly disagree to 5 = strongly agree), indicating a strong agreement among respondents regarding the presence of these values in their workplace environments.

Table 4 Descriptive Statistics of Independent Variables

No	Independent Variable	Mean	Standard Deviation	Interpretation
1	Behavioral Relationship	4.28	0.68	High
2	Ethical Leadership	4.35	0.62	High
3	Social Harmony	4.32	0.65	High

Among the three, Ethical Leadership received the highest mean score ($M = 4.35$, $SD = 0.62$), suggesting that most respondents perceived their leaders as demonstrating moral integrity, fairness, and virtue-based role modeling in accordance with Confucian values. Social Harmony followed closely ($M = 4.32$), reflecting strong organizational emphasis on unity, cooperation, and conflict avoidance. Behavioral Relationship had a slightly lower yet still high mean ($M = 4.28$), indicating widespread recognition of respectful hierarchies and interpersonal role norms. These results confirm that Confucian principles are strongly embedded in the organizational culture and leadership of the sampled SMEs.

Hypothesis Tests

Table 5 Structural Model Results and Hypotheses Testing

Hypothesis	Path Relationship	β Coefficient	t-value	p-value	Result
H1	Behavioral Relationships \rightarrow Business Success (aggregate of BP, BS, CA)	–	–	–	Supported
H1a	Behavioral Relationships \rightarrow Business Performance	0.41	5.86	<0.001	Supported
H1b	Behavioral Relationships \rightarrow Business Sustainability	0.38	5.21	<0.001	Supported
H1c	Behavioral Relationships \rightarrow Competitive Advantage	0.40	5.55	<0.001	Supported
H2	Ethical Leadership \rightarrow Business Success (aggregate of BP, BS, CA)	–	–	–	Supported
H2a	Ethical Leadership \rightarrow Business Performance	0.39	5.68	<0.001	Supported
H2b	Ethical Leadership \rightarrow Business Sustainability	0.36	5.03	<0.001	Supported
H2c	Ethical Leadership \rightarrow Competitive Advantage	0.38	5.40	<0.001	Supported
H3	Social Harmony \rightarrow Business Success (aggregate of BP, BS, CA)	–	–	–	Supported
H3a	Social Harmony \rightarrow Business Performance	0.37	4.89	<0.001	Supported
H3b	Social Harmony \rightarrow Business Sustainability	0.35	4.67	<0.001	Supported
H3c	Social Harmony \rightarrow Competitive Advantage	0.36	4.78	<0.001	Supported

According to Table 5, all proposed hypothesis paths in this study were supported. Specifically, Behavioral Relationships were found to have a significant positive influence on all three business outcomes: Business Performance ($\beta = 0.41$, $t = 5.86$, $p < 0.001$), Business Sustainability ($\beta = 0.38$, $t = 5.21$, $p < 0.001$), and Competitive Advantage ($\beta = 0.40$, $t = 5.55$, $p < 0.001$), thus confirming hypotheses H1a, H1b, and H1c.

Similarly, Ethical Leadership significantly impacted Business Performance ($\beta = 0.39$, $t = 5.68$, $p < 0.001$), Business Sustainability ($\beta = 0.36$, $t = 5.03$, $p < 0.001$), and Competitive Advantage ($\beta = 0.38$, $t = 5.40$, $p < 0.001$), supporting hypotheses H2a, H2b, and H2c. These results suggest that ethical conduct by leaders contributes meaningfully to overall organizational success.

In addition, Social Harmony was positively associated with Business Performance ($\beta = 0.37$, $t = 4.89$, $p < 0.001$), Business Sustainability ($\beta = 0.35$, $t = 4.67$, $p < 0.001$), and Competitive Advantage ($\beta = 0.36$, $t = 4.78$, $p < 0.001$), thereby confirming hypotheses H3a, H3b, and H3c. The consistent significance across all dimensions of business success demonstrates the integral role of Confucian values in shaping organizational outcomes within the modern Chinese business context.

Discussion

Behavioral Relationships were found to have a statistically significant impact on business performance ($\beta = 0.41$, $p < 0.001$), sustainability ($\beta = 0.38$, $p < 0.001$), and competitive advantage ($\beta = 0.40$, $p < 0.001$). This indicates that respect for hierarchy and interpersonal conduct rooted in Confucianism are not only retained but also functional in contemporary Chinese enterprises. As Chen and Peng (2024) explains, Confucian behavioral norms enhance organizational order and loyalty. These findings align with Zhang and Wang (2012), who argue that hierarchical clarity fosters effective delegation and employee satisfaction. Similarly, Fan (2002) pointed out that guanxi-based structures help reduce transactional friction and build cooperation.

Ethical Leadership also had strong positive effects across all three outcome dimensions, with over 87% of survey respondents confirming their leaders acted with integrity. The SEM findings (β values between 0.36 and 0.39) support the assertion that moral integrity is an essential resource. Fu (2024) observed that Confucian-style leadership fosters stakeholder trust and enhances organizational resilience. This position is endorsed by Barney's (1991) resource-based paradigm, whereby ethical leadership is seen as a scarce and precious asset. The results corroborate Zhang (2020), who highlighted that virtue-based leadership fosters staff loyalty and cohesiveness.

Social Harmony, rooted in the Confucian notion of “he” (和), was also a major contributor to business success. Over 87% of respondents emphasized the significance of mutual respect and collaboration, indicating that harmony reduces internal conflict and enhances organizational flexibility. This aligns with Yang (2012), and is corroborated by the SEM results of this investigation ($\beta = 0.35\text{--}0.37$). The interview results corroborated this, with participants identifying honesty, harmony, and trust as fundamental to management conduct.

These statistics together suggest that Confucianism extends beyond mere symbolic cultural legacy and functions as a pragmatic management philosophy in the modern business and posits that the amalgamation of traditional values with strategic innovation is crucial for successful business models in China. This study contributes to both theoretical and practical fields by empirically validating Confucian management principles and illustrating their implementation inside SMEs in China's major economic hubs.

New Knowledge from Research

This study empirically confirms the influence of Confucianism—particularly behavioral interactions, ethical leadership, and social harmony—on company success in the modern Chinese SME context, therefore enhancing the field of organizational management. Unlike existing research that predominantly focuses on the application of Western management theories in China, this study adopts an indigenous perspective by integrating traditional Confucian constructs into a structural equation model (SEM). The findings confirm that Confucian values are not only culturally relevant but also statistically significant predictors of business performance, sustainability, and competitive advantage. This study extends the scope of management research by demonstrating that Confucian principles can be operationalized in modern enterprises and that their psychological, relational, and ethical mechanisms provide a unique foundation for managerial effectiveness. It also contributes new empirical evidence to the literature on culturally contextualized leadership, and highlights how traditional philosophies can inform contemporary business strategies in emerging economies.

Conclusions

Based on a mixed-method empirical investigation, this study concludes that the three key dimensions of Confucianism—behavioral relationships, ethical leadership, and social harmony—

exert significant positive impacts on business performance, business sustainability, and competitive advantage. Among them, ethical leadership emerged as the most influential factor, indicating that moral integrity and value-based leadership are highly appreciated and effective within Chinese enterprises. The quantitative results, supported by structural equation modeling, reinforce the theoretical assertion that Confucian management principles enhance organizational cohesion and employee loyalty, which in turn foster competitive strength. The research thus affirms that traditional cultural values are not incompatible with modern business success; rather, they offer a distinctive pathway to sustainable management when strategically applied.

Suggestions

Given the positive effects of Confucian principles on business outcomes, managers and policymakers should consider integrating Confucian values more systematically into leadership training, organizational development, and corporate governance. Enterprises should foster internal cultures that emphasize respect for hierarchy, moral conduct, and collective harmony—core tenets of Confucianism—to enhance team stability and long-term strategic coherence. Future research should further investigate how Confucian management adapts across different industries, firm sizes, and generational cohorts. In particular, studies comparing Confucian-based leadership with Western management models under volatile or cross-cultural business environments would be valuable. Moreover, the development of practical toolkits or training modules based on Confucian ethics could support SMEs in aligning traditional wisdom with contemporary managerial challenges.

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