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Does Confucian Culture Promote Innovation? An Empirical Investigation of a Leading Organization in the Field**

Abstract

Based on their growing innovation capabilities, Chinese companies have become important players in the global innovation arena. Among the factors influencing these firms' innovation, cultural values have increasingly attracted scholars' attention. However, research on the relationship between one of the key elements of traditional Chinese culture, Confucianism, and innovation remains scarce. By focusing on two core elements of Confucianism, we extend the innovation contingency literature in examining whether Confucianism is associated with management and product innovation at the firm level in China. Through an empirical examination of a highly innovative private company in China's premium kitchen appliance market, we find that Confucianism, as reflected in innovative management practices, can foster product innovation. Specifically, benevolence as a Confucian virtue can trigger innovation by forcing a user-centred focus and widening managers' perspectives of stakeholder interests. Another Confucian principle, the Doctrine of the Mean, can also boost innovation by yielding harmony with surrounding elements, such as users, space, and nature, and defining the employee-management relationship.

Keywords: Confucianism, benevolence, Doctrine of Mean, product innovation, management innovation
(JEL: M14, M20, O31)

Introduction

Over the last decade, China has become a rising star in global innovation, which has attracted the interest of many scholars (Hong et al., 2016; Liu et al., 2011; Wan et al., 2015). As the main body of innovation activities, Chinese enterprises hold the leading position in a number of patents worldwide (World Intellectual Proper-

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ty Indicators [WIPO], 2020). Further, as a result of continuous investments in innovation, many globally recognized innovative Chinese companies have emerged, such as Huawei, Xiaomi, Lenovo, FOTILE, and Alibaba. From the perspective of practice, among these innovative enterprises, traditional Chinese culture is increasingly used to shape corporate management values. For example, Jack Ma, the founder of Alibaba, gradually formed his own management system based on Tai Chi (Tsui et al., 2017). Cao Dewang, the chairman of Fuyao, the world's largest glass manufacturing group, has always used Buddhist thought as a guide for his own actions. Accordingly, traditional Chinese culture is becoming increasingly popular in academic research (Li et al., 2011) and has received attention in the broader sphere of business and management in recent years, such as the impact of Taoism and I Ching on leadership (Cheung & Chan, 2008; Lin et al., 2018; Ma & Tsui, 2015; Xing & Starik, 2017; Zhang & Chua, 2009) and company growth (Li et al., 2011).

Apart from Buddhism and Taoism, Confucianism is another philosophy that formed traditional Chinese culture (Gartner, 2014), and to which scholars have attributed China's rapid economic development (Hofstede & Bond, 1988). Other East Asian economies, such as Japan and South Korea, also subscribe to and are influenced by Confucianism in their business practices (Chan, 2008). However, comparatively little research explores whether Confucian culture affects enterprise innovation. In this study, we thus contribute to innovation contingency literature by exploring the potential relationship between firm-level product and management innovation and Confucianism in China.

Extant studies argue that Confucianism impedes innovation, as it emphasizes tradition and ritual rather than creativity (Feng et al., 2021). In fact, research indicates that Asians are less creative than Westerners (Ng, 2001) and that people from Confucian societies tend to be less creative than people from Western societies (Saeki et al., 2001). By contrast, others argue that several of the most important inventions of humankind (e.g., gunpowder, the compass, paper making, and printing) originated in Confucian China, which suggests that following tradition does not necessarily suspend innovation. Researchers who studied the relationship between Hofstede's cultural value of Confucian dynamism and innovation conclude that Confucian dynamism can even promote innovative performance (e.g., Lin, 2009; Rujirawanich et al., 2011; Waarts & Van Everdingen, 2005). Moreover, from a macro perspective, Confucian values are not only conducive to corporate innovation but also greatly beneficial to regional development (Ralston et al., 2018). Given this inconclusive evidence, it is necessary further to explore the potential influence of Confucianism on innovation, especially when Chinese companies have achieved remarkable innovation performance.

Nonetheless, these contradictory findings provide little guidance for practitioners and academics alike, meaning we know little about the association between Confu-

cianism and innovation. For this reason, this study is a tentative attempt to shed light on the contradictory nature of findings in previous studies. Our aim is to examine how Confucianism influences innovation at the firm level in China. We apply a case study method because it is particularly well suited to less-explored research areas and highly complementary to incremental theory building from normal science research (Eisenhardt, 1989, pp. 548–549). Among the current Chinese enterprises, this study analyses Ningbo FOTILE Kitchen Ware Co., Ltd. (hereafter referred to as FOTILE), China's leader of high-end kitchen appliances, as a representative case.

This study has theoretical and practical implications. By describing the role of Confucian principles in innovation, it supplements and expands the relationship between existing cultural theory and innovation. For Chinese companies, it provides necessary theoretical support to integrate traditional culture into future enterprises. In addition, this case study's findings can guide scholars to study the relationship between traditional Chinese culture and firm innovation.

Literature Review

Innovation

Management and product innovation are both considered indispensable to a firm's performance in a global market (Damanpour et al., 2009). While product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses (OECD, 2005), management innovation involves the introduction of new-to-the-firm changes in management structures, processes, and practices that are intended to further organizational functioning (Birkinshaw et al., 2008). Management innovation is valuable to firms, as it is less likely to be copied and hence leads to more sustainable competitive advantage. Moreover, innovative changes to processes and practices often facilitate subsequent product/service innovation (Piper, 2008).

Despite its importance, extant research sheds little light on management innovation's determinants. Of these studies, Mol and Birkinshaw (2009) investigate the effects of organizational contextual factors on management innovation, including size, workforce educational level, geographical scope, and search for knowledge sources. Vaccaro et al. (2012) analyse the influence of transformational and transactional leadership on the adoption of management innovation, while Su and Baird (2018) examine the role of leaders regarding both leadership styles (initiating and consideration) and the use of controls as management innovation drivers.

In line with Birkinshaw et al.'s (2008) focus on the "critical role of human agency" in management innovation (p. 826), in this exploratory study, we focus on the specific actions of the CEO and top management team to drive management innovation within a Confucian management model. Specifically, we are interested in

how their actions and implemented management practices integrated Confucianism in the company's management system and whether this triggered management and product innovation.

Confucianism

Confucianism has often been described as a belief system, tradition, philosophy, or way of life (Gartner, 2014; Goldin, 2011; Yao, 2000). It originated from the teachings of Confucius (551–479 BC) and evolved over time. In pre-modern China, Confucianism was not just an ethical-political doctrine that constituted the basic value system of Chinese culture and formed an attitude towards life: it also provided the underpinning of the Chinese empire's social and political system. Nowadays, it is widely acknowledged that Confucianism was one of the major constituents of Chinese culture, proving useful in maintaining a stable Chinese society for about 2,000 years (Fung, 2008).

The core elements of Confucianism are the Five Virtues (*wu chang*), which are benevolence (*ren*), righteousness (*yi*), ritual/propriety (*li*), wisdom (*zhi*), and trust (*xin*). Following further developments and modifications over time, Neo-Confucians, especially Zhu Xi (1130–1200), extracted two chapters from the Confucian text, the *Book of Rites* – the *Great Learning* and the *Doctrine of the Mean* – and merged them with the *Analects of Confucius* and the *Book of Mengzi* into the Four Books, which illustrate Confucianism's core values and belief systems. Even now, both the Five Virtues and the Four Books constitute the core elements of Confucian philosophy and are the most familiar Confucian ideas for Chinese people. Embedded as they are into China's political and social system, they have inevitably affected the subsequent development of the country's business and economy (Kwek & Lee, 2010; Lam, 2003; Sebenius & Qian, 2008).

A large amount of recent empirical evidence has enriched the role of Confucian culture in Chinese economic development, including, for instance, its impact on business ethics, leadership behaviour, and workforce performance (Ip, 2009; Viengkham et al., 2018; Wah, 2010). With respect to innovation activities, however, there is no unified point of view about its relationship with Confucian culture. A famous passage in the *Analects* is often cited to support the argument that Confucianism hinders innovation: “*I transmit rather than innovate. I trust in and love ancient [ways]*” (*Analects* 7.1). Early research into innovation and Confucianism also shows that the contribution of Confucian culture to scientific and technological innovation was negative (Needham, 1956). Similarly, Weber (1951) points out that the familism advocated by Confucian culture can lead to nepotism and hinder the development of the individual entrepreneurial and innovative spirit, which is not conducive to economic development. This is especially attributed to some elements of Confucianism, such as obedience and hierarchy, gender inequality, and conformity, all of which may limit creativity under Confucianism's rigid structure of

expectations and behaviours (Kim, 2007, 2009). Most recently, Feng et al. (2021) found that Confucianism is significantly related to lower levels of various firm-level innovation activities in China.

In contrast, others argue that Confucius was vastly innovative or even revolutionary (cf. Tan, 2013). Hofstede and Bond (1988) emphasize that China's rapid economic growth is closely related to China's Confucian culture. Some studies underline that Confucianism is especially conducive to enterprise innovation and economic development (Gong & Jang, 1998; Jones & Davis, 2000). Cultures with high Confucian dynamism place importance on persistence/perseverance, and most technological and economic developments require long-term planning and investment (Ambos & Schlegelmilch, 2008).

To better our understanding of the effects of Confucianism on firm innovation and to disentangle the effects of specific Confucian elements, we focus on the implications of two of its core elements on firm management and product innovation: benevolence (one of the Five Virtues) and the Doctrine of the Mean (both one of the Four Books and a key doctrine). We follow the approaches taken in other studies on Confucianism (cf. Aldulaimi, 2016; Yao et al., 2010) since Confucianism is a comprehensive philosophical system containing complex and diverse principles of action.

Benevolence (ren) and Innovation

Among the many virtues taught by Confucius, the most important is benevolence, which is regarded as a thread running through all other virtues (Kawaguchi, 2019). Based on the *Analects*, benevolence means "to love others" without discrimination (Chen & Chung, 1994; Seow Wah, 2010). Benevolence originates from one's concern for people, indicating a benevolent person always cares for others (Tsai & Tsai, 2021). This virtue provides important dimensions for a business regarding partners and clients. Lin (2010), for instance, considers that if a firm cares for its customers or other organizations, others will reciprocally respond and thus build friendly relationships, allowing the enterprise to prosper. As for the manager-employee relationships inside organizations, benevolent leadership can be demonstrated as a form of individualized care within a work domain, such as providing employees coaching and mentoring and showing concern for subordinates' career development (Farh et al., 2008). It can also be expressed as a form of individualized care within a non-work domain, such as treating subordinates as family members, assisting subordinates during their personal crises, and showing holistic concern beyond a professional capacity (Wang & Cheng, 2010, p. 106), which all positively affect employees. Such a view is particularly relevant for understanding the relationship between benevolence and innovation. Using a sample of 159 Chinese high-tech enterprises, Fu et al. (2013) suggest that benevolence effectively enhances general innovation performance. Concentrating on the academic sector in Iraq, Aldulaimi

(2016) shows that different personal values link to innovation across academic university staff. Among those highly educated individuals, then, benevolence can have a direct positive impact on five different types of innovation: behavioural, product, process, market, and strategic.

In addition, researchers argue that trust in inter-organizational settings may foster innovation since it is important for a firm to enjoy new opportunities and access to resources (Molina-Morales & Martínez-Fernández, 2009). Benevolence, as one of the most important components of trust, plays an important role in the assessment of trustworthiness (Mayer et al., 1995) and influences perceptions of commitment and innovation (Ruppel & Harrington, 2000), while also being a criterion for choosing a partner for innovation activities (Shazi et al., 2015). Studies support the positive correlation between benevolence and employee creativity (Ogbeibu et al., 2018; Zhou & George, 2003), and a benevolent top management leader is considered necessary to achieve successful innovative outcomes at the firm level (Wang & Jap, 2017).

The Doctrine of the Mean

The Doctrine of the Mean, or *Zhongyong*, refers to the proper way of handling things, implying a delicate sense of keeping balance (Liu & Stening, 2016). *Zhong* means bent neither one way nor another, and *yong* represents an unchanging state. Following this principle, one is less likely to take extreme perspectives and more likely to seek compromises; specifically, one will adopt a holistic perspective on the entire situation before engaging in actions. The Doctrine of the Mean implies an exploration of how to cultivate one's character and become an ideal personality, a *Junzi*, who will practise the virtues of Confucianism throughout his whole life (Liu, 2020; Yao, 2000). This doctrine is rooted in the daily life of East Asians, especially Chinese, and it deeply influences these individuals' behaviours (Yao et al., 2010). It has become an important principle for a leader to observe so that the leader

learns to maintain the balance between the good and the bad rather than [strive] to eliminate the bad and cultivate the good. Thus, he would embrace both the "hard" and "soft" images in practice. The Confucian leader is firm in his principles but is flexible in his approach, like bamboo (Seow Wah, 2010, p. 285).

Following this principle, managers aiming at innovation may control for a balance point, in which their enterprise's innovative activity organically integrates with social development, customers, and environmental protection, all while considering the interests of all aspects to achieve an optimal balance. This could ultimately form an overall innovation network in which all factors related to innovation are coordinated and developed, then maintained in harmony. However, there is currently no common point of view on whether *Zhongyong* promotes or inhibits innovation. Critics believe that *Zhongyong*'s evasion of competition and pursuit of a harmonious balance between multiple parties are not conducive to creativity. Yang et al. (2012), for instance, found that a *Zhongyong*-type organizational cul-

ture emphasizes interpersonal harmony, in which stability and the pursuit of a balance of interests in all aspects remain important. Therefore, when an individual's innovative behaviour risks offending others, individuals do not have the urge to innovate, thereby diminishing employees' pursuit of innovation. Yu and Wang (2018) similarly suggest that Zhongyong's excessive focus on harmony can easily foster adherence to conventions, resulting in negative reactions among employees towards suggested changes for improvement and a greater convergence towards collective decision-making, which hinders the development of employees' creativity.

Another view tells that the harmonious orientation, integrated thinking, and multi-faceted thinking emphasized by Zhongyong can promote employees' creativity (Zhou et al., 2017). Yang and Zhang (2018) indicate that Zhongyong fosters internal conflict resolution, the achievement of overall harmony, and positively affects creativity by improving employee satisfaction. Concentrating on Chinese entrepreneurs, Ma et al. (2018) show that Zhongyong thinking is positively related to new venture performance, including creativity and innovation.

Finally, we suggest that benevolence and the Doctrine of the Mean are interrelated. Through an analysis of territorial firm agglomerations, Molina-Morales and Martínez-Fernández (2009) provide a better understanding of the effect of social networks on innovation. They argue that while love and trust among social network members can promote innovation to a certain extent, in highly trusting relationships, members of an organization are more reluctant to monitor these relationships and hinder access to external knowledge resources. In other words, an overreliance on trust and love can inhibit innovation. Therefore, benevolence must also conform to the moderating principle of the Doctrine of the Mean (Luo, 1986).

Research Method

Research Design

This study aims to investigate how a new venture integrated core elements of Confucianism to foster its product and management innovation. We employ a qualitative research and case study method, which is consistent with the fact that Confucian values are embedded in firms' organizational management, routines, and processes; thus, they are very difficult to identify through quantitative measures. In addition, the case study approach is especially appropriate for addressing "how" questions in new topic areas (Yin, 2003) and is often viewed as a useful tool for the preliminary, exploratory stage of a research project and for areas that have not yet been categorized (Patton, 2002; Rowley, 2002). This approach also allows the in-depth appreciation of an issue, event, or phenomenon of interest (Crowe et al., 2011). With respect to enterprise innovation as a collective phenomenon, it is best explored via an in-depth case study that is able to assess the phenomenon from various angles inside the organization. A case study can further provide

more detailed descriptions and facilitate illumination and discovery (Eisenhardt & Graebner, 2007).

Therefore, it was necessary for us to select a representative case (Scapens, 2004) that adhered to the following four criteria: a) the company should have an integrated Confucian management model active for at least a decade to make sufficient observations about its organizational phenomena; b) Confucianism must have penetrated the company's practices across various areas to fully observe its impact on the firm's innovation capacities; c) the company should be independently recognized for its innovative capabilities; d) the company should be assessed by third parties (e.g., academic observers) in a variety of sources from which to triangulate data.

Accordingly, we selected the well-known Chinese firm FOTILE as a representative case. FOTILE exhaustively regards traditional Confucianism as the core of its corporate culture and management, which is the most distinctive in China. Furthermore, FOTILE's reputation as a leading kitchen appliance expert is enforced by the brand's regular winning of national and international awards, such as the IF Product Design Award, the Red Dot Design Award, and the China Innovation Design award. These awards clearly demonstrate FOTILE's capacity for product innovation, thus providing insights that help us better understand the influence of Confucianism on FOTILE's innovation. Finally, FOTILE has caught the eye of academics and practitioners alike and has been subject to various analyses of its innovative management model and distinct approach to brand and product development.

We collected secondary data in the form of company public report reviews about business performance and achievements; transcripts of interviews with FOTILE's founder and CEO Mao Zhongqun and other senior managers from magazines and newspapers; and published academic work analysing the company either in academic journals, book chapters or case studies. Due to our background, we the authors considered sources in both Chinese and English, which increased the range and depth of the data available to us. In interviews and public speeches, Mao Zhongqun was often asked how the organization's innovation was influenced by Confucianism values. Company documentation, such as annual reports, corporate webpages, the CEO's annual work summary, and corporate social responsibility reports, provided important evidence for our case study. To increase the data's validity, we also made full use of relevant academic research as supplementary data to avoid the bias that may be caused by relying solely on the company's own reports. Each data source is one piece of the "puzzle", and these various strands of data are braided together to promote a greater understanding of the case (Baxter & Jack, 2008). Due to the diverse sources of information, we constantly cross-checked information and data from different sources for triangulation purposes so as to increase the reliability and accuracy of our explanations (Deng, 2009).

Ningbo FOTILE Kitchen Ware Co., Ltd.

FOTILE was founded in 1996 by Mao Lixiang and Mao Zhongqun in Ningbo, China, with the aim to create a top-notch brand with superior quality range hoods. In 1996 China's home appliance brands were fighting price wars, and the high-end market was occupied by foreign brands. In less than 25 years, FOTILE became the leading kitchen appliance brand in China, with currently about 17,000 employees worldwide, of which more than 16,000 are in China (Liu, 2020; FOTILE webpage). Nowadays, FOTILE's major competitors are international brands such as Siemens and Bosch, while major local competitors include ROBAM, HINOE, Vatti and Sacon (Liu, 2020).

From FOTILE's start, CEO and co-founder Mao Zhongqun focused on the development of high-end kitchen appliances and made every effort to provide superior products and services to people who sought healthy, sustainable, and cultural lifestyles. By serving the high-end share of the market, Mao Zhongqun attached the utmost importance to three aspects: product R&D and innovative product design, high-quality after-sales services and a unique Confucian management culture (Liu, 2020; Zhou & Sun, 2016, pp. 3–8).

Although still deeply embedded in the local Chinese market, FOTILE's business currently involves three major areas: kitchen appliances, integrated kitchens, and overseas businesses. From the start, FOTILE has made every effort to improve families' kitchen environments and remove the danger of cooking fumes. Pushing relentless R&D and innovation, FOTILE seeks to inject new technology and luxury aesthetics into its products. Indeed, FOTILE maintains an investment of at least 5% of annual sales revenues in R&D every year (Fotile webpage). It counts a total of 8,000 square meters of the world's largest, most advanced kitchen appliance laboratories, as well as China's first enterprise technology centre and innovation institute (Li, 2015). FOTILE has also successfully sponsored and spearheaded an amendment to the International Electro-technical Commission's (IEC) standard for household appliances (Yang, 2013). This was the first time in history that a Chinese kitchen appliance brand guided the amendment of an international standard, seen as evidence of the premium quality of FOTILE products. In 2008 and 2010, FOTILE won the Customer Satisfaction Award, and its vent hoods had the highest sales volumes in the Chinese market for 10 consecutive years. Moreover, between 2011 and 2019, 17 of its products received the prestigious German Red Dot Product Design award (Red Dot webpage). As of July 2019, FOTILE owned nearly 3,000 patents, including more than 400 invention patents (Fotile webpage).

FOTILE's Confucian Way

A Value-Driven Company: FOTILE's Mission and Vision Statements

"FOTILE is a mission, vision, and value-driven enterprise" with strong embeddedness in the local Chinese market (Fotile webpage, 2021). During its nearly 25 years of company growth, its corporate mission and vision have been adapted to reflect company development and market positioning. From the start, FOTILE has upheld the core value of the "*integration of personal quality, enterprise quality and product quality*" (Fotile webpage). In 1998 FOTILE's mission was "*to make the family better*", and its corporate vision was "*to be a world-class enterprise respected by people*" (McFarlan et al., 2013). Its mission statement reflected how the kitchen is an extremely important part of the Chinese home. High-end kitchen appliances not only make cooking easier but also improve families' living environments by removing odours and smoke, thereby "[...] *enabling people to feel better about their homes*" (Li et al., 2020, p. 3). Under this mission statement, FOTILE developed and launched a series of kitchen appliances, including the world's first 3-in-1 sink dishwasher that integrated a sink, dishwasher, and produces sterilizer, designed for space-limited homes, as well as a fume-free range with novel fume removal capacity.

Seeing the company's steady growth, Mao Zhongqun's aim was to move FOTILE beyond the vision of a recognized global enterprise: he also wanted to make a positive impact outside the business. During the company's annual corporate meeting in 2015, Mao Zhongqun announced that FOTILE was striding forward towards a grand vision "*to be a great company*" (Fotile webpage). For him, this meant not only achieving business success but also transferring positive energy to society and guiding individuals to become morally admirable humans. Mao Zhongqun believed that a great company had four characteristics: a) worry-free customers; b) employees who enjoy their careers and spiritual advancement; c) a society associated with greater integrity; and d) sustainable business development (Li et al., 2020, p. 3).

In line with this new vision, FOTILE added a new slogan that reflects its current brand proposition, "*For love, we do*", underscoring that caring is at the heart of everything FOTILE does and that its products are built out of love (Fotile webpage, 2021). The slogan also demonstrates how FOTILE's brand represents the love between family members and the company's love towards its customers, employees, business partners, and society at large.

With FOTILE's continuing business success, Mao Zhongqun believed that its mission statement no longer fit its vision of becoming a great company either. Shortly before Chinese New Year 2018, Mao Zhongqun thus announced FOTILE's new mission: "*For the happiness of hundreds of millions of families*", indicating the belief that "*most homes do share a similar feeling of happiness – there is warmth, families' tastes and smells, companionship, sharing, the flow of emotions*" (Fotile webpage, 2021).

Asked about FOTILE's goals with respect to its clients, Mao Zhongqun (as quoted in Li et al., 2020) once said:

Happiness is the ultimate pursuit of mankind. Happiness is associated with giving rather than receiving. Excellent products per se would not make customers truly happy. We have to go beyond functions and elevate our offerings to the level of value and emotion. [...] FOTILE will provide unparalleled high-quality products and services and contribute to promoting a healthy, environmentally friendly, and colorful lifestyle. Moreover, FOTILE will communicate and spread the essence of traditional Chinese culture and help millions of families enjoy wonderful lives and obtain true happiness. (pp. 3–4)

Mao Zhongqun's Leadership

From the very beginning, Mao Zhongqun arranged policies that ensured his sole responsibility for all strategic decisions (Deng & Wang, 2019; McFarlan et al., 2013). He founded FOTILE right out of university, and since he lacked the appropriate management skills, he soon after applied to an Executive Master of Business Administration (EMBA) programme at the China European International Business School in Shanghai. While Mao Zhongqun agreed that these Western corporate management strategies helped FOTILE achieve significant corporate performance (McFarlan et al., 2013), they conflicted with local employee behavioural management in many respects (Zhou & Sun, 2019, pp. 6–7). Accordingly, he felt that Chinese companies should not follow Western management styles but instead follow many Japanese companies and establish their own management style:

Japanese-style management gave me much food for thought. It differed from the Western management. Given the Chinese civilization of 5,000 years and the rapid development in recent decades, I just did not believe that 15 years down the road, we would still follow the Western approach (Mao Zhongqun, as quoted in Li et al., 2020, p. 4).

In particular, our in-class discussions of Japanese-style management cases highlighted a perfect combination of contemporary Western management and local Japanese culture. This led us to think that we could develop a Chinese-style management model (Mao Zhongqun, as quoted in McFarlan et al., 2013).

In essence, Mao Zhongqun wanted to introduce management styles rooted in the local Chinese culture to resolve the conflict between Western management styles and local employee behavioural management. He believed that in China's long history, the elements most representative of its culture and values were Confucian (Liu, 2020; McFarlan et al., 2013). According to Mao Zhongqun, the only way to promote Confucian culture was to break through the existing dogma of Chinese and Western management theories and continuously try to integrate the two (Zhou & Sun, 2019). Rather than replace each other, Mao Zhongqun understood that Oriental and Western management could not be separated:

China is strong on "dao" (philosophy), while the West has excellent "shu" (technique). By harmonizing the two, we will seize the shu through the dao (Mao Zhongqun, as quoted in Kawaguchi, 2019, p. 115).

In 2004, Mao Zhongqun attended Chinese philosophy classes taught at Peking University and Tsinghua University, and he recognized that Confucian philosophy perfectly matched FOTILE management: "*Confucian ideologies are in the blood of*

Chinese people. All we need to do is to stimulate them and help people become aware of their existence..." (Mao Zhongqun, as quoted in Zhou & Sun, 2019). Mao Zhongqun felt that Chinese enterprises were best advised to intertwine Chinese culture and wisdom with Western management methods (Li et al., 2020), and at the end of 2007, FOTILE's top management team decided to promote traditional Chinese culture across the company by "*adopting Chinese ethics and Western techniques, and their integration to implement techniques with ethics*" (Manager, as quoted in Liu, 2020, p. 8).

However, Mao Zhongqun considered that if Confucian culture was only introduced into FOTILE's corporate culture, then Confucianism would not truly materialize. Only by truly integrating Confucianism into business practices can its real implementation be achieved (Liu, 2020). In 2008, when moving to the company's new headquarters close to Ningbo, Mao Zhongqun installed a 200-square-meter Confucianism study hall in the new building. The company held monthly Confucian study groups to help staff better understand and incorporate Confucian philosophy into their business practices (Liu, 2020). To further foster understanding among FOTILE's managers and employees, Mao Zhongqun explained to the managers that according to Confucian principles, competition meant winning without fighting. FOTILE's HR department also provided employees with familiar business principles and policies consistent with Confucianism, aiming to guide their behaviours and actions (Li et al., 2020).

Mao Zhongqun also communicated to employees the Five Virtues from Confucian orthodoxy: benevolence, justice, courtesy, wisdom, and sincerity. To those, he added another five elements: honesty, shame, diligence, courage, and strictness. Altogether, he promoted these 10 elements as a day-to-day behavioural guide for all employees (Kawaguchi, 2019).

Implementing Confucianism in FOTILE

Even though Mao Zhongqun practised Confucianism as an example and believed that his employees would be eager to follow (Zhou & Sun, 2019), he knew that his leadership had to be underpinned by fitting management practices.

As such, FOTILE implemented its so-called "Three Reflections Meetings". Its objective was to ensure that managers took responsibility for deficiencies in commercial operations; if flaws were found, they were rectified. The Confucian spirit of "every day I examine myself on three counts" therefore, began at the managerial level and trickled down to other employees (Liu, 2020). Managers reflected on integrity, self-regulation, sincerity, and caution by applying Confucian self-reflection to their business management. This provided managers opportunities to identify their deficiencies and aspects for improvement. This principle was later extended to other employees to shape FOTILE's self-reflection culture.

Considering employee management, Mao Zhongqun adhered to benevolence (*ren*) as one of the Five Virtues, implying that stakeholders should be treated with benevolence and employees like family. From his point of view, when employees felt a sense of belonging and identification with FOTILE's values, they not only showed greater loyalty to the firm but also naturally considered the interests of customers and developed higher quality products. By constantly creating and increasing the well-being of all employees in material and spiritual aspects, Mao Zhongqun believed that FOTILE would better become a "big family" (Zhou & Sun, 2019). For this reason, for instance, FOTILE pays higher than average salaries and has appealing and bright building designs even now (Liu, 2020).

Beginning in May 2010, FOTILE also implemented a system by which employees with at least two years of employment would have access to employee shares (Liu, 2020; McFarlan et al., 2013), as Mao wanted "*staff to feel the company's growth*" (Mao Zhongqun, as quoted in McFarlan et al., 2013). This system was driven by his believe that when managers benefit from corporate profits, they no longer see themselves as simple career managers but feel like full partners in the firm. In contrast to other companies' stock systems, FOTILE's covered not just managerial employees but all employees. The system applies a diversified internal stock price whereby FOTILE determines an employee's shares according to employee quality, capability, and performance. FOTILE's HR vice president (as quoted in McFarlan et al., 2013) underscored that

FOTILE's labor share system pays dividends on the company's profit. At FOTILE, all staff members (over two years) are company shareholders. FOTILE, in this way, hopes to peacefully develop its own brands and share the company's profit growth with its staff. By promoting the Confucian virtues of "humaneness" and "justice" on the fundamental issue of profit sharing, it hoped it would be easier for FOTILE staff to accept the company's promoted virtues.

The characteristics of this system well illustrate Mao Zhongqun's aim to lead FOTILE's transformation from a "family business" to a "business family": "*If a family business is the Mao family business, then from a Confucian management perspective, FOTILE's employees are a family, and this is a business family*" (McFarlan et al., 2013). According to FOTILE management, its employee share system made employees at all levels feel cared for and allowed the company to encourage employee achievement (Liu, 2020).

Furthermore, FOTILE implemented a so-called "ABC appraisal system". According to this system, employees were compared per their performance and ranked as excellent (A), regular (B), or failing (C) performers. Each year, 5 % of FOTILE staff receive a C grade, suggesting that they should leave FOTILE. To be fair and humane, however, FOTILE employed a prudent bottom-out policy:

Only staff receiving two consecutive C grades will be asked to leave... FOTILE conducts staff performance appraisals once every six months. Staff members who are given a C grade are counselled. The company organizes discussions between the staff members, company management, and department to jointly devise a performance enhancement plan for the staff member. If staff members successfully follow the six-month

plan, they will not receive a C grade a second time. Otherwise, they will be eliminated. (Mao Zhongqun, as quoted in McFarlan et al., 2013)

With respect to fostering employee spirituality, Mao Zhongqun was aware that the implementation of Confucianism and its recognition by FOTILE employees would not come easy; by the same token, forcing employees to accept it would not work either. He also believed that reading Confucian classic literature would not be a practical solution to assimilate employees. Hence, he applied different approaches to guide and manage employee behaviour. For instance, Mao Zhongqun used a video series called *Harmony Rescues Crises*, asking all FOTILE employees to watch the videos either alone or in a group. Through vivid storytelling, the videos illustrate the moral corruption and ethical defiance of modern society, urging viewers to seek better ways through traditional Chinese culture. Using FOTILE's Confucian culture classroom at headquarters, the company held monthly study groups as well to help staff better understand and incorporate Confucian philosophy into their business practices. FOTILE also encouraged employees to voluntarily read Confucian classic literature every morning for 15 minutes before starting work (Li et al., 2020; Liu, 2020). In addition, Mao Zhongqun shared Confucian thinking in employee meetings and via internal e-mails, as well as wrote articles related to Confucian ideas shared via internal company publications (Liu, 2020). Further, the company issued the "FOTILE Values" booklet in 2008. Its purpose was to spread Confucian values and form a set of Chinese Confucian management practices that eventually created a unique value system with a "family" connotation (Zhou & Sun, 2019).

Product Innovation at FOTILE

Since its very beginning, FOTILE followed a unique business strategy per its position in the high-end market segment and considered customers central to its business orientation (McFarlan et al., 2013). To offer them a premium and stylish range of hoods, FOTILE followed a dual strategy of technological innovation and pioneering industrial design (Deng & Wang, 2019). Mao Zhongqun's credo was that *"innovation is the first driving force for enterprise development. Without innovation, enterprises will be difficult to develop and to survive"* (Zhou & Sun, 2019, p. 63).

Since then, all FOTILE range hoods have been based on the concept of *"endless pursuit of technological breakthroughs for more effective fume removal"* (McFarlan et al., 2013). For example, FOTILE's new range hoods are dedicated to lowering fume damage through improved fume extraction efficiency and optimized product functions offered by smart technology. All of this was based on technological innovation. At the same time, these innovative range hoods were explicitly designed to give consumers a healthier, more environmentally friendly, and novel kitchen experience without compromising commodity. For instance, new models include a curved fume hood so that oil falls to the edge of the electric motor, where it can

easily be cleaned up. The fume collection hood was also made detachable from the motor so that customers can clean it without risking electric shocks.

Moreover, when Mao Zhongqun read that kitchen fumes might increase the risk of lung cancer, FOTILE introduced changes in range hood development from 2010 onwards. While FOTILE up to then had focused mainly on the air volume, wind pressure, and noise generation of its hoods, after the publication of these scientific results, it changed its product objectives to develop the best “no smoke” range hoods. By 2013, FOTILE had developed a new generation of Wind Rubik’s Cubes, and in 2014, it launched the Cloud Rubik’s Cube, the first-ever “fume-free” range hoods for which no fumes were visible to the naked eye.

FOTILE regards “degree” as the principle of product innovation and strives to create a “just right” smart kitchen appliance experience for users. First, FOTILE’s philosophy maintains that the user is the only protagonist in the kitchen and not the appliance. All smart devices should be people-oriented to achieve the best experience for users in the kitchen. Such uniquely strong customer orientation guides FOTILE’s innovation efforts:

When we are dedicated to cooking food in the kitchen, the best smart appliances will not continually “disturb” users but “hide” themselves so that users can enjoy the joy of cooking. In other words, users should not only be [not] disturbed by fume[s], but they should also not even be disturbed by a range hood (Mao Zhongqun, as quoted in China Business Journal, 2018).

Accordingly, FOTILE designed the “intelligent cruise boost” function; instead of asking or reminding the user to switch on or increase the range hood’s suction power, the appliance automatically matches the suction gear position and power according to the smoke exhaust resistance.

Furthermore, FOTILE emphasized the relationship between products and space. Looking back, Mao Zhongqun (as quoted in Deng & Wang, 2019) commented that over the years, FOTILE’s various innovations have helped improve the layout of apartments in China:

Chinese families once had to keep the kitchen closed to cage fumes but, with FOTILE’s range hoods, they can now open and integrate it with dining or even living places. Open kitchens had long been a dream for Chinese families; we made it come true. (p. 6)

In product development, FOTILE always pursues the “degree” of integration, which means kitchen appliances do not exist in isolation but are an integral part of the kitchen and home: “Every kitchen device of FOTILE is designed based on thinking about the optimization of space” (Li & Mao, 2014, p. 122). For instance, FOTILE’s range hoods with the “inhaling all fumes” function met the increasing demand for open kitchens in Chinese families. Further, FOTILE has strived to promote the embedding of kitchen appliances to achieve harmony between kitchen appliances and kitchen space. FOTILE’s original 3-in-1 sink dishwasher was also invented based on the shortage of Western-style dishwashers small enough for more limited kitchen spaces. FOTILE’s “Sky Smart Suite” integrates a variety of embedded smart

kitchen appliances as well, thereby not only making the most reasonable use of kitchen space but also bringing about the best cooking experience. However, Mao Zhongqun claimed that it was not enough for employees to have innovative values and positive attitudes. FOTILE thus implemented an “integrated product development” process to investigate customers’ potential needs from different perspectives (Liu, 2020). In 2015, FOTILE completed a 5-year study, in which it surveyed more than 1,000 Chinese households and invited 25 users to design an in-sink dishwashing machine to alleviate their frustrations. This led to the creation of the 3-in-1 sink dishwasher, a one-of-a-kind appliance for modern living in compact spaces.

Finally, FOTILE is committed to the harmony between products and the ecological environment. Its managers express that protecting the natural environment is the unshakable social responsibility of enterprises, which has become an expression in the company’s product innovations. Notably, FOTILE’s sink dishwashers use significantly less water than handwashing. Its range hoods with five-fold filter technology also increased the separation of grease to 98 %, and the amount of fumes emitted is only one-fifth that of a conventional range hood and just one-tenth of the national standard, which minimizes fume pollution.

FOTILE also wanted to move closer to its customers and therefore introduced various novel communication and interaction processes and practices to reach out to clients and provide them with an efficient customer experience. To this day, FOTILE advocates a high-quality lifestyle and life philosophy through various offline activities and online communications. Online communication enables FOTILE to maintain relationships between enterprises, users, and fans based on instant messaging tools, such as WeChat and Weibo, and online, face-to-face communication via its corporate website. The offline activities, meanwhile, include on-site interactive games to connect users to the company. Based on three different scenes – “Mom’s meals”, “Love’s baking”, and “Family’s dinner” – the games use “family’s taste” as an interactive entry point. With kitchen utensils, players cook the “family’s taste” according to their imagination, and thereby not only establish emotional connections between family members but also enhance their emotional communication with FOTILE. This enables the company to emerge as an integral part of the family scene. Overall, these offline activities enable users to truly embrace FOTILE as part of their home and become emotionally attached to the brand (Zhao, 2015). Additionally, FOTILE established the most advanced call centres in China, attempting both to answer client calls in the shortest amount of time and offer the required services (McFarlan et al., 2013).

Based on the above analysis of FOTILE’s innovative behaviour, Mao Zhongqun (as quoted in Zhou, 2019) underlines that

Individuals or companies, and even scientific research institutions should not blindly pursue the top and leading technologies themselves but should pay more attention to the social effects and ultimate goals of

innovation, and never forget the original intention of innovation and human conscience. The process of innovation should be a process of benevolence and conscience. Once abandoning benevolence, innovators may fall into the "Faustian dilemma" of giving their souls to the devil in pursuit of technological breakthroughs. Only with the original intention of benevolence can we avoid the common problems of technology research and development. (p. 46)

Meanwhile, Mao Zhongqun believes that the principle of innovation is Zhongyong. While Zhongyong is interpreted as fostering conservative behaviour and dissuading the pursuit of leadership, Mao Zhongqun (as quoted in Zhou, 2019) argues that

This is not the true connotation of Zhongyong, Zhongyong is not conservative, but to be moderate, to be just right, and to strive for perfection. FOTILE takes "degree" as the principle of product innovation and strives to create a "just right" smart kitchen appliance experience for users, and finally realizes the harmony and unity of products, users, space, and nature. (p. 45)

Analysis and Findings

After examining the case of FOTILE, we found five elements that show the way in which the core elements of Confucian benevolence and the Doctrine of the Mean support the company's product and management innovation.

First, FOTILE did not abandon Western management practices but rather adapted them to fit its integration of Confucianism and its core elements in the company's management approach. The idea of benevolence as caring for others is evident in the two employee management examples provided. Both the ABC performance evaluation and the employee share remuneration systems are based on Western human resource management concepts. In fact, CEO Mao Zhongqun did not ignore the efficiency and strategy of Western management approaches but integrated specific elements that reflect benevolence, thereby driving FOTILE's management innovation. This is evident in the company's prudent bottom-out policy in the ABC appraisal system and its all-workforce inclusiveness with a differentiated internal stock price approach in the employee share system.

Moreover, FOTILE educates its employees and managers in the most practical ways about Confucian core values, including benevolence and the Doctrine of the Mean. Overcoming the problem of Confucianism's complexity and many abstract ideas, innovative training practices were implemented in the form of videos, study hours, a Confucian-style study hall, and other aspects to make them understandable and relate them back to managers and employees' workspaces and activities. While the case study findings show that Confucianism directly affected the way FOTILE's managers approach their work and manage their relationships with clients, suppliers, and employees, it has also had an indirect impact on managers' leadership approaches due to changing employee expectations, motivations and behaviours at work.

Second, FOTILE is distinct in its product and service innovations, as based on the cultivation of employees and managers' understanding of benevolence and

the Doctrine of the Mean. For instance, benevolence means that managers and employees need to care for customers, which implies considering problems from the customer's perspective first. FOTILE's actions are intended to ease consumer dissatisfaction (e.g., through automated fume control and respecting space limitations) and to maintain or improve their health (e.g., effective fume reduction and food sterilization). In addition, FOTILE goes beyond the direct focus on customers and emphasizes the concept of family as the customer's intimate circle. Mao Zhongqun acknowledges that FOTILE's products enable Chinese families to make better use of their available living spaces and create open kitchen designs, thereby permitting them to lead a more comfortable, happier life. In addition, the principle of self-examination that provided managers and later employees the opportunity to identify their deficiencies and aspects for improvements, and to take responsibility for shortages in commercial operations, underpinned the customer orientation, and with it its drive for product and management innovation. The drive for personal and business improvement ultimately encouraged a positive attitude among FOTILE's managers and employees to foster personal and organizational gains.

Third, this case study shows that Mao Zhongqun, the co-founder and leader of FOTILE, considers Confucianism a guide to interacting with people, particularly consumers and employees. He demonstrated Confucianism through his beliefs, words, written communications, and personal actions. It improved his leadership abilities, showing a top-down nurturing and caring approach towards his followers. Such benevolent leadership appears to provide strong support for FOTILE's Confucianism-infused management practices and another pull towards the firm's innovation efforts.

Fourth, for FOTILE, benevolence is a sincere love for mankind, especially a kind of care for consumers and users that comes from the heart. This care is not just to make users love their appliances but also to make users and family members feel at ease, to bring them happiness. This is reflected in FOTILE's corporate mission: "*For the happiness of hundreds of millions of families*". In essence, benevolence means that both management and product innovation must be guided by values that are largely altruistic, conducive to a caring society, and conducive to human happiness.

Fifth, under the guidance of the Doctrine of the Mean, FOTILE not only provides customers with world-class products and services but also actively undertakes social responsibility. It strives to become an excellent corporate citizen through business excellence and to maintain harmony between product development and environmental considerations. At the same time, FOTILE requires managers and employees to garner useful talents in both virtue and ability and to contribute and adapt to company development.

Furthermore, FOTILE's core values reflect the balance, harmony, and integration of economic efficiency/utility, emotion/development, and ethics/society. In this way, innovation should be "just right", meaning that it is not just an unscrupulous cre-

ative activity that pursues technological advancement and new product experience, but also a “degree” (度) by balancing the interests of all parties. It also balances the relationship between the company and its multiple stakeholders, thereby affecting product innovation with respect to product and users, product and space, and product and environment, as well as management innovation with respect to management-employee relationships.

Discussion

Implications and Future Research

This study adds to the firm innovation contingency literature by examining how two core elements of Confucianism inherent to the unique cultural characteristics of China have influenced product and management innovation at the kitchen appliance company FOTILE. We empirically explored how these two principles run deeply within the company and trigger innovative management practices and products. Our study, therefore, contradicts findings from extant research that confirm the negative impact of Confucianism on firm innovation (Feng et al., 2021). The following theoretical and practical implications are especially noteworthy.

Regarding theoretical implications, existing research concerning culture’s influence on innovation is usually based on the work of Hofstede and Globe, and the research itself is mostly carried out in Western countries and on Western companies (Tian et al., 2018). Accordingly, far less attention has been paid to the influence of Chinese Confucian culture on innovation. Therefore, this study selected the Confucian Doctrine of the Mean and benevolence as key elements through which to study its influence culture on innovation. Earlier studies suggest that Confucianism is not conducive to innovation (Kim, 2007; Saeki et al., 2001), including at the firm level (Feng et al., 2021), while others draw contrary conclusions (Waarts & Van Everdingen, 2005). Our analysis shows that benevolence and the Doctrine of the Mean can foster product and management innovation. While benevolence guides innovation objectives, that is, care for users, families, nature, and employees, the Doctrine of the Mean requires managers to balance the interests of key stakeholders in both their product and management innovative pursuits. Therefore, this research provides useful support for Chinese scholars to construct native Chinese management theory. Since culture, as well as innovation, are embedded in multiple organizational levels (Anderson et al., 2014; Rohlfer & Zhang, 2016), we recommend that future research adopt an encompassing, multi-level analysis to disentangle the effects of specific Confucian values at individual and corporate innovation levels.

In terms of practical implications, this research may provide a reference for companies to improve management methods and reshape their corporate culture. In the past, Chinese enterprises have regarded Western management methods as tools for enterprise development and innovation (Fan, 1998), while traditional Chinese culture, including Confucianism, did not receive much attention (Tian et al.,

2018). By contrast, FOTILE internalized key elements of Confucian culture as core values and thereby achieved innovative success. This example may assist other Asian companies in re-recognizing the value of Confucianism and, thus, the utility of benevolence and the Doctrine of the Mean in a firm's innovation capabilities, development, and growth, especially when combined with Western management approaches. As for future management practices, Mao Zhongqun's (as quoted in Zhou & Sun, 2019) management principle, "*comprehending the way (dao) through Chinese culture (中学明道), optimizing management method by Western theory (西学优术)*", could be a model for corporate management. Specifically, "*comprehending the way (dao) through Chinese culture*" is a means for enterprises to learn about business management through the excellent traditional Chinese culture. Additionally, "*optimizing management method by Western theory*" means that companies cannot exclude modern Western management methods. While Confucian teachings are complex, Chinese managers might be advised to consider specific elements of it, such as benevolence and the Doctrine of the Mean, and their interrelationships when attempting to morph traditional Chinese culture into their core values to control, transform and optimize the modern management methods imported from the West, and to form a suitable management model for firm innovativeness.

Limitations

The limitations of this single-case analysis should be noted. First, this study is exploratory in nature, so its findings cannot be generalized to other Chinese enterprises, even though FOTILE provided insightful understanding for practitioners and academics alike on the link between Confucian culture and innovation. Further samples should be analysed to verify our findings. In addition, the study only considered the two important values of Confucian culture, benevolence and the Doctrine of the Mean, and no other principles, such as education, continuous learning, and integrity. While our findings support the line of argument in the contingency innovation literature that Confucian culture promotes innovation needs, these findings can be further consolidated by examining and unravelling the effects of other values essential to Confucianism or by analysing their interrelationship with those values that have previously been found to hinder firm innovativeness (Kim, 2007, 2009).

Additionally, this case study utilized secondary data only to analyse the influence of Confucianism on innovation. While the major advantage of working with secondary data is economy and a wider breadth of available data, our data collection process was informed by expertise and professionalism that may not be available to smaller research projects (Boslaugh, 2007). Further, though we used secondary data and surveys in a wider context, additional methods that focus directly on the research questions, such as interviews or focus groups with FOTILE organization members and stakeholders, would provide greater legitimacy to the case study data (Mills et al., 2009). Therefore, although the data sources selected for this study

were effective in drawing initial findings on the link between Confucian culture and innovation, primary interview data could be beneficial to revealing the multilevel influences of traditional Chinese cultural values on innovation.

Conclusion

This study selected benevolence and the Doctrine of the Mean as two representative values of Confucianism to explore their implications for firm innovation. In examining this representative case study, we found that benevolence and the Doctrine of the Mean jointly promote the development of product and management innovation. Benevolence specifically triggered product innovation by forcing a user- and family-centred focus and by allowing the creation of an unparalleled user experience through premium products. In addition, it required top management to adapt Western management practices to incorporate employee perspectives. The Doctrine of the Mean also enabled innovation at a reasonable level by making innovation rational and orderly and achieving harmony with surrounding elements, such as users, space, and nature. It also formed the nature of management-employee and employee-organization connections. This study supports the view in the innovation contingency literature that traditional Chinese culture can be supportive of firm innovation and points the way towards further exploration of the relationship between traditional Chinese culture and innovation.

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