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**A Study on the Effect of Confucian Culture on the
Work Enthusiasm of Enterprise Employees**

Xu Mei

August 10, 2023

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Chapter I Introduction

1.1 Research Background

The success of a business seeking to improve performance and maximize profits hinges on outstanding, harmonious, and enterprising employees. Sustainable corporate growth is unattainable without the innovation and enthusiasm of each staff member. Work enthusiasm is characterized by unflagging energy, complete dedication, and total concentration at work (Schaufeli et al., 2002; Chao et al., 2021). It is a key link of employee behavior that determines corporate performance. Contrary to this, issues arising from the contractual agency have consistently hindered corporate growth, due to the division between ownership and management in modern businesses (for instance, company-funded consumption and evasion of duties.), resulting in a plethora of corporate governance difficulties (Jensen & Meckling, 1976). Hence, contemporary businesses are actively seeking efficient systems and mechanisms that could unify and stimulate their employees to work with dedication. The establishment of these systems and mechanisms has become the focal point of corporate management.

As an increasing number of highly educated, new-generation knowledge-based workers enter the job market, and especially as digital technologies like big data, artificial intelligence (AI), and cloud computing advance at an exponential rate, such knowledge-based workers are becoming the key contributors to value creation within organizations. Simultaneously, the swift evolution of emerging technologies and the accelerated dissemination of information have amplified the unpredictability of businesses' external environments, intensifying the instability of enterprise personnel (Liu, Dong &

Wei, 2020), and reducing corporate employees' expectation that work can significantly contribute to the realization of their self-worth. As the psychological needs of employees surge, it becomes increasingly crucial for companies to harness the psychological capital of their workforce in order to invigorate their enthusiasm (Hu & Li, 2022). In 1957, Drucker introduced the concept of "knowledge-based workers". He emphasized that individuals should govern management. Consequently, "self-management" emerged as the most distinguishing characteristic of knowledge-based workers. In a nutshell, knowledge-based workers prefer an organizational environment characterized by a positive atmosphere, harmonious relationships, and continuously increasing value (Drucker, 2009). Within this type of environment, employees are able to identify with themselves, their organization, and their work, viewing their job as both their personal motivation and the cornerstone of their company's sustained growth. Traditional business management emphasizes the importance of equity and promotional incentives and implements oversight mechanisms to increase employee work engagement. It is hoped that tangible rewards and financial gains, as forms of compensation, can effectively stimulate employee work enthusiasm. However, the above traditional reward and restraint mechanisms, typically designed based on the characteristics of the behavioral man's rational "economic man", are insufficient in meeting the growing psychological needs of knowledge-based workers. As a result, they fail to genuinely stimulate the intrinsic motivation of these workers, leading to a lack of sustained incentivizing impact. As a matter of fact, corporate management practices should not overlook the importance of emotional attribution, which is a reflection of human nature deeply ingrained in specific

cultural traditions. By integrating these cultural traditions into their management practices, businesses can foster a strong psychological bond between their employees and the organization itself, thus effectively addressing the managerial challenge of enhancing employee engagement and enthusiasm at work. Most crucially, traditional corporate management practices and theories are predominantly based on empirical evidence from the West. Given China's distinctive history and reality, any relevant discourse that lacks the backing of a well-established historical and cultural tradition will inevitably result in a significant informational void (Wei, Yang & Chen, 2022), and fail to offer systematic solutions capable of effectively boosting Chinese employee work enthusiasm.

Confucianism represents the core of Chinese philosophical ideologies and values, often regarded as the “root” and “source” of Chinese culture. Its influence extends beyond the realm of culture, imparting enduring impacts on the ethical and behavioral norms of Chinese individuals and organizations (Ip, 2009). Xue and Liu (2009) remarked, “It may seem as though the shadow of traditional Confucian culture has faded from view, but regardless of whether one acknowledges it or not, it remains deeply ingrained in the heart of every Chinese individual, serving as the foundation of the Chinese nation.” As a rising economic power, China's market mechanisms and institutional environments are currently undergoing continuous improvement. From the viewpoint of dominant Western economic theories, China's transitional economic system is often deemed “subpar”. However, evidence suggests the contrary: the Chinese economy, having evolved from Western experience, has achieved a remarkable upturn. Scholars emphasize that China's informal

systems, with Confucian culture serving as a prime example, have played a pivotal role in the country's economic ascent, providing a compelling explanation for this rise (Allen et al., 2005; Chen et al., 2013). Traditional Confucian culture not only molds the character of Chinese businesses but also forms a significant foundation for China's modernization, propelling the development of Chinese society (Du, 2000). This indicates that discussions conducted solely within the framework of Western management theory and practice, without considering the Chinese context, harbor skewed viewpoints. Such viewpoints are incapable of elucidating the remarkable accomplishments attained by Chinese businesses (Wei, Yang & Chen, 2022). This is also applicable to nations other than China. Home-grown management theories, originating and ingrained in their respective national circumstances, have evolved into a broadly accepted consensus and demand (Filatotchev et al., 2021). This highlights the rationale behind local Chinese businesses integrating traditional Confucian culture into their managerial practices. This strategy bears a significant aspect of emotional ethics and will undoubtedly exert a considerable influence on organizational conduct and employee work enthusiasm.

As China transitions into a phase of high-quality economic growth, there is an increasing emphasis on unlocking the potential and dynamism of business institutions to provide a continuous driving force for China's economic advancement. During this critical period when traditional economic drivers are being replaced by new ones, the Central Committee of the Communist Party of China, with Xi Jinping at its helm, considerably emphasizes the inheritance and enhancement of traditional Chinese culture. In

numerous instances, they have underlined the importance of developing and reinforcing Confucian culture. According to the report presented at the 20th CPC National Congress, “We will promote revolutionary culture and carry forward fine traditional Chinese culture. In doing so, we will be well-placed to meet people’s ever-growing intellectual and cultural needs, consolidate a common intellectual foundation for the whole Party and all Chinese people to strive for unity, and continuously grow China’s cultural soft power and the appeal of Chinese culture.” “We will carry forward traditional Chinese virtues, and foster stronger family ties, values, and traditions. We will build public commitment to the greater good, public morality, and personal integrity. These efforts will help raise public moral standards and enhance public civility. We will foster an ethos of work, enterprise, dedication, creativity, and frugality throughout society.” During the meeting to commend COVID-19 fight role models on September 8, 2020, Xi Jinping stated, “Cultural confidence is the most essential, impactful, and lasting force in national development. An uplifting and positive culture can contribute to strengthening national unity through both good times and bad.” Without a doubt, Confucian culture is the most illustrious treasure of the Chinese nation. On September 24, 2014, Xi Jinping stressed at the international seminar to mark the 2,565th anniversary of the birth of Confucius, which was concurrent with the Fifth Congress of the International Confucian Association that China’s exceptional traditional culture encapsulates vital clues for addressing the challenges facing humanity today and that we should make diligent efforts to seek solutions to real-world problems from Confucian classics. In recent years, Confucian culture has been progressively integrated into management practices, resulting in the formation

of distinctive local management models and the rise of enterprises that implement Confucian culture. Suzhou Good-Ark Electronics Co. Ltd. has distinguished itself as a model company embodying Confucian cultural principles. It pioneers the “Happy Entrepreneur” culture and has actively incorporated Confucian classics, ethical role models, and emotional support into its organizational management. This has earned the appreciation of its employees and resulted in significant corporate performance. Zeng Yuqun, the founder of Contemporary Amperex Technology Co., Ltd. (CATL), has been striving to establish a state of “inner sageliness and outer kingliness” within his company. Amidst remarkable company accomplishments, he has been aggressively integrating Confucian culture into corporate management in recent years. The company adopts the deep virtues of Confucianism to raise its ethical standards, arranges group study of Confucian classics, and instills a robust self-drive, high morale, and the spirit of perpetual innovation in its employees. As a result, CATL has managed to maintain a leading edge in the increasingly competitive sector of new energy batteries, achieving commendable management outcomes. The question at hand is: Can CATL’s Confucian management practices be implemented in other corporations? If the answer is affirmative, how will the incorporation of Confucian cultural traditions into corporate management practices influence the behavior of managers and employees? What specific mechanisms are in place to influence employee work enthusiasm? The answers to these questions offer empirical proof for employee management incorporating Confucian cultural practices. They also set the theoretical groundwork for selecting methods to cultural confidence, and echo China’s pressing practical and theoretical necessity.

Some studies have investigated the influence of Confucian cultural practices on employee work enthusiasm. The principles of “benevolence, righteousness, propriety, wisdom, and faithfulness” promoted by traditional Confucian culture can serve as a unifying force among corporate employees, foster an exceptional corporate environment (Fu & Tsui, 2003), and cultivate positive emotions and model behavior in employees, who in turn willingly work overtime (Kang et al., 2017). These principles can enhance employee work engagement. Specific Confucian cultural practices, including sage education, ethical role modeling, emotional nurturing, and benevolent support, can facilitate multilateral interactions with employees, nurture a sense of altruism in them, and guide them towards thorough fulfillment of their responsibilities, thereby reducing the employee turnover rate (Chao et al., 2019). Some corporations that incorporate “Confucian culture” into their managerial strategies establish interaction methods such as emotional touch, ethical awareness, and consensus on benefits to reformulate employee tasks and boost their sense of ownership (Yue, Chao & Wang, 2020). Confucian cultural practices can play a significant role in the establishment of “happy enterprises”. They create an altruistic and reciprocally supportive corporate culture, thereby enhancing employees’ sense of happiness and affiliation (Zhou & Sun, 2016). These businesses that incorporate Confucian cultural practices generally share one characteristic. They all place significant emphasis on the fact that the demonstration of excellent ethical behavior by the leadership is crucial (Zhang, 2019). Hu and Li (2022) found that the leadership’s “virtuous governance methods” are essential in shaping family-style businesses and can meet the desire of knowledge-based employees for

value realization. The ethical engagement between virtuous leadership and employees fosters a harmonious relationship between the sense of ownership of employees and enterprises and their behaviors, which in turn enhances a stronger sense of identity (Chao, et al., 2021). In addition, Chang et al. (2020) discovered that traditional Confucian culture can mitigate the work stress of corporate employees, encourage businesses to heed advice (Hu & Chen, 2020), boost employee loyalty (Yao, Huang & Fan, 2008) and creativity (Zhang & Gu, 2015), and draw attention to the protection of corporate employees (Gan, Xu & Liu, 2020). Undoubtedly, this can heighten employee work enthusiasm. However, it should be noted that the concept of strict hierarchical order in Confucian culture could potentially result in the solidification of class structure (Cai, 2013). When such situations occur, employees usually become reticent (Zhou & Liao, 2013), succumbing to the constraints of conformity and a dearth of creative pursuits. Furthermore, enterprises that incorporate Confucian culture, while yielding positive results, inevitably impact the original organizational structure and processes. For enterprises, stimulating and directing the intrinsic motivation of employees is a crucial element of effective Confucian management.

The above analysis shows that the majority of existing research adheres to the paradigms of case study and theoretical interpretation. The literature related to this study's topic takes two main perspectives. Firstly, research on Confucian management practices primarily focuses on the role of a specific Confucian cultural concept in management practices, the influence of Confucian culture on corporate and organizational efforts towards building "family culture" and "happiness", or the effect of Confucian culture on

corporate governance issues including corporate social responsibility. However, there are scarce studies that examine the internal mechanism through which Confucian cultural practices impact employee work enthusiasm. Secondly, literature on employee work enthusiasm primarily concentrates on the effects of explicit corporate systems, training, social support, organizational resources, organizational environment, family support, or psychological contracts on employee work enthusiasm (Lu, Chen & Zhao, 2013). Yet, there are few studies that investigate how Confucian culture influences the psychological contract between employees and corporations, and its subsequent impact on employee work enthusiasm. Unlike prior research, this study utilizes the research paradigm of “Confucian cultural practices—employee work enthusiasm”, using Aokang International as the case study to clarify how Confucian cultural practices are implemented. Based on this, this study further examines the internal mechanism by which Confucian culture influences employee work enthusiasm within Aokang International and investigates its impact on corporate performance. This research also conducts a thorough empirical analysis of the paradigm of “Confucian cultural practices—employee work enthusiasm” based on microdata gathered from publicly traded companies. It delves into not only the general rules but also their heterogeneity and underlying logic. These methods, implemented to conduct case studies and mathematical demonstrations, have provided substantial evidence for this study.

1.2 Research Significance

1.2.1 Theoretical significance

First, considerable effort has been invested into studying corporate

employee work enthusiasm, providing invaluable insight into corporate employee work enthusiasm on a micro level. However, the majority of these studies have been undertaken within the context of Western theoretical models. This study takes a different perspective—traditional Confucian culture. Existing research emphasizes various factors such as employee characteristics, corporate leadership style, reward and punishment system, organizational support, organizational resources, social support, family support, and psychological state (Li & Ling, 2006; Lin, Shi & Xiao, 2008; Li & Ge, 2020; Miao, 2020; Chen & Zhang, 2020). The informal institutions of China, a transitioning economy, are exerting a profound influence. With its extensive historical lineage, Confucian culture forms an inerasable memory deeply intertwined within the broad scope of Chinese history. It has become profoundly ingrained in the mindset of the Chinese people and subtly influences individual economic behaviors at a micro-level. Despite the immense influence of traditional Confucian culture, which holds strong appeal for politicians, scholars, and entrepreneurs, there is a noticeable gap in systematic research exploring its connection to the work enthusiasm of corporate employees, including investigations into the specific internal mechanisms. Empirical evidence and case studies on this subject are scarce. The rapid economic growth of China and the economic rise of the four East Asian tigers can both be attributed to the influence of Confucian culture. Whether Confucian culture can impact employee work enthusiasm, however, requires further in-depth exploration. Cultural confidence possesses enduring resilience. Confucian management thought serves as a prime illustration of this cultural confidence. A comprehensive examination of the impact of

Confucian culture on management is a response to the present pressing demand for theoretical and practical research. In light of this, this article will examine the impact of traditional Confucian culture on the work enthusiasm of corporate employees, elucidate the underlying mechanisms, and offer insights applicable to Confucian management practices in businesses. This will enrich the study of informal institutions and corporate human capital in transitional economies, while also providing mechanisms and pathways for the management transition of businesses that aim to foster cultural confidence.

This paper also can contribute to the expansion and deepening of scholarly research into traditional Confucian culture. Research on the effect of Confucian culture has gained substantial interest in recent years, prompting a “cultural reform” in the field of economic management (Zingales, 2015). The existing literature has mainly focused on the economic effects of Confucian culture, such as Confucian culture and consumption (Ye et al., 2011), internal corporate control (Cheng, Pan & Wang, 2016), corporate social responsibility (Chao et al., 2016; Zou, 2020), corporate donations (Xu, Long & Li, 2019), and corporate innovation (Xu & Li, 2019; Cai & Xie, 2020). The majority of research pertaining to this study is grounded in theoretical analysis, interpreting Confucian management thought and the specific methods required for the implementation of Confucian culture (He & Wang, 2019; Zhu & Chen, 2020; Chao et al., 2019; Yue, Chao & Wang, 2021; Yue et al., 2020; Hu & Zhang, 2017). This encompasses topics such as Confucian management and leadership style (Hu & Chen, 2020; Hu & Li, 2022), as well as the exploration of employee recruitment and security (Gan, Xu & Liu, 2020). While these academic studies do touch upon the subject of employee work enthusiasm to

some extent, there is a noticeable lack of literature discussing the correlation between Confucian culture and employee work enthusiasm. Furthermore, there is a deficiency in discourse concerning the inherent logic behind how Confucian cultural practices influence employee work enthusiasm. This research, based on theories of management, finance, psychology, and sociology, generates assumptions and verifies them through an extensive set of macro and micro data. It explores the general rule, heterogeneity, intermediary mechanism, and moderating effect that emerge when Confucian culture impacts employee work enthusiasm. The results from these empirical studies can offer a fresh perspective on examining the factors that influence the work enthusiasm of corporate employees.

Thirdly, this paper undertakes quantitative empirical research and case studies to investigate the internal mechanism through which Confucian cultural traditions influence employee work enthusiasm. This constitutes a significant augmentation to the prevailing qualitative research and seeks to offer fresh perspectives for subsequent studies on Confucian cultural traditions. Existing research primarily analyzes Confucian management norms, or interprets them through the lens of the Confucian practices of a company or the Confucian management cases of an ancient business philosophy. However, scant studies have endeavored to scrutinize the correlation between Confucian culture and employee work enthusiasm using empirical analysis. This study extracts micro and macro-matched data from publicly listed Chinese companies, utilizing a range of techniques to validate the impact of Confucian culture on employee work enthusiasm, as well as the internal mechanism. The legitimacy of the findings is confirmed through multi-dimensional robustness

and endogeneity checks, thus offering experience with empirical evidence. This study will offer a fresh perspective on identifying the determinants of employee work enthusiasm, and will precisely capture the internal logic. Furthermore, this study aims to employ case studies to dissect the precise strategies for implementing Confucian culture, the process by which Confucian cultural practices influence employee work enthusiasm, and how Confucian cultural practices stimulate employee work enthusiasm towards improved corporate performance. This paper will utilize empirical evidence gathered from various cases and demonstrations to delineate how Confucian cultural practices influence the zeal of corporate employees toward their work. It will thoroughly and systematically disclose the mechanisms of Confucian management practices and the methods for enhancing them.

1.2.2 Practical significance

The significance of this research in directing specific practices can be encapsulated as:

Firstly, this study offers a distinctive Confucian perspective on the management of corporate culture, along with a comprehensive solution for establishing a corporate culture based on Confucian principles. In the context of high-quality economic development, it is particularly crucial for businesses to unlock their inherent potential and gather growth momentum. At the same time, our world is undergoing extraordinary changes unlike anything witnessed in this century. Hence, it becomes particularly vital for businesses to cultivate their inherent motivation. Our management system, which we have adapted from Western models, is struggling to address the insurmountable issue created by escalating labor wages and worsening economic conditions. It

is becoming progressively crucial to identify the intrinsic motivation that enhances the work enthusiasm of corporate employees, whilst also being suitable to the Chinese context. Indeed, the philosophical profundity embedded in the principles of “benevolence, righteousness, propriety, wisdom, and faithfulness” advocated by China’s Confucian culture can provide innovative solutions to practical issues. The application of Confucian cultural concepts in corporate management, along with the promotion of cultural confidence as our spiritual core, can act as an unending source of motivation for employees. In light of this, the present study adheres to the “traditional Confucian culture—employee work enthusiasm” framework with an aim to assist politicians, academics, and business leaders in comprehensively understanding the motivational mechanisms, influence mechanisms, and governance models embedded within. The hope is that this research will offer a comprehensive and robust guide to enhancing the work enthusiasm of corporate employees in China, fostering and promoting traditional Chinese culture, and steering corporate practices toward the goal of optimizing corporate performance.

Secondly, this research not only delves into the influence of traditional Confucian culture on employee work enthusiasm, but also investigates the cross effects between equity incentives, monetary remuneration, and job promotions. This provides more systematic and comprehensive strategies for implementing Confucian management within corporate structures. This research, in its exploration of the interplay between “traditional Confucian culture” and “corporate employee work enthusiasm”, has discovered that explicit incentive systems can significantly enhance the work enthusiasm of

corporate employees when backed by traditional Confucian culture. In order to enhance the corporate structures and systems related to employee engagement and boost employee morale, this study presents examples supported by empirical evidence. From the perspective of corporate culture, it also proposes policy recommendations to stimulate employee work enthusiasm. In an era where market competition is intensifying and talent is progressively becoming the central competitiveness of businesses, this holds significant importance and urgency.

Thirdly, as knowledge-based employees increasingly become the main workforce of our time, it is likely that they will emphasize their individual characteristics, such as self-expectations and self-awareness. As a result, the importance of stimulating their motivation to work becomes particularly significant. Numerous studies have indicated that the emotional condition of employees is pivotal to their work enthusiasm. Nonetheless, the emotional state is elusive and several studies have even explored the effects of daily mood swings on employee work enthusiasm. It is clear that emotional and other mental states, characterized by their complex structures, are not stable. From this viewpoint, it is challenging to propose management practices that are steady, standard, and consistent. As a stable institution, culture is devoid of the volatility commonly associated with emotions. It can assist in shaping practical management strategies. This research focuses on Confucian management practices, meticulously investigating the specific methods of Confucian cultural practices through a single case study. Furthermore, it provides an in-depth explanation of the influence these practices exert, thereby proposing a systematic solution to boost employee work enthusiasm.

1.3 Research Content and Technology Roadmap

1.3.1 Research content

This article consists of six chapters, which are:

Chapter I: Introduction. This chapter offers a comprehensive understanding of the context and importance of this study. It elucidates the link between China's long-standing traditional Confucian culture, along with management strategies that are characterized by cultural confidence, and the work enthusiasm of corporate employees. It contrasts the quintessence of traditional Confucian culture with the significance of corporate employee enthusiasm, thereby establishing the theme of the present research. It presents the main content, methodologies, and potential innovations of this study, and concludes with a brief introduction to the article's structure.

Chapter II: Literature Review. This chapter presents a comprehensive review of existing literature on traditional Confucian culture and corporate employee work enthusiasm. It includes a definition of traditional Confucian culture and an overview of its implications in economic management. The primary focus is to highlight the application of traditional Confucian culture in the realm of management science. Secondly, it provides a review of the literature pertaining to the enthusiasm of corporate employees towards their work, emphasizing the factors influencing this enthusiasm. Thirdly, it encapsulates the potential impact of traditional Confucian culture on employee work enthusiasm, through theories of promotion and restraint. Lastly, it encapsulates the principal perspectives of existing research and identifies the areas in existing literature where research findings may appear inadequate or insufficient. This establishes a literature and theoretical groundwork for

subsequent theoretical and empirical analysis.

Chapter III: Institutional Context. This chapter unfolds within a broad context: the spiritual core of China's Confucian cultural tradition and its significant influence. It carries out a statistical analysis of the prevalence of Confucian culture in Chinese businesses and among Chinese entrepreneurs. Subsequently, it scrutinizes data to comprehend the work efficiency of corporate employees in China and the cost of explicit systems designed to stimulate employee work enthusiasm. Its analysis based on the institutional context establishes a realistic basis for this study, enhancing our comprehension of how traditional Confucian cultural practices within Chinese businesses influence and stimulate employee work enthusiasm.

Chapter IV: An Empirical Study of the Influence of Confucian Culture on Corporate Employee Output. This chapter, structured around the concept of regional Confucian culture, adheres to the reasoning that employee productivity can, to some degree, mirror employee work enthusiasm. It delineates and exemplifies the essential correlation between Confucian culture and employee productivity, offering an alternative perspective on the influence of Confucian culture on employee work enthusiasm. Firstly, a comprehensive regression analysis is carried out in order to determine the impact of Confucian culture on the productivity of corporate employees. Secondly, robustness checks are conducted, such as the substitution of kernel variables and regression models, to verify the basic regression and ensure the stability of the research. Thirdly, endogeneity tests involving the use of placebos and instrumental variable regression are employed to address potential endogeneity concerns and validate the reliability of the research findings.

Fourthly, the heterogeneous effect of this influence is examined. Lastly, a mediating effect model is utilized to investigate the intrinsic relationship between Confucian culture and the output of corporate employees.

Chapter V: The Effect of Confucian Cultural Practices in Aokang International on the Work Enthusiasm of Corporate Employees. This chapter utilizes Aokang International as a case study to delve into the effects of companies integrating Confucian cultural practices on their employee work enthusiasm. An investigative case study is also performed on the company. It will outline the specific Confucian cultural practices adopted by Aokang International, elucidate the internal mechanism that facilitates the interaction between these specific Confucian cultural practices on the one hand and Aokang International and its employee work enthusiasm on the other hand, and assess the corporate performance as a consequence of the dynamics of this relationship.

Chapter VI: Conclusion. This chapter provides a summary of the primary conclusions drawn from this research, categorizes them, and based on these, formulates relevant policy recommendations. Additionally, it offers a perspective on potential improvements that could address the limitations of this research.

1.3.2 Technology roadmap

This study follows a research sequence of phenomenon characterization, problem identification, problem analysis, and problem resolution to investigate the correlation between Confucian culture and employee work enthusiasm. Specifically, this research initially undertook a foundational identification based on the “Confucian culture—employee output” model and investigated

the structural differences in the influence of Confucian culture on employee output. Secondly, it investigated the internal mechanism of the interaction between “Confucian culture and employee output”. Thirdly, it examined how equity incentives, promotional incentives, and Confucian culture collectively influence employee output. It carried out empirical studies to offer comprehensive empirical proof for comprehending the inherent rationale that regulates the impact of Confucian culture on employee work enthusiasm. Furthermore, this research employed case studies to uncover salient facts that corroborate the significance of Confucian culture in this context. By scrutinizing the Confucian cultural practices of Aokang International as a specific case, it aims to furnish a strategic outline for Chinese corporations looking to integrate Confucian management principles into their operations.

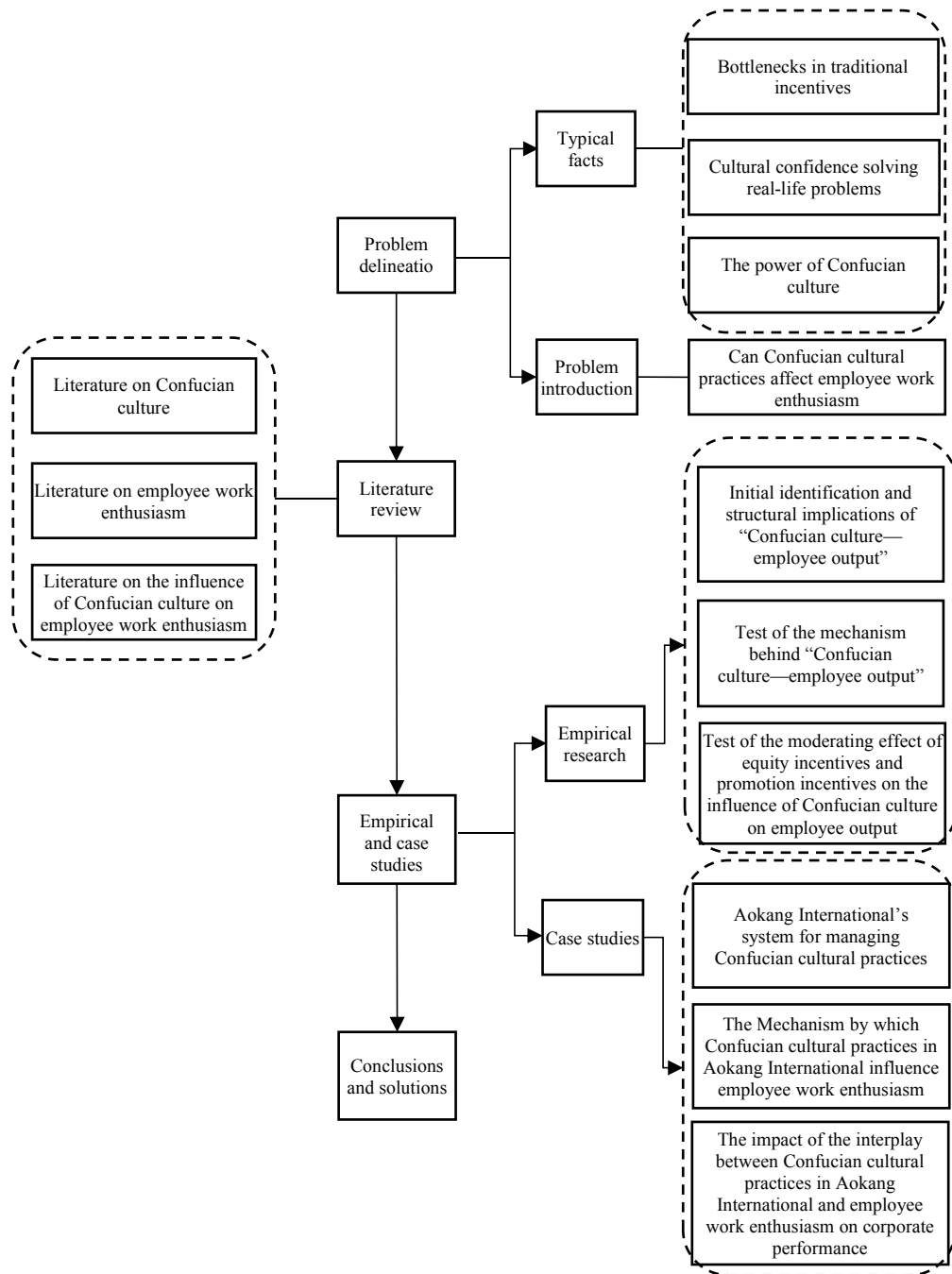


Fig. 1-1 Technology roadmap

1.4 Research Methods

This study adopts the methods of literature analysis, empirical analysis, and single case study, which are as follows:

(1) Literature analysis This method is utilized to comprehensively scrutinize existing research findings, elucidate the implications and extrapolations of traditional Confucian culture and employee work enthusiasm,

establish an inherent logical correlation between the two, and define the starting point of the present research. It delves into the implications and extrapolations of traditional Confucian culture, the primary areas of study, and the methods of measurement to delineate the main methodologies and research structure utilized in this study. The purpose of utilizing this method is to draw on pre-existing research findings, lay the groundwork for this study, surpass the prevailing research viewpoints, and delineate the peripheral scholarly contribution of this research.

(2) Empirical analysis Empirical analysis is an objective analysis and statement of matters. It does not incorporate an individual's subjective value judgments, and primarily addresses the question of "What is the actual state of affairs". This method is primarily utilized in the empirical section of this paper to validate the research hypothesis. This study will employ the method of empirical measurement to investigate the impact of corporate Confucian cultural practices on employee work enthusiasm. It will utilize Chinese corporations listed as A-share companies on the Shanghai and Shenzhen Stock Exchanges to illustrate the economic impact of Confucian culture on employee work enthusiasm and elucidate the underlying rationale of the influence of Confucian culture on employee work enthusiasm. Utilizing empirical methods including the fixed effect model, the mediating effect model, and the moderating effect model, this paper aims to investigate the impact of Confucian culture and propose strategies on how to incorporate Confucian culture within corporate environments. To address the potential endogeneity issue in the interaction between Confucian culture and employee work enthusiasm, this research employs techniques including instrumental variable

regression and placebo tests to mitigate the predictive bias generated by endogeneity.

(3) Case study A case study is an impartial depiction and examination of an authentic management situation. It is built upon acquired business circumstances and primarily focuses on a business management issue. This study used the efforts of Aokang International in establishing a corporate Confucian culture as a case study. It analyzed the specific Confucian cultural practices of Aokang International, investigated the impact of these Confucian cultural practices on employee work enthusiasm and the underlying mechanisms, and ultimately scrutinized the company's corporate performance resulting from the implementation of these Confucian cultural practices. Based on this, the study comprehensively evaluated the effects of Aokang International's Confucian cultural practices and suggested improvement measures, providing representative strategies for optimizing Confucian cultural practices.

Chapter II Literature Review

This chapter examines and encapsulates the literature pertaining to the research subject, subsequently establishing the commencement point of this study. It utilizes existing research findings to highlight the areas that merit further investigation. It undertakes a comprehensive review of existing literature on traditional Confucian culture and employee work enthusiasm, and outlines the meanings of these two concepts, as well as their preceding factors and subsequent impacts. This chapter also scrutinizes literature focused on the influence of Confucian culture on employee work enthusiasm, so it can lay a strong foundation for future empirical and case studies.

2.1 Literature on Traditional Confucian Culture

2.1.1 Characteristic facts about the traditional Confucian culture

Confucian culture is universally acknowledged as the foundation of Chinese culture. Confucianism embodies the zenith of Confucian culture. It was established by Confucius, a renowned thinker during the late Spring and Autumn Period, and subsequently refined and expanded upon by Mencius and Xunzi. During the Song Dynasty, Confucianism, specifically Neo-Confucianism, which was developed by Cheng Hao, Cheng Yi, and Zhu Xi, along with the philosophy of the mind initiated by Lu Jiuyuan, experienced significant progress. Wang Yangming, a scholar of the Ming Dynasty, proposed the theory of “Unity of Knowing and Doing”, also known as the Yangming Philosophy of the Mind. This theory advanced classical Confucianism to unprecedented levels. After over 1,000 years of inheritance and evolution, Confucianism has now become a fully developed philosophical system. Li and Nie (2011) concluded that Confucianism, which guides human

beings toward their inherent worth, has formed a comprehensive ideological system centered around “benevolence, righteousness, propriety, wisdom, and faithfulness”. Upon reflection, Confucianism surfaced during the pre-Qin era, a time when “all philosophical schools vied for supremacy”. It then went into obscurity during the Qin Dynasty, a period marked by the “burning of Confucian texts and live burial of Confucian scholars”. It regained prominence due to the recognition it received in the Western Han Dynasty, which “elevated Confucianism above all other philosophical schools”. Nevertheless, it saw periods of decline during the Southern and Northern Dynasties and faced intrusion from Western culture in recent times. Yet, the prevailing belief that Confucian culture has reigned supreme over Chinese culture for over two millennia has never been called into question (Zhang, 2013). Jin et al. (2017) pointed out that Confucianism is firmly embedded in Chinese society, evolving into a pervasive ethical system that individuals adhere to in their everyday lives, often without awareness of its existence. Two contradictory perspectives have emerged regarding Confucian culture. In his work, Du (2013) categorized Confucian culture into two levels: One level views Confucianism as a “feudal ideology”, emphasizing the strong sense of historical burden in Chinese culture. It asserts that feudalistic elements are still embedded in the social, economic, political, and cultural aspects, subtly lingering in people’s consciousness and influencing their values and concepts. The other level highlights the spiritual core of “benevolence, righteousness, propriety, wisdom, and faithfulness” in Confucian culture. It stresses that the thoughts of Confucian culture represent the essence of Chinese culture and the identity of the nation. This paper proposes that the principles of “benevolence,

righteousness, propriety, wisdom, and faithfulness”, as championed in Confucian culture, possess timeless value. The precise content of this ideology will be thoroughly dissected in the subsequent sections.

“Benevolence”. Confucian culture extensively explicates the concept of “benevolence” and venerates it as the paramount ethical benchmark. Confucius provides two interpretations of “benevolence”. In one interpretation, he stated that “The benevolent man loves others ... Now the man of perfect virtue, wishing to be established himself, seeks also to establish others; wishing to be enlarged himself, he seeks also to enlarge others”. He emphasized that “benevolence” is an intrinsic motive within a person, signifying the moral principle of “treating others as one would wish to be treated”. In the other interpretation, he asserted that “To subdue one’s self and return to propriety, is perfect virtue”. The two respectively advocate for “treating others with benevolence” and “self-discipline using others as models”. Motivated by “benevolence”, the individual displays outward behaviors such as “loyalty and forgiveness” and “filial piety and fraternal responsibility”. Confucius defines a gentleman as a person who exemplifies “benevolence”, considering it the fundamental essence of virtue and the centerpiece of the five regular constituents of moral worth. The Confucian principle of “benevolence” underscores the idea that those in power should adhere to policies of benevolence and lead with virtue in order to earn the people’s trust and allegiance. The concept of “benevolence” is also advantageous when managing interpersonal relationships and positively influences business operations (Li, 2010).

“Righteousness”. “Righteousness” symbolizes fairness, that is, the act of performing what is supposed to be done. Confucius elucidated the concept of “righteousness”. His proclamation, “Inquire not of its possibility, but of its propriety,” underscores the precedence of “righteousness” in the execution of actions. “The superior man in everything considers righteousness to be essential”. “The superior man holds righteousness to be of the highest importance”. ‘Righteousness’ is the second criterion for determining whether a man is a gentleman. Mencius further expounded on “righteousness”, underlining that “righteousness” is paramount as a criterion in the value system of life and constitutes the basis for all behaviors. “Righteousness” thus serves as a significant constraint, and within the context of this idea, the individual should progressively appreciate the self-disciplinary power of “righteousness” in their pursuit of profit. Confucian culture does not object to the pursuit of wealth. To quote, “If the search for riches is sure to be successful, though I should become a groom with whip in hand to get them, I will do so.” However, in order to “accumulate wealth without resorting to wickedness,” one must “combine righteousness with benefits” and adhere to the principle of “righteousness”. The Confucian principle of righteousness and benefit is profoundly ingrained in the Chinese manner of behavior and serves as a powerful standard in assessing the level of equity in resolving conflicts of interest among groups.

“Propriety”. “Propriety” is an important concept in Confucian culture. “Without an acquaintance with the rules of propriety, it is impossible for the character to be established”. Confucius once said, “To subdue one’s self and return to propriety, is perfect virtue.” This suggests that the basis of “subduing

one's self" is understanding "propriety". He further elaborated, "Look not at what is contrary to propriety; listen not to what is contrary to propriety; speak not what is contrary to propriety; make no movement which is contrary to propriety." This implies one must exercise restraint and tolerance, control their thoughts and actions, and abandon unhealthy, indulgent behavior to avoid impropriety. Therefore, "propriety" is frequently considered a prerequisite for personal development and self-discipline. This aligns with the leadership attribute of leading by setting a good example. Confucius amalgamated "benevolence", "righteousness", and "propriety", and Mencius further elucidated that "propriety" signifies punishing misconduct and guaranteeing the enforcement of benevolence and righteousness. "Propriety" is a binding norm and a default rule that embodies the alignment between thought and behavior. "The decision to employ someone primarily depends on their mindset, which in turn is influenced by self-discipline." This indicates that propriety is indeed a moral standard. "Propriety" signifies a moral guideline for contemporary business administration and leadership style, exerting a significant influence.

"Wisdom". "Wisdom" implies profound knowledge gained through comprehending matters and morality. It also serves as the theoretical foundation for Confucian enlightenment. "The wise are free from perplexities; the virtuous from anxiety; and the bold from fear". "Wisdom" denotes the capacity to discern truth, stay committed to one's mission, and engage in self-improvement. According to Confucian philosophy, an individual possessing both "benevolence" and "wisdom" can be regarded as a sage. Mou (2010) highlighted that "wisdom", as put forth by Confucius and Mencius, is

distinguished by life transparency, and that the attainment of “benevolence” requires the backing of “wisdom”. Xunzi asserted that “wisdom” embodies the moral elevation attained through the teachings of the wise. These wise individuals foster personal growth by amassing experiences, and the foundational essence of “wisdom” lies in discerning right from wrong, and good from evil. Initially, Confucianism’s interpretation of “wisdom” valued the power of education. As technology advanced, the definition of “wisdom” broadened to encompass talent, knowledge, and technology, all of which necessitated structured learning. This perspective underscores that the hiring of an individual depends not only on their expertise and knowledge but also on their capacity to discern between right and wrong. Simultaneously, it emphasizes the importance of education and learning and directs individuals to practice benevolence.

“Faithfulness”. Confucius said, “I do not know how a man without faithfulness is to get on”. The principles of “dealing with others sincerely” and considering “faithfulness” as the fundamental ethical standard should be demonstrated through explicit actions and words. The social network is defined as “a distinct set of links between specific individuals,” and in Confucian culture, “faithfulness” serves as an indispensable prerequisite for the formation of thousands of personal relationships. Faithfulness is a crucial assurance for the healthy evolution of the market economy; it serves as the most dependable benchmark connecting market players. Confucius identified “faithfulness” as one of the four principal responsibilities in educating students. He stated, “He completes it with faithfulness. This is indeed a superior man”. Confucius delineated three aspects of “faithfulness”. Firstly, “faithfulness”

serves as a means of governance; secondly, “faithfulness” is a prerequisite for social interaction; thirdly, “faithfulness” is a status that can be attained through self-cultivation. The concept of “faithfulness” from Confucianism has gained considerable recognition as a fundamental principle in business management. Expressions like “Practice what you preach” and “A promise is a promise” all underscore the fundamental notion that “faithfulness” constitutes the basis of one’s social standing and is a prerequisite for contract signing in economic activities.

“The Doctrine of the Mean”. “The Doctrine of the Mean” is a principle widely prevalent in Confucian culture. Confucius and Mencius asserted that “the Doctrine of the Mean” is the most viable approach to ethical practice. “The Doctrine of the Mean” denotes a methodology that is conventional, universal, and unbiased. To quote, “The virtue of the doctrine of the mean is challenging to uphold as very few individuals are familiar with it”. This signifies people’s deep reverence for the Doctrine of the Mean. Confucius said, “The superior man embodies the course of the Mean; the mean man acts contrary to the course of the Mean”. He differentiated the superior man from the mean man by invoking the Doctrine of the Mean. Confucius advocated for appropriateness. The Doctrine of the Mean can be applied to discover an “appropriate” approach, enabling the reconciliation of opposing forces, rather than allowing them to become excessively unbalanced. “The Doctrine of the Mean” entails the application of clever strategies to reach the best possible solution. It encapsulates the fundamental principle of harmony and the aim of achieving mutually beneficial results. The behavioral pattern inspired by “the Doctrine of the Mean” is commonly utilized in managing interpersonal

relationships. It is also applied in business management to ensure a harmonious operational environment.

In conclusion, the radiant principles of “benevolence, righteousness, propriety, wisdom, and faithfulness” promoted by Confucian culture not only positively influence the establishment of individual values and behaviors, but also significantly impact the cultural efforts made by enterprises in management and operation.

2.1.2 The application of Confucian culture in enterprise management

As previously outlined, the ethical principles and philosophical ideas in Confucian culture have a profound influence on China’s behavioral norms. These norms significantly shape individuals, social institutions, and nations in a unique manner. The brilliance of Confucian culture has been widely acknowledged by entrepreneurs, who also place significant emphasis on incorporating Confucian principles into their management practices in order to construct their own unique corporate cultures. The incorporation of Confucianism into Japanese business practices serves as a paradigmatic instance. These businesses have established corporate cultural values such as “prioritizing people” and “the benevolent person displaying love towards others”, resulting in significant growth (Luo, 2011). Hence, it is essential to investigate the specific core of Confucian culture embodied in enterprise management. For this purpose, the subsequent sections of this paper will undertake a pertinent review of the literature.

Through the establishment of Confucian culture, enterprises strive to attain the goal of “inner sageliness and outer kingliness”. The concept of “inner sageliness and outer kingliness” has its origin in *The Great Learning*,

which in its opening chapter introduces three principles. To quote, “What the Great Learning teaches, is to illustrate illustrious virtue; to renovate the people; and to rest in the highest excellence”. The central tenets of the Great Learning involve the elucidation of eminent virtue, the rejuvenation of the populace, and the pursuit of the pinnacle of excellence. The starting point of “illustrating illustrious virtue throughout the kingdom” is precisely “inner sageliness”. “Inner sageliness” entails “the exploration of phenomena, expansion of understanding, honesty, and justice”. It emphasizes personal growth, leadership through demonstration, and character enhancement. “Outer kingliness” entails “self-cultivation, family harmony, state governance, and world peace”. It requires that the state of “inner sageliness”, achieved through self-cultivation, has a spillover effect. The concept of “inner sageliness and outer kingliness” and the business objective of enhancing quality and efficiency through innovative management systems may differ in methodology but are equally successful in outcomes. Inner sageliness suggests that companies should fortify their internal structure by embodying Confucian values. Leaders should serve as role models to influence their employees, subsequently boosting the organization’s resilience. The concept of “outer kingliness” suggests that the “inner sageliness” of enterprises, obtained through the instruction of Confucian principles, translates into outward business conduct, realizes enterprise value enhancement, and contributes to society, among other positive externalities.

Enterprises build their organizational structures and operational systems through the principle of “inner sageliness and outer kingliness”. Their specific approaches reflect the following four Confucian management concepts:

(1) Spiritual level

The concept that “the benevolent man loves others”. This concept urges business leaders to prioritize their employees, serve as role models, “generously bestow benefits upon their employees”, and “be adept at facilitating the success of all” in business management. They must motivate their employees through thoughtful actions. Simultaneously, they ought to establish an internal necessity for “introspection” and scrutinize their actions thoroughly, instead of expecting others to bear the responsibility of resolving operational problems.

The ecological view of “harmony between man and nature”. This view necessitates that humans live in harmony with nature and strive towards a state characterized by mutual consent and peaceful coexistence with others. Under the direction of this perspective, businesses should actively execute their social responsibilities and demonstrate concern for both society and their employees. They should make substantial contributions to society and embrace an environmentally friendly approach to production, thereby embodying the ecological concept of “harmony between man and nature”.

The notion regarding profit and loss that “those in authority generate wealth in accordance with ethical standards”. According to Confucian doctrines, businesses should prioritize the “righteousness” of their operations while pursuing profitability. Simultaneously, while shaping their employees’ mentality with their own values, they should not solely focus on economic gains. Instead, they should maintain integrity in production and business transactions, and foster a proper understanding of corporate profit and loss. The principle of “balancing righteousness and benefit” encourages corporate

management to place equal emphasis on ethical restraint and economic profits. This idea can restrain opportunistic behavior in businesses.

The concept regarding integrity that “good faith comes first”. To reference a saying, “I do not know how a man without faithfulness is to get on.” Influenced by Confucian teachings, the practice of corporate management broadly emphasizes the significance of integrity. Business executives ought to personally exemplify that integrity forms the bedrock of commerce and adhere to the principle of ethical management throughout their routine business operations. At the core of Confucian culture lie the driving force of integrity and the external scalability of trust, which, in business management, are also concepts that must be upheld at all times.

(2) Institutional level

The principle that “ethical restraint precedes penalty”. In Confucian managerial philosophy, constant emphasis is placed on flexible moral restraint, and punishment is not considered as the primary method. Confucius said, “If the people be led by laws, and uniformity sought to be given them by punishments, they will try to avoid the punishment, but have no sense of shame. If they be led by virtue, and uniformity sought to be given them by the rules of propriety, they will have the sense of shame, and moreover will become good”. Companies influenced by Confucian culture often adhere to the principle of “moral restraint over punitive measures”. Among the institutional norms, those aiming to guide and influence individuals are predominant, while those intending to punish or reward individuals are considered peripheral.

The Confucian “propriety” system. Initiatives surrounding “propriety” are an essential responsibility for businesses that apply Confucian management philosophy. “Propriety” serves as an external oversight mechanism that governs the conduct of employees. “A prince should employ his minister according to the rules of propriety; ministers should serve their prince with faithfulness.” It is expected that enterprise leaders treat their subordinates with respect, and in turn, subordinates should demonstrate loyalty towards the enterprise. Therefore, when enterprises establish “propriety” rules, they should delineate propriety standards and create a regulated and standardized internal management system. As a result of the influence of Confucian culture, employees will spontaneously observe “propriety” requirements.

(3) Behavioral level

The “Doctrine of the Mean” approach to behavior. The Confucian school’s “Doctrine of the Mean” advocates for moderation and avoidance of extremism. When businesses incorporate these principles into their management approach, they strive to protect and take into account the interests of their employees and other stakeholders, promoting a heightened sense of equity. In terms of business operations, there will be a greater emphasis on adhering to objective laws, while abandoning aggressive and extreme behaviors.

The principle of “unity of knowing and doing”. The Confucian behavioral model of “unity of knowing and doing” underscores that, in the process of integrating Confucian culture, business leaders ought to set examples, learn from their past experiences, refine their experiences through

the application of Confucian cultural practices, and continually derive nutrition from practical implementation. The employees, for their part, should embrace the teachings of Confucian culture and experience the corporate culture in practice. The “unity of knowing and doing” approach is key to sustainable Confucian-style corporate management.

The behavioral requirement of “fulfilling moral obligation”. The Confucian managerial approach of “fulfilling moral obligation” can be interpreted as an expectation that “each individual should occupy their specific role and bear their respective responsibility”. Confucianism stipulates five relationship dynamics and establishes a guiding principle for each. To quote, “...between father and son, there should be affection; between sovereign and minister, righteousness; between husband and wife, attention to their separate functions; between old and young, a proper order; and between friends, fidelity.” The Confucian principles regarding the five interpersonal relationships dictate that leaders and employees should foster a sense of camaraderie, and employees should demonstrate familial affection and care. When everyone strives to meet their moral responsibilities, businesses can consequently enhance their internal management. The specifications about the five interpersonal relationships provided by the Confucian school serve as the outward expressions of Confucian-style management. By “fulfilling moral obligations”, businesses enhance their relationships with their employees and other stakeholders, leading to an improved corporate environment.

(4) Material level

This is the tangible facet of Confucian culture. Merely relying on determination is inadequate for propagating the teachings of Confucian culture.

In the absence of ample external influences, material incentives can serve to augment this endeavor. Drawing inspiration from the material aspects of Confucianism, corporations frequently construct edifices that embody Confucian cultural symbols. They establish external representations such as Confucian culture study groups and Confucian culture schools, among others. Additionally, they can disseminate pamphlets detailing their corporate philosophies rooted in Confucian culture, thereby shaping managerial strategies that reflect Confucian values.

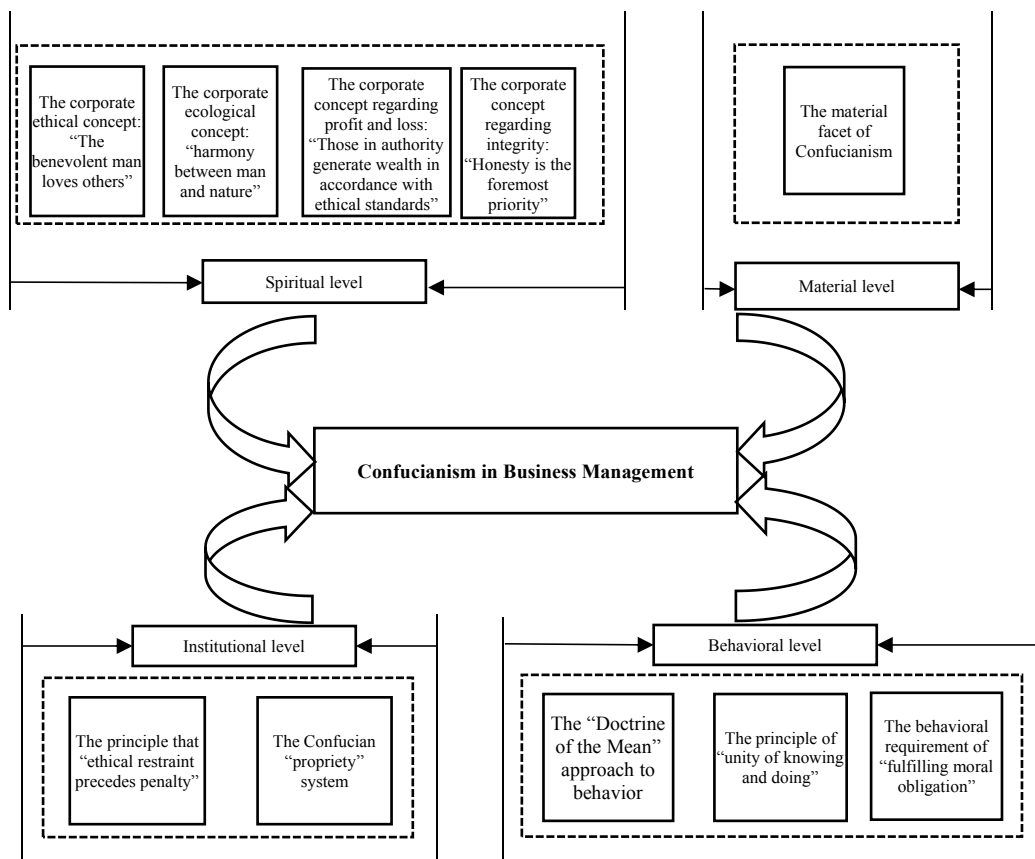


Fig. 2-1 Confucian culture's theories of management

2.1.3 The influence of traditional Confucian culture

From the viewpoint of generalized economic theories, Confucian culture represents a quintessential informal Chinese institution. Its societal influence has transcended cultural boundaries to impact contracts based on moral

consistency. This is exhibited in individuals' moral philosophies, conventional ethical standards, and sociopolitical orientations, thus creating a comprehensive theoretical system that directs behavior. This influence is also evident in Fei Xiaotong's discourse in his work, *Rural China*. Moral concepts refer to the beliefs that individuals within a society should consciously adhere to social norms. These include behavioral standards, the individual's personal beliefs, and social sanctions. This signifies that the power held by Confucian culture is incalculable. Historically, Confucian concepts have pervaded China's feudal dynasties for over two millennia, exerting a significant influence on the economies of East Asia. The "Post-Confucian Hypothesis", suggested by Kahn (1979), posits that Confucian ideology was the primary catalyst for the economic boom experienced by the four East Asian tigers. Du (2013) furthered this argument by stating that traditional Confucian culture played a crucial role in the modernization of East Asian nations. These pieces of evidence and instances collectively demonstrate that the implications of Confucian culture have transcended the realm of culture and can be expanded to encompass economic conduct. Traditional Confucian culture represents a distinctive imprint upon the longstanding history of China. Its influence is indelible and carries significant, far-reaching implications.

From a macroscopic perspective, numerous academics highlight that Confucian culture has surpassed its cultural boundaries and is significantly influencing China's economic progression. On a micro-level, this impact on businesses is incremental, offering substantial and lasting contributions to corporate governance. From the viewpoint of institutional economics, Confucian culture, acting as an informal institution in China where the

economy is undergoing transformation and such informal institutions significantly compensate for the deficiency of formal ones, plays a crucial role in reducing contract expenses. As stated by Allen et al. (2005), informal institutions have, to a great extent, elucidated the phenomenal economic growth of China. Therefore, it is extremely important to explore the economic impacts of Confucian culture and uncover its underlying mechanisms. This will contribute to the collection of literature for further investigation of traditional Confucian culture and employee work enthusiasm in the following sections. In this section, we take a macro view to explore the relationship between Confucian culture and economic growth, consumption, investment, and export. We will, from a micro perspective, elucidate the intrinsic relationship between Confucian culture and corporate governance. The following is a detailed explanation of the subject. According to Kahn's (1979) "Post-Confucian Hypothesis", Confucian ideology is the principal driving force behind the remarkable economic growth of the four East Asian Tigers. Morishima (1986) conducted an analysis of the part Confucianism played in the successful growth of the Japanese economy, concluding that the idea of thriftiness embedded in Confucian culture expedited the capital accumulation necessary for economic growth.

Microscopically, as the study of Confucian culture progresses with sophistication, a surge in discussions concerning Confucian culture and corporate finance issues has been triggered in the field of microfinance, yielding abundant research findings. Ye (2018), utilizing samples of Chinese A-shares, conducted an empirical analysis and concluded that businesses that are significantly influenced by Confucian culture tend to reduce over-

investment. This is attributed to the moral constraints imposed by the principles of Confucianism. The decrease in investment efficiency can be primarily attributed to the reduction in agency costs induced by Confucian culture. Some research indicates that the stronger the influence of Confucian culture on publicly traded companies, the less pronounced the tunneling effect on implementation (Ye & Li, 2020). Xu, Li, and Chen (2020) found that, in relation to stock price crashes, Confucian culture principally endeavors to mitigate risk through three methods: constraining the self-interest motivation of managers, improving the quality of corporate information, and curbing managerial overconfidence. Chen et al. (2020) carried out research exploring the association between Confucian culture and corporate salary structures. Their empirical findings propose that companies heavily influenced by Confucian culture typically exhibit a less pronounced disparity between the wages of top executives and employees. Furthermore, Confucian culture influences the occupational expenditures of corporate executives. Research has discovered that a widespread Confucian culture can restrict the occupational expenditure of corporate executives. This is because Confucian culture enhances executives' consciousness of thrift and imposes greater ethical restrictions on them (Pan, Tang & Ning, 2020). Confucian culture can also effectively enhance the quality of corporate information, strengthen internal corporate control (Cheng, Pan & Wang, 2016), and curb tax evasion practices among businesses (Cheng, Xuan & Hao, 2020). Consequently, this fosters a heightened sense of social responsibility within enterprises (Zou, 2020) and encourages them to make charitable contributions (Xu, Long & Li, 2019). In addition, Confucian culture will eventually impact corporate

performance. Gu (2009) argued that the Confucian tradition endorses the profit-seeking behavior of companies, thereby enhancing their financial performance. Some studies even suggest that Confucian culture elevates the degree of corporate innovation. The underlying rationale is that Confucian culture reduces the agency costs of corporations, enhances investment in human capital, and diminishes the risk of patent infringement. Significantly, Confucian culture can bolster the innovative fervor of all employees (Xu & Li, 2019). Cai and Xie (2020) have reached a similar conclusion on this matter.

In terms of individual Confucian-style management practices, Confucian values can shape the attitudes and behaviors of employees, leading to changes in organizational behavior. This, in turn, has significant implications for organizational management and human resource management. Confucian values in the professional environment refer to the broad perspectives and convictions associated with work. Confucian ethics instruct individuals to uphold high moral standards in society, fulfill their roles effectively within their families and workplaces, and maintain specific interpersonal relationships (Kang et al., 2017). In the professional setting, the Confucian value system establishes a robust foundation for occupational ethics. It aids employees in forming a balanced perspective on monetary matters and higher career aspirations, assigns superior roles to managers, and prevents the compromise of social responsibility in the pursuit of interests. Confucian culture promotes frugality as a virtue, and Confucian work ethics have a substantial positive effect on the budgeting aspect of financial attitudes, while exhibiting a significant negative effect on the saving aspect. This suggests that employees adhering to Confucian values are more careful with their money

and do not experience psychological responses such as guilt or discomfort from spending money (Lim, 2003). When employees who deeply uphold Confucian values are selecting a job, they present higher expectations and requirements for particular conditions such as a clear organizational structure, a positive work environment, substantial job remuneration, considerate supervisors, amicable relationships with colleagues, and a job with diverse characteristics (Yang & Zheng, 2004). Empirical research suggests that the stronger the adherence to Confucian values by management personnel, the higher the level of trust, fairness, and information sharing they demonstrate towards their subordinates (Yeo et al., 2017). The Confucian principles of benevolence and righteousness significantly deter managers from sacrificing corporate social responsibility for the sake of commercial gains (Wang et al., 2018; Chao et al., 2016).

Under the influence of Confucian values, employees foster superior organizational practices, heightened fairness sensitivity, and enhanced organizational citizenship behavior, alongside more innovative actions and improved production precision. This can stimulate transformational leadership behaviors among their superiors. In professional environments, traditional Confucian values greatly enhance employees' sensitivity to fairness and their organizational citizenship behavior. Employees who deeply embody these traditional Confucian values typically display a higher degree of concern for their organization, leaders, and colleagues. They are more likely to engage in behavior that aligns with organizational expectations, thereby making them increasingly fair and selfless, and exhibiting more organizational citizenship behavior (Wang & Zhang, 2012). There exists a substantial positive

correlation between traditional Confucian values and exemplary organizational behaviors, including organizational commitment and work performance. Employees who possess a stronger attachment to Confucian values demonstrate a higher degree of organizational identification, a stronger inclination to remain in their current positions, and a greater adherence to job requirements. In other words, Confucian values inspire employees to establish superior organizational behavior and propel higher personal performance (Yang & Zheng, 2004). The work ethics derived from Confucianism have a considerable positive influence on the innovative behavior of Chinese employees. They encourage innovative behavior among Chinese employees (Li, Jing & Read, 2016). Confucian values exert a restraining influence on counterproductive actions such as production deviance, and by way of job satisfaction's mediating effects, they exhibit a substantial negative predictive impact on production deviance (Guo, 2011). Confucian work ethics only notably deter individuals' deviant behavior in high and medium team environments (Zhang et al., 2015). The principles of benevolence, righteousness, propriety, and loyalty promoted by Confucian ethics align with the features of transformational leadership within organizations. A significant positive correlation exists between Confucian values and transformational leadership behaviors, as well as heightened performance expectations.

Under the influence of Confucian values, employees make significant contributions to their organizations, including enhancing organizational performance, facilitating information exchange within the organization, improving the quality of service, reducing production deviations, and mediating the effect of cultural values on human error. At the team level,

shared interpersonal ethical values significantly enhance team performance through collaboration. Across various contexts, both shared interpersonal ethical values and the value of self-discipline positively influence an individual's performance (Huang et al., 2012). Human resource management practices in China are shaped by Confucian values. These values bolster the connection between sustainable human resource management and factors such as employee employability, a harmonious working environment, and employee well-being, and ultimately influence organizational performance (Mak et al., 2014). Prior research has confirmed that Confucian principles play a significant role in promoting information sharing within organizations (Li et al., 2007). The Confucian values held by employees significantly improve their service quality through the intermediary role of emotional commitment, bolstering the performance of the company indirectly (Chan et al., 2011). The Confucian values held by employees have a positive impact on pro-social violations, and through appropriate guidance, these values can establish the basis for sustainable organizational development (Shi & Zhao, 2019). Confucian dynamics play an important moderating role between cultural values and human error (Lu et al., 2012).

The inclination of employees to voice their opinions and related conduct are also shaped by Confucian principles. The Confucian ethical concept of “subjects’ loyalty to their monarch” enhances the positive effect of organizational commitment on the propensity to report unfavorable news, while the principle of “benevolence among friends” reinforces the negative influence of close personal relationships on the inclination to report negative news (Wang et al., 2017). The Confucian values of reverence for authority,

along with tolerance and altruism, positively influence employees' propensity to propose suggestions (You, Miao & Li, 2016).

2.2 Literature on Employee Work Enthusiasm

2.2.1 Connotation and measurement of employee work enthusiasm

(1) Connotation of employee work enthusiasm

From a broad viewpoint, the presence of industrious citizens and institutions that promote diligence in work can fuel the sustainable growth of a national economy. Since the initiation of the reform and opening up, the principle of balancing efficiency and equity in the distribution system, which China has consistently underscored, serves as a quintessential example. The ardor for production, invigorated by institutional reform, has significantly contributed to the economic marvel that China has become. On a micro-individual scale, heightened job enthusiasm among corporate employees implies a reduction in a company's agency costs. More importantly, it assists businesses in expanding their production capacities and enhancing their overall performance. However, there is no consensus among existing research results regarding the connotation and denotation of employee work enthusiasm. The definition of employee work enthusiasm is particularly significant for subsequent theoretical analysis and empirical research in this paper.

The return to the connotation of employee work enthusiasm is inextricably linked with psychology. In the initial phases of related research, academics primarily concentrated on job burnout, which is the antithesis of work enthusiasm. Malslach (1981; 1996), beginning with the negative psychological state of individuals, categorized job burnout into emotional exhaustion, feelings of detachment, and reduced professional self-efficacy.

Subsequently, he created the Maslach Burnout Inventory (MBI). With the emergence and development of positive psychology and positive organizational behavior, work enthusiasm is increasingly becoming a focal point of research. The emphasis of related studies has transitioned to the positive psychological states of individuals. Scholars advocate for the exploration of constructive solutions to unlock people's potential positive factors (Sheldon & King, 2001). They also suggest broadening the scope of job burnout research to include its positive counterpart—work/job engagement (Maslach, 2001). Kahn (1987) is recognized as one of the pioneers to undertake research on work engagement. He introduced two key concepts: work engagement and work disengagement, emphasizing that work engagement is the fusion of employees' sense of self and their job roles. Work engagement pertains to individuals' self-expression and personal presentation in the spheres of physiology, cognition, and emotion while performing their job roles. The physical, emotional, and psychological resources held by individuals constitute the essential prerequisites for work engagement (Kahn, 1990; 1992).

The aforementioned studies have ignited a novel viewpoint on work engagement research, offering profound insights. The research group led by Schaufeli has made the most significant advancements in this field of study (Lin, Shi & Xiao, 2008), with their findings being solidly supported by empirical data. The majority of scholars support Schaufeli's research outcomes concerning the definition and measurement of work engagement. These findings have emerged as the prevailing perspectives within the academic community. Contrary to Maslach, who simply classifies work

engagement and job burnout as two extremes, Schaufeli et al. (2002; 2006) started with happiness and motivation, the two aspects of well-being, and proposed that work enthusiasm should be considered as a cognitive and emotional state that is related to work, more active, and substantial. They further broke down work enthusiasm into three dimensions: vitality, dedication, and focus. Vitality refers to the substantial level of energy and mental resilience displayed during work, along with the readiness to exert effort and surmount challenges. Dedication denotes an individual's total engagement in their work, leading to self-confidence, motivation, and professional pride. Focus pertains to an individual's undivided attention to his work - he perceives time passing swiftly and finds it challenging to disengage from his tasks. Further empirical research confirmed that job burnout is not entirely negatively correlated with work engagement (Schaufeli et al., 2002b; Durán et al., 2004), and it is more credible to integrate the 2D model of job burnout and work engagement into a unified model in order to gather empirical evidence (Schaufeli, 2002a; Gonzalez-Roma et al., 2006). This fundamentally refutes Maslach's bipolar perspective and applies Kahn's concept of work engagement to research that carries practical significance and empirical evidence.

The concepts of work enthusiasm and work engagement are identical (Feng, Zhang & Shi, 2014). In this paper, the interpretation of work enthusiasm aligns with Schaufeli's definition of work engagement. Specifically, the emphasis on work enthusiasm reflects a proactive and conscious psychological attitude toward work tasks. It is exhibited when individuals or groups have a clear understanding of organizational goals and

possess the determination and passion to overcome challenges encountered during the execution of plans and achievement of goals. In psychological parlance, positivity is a dynamic manifestation of human behavior when man is in a state of psychological activity. It delineates the scenario in which human cognition, emotion, willpower, and other psychological aspects are in such a heightened and active state that individuals' intelligence, physical strength, and capabilities are optimized, thereby becoming the catalysts of human behavior. Studies conducted by psychologists reveal that the psychological mechanism triggering consistent positive behavior comprises the following sequence: need leads to motivation, which spurs behavior, ultimately resulting in goal attainment. From this, it can be inferred that need serves as the foundation and origin of constructive actions. Need motivates people and leads to behavior. Simultaneously, as a forward-looking reflection of the outcomes of actions, goals can convert needs into motivations, directing behavior accordingly. The primary elements that form the psychological dynamics of positive behavior comprise needs, motivations, and goals. The greater the needs people strive for, the more explicit their objectives become and the more driven they are. This results in increased internal impetus for behavior and sustained, intensified enthusiasm for work (Kahn, 1990; Schaufeli et al., 2002).

(2) Measurement of employee work enthusiasm

The "Utrecht Work Engagement Scale" devised by Schaufeli et al. (2006) has emerged as the most popular instrument for assessing work enthusiasm. Based on qualitative and quantitative research, the Schaufeli research team developed the Utrecht Work Engagement Scale (UWES). The scale

incorporates three subscales, namely, vitality, dedication, and focus. It is available in two versions: the full version, which comprises 17 items, and the abbreviated version, which contains 9 items. The structural efficacy of UWES has been thoroughly validated across diverse cultural contexts and various occupational categories (Brake et al., 2005; Jackson et al., 2006; Li, Xu & Chen, 2006; Lin, Shi & Xiao, 2008; Wang, Chen & Li, 2015; Chao Gang et al., 2021; Lin & Xu, 2021). Many academics utilize this approach to conduct research on employee work enthusiasm. Pursuing this train of thought, a significant portion of impactful Chinese survey data, to a certain extent, mirrors this. The China General Social Survey (CGSS), the China Family Panel Studies (CFPS), the China Household Finance Survey (CHFS), and the Chinese Enterprises— Employment Survey (CEES) all encompass respondents' comprehensive assessments of their own work. These assessments frequently echo the vigor and commitment depicted by UWES.

It can be contended that comprehending employees' work engagement through surveys can, to some degree, offer a glimpse into the employee mentality and ascertain the level of zeal that employees possess for their work. It should be taken into account that due to the considerable expense involved in gaging employees' work enthusiasm via surveys or interviews, the lack of sample representativeness, as well as the possible presence of the "halo effect", the correlation between a particular viewpoint and a positive expression could lead respondents to accept and endorse a perspective, individual or object without proper verification and result in distorted survey data and questionable data quality. Furthermore, the indicator for employee enthusiasm is acquired through questionnaires. However, this indicator can only be categorized as a

binary variable between 0 and 1, or a value ranging from 1 to 6. This method of measurement is hardly sufficient to comprehensively depict employee work enthusiasm, let alone quantify and compare the work enthusiasm of the employees sampled.

In order to tackle this matter, certain studies commenced by focusing on the end result of employee work enthusiasm. This approach is utilized because enhanced enthusiasm in employees leads to improved corporate performance. This improvement is frequently attributed to an increase in unit labor output and, notably, the sustained positivity of marginal labor output. Work engagement can also enhance the performance of individual employees and potentially improve the overall performance of the organization. On an individual level, work engagement can effectively predict an employee's job performance (Kahn, 1990; Schaufeli et al., 2002b; Li & Mei, 2013; Li, Wang & Yang, 2015; Ning & Li, 2017). Hence, numerous research studies examine the work enthusiasm of corporate employees through the lens of labor productivity measurement. Indeed, labor productivity is of paramount importance for both a nation and a business. As a determinant of economic growth, labor productivity serves as the primary impetus for economic expansion. Both the theory of economic growth and empirical studies on the subject assert that productivity is the primary driver for steady economic growth. Essentially, economic growth is fundamentally the enhancement of productivity.

2.2.2 Factors influencing employee work enthusiasm

There are many intricate factors that influence employee work enthusiasm. These factors can be mainly summarized as individual

characteristics, external support, and family characteristics. Individual characteristics emphasize personal traits and involve self-motivation toward work enthusiasm, including demographic characteristics, achievement motivation, self-efficacy, self-motivation, psychological emotions, and other factors. External support includes factors such as job nature, work environment, organizational support, leadership support, and interpersonal relationships. Family characteristics include factors such as employee's family roles and division of labor. Moving forward, this study will shift its focus to the summarization of factors that influence employee work enthusiasm.

(1) Individual characteristics

In the literature pertaining to the impact of individual characteristics on employee work enthusiasm, there are studies focusing on the influence of individual psychological activities. This study will primarily review the literature from this perspective.

First, employees' achievement motivation is the key driver of their work enthusiasm. Achievement motivation is the intrinsic drive that compels an individual to strive for success or accomplishment in a specific domain of social activities. Strong achievement motivation leads individuals to have a high level of work enthusiasm, as they have a strong desire to accomplish tasks to perfection, enhance work efficiency, and attain greater success. Achievement motivation is a fundamental internal factor that influences employee work enthusiasm. Providing employees with opportunities to experience various successes and cultivating and enhancing their levels of achievement motivation, which includes self-desire for accomplishments, can

help change their negative attitudes toward work and enhance their work enthusiasm.

Second, employees' self-efficacy guarantees the realization of the self-work value. Self-efficacy is defined as individuals' belief in their ability to exert influence over events that impact their lives, at a specific level. When employees are able to exert their talents and demonstrate competence in their work, it continuously reinforces positive feedback for their work. This leads to the fulfillment of their work value and enhances their self-perception. Consequently, a positive cycle is formed in the workplace. Certainly, employees can also step out of their comfort zones and engage in meaningful tasks. By achieving breakthroughs in such tasks, employees are strongly motivated to enhance their work enthusiasm.

Third, employees' self-motivation effectively sustains work enthusiasm over time. Many employees encounter various setbacks and failures in their work. They may also become frustrated due to repetitive tasks. Moreover, an individual in the economic sector is likely to get caught up in mundane tasks resulting from the interaction between personal life and work. These aforementioned factors can lead to changes in employees' psychological state, inevitably causing their mood swings and even decreasing their achievement motivation and loss of the affirmation of their own abilities. If employees are able to regulate their emotions effectively during this process, achieve self-emotion regulation, and motivate their work enthusiasm, they can effectively maintain a strong motivation to enable a high level of self-efficacy.

The above-mentioned psychological factors constitute the psychological connection points to motivate employee work enthusiasm. That is to say,

modern management strategies must awaken employees' inner demands in order to enhance their work enthusiasm. From the perspective of different employees' psychological needs, Kahn (1990) believed that work enthusiasm is mainly influenced by three psychological states: psychological meaningfulness, psychological safety, and psychological availability. May et al. (2004) further highlighted the greatest influence of psychological meaningfulness and discovered the more significant impact of self-perception. Taking a more concrete view, it has been discovered that factors such as resilience (Britt et al., 2001), achievement drive (Hallberg et al., 2004), and emotional intelligence (Hallberg, 2005) can effectively enhance employee work enthusiasm. Some research has also studied Schaufeli's work engagement and concluded that positive emotions not only contribute to individual growth and development but also reflect individual happiness, demonstrating long-term adaptive value. Employees who experience positive emotions are more likely to show increased optimism, tranquility, psychological resilience, focus, and hope over time (Fredrickson et al., 2008). Undoubtedly, these factors contribute to enhancing employee work engagement. More importantly, the personal resources generated through experiencing positive emotions are relatively enduring compared to emotional states. These increased personal resources can predict individuals' subsequent life satisfaction, happiness, and work engagement. From the perspective of short-time fluctuations in work engagement, Guo, Xie, and Cheng (2019) found through empirical research that yesterday's positive emotions can augment today's work engagement. In fact, psychological factors are complex and elusive, which leads to various research perspectives. Therefore, the

concept of psychological capital emerged to unify the diverse psychological states of employees. Psychological capital is defined as a measurable and developable individual positive psychological ability (Luthans & Youssef, 2004). Zhang K., Zhang S., and Dong (2010) developed a Positive Psychological Capital Questionnaire (PPQ) that includes four factors: self-efficacy, resilience, optimism, and hope. Empirical research has found that positive psychological capital has a positive promoting effect on mental health. Activating employees' psychological capital is a key way to enhance their work enthusiasm (Ke, Wu & Sun, 2015).

(2) External support

The individual characteristics of employees are intricate, and the composition of psychological capital is also complex with significant fluctuations. From a naive economic theory perspective, the above-mentioned psychological states are difficult to quantify and extremely subjective. In general, while being recruited, employees' initial state basically guarantees that their psychological state is qualified in a broad sense. The factors driving employees' psychological and emotional changes follow universal patterns when an individual is unable to awaken a positive psychological state on their own, actively seeking alignment with external forces becomes a desirable choice. Self-determination theory holds that individual behaviors are the result of the combined effects of internal and external resources. The availability of internal psychological resources for employees is an important factor that influences their behaviors. By fulfilling employees' psychological demands, companies can establish a psychological contract, which in turn enhances employee work enthusiasm. In this context, motivating employee work

enthusiasm is largely influenced by external support. Optimizing external support is beneficial for enhancing employees' work engagement, expanding the scope of their enthusiasm, and serving as a key driving force behind employee work enthusiasm.

Research indicates that organizational support is one of the factors promoting employee work enthusiasm. Amabile et al. (1996; 2004) paid long-term attention to the impact of supportive organizational contexts on employee creativity, arguing that organizational support can make employees feel encouraged, respected, and rewarded in the organization, leading to a higher level of innovation. This support includes emotional support, instrumental support in terms of tools or tasks, as well as interpersonal support. Lin, Zhang, and Fang (2011) found that the sense of organizational support among Chinese employees can be divided into support for personal lives and work. They further pointed out that organizational support for employees is manifested in various areas, which can meet employees' diverse needs. Therefore, the sense of organizational support should be a multidimensional structure. Empirical research indicates that the sense of organizational support among Chinese employees includes three dimensions: work support, employee value identification, and concern for interests. The multidimensional structure of the sense of organizational support proposed by Bao and Liu (2011) includes several dimensions, such as perceived organizational institutional support, perceived organizational institutional guarantee, perceived supervisor task-oriented support, perceived supervisor relationship-oriented support, perceived colleague work support, and perceived colleague life support. Organizational support contributes to meeting employees' psychological capital, thereby

further enhancing their work enthusiasm (Gupta et al., 2017; Huang, 2010; Tian & Xie, 2010). Ma and Guo (2020) found that organizational support enhances employees' psychological empowerment, thus motivating R&D workers to engage in work. Liu, Zhu, and Ni (2018) concluded that a good organizational climate is conducive to improving employee work enthusiasm. Tan (2012) studied the matching of personal and organizational values, leading to the result that good matching has a positive impact on lifting employees' work satisfaction, organizational commitment, and performance, thus raising employee work enthusiasm. Ma (2015) presented similar evidence that when organizational value highly matches that of employees, employees are more likely to give active suggestions, implying the enhancement of their work enthusiasm.

Some research focuses on the specific institutional guarantee for organizational support to explore ways to increase employee work enthusiasm. Liu R., Zhang, and Liu H. (2022) studied the systems of flexible working time and workplace. They found that working flexibility has a positive impact on employee work enthusiasm by improving work autonomy, fostering harmonious labor-capital relations, and reducing work-family conflicts. With questionnaire data, Wang, Wu, and Zhang (2006) empirically found that pay justice, pay satisfaction, and emotional belonging are the key drivers influencing employee work enthusiasm and performance. Wan et al. (2023) emphasized that psychological detachment used by companies can effectively improve employee work enthusiasm. Li, Xu, and Chen (2006) summarized that organizational justice, role pressure, organizational support, and organizational commitment have a significant effect on work engagement.

According to Guo, Xie, and Cheng (2016), for knowledge workers, career growth opportunities have a strong motivation to substantially raise employees' work meaningfulness, further creating Necessary psychological conditions for their work enthusiasm (Kahn, 1990).

Another literature shows that the management style adopted by the management, especially leadership, can deeply impact employee work enthusiasm. Feng, Zhang, and Shi (2014) utilized data from a survey of 62 Chinese companies to examine the role of leadership style in employees' work engagement and innovation. They found that transformational leadership is in favor of employees' work engagement and innovation. Xu, Lin, and Xi (2019) found that workplace loneliness goes against employees' work engagement, but transformational leadership can weaken this negative impact. Wang, Chen, and Li (2015) expressed that transformational leadership improves subordinate needs by helping them realize the importance of their work and tasks. It also establishes an atmosphere of mutual trust, encourages subordinates to compromise personal interests for the team and organization, and achieves or exceeds the expected results. Transformational leadership can enhance positive outcomes in various aspects of the workplace, including increasing employee work satisfaction, organizational citizenship behavior, and task performance, thereby boosting employee work enthusiasm. Zhang et al. (2019) pointed out that cognitive matching between leaders and employees can motivate employees to work actively. In addition, research has found that inclusive leadership (Tang, Chen & Zhao, 2018), authentic leadership (Ma, Zhao & Chen, 2020), ethical leadership (Zheng & Wang, 2016), virtuous

leadership (Yue et al., 2020), and leader taking advice (Zong & Han, 2022) can all contribute to enhancing employee work enthusiasm.

(3) Family-work relationship

The family-work relationship is related to employee work engagement. The benefits or conflicts between family and work can indeed impact employees' work attitudes and performance (Odle-Dusseau et al., 2012; Wayne et al., 2006). The literature on family and organizational support has been examined. Early studies indicate that work-family conflict exists when time devoted to the requirements of one role makes it difficult to fulfill the requirements of another, and strain from participation in one role makes it difficult to fulfill the requirements of another (Greenhaus & Beutell, 1985). In real life, people tend to compartmentalize the relationship between family and work. In the domain of the family, individuals actively suppress thoughts, emotions, and behaviors related to work, and vice versa (Piotrkowski, 1979). In fact, individuals find it difficult to separate their work and family roles from each other. The boundaries between work and family undergo asymmetrical penetration, with varying frequencies or degrees of intrusion based on the needs of one domain into the other (Frone et al., 1992). Much empirical research has shown that work has a greater negative spill-over effect on the family (Staines, 1980; Evans & Bartolome, 1984). Negative spill-over effect refers to the trouble, entanglement, and depletion of individuals caused by work stress, which leads to their inability to fully engage in family life (Higgins & Duxbury, 1992). Certainly, research indicates the existence of a compensatory mechanism between work and family, which can be achieved by reducing involvement in the dissatisfied domain and increasing

involvement in the potentially satisfied domain; alternatively, it can be achieved by pursuing rewards in one domain to compensate for dissatisfaction in another domain (Edwards & Rothbard, 2000).

Building organizational support for “family culture” can enhance employee satisfaction and thus increase their work enthusiasm. Work atmosphere is how employees perceive the way an organization operates (Kossek et al., 2001). If an organization demonstrates a caring attitude toward employees’ families in the work atmosphere, this form of social support from the organization (Kossek et al., 2001) can promote the integration of employees’ individual roles in both work and family (Taylor et al., 2009). Employees’ perception of organizational support is actually achieved through the perception of support from supervisors. Supervisor support toward the family can make employees feel a higher level of social support, which can enhance employees’ sense of control over work and family responsibilities, and reduce the generation of negative work-family stress (Hammer et al., 2011).

Family support refers to such support as family encouragement and understanding, which can alleviate the pressure from family, thus reducing work-family conflicts and increasing employee work enthusiasm (Carlson & Perrewé, 1999). Family support includes instrumental assistance, emotional concern, information, and evaluation functions (Michel et al., 2011). In situations where there is insufficient social support from the family, the individual’s perceived pressure can resonate with another individual within the same organizational system, resulting in a diffusion effect (Westman, 2001). However, family support can mitigate this interaction. For example, social

support from husbands can reduce wives' work pressure and work-family conflict, while social support from wives can also alleviate husbands' family stress and work-family conflict (Bhave et al., 2010). The research conducted by Zheng, Yu, and Liu (2022) indicates that a spouse's emotional intelligence can enhance employee well-being, thereby increasing their work enthusiasm.

2.2.3 Results of employee work enthusiasm

Undoubtedly, all businesses are pursuing employees who have a passion for their work and are making efforts to continuously enhance employee work enthusiasm. This is because a high level of employee work enthusiasm will directly influence their well-being, active behaviors, and suggestions, which will be directly reflected in work performance. A majority of the literature sustains the idea that a significant portion of the variance in work performance can be explained by work motivation. Work engagement is actually a motivating factor that immerses individuals in completing their work. In general, employees with high work engagement will have more energy and more positive emotions (Demerouti & Cropanzano, 2010), and they will demonstrate themselves through various means such as physical, cognitive, and emotional aspects, thus achieving the expected performance of their work roles. Existing research has shown that when employees invest their physical, cognitive, and emotional energy into their work roles, it can enhance their focus on personal responsibility, strengthen emotional connections to role relationships, and lead to greater effort and time devoted to fulfilling role tasks. This, in turn, is beneficial for achieving high work performance (Rich et al., 2010; Weng, Yang & Cao, 2017). Zhang, Zheng, and Peng (2008) constructed a structural equation model through a questionnaire survey to examine the

relationship between employees' positive emotions and their work performance. The results show that positive emotions significantly contribute to employees' overall work performance. Zhang et al. (2008) found that knowledge workers' positive attitude can improve their work performance. Ren, Zheng, and Zhang (2019) as well as Liu and Lin (2020) have drawn similar conclusions.

Instead of directly impacting work performance, employee work enthusiasm acts on the work performance by influencing their emotional state and work behaviors. Many studies have supported that work enthusiasm can positively influence employees' work satisfaction, work performance, and organizational citizenship behavior (Diefendorff et al., 2002; Schaufeli et al., 2010; Xu et al., 2019). Additionally, it can reduce turnover intention (Schaufeli et al., 2004). Many other studies have concluded that employee work enthusiasm can augment their voice behaviors (Schmitt et al., 2016; Wu, Gao & Duan, 2014; Zhao & Zhai, 2018).

There are many theories related to Confucian culture and employee work enthusiasm (human resources management and organizational behavior). Confucian culture encompasses both self-management and organizational management, particularly focusing on the significance of interpersonal relationships. It has stood the test of time and emphasizes the management of both human-material interactions and human-to-human relationships. Organizational management must be based on conceptual consensus, activating the thoughts of every member of the organization. It is through new ideas that new values are created. Traditional Confucian culture helps people establish a common cognitive framework and a deep knowledge structure. It

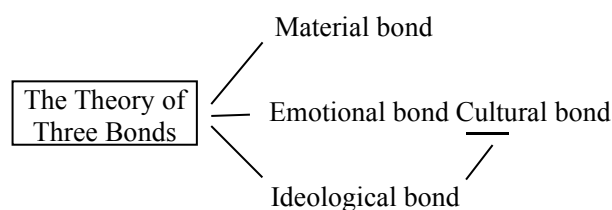
encompasses rich elements of shared memory, enabling people to critically reflect on the present and explore the future from multiple perspectives.

2.3 Literature Concerning the Impact of Confucian Culture on Employee Work Enthusiasm

Existing literature rarely addresses the topic of the relationship between Confucian culture and employee work enthusiasm directly. However, similar literature related to the main theme of this article can be summarized into two contrasting viewpoints.

2.3.1 Confucian culture boosting employee work enthusiasm

According to the literature supporting the positive effects of Confucian culture, in organizations, merely using monetary incentives to motivate employees is insufficient. The cohesion sources from three aspects: material, emotional, and ideological bonds. Emotional and ideological bonds are culture-based, while incentives (equity and remuneration) are material-based. They complement each other and collectively influence employee work enthusiasm.



The practice of Confucian culture within organizations can facilitate the establishment of a psychological contract between the organization and its employees. The traditional Confucian culture of “benevolence, righteousness, propriety, wisdom, and faithfulness” contributes to the cohesion of employees and the creation of a positive organizational atmosphere (Fu & Tsui, 2003). This, in turn, shapes the employees’ positive emotions and normative behavior,

leading to overtime work becoming a voluntary action (Kang et al., 2017). Consequently, this helps enhance employee work enthusiasm.

Many studies have indirectly identified that the practice of Confucian culture is beneficial to enhancing employee work enthusiasm within typical enterprises built around Confucian culture. Chao et al. (2019) studied enterprises that adhere to traditional culture (Confucian culture). Based on multiple case studies, they discovered that through the practice of Confucian cultural values such as education of sages, moral modeling, emotional care, and benevolent support, enterprises can achieve beneficial exchanges among enterprises, employees, and society, cultivate employees' altruistic spirit, guide them to fulfill their responsibilities, thereby enhancing their well-being, reducing the turnover rate, and improving the company's performance while reducing costs. Undoubtedly, employees' positive emotions and work behaviors collectively represent the good state of their work enthusiasm. Yue, Chao, and Wang (2021) based their research on grounded theory and focused on companies that prioritize "family culture". They explored the influence mechanism of Confucian culture on employee work reshaping. The findings reveal that organizations can transform family culture into a metaphorical discourse by utilizing the "construction-interpretation" mechanism. This will inspire employees to form positive self-expectations in their work through three paths: emotional experience, ethical reflection, and logical comprehension. Ultimately, this leads to the reshaping of employees' work behaviors. Manifestations of work reshaping include reflecting on the work purpose and significance, constructing the family relationship in work, weakening the responsibility boundary, and actively undertaking non-duty

tasks. Demonstrating proactive employee behavior also corroborates the promotion of employee work enthusiasm through the practice of a “family culture”. Yue et al. (2020) indicated that in enterprises with a “family culture”, the driving factor that motivates employees to engage in ownership behavior is a diverse path consisting of a dominant path of individual virtue guidance, including conscientiousness and self-awareness, as well as secondary paths of interest achievement and relationship identification. The ownership behavior reflects the employees’ self-awareness and emphasizes individual consciousness, thereby awakening employees’ subjective initiative from within, thus enhancing their work enthusiasm. In the study using Fotile as an example of a “happy enterprise”, Zhou and Sun (2016) indicated that the practice of Confucian culture is beneficial in constructing a “happy enterprise”. It fosters a conducive environment for altruism and mutual assistance, thereby enhancing employees’ sense of happiness and belonging. This, undoubtedly, helps improve employee work enthusiasm. In the unique cultural and institutional context of China, the value system embodied in Confucian ethics highly aligns with many structural dimensions of workplace spirituality. Hu and Zhang (2017) constructed the workplace spirituality of the Confucian culture and established a generative system for the spirituality of Chinese local enterprises at the individual, environmental, and system levels. They discovered that in the post-industrial society with material abundance, Confucian ethics plays an important role in realizing the sense giving of work, enhancing employee spiritual growth, improving personnel management performance in Chinese enterprises, and developing theories of Chinese organizations, among others. As a result, the Confucian culture improves the

work environment for employees and greatly benefits the enhancement of their work motivation.

These businesses that incorporate Confucian cultural practices generally share one characteristic. They all place significant emphasis on the fact that the demonstration of excellent ethical behavior by the leadership is crucial (Zhang, 2019). Hu and Li (2022) found that the leadership's "virtuous governance methods" are essential in shaping family-style businesses and can meet the desire of knowledge-based employees for value realization. The ethical interaction between virtuous leaders and employees forms a unity of employee organizational ownership consciousness and behavior, promoting an increase in employees' sense of identity. (Chao et al., 2021). Wei and Shi (2010) examined the relationship between organization-specific paternalistic leadership and employee work engagement in the context of Chinese cultural background. They found that the two dimensions of paternalistic leadership—benevolent leadership and authoritarian leadership—significantly predict employee work engagement. Hu and Chen (2020) pointed out that the construction of Confucian culture in enterprises can establish an ethical-based culture of ritual governance, which helps foster positive interactions between leaders and employees. This forms a virtuous cycle of leaders seeking advice and employees providing suggestions. Furthermore, Confucian culture can greatly benefit the psychological development of employees within the organization. Chang et al. (2020) stated that the implementation of a Confucian culture-based learning system in enterprises can improve employees' attitudes and behavior toward work and colleagues, thus helping alleviate work pressure among employees. Beyond all doubt, the proper

psychological development of employees and their active integration into the company's production activities are important indicators of employee work enthusiasm. The influence of Confucian culture has permeated corporate governance and plays a subtle role in shaping the personalities of corporate leaders. Entrepreneurs also incorporate the principles of Confucian culture into their management practices, thereby influencing employee work engagement. As an implicit restraint mechanism, the "loyalty and integrity" ethical values advocated by Confucian culture can positively mitigate agency conflicts (Gu, 2015). Confucius said, "The scholar does not consider gold and jade to be precious treasures, but leal-heartedness and good faith." "If the people have no faith in their rulers, there is no standing for the state." Zengzi believed, "Whether, in transacting business for others, I may have been not faithful; whether, in interaction with friends, I may have been not sincere." The Confucian ideology of "loyalty and integrity" contributes to reducing a company's agency costs (Xu & Li, 2019), thereby effectively motivating employee work enthusiasm.

Furthermore, Chao et al. (2021) found that organizations, through traditional cultural training, strengthen individuals' emphasis on Confucian culture-based management concepts, enhancing the influence of Confucian culture on individual shaping. This significantly has a positive impact on work enthusiasm. Psychological capital mediates the relationship between the intensity of traditional cultural training and work enthusiasm. The promotion of Confucian culture in organizations enhances employees' loyalty (Yao, Huang & Fan, 2008) and creativity (Zhang & Gu, 2015), which contributes to the improvement of employee work enthusiasm. The Confucian culture values

education, knowledge, and talent. This fine tradition is beneficial for companies to cultivate a culture of respecting teachers and valuing ethics, leading to a positive interaction between the company and its employees. Thus, it motivates employees to work actively (Xu & Li, 2019). At the same time, Confucianism places emphasis on integrity and considers it as the fundamental principle for personal conduct and living in society. In the context of inadequate formal systems such as the legal system in China, the Confucian business ethics ideology is poised to improve the internal and external business environments of companies. It promotes unity among employees, fosters a conducive work atmosphere, and therefore, inspires employee work enthusiasm (Li & Zheng, 2020).

From the perspective of Confucian culture and employment guarantees, some research has testified that Confucian culture can stimulate employee work enthusiasm. Gan, Xu, and Liu (2020) pointed out that the humanistic ideas contained in Confucian culture, such as “The mind of the superior man is conversant with righteousness” and “a man extensively conferring benefits on the people and able to assist all”, could have a profound impact on the selection of enterprise employment strategies. The advocated values of “benevolence, righteousness, propriety, and faithfulness” are all advantageous for improving the quality of employment security. From this viewpoint, employee rights and interests gain a higher level of appreciation and protection by the company, providing a sense of security and belonging to the employees. Emotionally, this alignment fosters a greater sense of unity between employees and the company’s development goals. This provides evidence for how Confucian culture motivates employee work enthusiasm.

2.3.2 Confucian culture inhibiting employee work enthusiasm

Although Confucian culture has many factors stimulating employee work enthusiasm, there are also negative factors within Confucian culture that can negatively affect employee work enthusiasm. On the one hand, Confucian culture highlights hierarchy and authority. Confucian culture standardizes social order through Three Fundamental Bonds and Five Constant Virtues and advocates a strict hierarchy and ritual governance culture, which will have a negative effect on employee work enthusiasm. Research indicates that the stronger the perception of hierarchy in a particular region, the greater the degree of acceptance of class differences among the population (Cai, 2013). Under the influence of such hierarchy and authority, employees will be trapped in rigid adherence to established norms and lack creativity, which in turn suppresses their work enthusiasm. Confucian culture exhibits some adherence to tradition, carrying the burden of a weighty historical legacy. It tends to be cautious, reluctant to take the lead, overly emphasizes self-restraint, and undermines the potential for subjective initiative, resulting in negative values. Regarding this, research shows that while Confucian culture plays a positive role in handling human relationships and regulating social order, certain ideas within it can to a certain extent suppress employee work enthusiasm (Chen, 2007). On the other hand, Confucian culture upholds collectivism. Companies that are heavily influenced by collectivism often prioritize fairness over efficiency in the distribution of compensation and are less likely to adopt equity incentive systems. Such an institutional arrangement reduces the intensity of incentives for managers and technical backbones (Kong et al., 2017), which is detrimental to stimulating employee work

enthusiasm through competitive salaries. Furthermore, Confucian culture holds a negative attitude toward intense competition and conflict, which is unfavorable for employees to exert their subjective initiative in the workplace and establish a conducive atmosphere of cooperation and competition. Wang and Zhang (2012) pointed out that traditional Confucian values are essentially oriented by relationship harmony. The Confucian ideology of harmony emphasizes acceptance or adaptation to the external environment, which can lead to employees being trapped in path dependency in their work, lacking enthusiasm for their jobs, and struggling to engage in creative work. In addition, Confucian culture may tempt employees to remain silent (Zhou & Liao, 2013), get trapped in adhering to established norms, and lack creative activities. Furthermore, enterprises that incorporate Confucian culture, while yielding positive results, inevitably impact the original organizational structure and processes. For enterprises, stimulating and directing the intrinsic motivation of employees is a crucial element of effective Confucian management.

2.4 Literature Review

From the review of the literature related to the topic of this paper, it is evident that Confucian culture, as the essence of China's fine traditional culture, holds great significance. Moreover, the rise of the Four Asian Tigers has been intertwined with the strength of Confucian culture. The influence of Confucian culture within the East Asian region is worthy of exploration. When it comes to the reality of China, the country has achieved miraculous economic growth that cannot be separated from the power of its culture. At the academic level, Confucian culture has already transcended the realm of culture

and has become an undeniable force and a hot topic in the field of economic management. Existing research still has room for advancement. On the one hand, existing literature has explored the impact of Confucian culture on economic growth, consumption, and savings at the macro level, delving into the influence on various aspects of corporate governance and performance at the micro level. The literature includes discussions focused on the specific ways and means of practicing Confucian culture within organizations, analyzing the aspects of Confucian culture management, and examining the relationship between Confucian management philosophy and corporate culture development, organizational work environment, leadership style, and corporate social responsibility. Currently, there is research underway to examine the impact of Confucian culture on employee behavior. However, these studies primarily analyze employee work enthusiasm as one of the consequences, without directly discussing the association between Confucian culture and employee work enthusiasm. They also fail to specifically deconstruct the underlying mechanisms or provide direct empirical evidence and case studies to support their claims. On the other hand, for employee work enthusiasm as a critical mechanism linking employee behavior and work performance, existing studies focus more on exploring the influence of individual psychological states, social and organizational support, and work-family interactions, but less on examining how the application of Confucian culture impacts employees' psychological contract, organizational support, and more, thus further acting on employee work enthusiasm. Since the specific correlation between the application of Confucian culture and employee work enthusiasm has not been directly addressed in previous research, it is difficult

to provide theoretical and practical recommendations. Therefore, this research will focus on addressing this issue. Therefore, this study is innovative and provides a unique perspective for exploring how real enterprise management relationship effectively stimulates employee work enthusiasm.

Chapter 3 Development of Aokang International and Application of Confucian Culture

This part explores how the application of Confucian culture impacts employee work enthusiasm by taking Zhejiang Aokang Shoes Co., Ltd. (Aokang International) as a single case. The materials for this case study are primarily sourced from Aokang International's website and its self-media platform, news reports, and employee cultural training manuals, while the financial data are from the Wind database. This chapter is generally a phenomenon-based exploratory research, which examines the performance of employee work engagement through the interpretation of a typical enterprise applying Confucian culture. Following an inductive research paradigm based on qualitative data (Eisenhardt & Graebner 2007), this chapter discusses the essence and effect of the application of Confucian culture. Hence, it is more proper to use a method based on the case study (Mao & Li, 2014). This paper is based on a concrete analysis of the application of Confucian culture. By using financial data, it interprets the performance of employee work engagement and presents multidimensional evidence, conducting an exploratory study.

The selection of Aokang International as a research sample was carefully considered. The reason for selecting a specific case company for research may be because it possesses unusual inspirations, represents an extreme example, or presents a rare research opportunity (Yin, 1994). First, Aokang International is a traditional clothing and leather manufacturer. It has been practicing Confucian culture-oriented management principles early on and is able to observe the dynamic effect of Confucian culture on employee work

enthusiasm. Second, in recent years, since it has been greatly impacted by new business models such as online retail, it is undergoing a transformation. Examining the application of Confucian culture during this period will provide valuable insights for similar companies going through a transformation. Third, Aokang International operates in a highly competitive landscape and has been significantly affected by periodic industry downturns in recent years. Assessing the role of applying Confucian culture in fostering resilience within the company under adverse circumstances will help determine its effectiveness in driving employee work enthusiasm. This evaluation holds strong inspiring significance in such a context.

This chapter will primarily discuss three issues: firstly, the specific methods that Aokang International applies Confucian culture; secondly, the mechanism and path through which practicing Confucian culture in Aokang International influences employee work enthusiasm; and thirdly, the effects of Confucian cultural practices on the performance of Aokang International.

3.1 Development of Aokang International and Background of Its Application of Confucian Culture

This section provides a brief overview of the business situation and development history of Aokang International in order to better understand the internal and external environment of the company at the time the case occurred. Furthermore, analyzing the background of the company's ultimate controller will help to conduct a more in-depth analysis of the motives behind their application of Confucian culture in the subsequent sections. Finally, the description of the challenges faced during the company's development and the application of Confucian culture gradually reveal the impact of practicing

Confucian culture on employee work enthusiasm and the subsequent effects on company performance.

3.1.1 Development history of Aokang International

Zhejiang Aokang Shoes Co., Ltd. (Aokang International or the company) was founded in 1988 by its actual controller Wang Zhentao, with a registered capital of RMB 319.98 million. Aokang International (stock code: 603001) officially went public on the Shanghai Stock Exchange A-share market on April 26, 2012. It became the first listed men's shoe company on the A-share market at that time. As one of the largest private shoe manufacturing companies in China, Aokang International has the entire capability of product R&D, production, and sales. With a focus on operating its own brand, the company is dedicated to providing customers with more comfortable leather shoes. At the same time, it has adopted the OEM/ODM model to produce leather shoes for internationally renowned brands. The year 2008 marked the company's fast growth, as it received two honorary titles: Official Leather Goods Supplier of the 2008 Summer Olympics and Exclusive Leather Goods Supplier of the 2008 Summer Paralympics. It has successfully developed its own brands, namely "Aokang" and "Kanglong", as well as established partnerships as authorized agents for "Skechers" and "Puma". Additionally, Aokang International has founded the industry's first footwear technology research institute, along with three major manufacturing bases and the Shanghai East China Operation Center. It has possessed 166 R&D patents. Aokang International is now a leading brand in China as an operator and retailer of leather shoes.

Early stage (1988–2000): In 1988, the predecessor of the company, Yongjia Aolin Shoe Factory, was established. In 1992, three new standard workshops were constructed, with an investment of over RMB 1.6 million to purchase machinery and equipment. This enabled a rapid improvement in the quality of the Aokang brand;

Development stage (2001–2012): In 2001, Aokang released its second brand, Kanglong Casual Shoes. In 2002, Aokang leather shoes were recognized as a famous brand in China. In 2006, China's first foot-measuring device was produced in Aokang. In 2007, the company became a leather products supplier for the 2008 Summer Olympics. In 2010, Aokang acquired the brand ownership of Valleverde, a leading shoe brand from Italy, in the Greater China region. In 2011, Aokang entered into a strategic partnership agreement with the renowned crystal brand Swarovski. In 2012, the company went public on the Shanghai Stock Exchange;

Fluctuation stage (2013–2020): During this period, the industry faced a downturn. The company continued to undergo various reforms and develop strategic partnerships. In 2015, it established a strategic partnership with Skechers, a leading American fashion sports brand. In 2017, it formed strategic partnerships with international footwear giants Cortina and Woodland, as well as INTERSPORT, one of the world's largest sports retail giants, to seek global and multi-platform development. In 2018, the company's first smart store was officially opened. In 2020, a strategic cooperation agreement was reached with Alibaba for new retail expansion;

Reform stage (2021–present): The year 2021 marked the beginning of Aokang's seventh five-year strategic plan. It formulated a new development

strategy at the beginning of the year, aiming to gather momentum and exert efforts to promote the new strategy internally and shape a new image externally. The company focused on the mainstream consumers to create a more comfortable men's shoe brand.

3.1.2 Background and shareholding structure of the actual controller

According to the Wind database, as of 2021, Wang Zhentao gained absolute control over the company's operations and equity at Aokang International. Other major shareholders were either his relatives or senior executives who held a small amount of shares. On the one hand, Wang Zhentao directly held a 15.1% equity stake in the listed company. On the other hand, through the ownership of a 90% equity stake in the holding platform, Aokang Investment Co., Ltd., he indirectly held a 27.73% equity stake in the listed company. In total, his shareholding reached 42.83%.



Fig. 3-1 Shareholding structure of Aokang International

Among self-made entrepreneurs who emerged during the entrepreneurship boom in Wenzhou over 30 years ago, Wang Zhentao is a typical example. Wang Zhentao is not only the actual controller of Aokang International but also the soul of the company. His strong personal influence is evident in the rapid development of Aokang International. Wang Zhentao was born in Yongjia, Zhejiang Province in 1965 from a humble background. He

had worked as a carpenter for three years and as a salesperson for five years. He went through a very difficult period of survival. It is evident that the spirit of the Wenzhou people, characterized by their ability to endure hardships and take the lead, has left a deep impression on Wang Zhentao. This intangible spirit has also cultivated his sharp business acumen. Wenzhou has long been known as the “Shoe Capital of China”. In 1986, Wang Zhentao and his business partner began selling Wenzhou leather shoes. However, at that time, the market was flooded with poor-quality products that affected the brand of Wenzhou shoes. Although the shoes sold by Wang Zhentao were not counterfeit products, they were also affected by association. As a result, his first entrepreneurial endeavor almost ended in failure. This incident inspired Wang Zhentao to establish a shoe factory. When interviewed about it, Wang Zhentao said, “In order to reshape the image of the Wenzhou shoe industry, we must prioritize honest business practices, focus on product quality, establish our own branded products, and regain the trust of consumers, restoring the reputation of Wenzhou shoes.” In 1988, Wang Zhentao returned to Yongjia, Wenzhou, and founded “Yongjia Aolin Shoe Factory” (predecessor of Aokang Group). Under the leadership of Wang Zhentao, the team has placed an emphasis on the concept of conducting honest business and a continuous effort to strengthen brand awareness. At this point, Aokang International, which started from scratch, has embarked on its legendary journey in the manufacturing of Chinese leather shoes. During the course, Wang Zhentao also led Aokang International to pursue diversified development. In 2004, he established Chengdu Kanghua Biological Products Co., Ltd. (Kangh), which focused on the production of rabies vaccines for

human use. This company went public on the A-share market in China in 2020. Furthermore, Wang Zhentao constantly seeks to learn and is unafraid to take risks. In addition to his busy work, he often reads books and studies, constantly enriching himself. He joined the EMBA program at Zhejiang Gongshang University Hangzhou College of Commerce, China Europe International Business School (CEIBS), and Cheung Kong Graduate School of Business (CKGSB), and obtained a master's degree.

3.1.3 Objective difficulties in the company's development

Aokang International is engaged in the labor-intensive textile and apparel industry, which has low technological barriers and intense market competition. To seize the market, Aokang International has input considerable resources to continuously introduce innovations and pursue a differentiation competitive strategy. It has also faced the dual pressure of rising labor costs and sales expenses. According to Figure 3-2, the leather industry as a whole has experienced fluctuations. After reaching its peak in 2016, the industry entered a phase of periodic decline. This situation poses significant pressure on Aokang International's performance growth due to objective environmental constraints. The nature of the industry has placed Aokang International in a highly competitive market environment, which necessitates a resilient management team to effectively counter the challenges posed by unfavorable market conditions and seek a solid footing in the marketplace.



Fig. 3-2 Changes in output scale of leather products in China

From the perspective of industry competition, Aokang International targets the mid-range market and seeks to align itself with the high-end market. However, this market is highly competitive and lacks a dominant player. This implies that Aokang International struggles to enjoy absolute pricing power, and its revenue is significantly influenced by market supply and demand dynamics. As shown in Figure 3-3, the highest market share is held by Senda at only 5.89%, with Aokang slightly lower at 5.79%. However, Aokang International's market share is only slightly higher compared to other companies. Aokang International finds itself in a pressing situation, with adversaries ahead and pursuers hot on its trail. The competitive nature of the industry determines that Aokang International must remain vigilant, with an inherent awareness of potential risks and challenges. Meanwhile, in order to secure a foothold in the fierce market and cultivate a distinct corporate culture, it becomes necessary to foster a workforce with a strong “fighting” spirit.

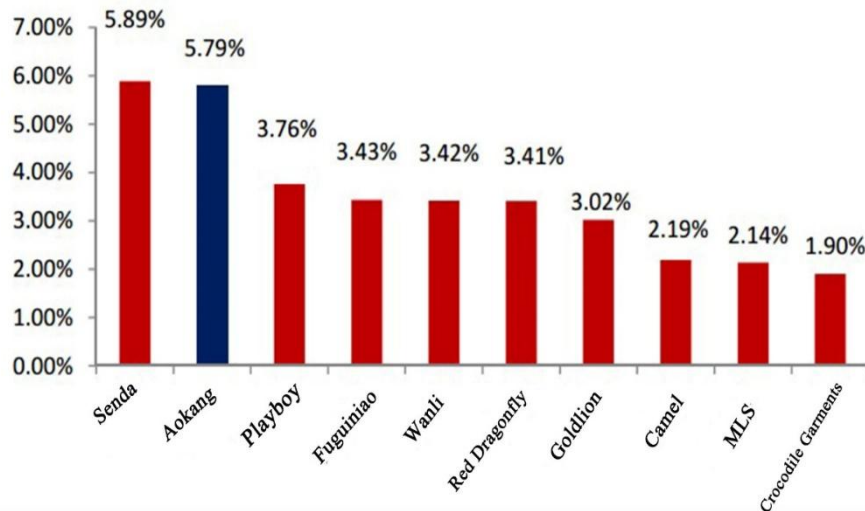


Fig. 3-3 Market share of men's leather shoes in China in 2010

In addition, Aokang International requires a large number of labor to support its business development. The number of its employees rose from over 7,300 in 2011 to 7,806 in 2012. At the same time, employee remuneration increased from RMB 47,300 per capita to RMB 76,400 in 2021. It can be seen that there is a clear upward trend in labor costs for Aokang International. However, it must be acknowledged that the textile and clothing industry has certain characteristics, which means that employees' wages are relatively lower compared to other industries. It is particularly true in a wealthy city like Wenzhou. Therefore, this brings up a question: How can Aokang International resolve the issue of low work enthusiasm in a context where there is an urgent need for labor forces but inadequate industry growth prospects?

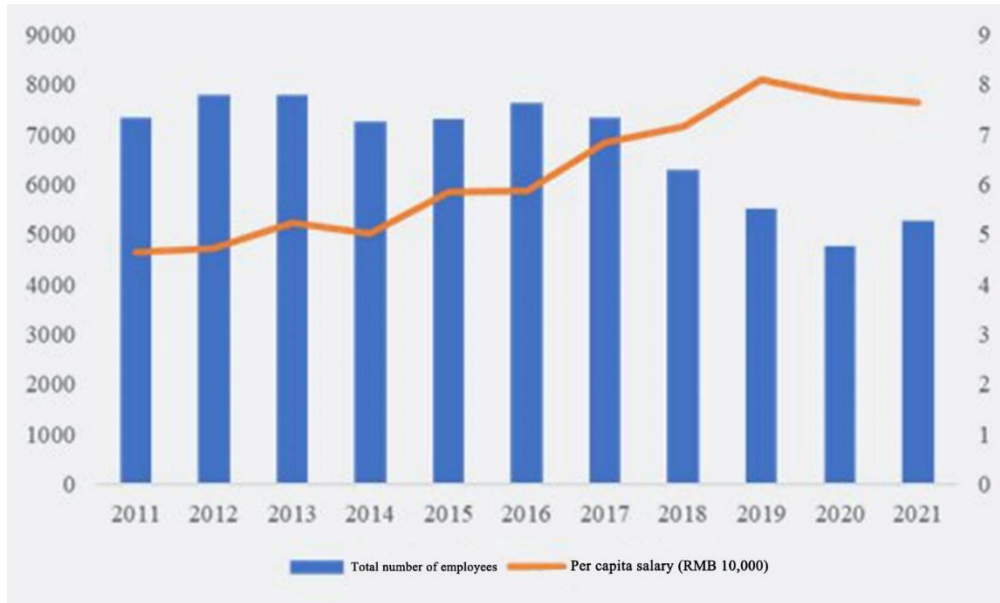


Fig. 3-4 Number of employees and per capita remuneration of Aokang International

3.2 Ways of Applying Confucian Culture in Aokang International

This section primarily analyzes the specific measures taken by Aokang International to apply Confucian culture. First, the approach to cultural practices was summarized from a theoretical framework. Second, the system of Confucian cultural practice was analyzed and the specific case of Aokang International was integrated. Third, Aokang International's specific initiatives to apply Confucian culture were categorized based on five aspects: behavioral level, spiritual level, institutional level, material level, and the unity of knowledge and practice by leaders. Through organizing the information, a detailed display of Aokang International's initiatives in practicing Confucian culture has been presented.

3.2.1 Basic framework for practicing Confucian culture in Aokang International

Fostering Confucian management culture in companies requires the harmonious integration of three fundamental elements. Firstly, the first

fundamental element comes from the practices of the enterprise itself. The cultivation of corporate culture must be based on the actual situation of the enterprise in order to adapt to and drive its development. Secondly, the core management thought of Confucianism serves as the foundation for the cultivation of the Confucian management culture of enterprises. Finally, when fostering the corporate Confucian management culture, consideration should not only be given to practical experience and Confucian management thought, but also to the systematic processes of Western science. The company's own practices act as the foundation, reflecting the timeliness of culture building. Confucian management thought constitutes the core, demonstrating the systematic nature of culture building. Meanwhile, Western scientific methods play a supportive role, emphasizing the scientific aspect of culture building. The three aforementioned elements form the logical framework for building the corporate Confucian management culture. The framework is shown in Figure 3-5.

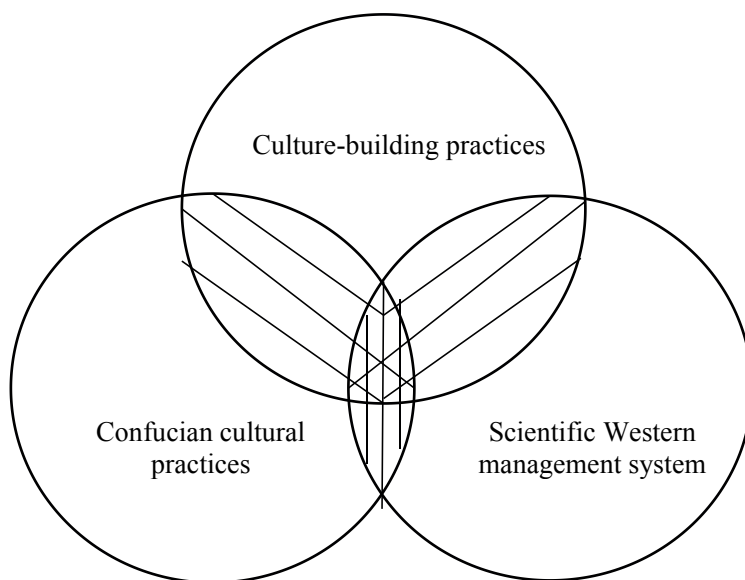


Fig. 3-5 Management system design of Aokang International

To foster a Confucian management culture within an enterprise, it is essential to integrate practical aspects that are in line with the company's operations and maintain relevance to current circumstances. On the one hand, it is important to adapt and keep up with the changing times. On the other hand, it is crucial to uncover the essence of Confucian management thought and effectively apply it to the present-day context. However, it is also important to note that Confucian management thought places emphasis on metaphysical moral education and self-discipline, and de-emphasizes strict supervision. This requires drawing on Western cultural management systems and methods for supplementation, in order to make the Confucian management culture more scientific. In promoting Confucian management culture, companies need to integrate it with standardized and systematic systems to better facilitate the fostering of the Confucian management culture. Merely promoting the standardization of systems will only make employees weary of learning, ultimately resulting in a formality. Excessively emphasizing Confucian management culture could lead to some employees being unable to truly implement it. Therefore, it is necessary to strengthen and safeguard through institutional norms, influence people's hearts with moral values, and simultaneously identify the strategic goals and optimize approaches to better establish a Confucian management culture within the company.

Fostering a Confucian management culture within a company is an ongoing process that requires long-term practice and progress. We can categorize it into three stages: laying the foundation, constructing the framework, and completing the structure. Each stage represents a distinct level

of development. The three stages correspond to the building of three types of culture, namely spiritual culture, institutional and behavioral culture, and material culture of a company.

The first stage is laying a foundation. Everything needs a solid foundation, and the same applies to building a Confucian management culture in enterprises. The corporate culture is built on and rooted in the spiritual culture, while the spiritual culture contains the essence of the management thought of the company's leadership. Therefore, establishing a Confucian management culture requires leaders to implement the principles of governing with virtue, distinguishing between righteousness and personal gain, emphasizing integrity, treating others with respect, and striving for harmony. Leaders must set a good example and lead by personal conduct for their subordinates and employees to follow suit. Only then can they be influenced by the leader's spirit and ethical management approach, and consciously learn the leader's management philosophy and approach to dealing with others.

The second stage is constructing a framework. In this stage, the priority is to build the institutional and behavioral culture of the company. Through the establishment of a spiritual culture based on guidance by virtue, the company has set about to build an institutional and behavioral culture featuring uniformity by the rules of propriety. Building a corporate culture is not something that can be achieved by a few spectacular cultural events. Instead, it is a gradual process that necessitates the establishment of comprehensive and standardized systems as well as emphasizes and regulates the behavior of internal staff. Therefore, it is necessary for enterprise leaders and relevant personnel to reformulate the enterprise's cultural management system

according to the real situation of the enterprise, integrate Confucian management ideas into it, manage and restrain employees' behaviors with the system, and at the same time constantly emphasize and encourage the behaviors of employees in line with Confucian management ideas, and gradually establish the influence of Confucian management culture in the enterprise.

The third stage is completing the structure. In this stage, the core task is to build the material culture. The material culture of an enterprise is a kind of object culture formed by the products and various materials within the organization. It serves as the material carrier of the other three cultures of the enterprise. In the various stages corporate culture is built, we can see that constructing Confucian management culture in an enterprise is a process of “improving oneself and stabilizing others”. The first two stages demonstrate “improving oneself”, where an enterprise practices Confucian management thought to foster its culture and conduct of integrity, righteousness, and harmony. In the third stage, reliable products and humanized facilities are formed to meet customer requirements, earn their trust, and gain the admiration of employees, ultimately achieving the goal of “stabilizing others”. From improving oneself to stabilizing others, the enterprise finally secures a harmonious, healthy, and highly competitive future.

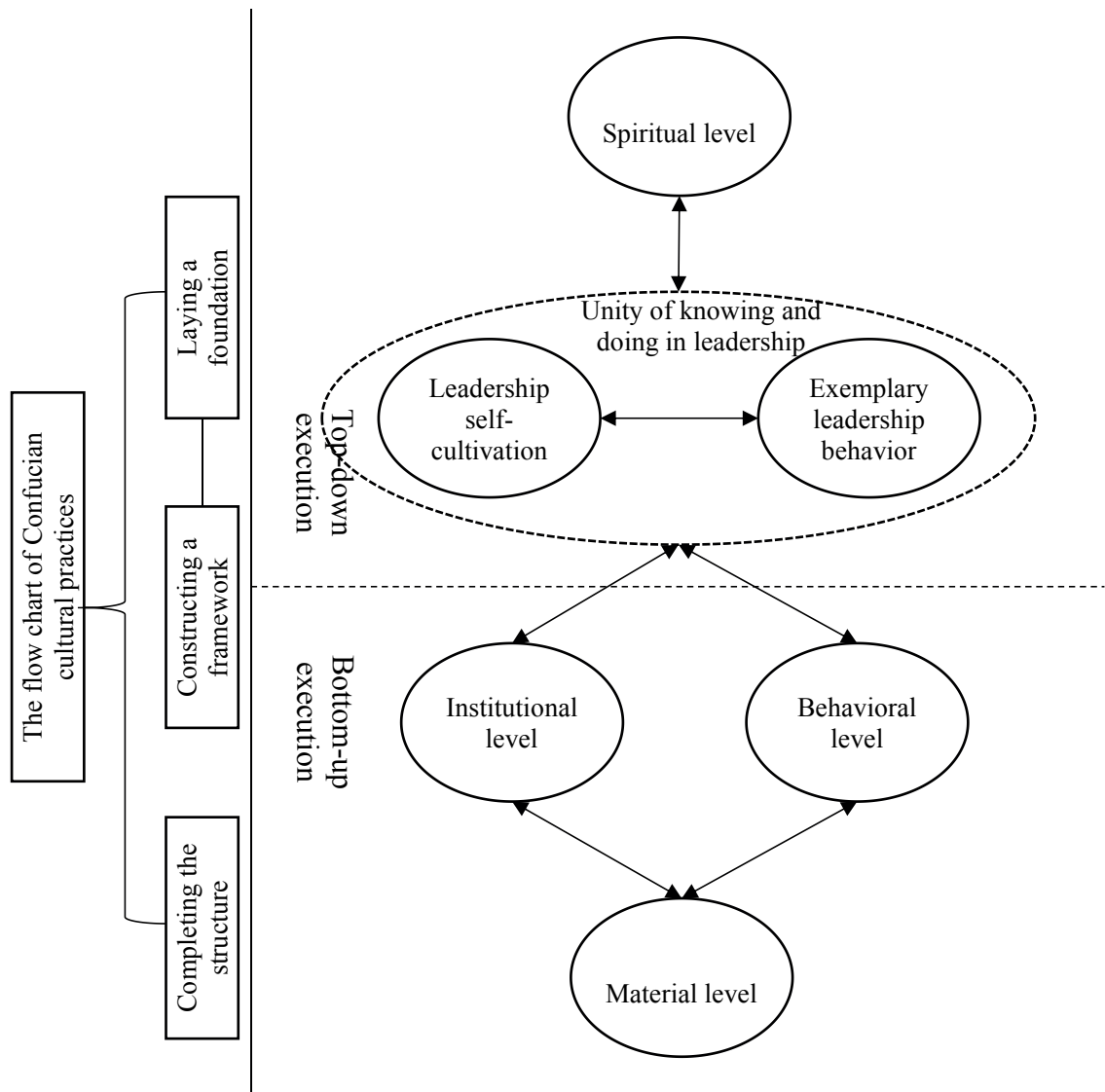


Fig. 3-6 Flow chart of Aokang International's Confucian culture application

3.2.2 Specific ways of practicing Confucian culture in Aokang International

(1) Imprint of Confucian culture in the enterprise

Wang Zhentao, born in Yongjia County, Wenzhou, Zhejiang Province, has been deeply influenced by the local Confucian culture, bearing a strong imprint of the culture. Yongjia is the fourth largest county in Zhejiang Province and the largest county in Wenzhou. With a construction history of

over 1,800 years, it is inscribed as a millennial county in China. Wenzhou's history and cultural origins can be traced back to Yongjia. Yongjia County is home to five national cultural relic protection sites as well as two nationally renowned historic and cultural towns (villages), which is enough to demonstrate the deep-rooted traditional cultures within Yongjia's heritage. Among them, Confucian culture can be said to have flourished. According to the records of the *Collection of Chinese Local Chronicles* and *A Dictionary of Academies in China*, there are 11 Confucian academies in Yongjia County, enabling Yongjia to rank 37th among 2,844 county-level administrative regions in China; the *Inscription Monuments of Jinshi in Ming and Qing Dynasties* (1979 edition) records that there are 89 *Jinshi* (a successful candidate in the highest imperial examinations) of Ming and Qing dynasties in Yongjia County, which places the county at the 99th position among the aforesaid regions. During the Song Dynasty, in particular, Wenzhou had a large number of *Jinshi*, ranking 2nd nationwide. Many renowned political, literary, and ideological figures emerged during that time, giving rise to the Yongjia School, which shone alongside Zhu Xi's Neo-Confucianism and Lu Jiuyuan's Philosophy of the Mind, leaving an indelible mark on the history of Chinese thought and culture. According to the confirmed number of regional Confucian temples that have existed in history or today since the Tang Dynasty, Wenzhou originally possessed two Confucian temples, one of which was located in Yongjia and established in 1019. However, none of them have survived to this day. In the 1990s, descendants of Confucius and Mencius rebuilt a Confucian temple in Sijia, Shacheng Town, Longwan District, not far from Yongjia. This temple has become one of the more than 100 registered Confucian temples

nationwide, reflecting the deep reverence for Confucian culture in the local community.

Table 3-1 Quantities and National Rankings of Confucian Cultural Symbols in Yongjia County, Wenzhou

Confucian Cultural Symbol	Quantity	Ranking among China's 2,844 County-level Administrative Regions
Confucian academy	11	37
<i>Jinshi</i> of the Ming and Qing dynasties	89	99
Number of Confucian temples existing in history and today	2 (without remains) / 1 (reconstructed)	One of the more than 100 registered Confucian temples

A saying goes that the local environment shapes local people's ideas and cultural characteristics. Wang Zhentao's growth and entrepreneurial journey exemplify the influence of local Confucian culture on personal character, making him a prominent representative of the Wenzhou businessman spirit. Wang Zhentao did not succumb to the hardships he faced in his early years. Starting from scratch, he embraced the values of hard work and optimism. With diligence, frugality, and a pioneering spirit, and through practice, he forged a path by establishing his own shoe enterprise. As he led the development of Aokang International, Wang Zhentao adhered to the principle of pursuing righteousness before profit and conducted business with integrity, laying the foundation for shaping and expanding the Aokang International brand. In addition, he possesses a strong sense of crisis, always thinking ahead even in times of security. This awareness has fueled his drive for proactive transformation and the pursuit of diversified development strategies for the company, which has proven instrumental in helping the company overcome multiple crises. Furthermore, even as Aokang International has achieved a leading position in China's leather shoe industry, Wang Zhentao has remained true to his original aspirations and adhered to the philosophy that "the

benevolent loves others”. He actively fulfills his social responsibilities, establishing a personally named charitable foundation. From these facts, it is evident that Wang Zhentao who leads Aokang International, fully embodies the essence of Confucian culture in his business philosophy and actions. Under exemplary leadership, Confucian culture application is solidified in Aokang International from top-level design. In addition, the application can be effectively implemented by every employee from top to bottom. At the same time, Aokang International benefits from being located in Yongjia County, which carries a rich Confucian cultural heritage. This provides a fertile ground for the company’s cultural development and the implementation benefits from favorable historical factors and features lower resistance costs.

(2) Behavior level of Confucian culture

In late February 2003, Aokang’s international trade department received a USD 200,000 order from an Italian trader. They agreed on a unit price of USD 23 and signed a purchase and sale contract. However, during production, Aokang realized that the cost of leather materials was underestimated by their production department. Consequently, the export price of each pair of shoes would need to be increased by at least USD 1 to account for the actual cost. When employees asked him for guidance on negotiating a price increase with the foreign trader, Wang Zhentao firmly stated, “Even if it means losses, we must honor the signed contract.” Upon hearing the news, the Italian trader offered to increase the price by USD 1, which Wang Zhentao politely declined. Wang Zhentao emphasized, “Integrity is more important than gaining or losing a dollar.” The Italian trader was deeply moved by this honest approach, leading them to place an additional order of USD 1 million at a unit price of

USD 24, in addition to the original USD 200,000 order. Several months later, Aokang received another USD 2 million order from the same Italian trader. All of this was achieved by Wang Zhentao's one-dollar "promise".

During his visit to Aokang, a Japanese trader was impressed with the company's facilities. However, for their initial cooperation, he placed a small order, emphasizing the importance of timely production.

As Aokang prepared to ship the finished goods to Japan, a typhoon struck, causing a delay. With only two days remaining until the delivery deadline, it became impossible to meet the scheduled arrival in Japan.

Pursuant to the contract, the delay was caused by force majeure, and Aokang can be exempted from responsibility. However, to avoid potential client losses due to the delay, the group's leaders swiftly chose air transportation for the goods.

This would lead to a substantial increase in costs. But with a commitment to honesty, trustworthiness, and responsibility, the goods were successfully airlifted to Japan as scheduled.

After learning about this trustworthy and responsible act by Aokang, the other party was deeply moved. They quickly entrusted several major businesses to Aokang without any worries. From then on, both sides established a long-term and stable partnership.

Now, it has become Aokang's top client in the foreign market.

Wang Zhentao is very strict about the group's work. During a collaboration with a Hong Kong company, 180 pairs of shoes in the first batch, ready for export, were found with misaligned labels. During the quality inspection, some people believed that this minor flaw was insignificant. Upon

learning of this, Wang Zhentao unhesitatingly picked up scissors to cut out more than 180 pairs of high-grade leather shoes and displayed them in the industrial park in front of the employees, many of whom shed tears then. Wang Zhentao said, “For Aokang, the most valuable thing is the trust of clients. We must not kill the goose that lays the golden eggs”.

Wang Zhentao underlines collectivity and fairness. In the early stages, Aokang International was controlled and managed by Wang’s family, leading to a significant prevalence of nepotism and internal management chaos, but external employees didn’t dare to voice out their discontent. As he realized the challenges and limitations of running a family business, Wang Zhentao took significant steps to mitigate their impact on the company’s day-to-day operations. In 2009, he made the strategic decision to tactfully remove a significant number of his family members from the company in order to enhance the governance structure of the organization. At present, all the middle and high-level leaders in Aokang are outsiders of the family, and they have established a standard of personnel selection based on “the best instead of the closest”.

The “Little Eagle Program” tried out within Aokang is driven by transparent interests, and aimed to promote benign internal “competition” and motivate everyone.

(3) Spiritual level of Confucian culture

While leading Aokang International to grow stronger, Wang Zhentao has adhered to the principle of conducting business with integrity. In 1999, Wang Zhentao burned the counterfeit Aokang shoes, defending the Aokang brand and vowing to protect the market reputation of Aokang shoes. In 2007, during

the sixth Innovation Day in Wenzhou, Wang Zhentao ignited the fire of integrity, and as a representative, issued a proclamation, calling on Wenzhou businessmen to build their own brands based on integrity.

In 2010, Wang Zhentao introduced the “7S management model”, in which “7S” refers to strategy, structure, system, skill, style, staff, and soft power. This management model helps its employees have a thorough understanding of the company, including its strategic direction, goals, and plans. He attaches great importance to communication with employees by explaining to them the company’s development plan, listening to their opinions and suggestions, learning and promptly addressing their problems, and continuously motivating them. Based on his many years of management experience, Wang Zhentao has also formulated the “Eight Steps of Human-Oriented Management”, emphasizing creating a fair and equal environment in the company, fostering a harmonious atmosphere, making employees more attuned to the corporate culture, and enhancing their sense of belonging and achievement. Aokang is highly committed to employee training, demonstrating great generosity. Every year, it allocates millions of yuan to invite experts and scholars to deliver lectures on enterprise strategies and management knowledge. The successful operation of various internal development initiatives within the company has also led to the establishment of a comprehensive talent development system. Aokang provides employees with learning platforms and has set up four academies: Leadership, Marketing, Franchise Retail, and Production Technology. These academies offer different courses tailored to the training needs of senior, middle, grassroots, and new employees, forming a distinctive set of high-quality courses that reflect the

unique characteristics of the company. He plays an active role in enhancing employees' learning enthusiasm and cohesion, accelerating talent development, and achieving the company's strategic objectives.

(4) Material level of Confucian culture

In 2007, Aokang established Aokang University, with the original intention of enabling all employees to keep learning and improving their cultural quality, so as to meet the needs of the company's development. It also serves as a platform for employees to learn about Aokang's culture and ideas. On June 9, 2015, Aokang International established the first enterprise Seiwajyuku in the Chinese footwear industry, called "Aokang Seiwajyuku". Seiwajyuku was initiated and established by Kazuo Inamori, who is renowned as one of the four Japanese sages in management. The thought of Kazuo Inamori is built upon the systems of the traditional Chinese cultures of Confucianism, Buddhism, and Taoism. Aokang Seiwajyuku is a program aimed at assisting individuals from Aokang in acquiring the experience and ideological framework established by Kazuo Inamori in managing an enterprise. Additionally, it provides guidance on incorporating traditional Chinese cultures into enterprise management, considering local circumstances, and undertaking the exploration of management models and philosophies that align with Aokang's development goals. Aokang Seiwajyuku translates Confucian culture into concrete practices, providing a learning platform for employees.

Aokang sparked a wave of learning "the practice of conscience and the unity of knowing and doing" within the organization. The company organized activities such as Enlightenment from Yangming Cave, Study of Sinology, and

“Ignition of the ‘Third Fire of Conscience’ in the History of Aokang’s Development”. Building upon practical learning in the early stages, Aokang started to promote techniques relating to the philosophy of the mind. On the basis of its three decades of cultural accumulation, Aokang compiled and published the book *Aokang Methods for Mental Cultivation*. Serving as a guide for all employees, this book exerts an influence throughout the company’s operations.

The “Week of Thinking” is a distinctive cultural activity of Aokang and an effective form of meeting, where employees not only visit and learn from leading enterprises but also engage in deep contemplation regarding Aokang’s strategic direction. Since 2000, Aokang employees have visited the “Sacred Ground of South China Sea”, Putuo Mountain in Zhoushan; the “Fairytale World”, Jiuzhaigou Valley; the “Pearl of East China Sea”, Taiwan of China; the “Miracle of the Hangang River”, Seoul of South Korea; the “Hexi Corridor”, Dunhuang in Gansu; the Thousand-island Lake with lush vegetation... They have left footprints all over the country with a strong power of thought, with their unity and combat effectiveness enhanced.

To cultivate employees’ craftsmanship and further deepen its integrity system, Aokang formulated a series of rules and regulations, such as *Quality Integrity Management Measures*, *Product Identification and Traceable Control Procedures*, *Control Procedures of Unaccepted Products*, and *After-sales Service Manual*, to guide all employees to practice quality integrity and improve their awareness of quality integrity.

On July 22, Aokang’s annual special cultural event, “Week of Thinking” officially kicked off in Jinhua, the “heart of Zhejiang”. Wang Zhentao,

Chairman of Aokang Investment Holdings Co., Ltd., led more than a hundred middle and senior management executives to engage in thinking in Pan'an. During this “Week of Thinking”, Aokang people conducted discussions around strategic reforms, talent introduction, brand innovation, and marketing models and jointly explored the path for brand development.

In 2012, Aokang’s “Team of Thinking” flew to Seoul of South Korea for a visit of well-known Korean enterprises such as Samsung and Kumkang. During their visit to Samsung’s enterprise cultural center, the words by Lee Kun-hee — the former chairman of Samsung Group — that “everything must be changed except for wife and children” and “only through change can we survive” — left a very deep impression on Wang Zhentao.

On July 24, Aokang’s 19th “Week of Thinking” entered the stage of learning and thinking. On that day, Wang Zhentao invited Mr. Xu Zhibei, a senior consultant on the implementation of the Amoeba Management System and Chairman of D.H.P Associates. They led 140 middle and senior managers from Aokang to discuss the “integration of philosophy of the mind and practical learning” and study such challenging topics as “leadership development”, “on-site management”, and “the practical operations of the Amoeba Management System”, with the aim to empower the organization, individuals, and provide the force for Aokang’s correct path of development for the next three decades.

(5) Institutional level of Confucian culture

Aokang’s evaluation incorporates multiple dimensions, including performance, attitude, ability, and personal qualities. Different dimensions and testing indicators are used for different targets and periods. Detailed

evaluation methods and feedback mechanisms have been established as well. Furthermore, Aokang has been continuously improving its incentive mechanism. In 2014, it implemented an equity incentive policy, which greatly stimulated employee work enthusiasm and improved the overall quality of its team. The company has also fostered a work environment where there is no hierarchy, no favoritism, but only equal competition and fair promotion and salary increment, greatly encouraging employee work enthusiasm.

After its listing, Aokang has placed particular emphasis on internal control and risk management. It has successively introduced a series of management systems, including the *Implementation Plan for Internal Control Standards*, *Capital Raising Management System*, *Responsibility Investigation System for Major Errors in Annual Report Information Disclosure*, *Registration Management System for Insiders with Access to Inside Information*, *Internal Reporting System for Significant Information*, and *Written Inquiry System for Controlling Shareholders on Significant Information* for internal control audits, aiming to continuously strengthen its internal governance and reduce operational management risks.

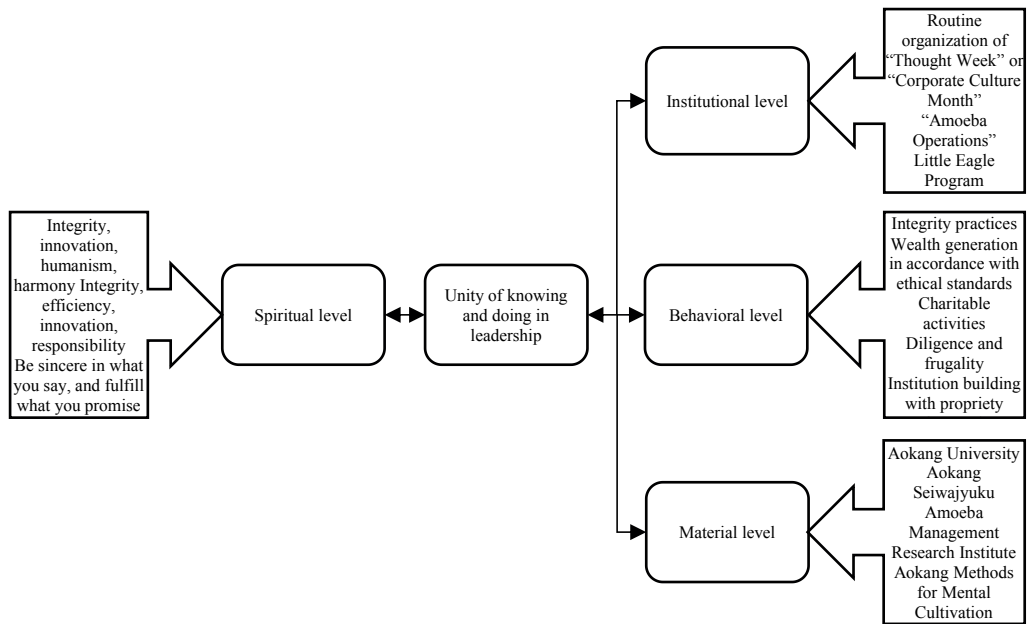


Fig. 3-7 Specific measures of Aokang International's Confucian culture application

Chapter IV The Internal Mechanism of Aokang International's Confucian Culture Practice Influencing Employee Work

Enthusiasm

This chapter will explore the internal mechanism through which Confucian cultural application influences employee work enthusiasm. Based on the case of Aokang International, this chapter analyzes the influence of Aokang International's leadership on shaping the corporate culture from the perspective of "teaching by personal example as well as verbal instruction". Furthermore, the measures taken under this shaping process, such as the adoption of the economic paradigm incentive mechanism and the emotional bonding incentive mechanism, are analyzed, along with their combined effects on establishing psychological contracts between the company and its employees. Additionally, the mechanism of the positive feedback of society towards Aokang International's Confucian cultural application is explained, to further reinforce its influence path on the mechanism of employee work engagement. Lastly, specific manifestations of employee work enthusiasm under the influence of the above-mentioned mechanisms are provided.

4.1 Leaders Set an Example in Promoting the Formation of Confucian Cultural Organizations

Cultivation of Confucian cultural recognition: sage education. *The Book of Rites* states, "To establish a nation and govern its people, the first priority is education." The stability and development of enterprises rely heavily on talent cultivation and education. Aokang International implements a people-oriented culture in enterprise management and puts facing, respecting, and caring for employees in the first place of its management to build a company atmosphere

in which everyone is the hero of Aokang. Trying its best to make employees happy has become one of its missions. Aokang's senior management leads by example in implementing Confucian culture, aspiring to transform Aokang into a "home" where employees are led to build a Confucian cultural organization. Aokang's founder has taken various measures to establish a Confucian culture within the organization. As mentioned earlier, Aokang organizes the "Week of Thinking" regularly, and the founder places great importance on this activity by actively participating in every learning session. In addition to that, Aokang further emphasized its commitment to education by establishing institutions such as Aokang Seiwajyuku and Aokang University. Throughout all of the educational endeavors, the core content has always been the classical texts of Chinese traditional culture; in cultivating individuals, morality always takes precedence. Furthermore, Aokang upholds the principle of benefiting employees and establishing a heartfelt connection, thereby better promoting Confucian culture. Through the imperceptible influence of sage cultural education, employees' morality and connection with the company have been improved, leading to more engagement in their work and exhibiting a more positive attitude.

Confucian cultural application: morality exemplification. Confucius said, "When a ruler's personal conduct is correct, his government is effective without giving orders. If his personal conduct is not correct, even if he gives orders, the orders will not be followed (*Zilu, The Analects of Confucius*)."

Aokang is highly committed to employee training, demonstrating great generosity. Every year, it allocates millions of yuan to invite experts and scholars to deliver lectures. It also organizes "Weeks of Thinking" regularly

where the management team is mobilized to learn about the philosophy of the mind. Moreover, Aokang's founder values seeking opinions and suggestions and has established a "Golden Idea" incentive mechanism for employees to contribute their ideas. Wang Zhentao highly values this aspect of work. Even amidst a busy schedule, the president always takes the time to attentively listen whenever employees offer advice and suggestions regarding the company's production, operations, and management. The above demonstrates the exemplary qualities of entrepreneurs and management, who set exceptional examples for employees. To express commitment to promoting traditional cultures, the founder has set up a charitable foundation and utilized the funds for the education of students and employees, as well as for the public good. With the mission of "serving human progress", the founder has set up the Wang Zhentao Charity Foundation, truly practicing the philosophy of "respecting my own elders, and extending that respect to others' elders; caring for my own children, and extending that care to others' children". It is the mission of the charity foundation to "promote the cause of philanthropy, provide assistance for socially underprivileged groups, and reward individuals who contribute to charitable causes" and its guiding principle to "committing for a lifetime, achieving great dreams".

Table 4-1 Example of Leadership Model Data

Core Category	Representative Example
Cultivation of Confucian cultural recognition: sage education	Regularly organized the “Week of Thinking” and established “Aokang Seiwajyuku” and “Aokang University”. Wrote books such as <i>Aokang Methods for Mental Cultivation</i> , invested in employee training and daily education, and closely integrated traditional Chinese culture into enterprise management.
Confucian cultural application: morality exemplification	Input millions of yuan annually to invite experts and scholars to give lectures for employees; the founder, senior executives, and employees participated in activities together. Established a “Golden Idea” incentive mechanism to encourage advice and suggestions, and promoted positive interactions for advice accepting. The founder set up the Wang Zhentao Charity Foundation and implemented an employee shareholding plan, placing employees’ well-being at a crucial position.

As the commander-in-chief of an enterprise, the leader plays a crucial role in driving the construction of the Confucian culture within the company and becomes a model force for the entire organization. This, in turn, facilitates the transmission of positive psychological cues to the employees, ultimately fostering an organizational atmosphere imbued with the principles of Confucian culture. The leader’s exemplary role has a crucial influence on creating the organizational culture. From the perspective of Confucianism, the analysis of the relationship between leader and organization falls under the thought of “inner sageliness and outer kingliness”. “Inner sageliness and outer kingliness” is from the famous quotation that “due to the independence of different theories within the academic community, the theory of saintly inside and kingly outside has been suppressed and is difficult to revive” (*Zhuangzi—The World*). Within Confucian philosophy, the idea of “improving oneself and stabilizing others” profoundly showcases a leader’s ability to shape organizational culture. Leaders prioritize the cultivation of their inner character as the foundation and strive to elevate themselves while positively

impacting others. They recognize the inherent worth of individuals and extend their acquired virtues to the organizational level, thereby embodying the concept of “outer kingliness”. In Confucius’s view, “inner sageliness” refers to the development of an ideal personality pursued in Confucian ethics. In the cultural context of “sensitivity”, “sense”, and “legality” advocated by ethics, leaders are expected to exercise self-restraint based on virtuous standards and demonstrate ethical leadership in specific situations. They should place importance on the personal value of employees as well as the economic value of the organization, aiming to “cultivate themselves and benefit others”. Furthermore, at the organizational level, the coupling and re-operation of the power system are promoted, resulting in an organization bathed in the Confucian culture that is marked by the “integration of sensitivity and sense”, ultimately achieving the effect of “inner sageliness”. Subsequently, under virtuous leadership, enterprises are inclined to establish psychological contracts with employees through emotional mechanisms and incentive measures, thereby facilitating the formation of a Confucian cultural organization, that is, leaders’ achievement of “inner sageliness and outer kingliness” within the context of Confucian culture. There is no doubt that establishing a Confucian culture within an enterprise places the utmost importance on exemplary leadership. This also serves as a prerequisite for employees to improve their work engagement. Moving forward, this study will further analyze the consensual relationship between the enterprise and the employees through economic and emotional contracts within this context.

4.2 Enhance Employees’ Sense of Ownership Through Benevolence, Benefits, Protection, and Support

Enterprises practicing Confucian culture will provide their employees with benefits and guarantees, conscientiously and moderately. Enterprises applying Confucian culture place their employees' remuneration at the upper-middle level compared to their counterparts. Their benefits and guarantees for employees are highly distinctive, including improvements in living facilities, education for employees, and medical security. Aokang tends to offer moderate remuneration, and its employees receive higher remuneration compared to competing enterprises. As shown in Figure 4-1, Aokang's overall average remuneration has displayed an upward trend, despite a slight decline in recent years. This trend is closely linked to the decline in the leather industry and the slowdown in economic growth. So Aokang has responded positively to remuneration and has been increasing the benefits for employees year by year, which reflects the care for its employees. In terms of the specific items of employee remuneration, in 2022, Aokang not only provided traditional social security and medical insurance but also allocated benefiting funds to employees. Additionally, it has been increasing the budget for the labor union and educational training expenses year by year. All this reflects Aokang's care for its employees. Meanwhile, after the average senior executive remuneration is deducted from the overall average remuneration, the average remuneration of ordinary employees also shows a similar trend. On the other hand, the ratio of the remuneration gap within the workforce (GAP, calculated by dividing the average remuneration of senior executives by the average remuneration of ordinary employees) remained relatively stable during the period from 2013 to 2020, fluctuating around 6%. Support in giving employees moderate benefits is to encourage them to devote themselves to

their work and give incentives and guarantees for their pursuit of better work. By implementing a remuneration system that values fairness and efficiency, Aokang aims to enhance employees' level of work engagement and create a highly efficient work pattern. In terms of daily business activities, Aokang organizes staff activities regularly. Adhering to the principle that employees should not be required to spend all their time on work but use some time to learn more about cultures, accompany their families, and participate in public welfare activities, Aokang fosters an organizational atmosphere of happy work. Only in this way can employees avoid becoming slaves to desires.

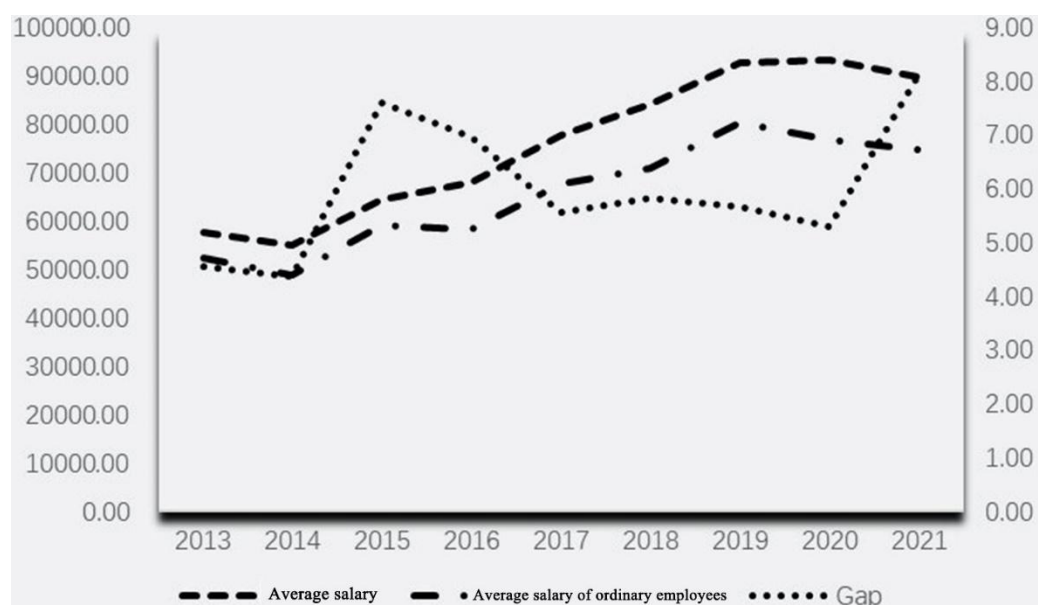


Fig. 4-1 Ordinary employee remuneration trend in Aokang International

This study compares the remuneration levels of major competitors such as Red Dragonfly and Harson Trading (China) Co., Ltd. (Harson) in order to gain insights into the employee benefits provided by Aokang. Both Red Dragonfly and Harson are publicly listed enterprises in the footwear manufacturing industry and compete with Aokang in the market. All three enterprises have a similar market value (around RMB 2.5 billion). Among them, Aokang embodies the values of Confucian culture, while the other two

companies do not feature a distinct presence of Confucian culture. Meanwhile, Aokang and Red Dragonfly are both located in Wenzhou, Zhejiang Province, while Harson is based in Kunshan, Jiangsu Province. The per capita GDP in both locations is similar. This implies that the initial level of remuneration is similar for all three companies, as the remuneration is influenced by the regional economic development. Therefore, any differences in remuneration among the three companies can be considered comparable. If there are significant differences in remuneration, it can be attributed more to the company's own remuneration system and management culture, which can help assess the role played by Confucian culture in the context. From Figure 4-2, it can be observed that in comparison to the remuneration levels of the three companies, Aokang is positioned in the middle range. It is also noticed that the average remuneration level of Aokang has slightly decreased over the past three years. From this trend, it can be seen that Aokang's remuneration has no advantage and even appears somewhat sluggish. Therefore, it seems contrary to the conclusion of this study. Does this mean that companies that apply Confucian culture do not demonstrate higher pay levels? However, it should be noted that this is largely influenced by Aokang's large employee count and the utilization of other forms of remuneration incentives, as well as an underestimation of the company's remuneration levels. This study will provide an explanation for this.

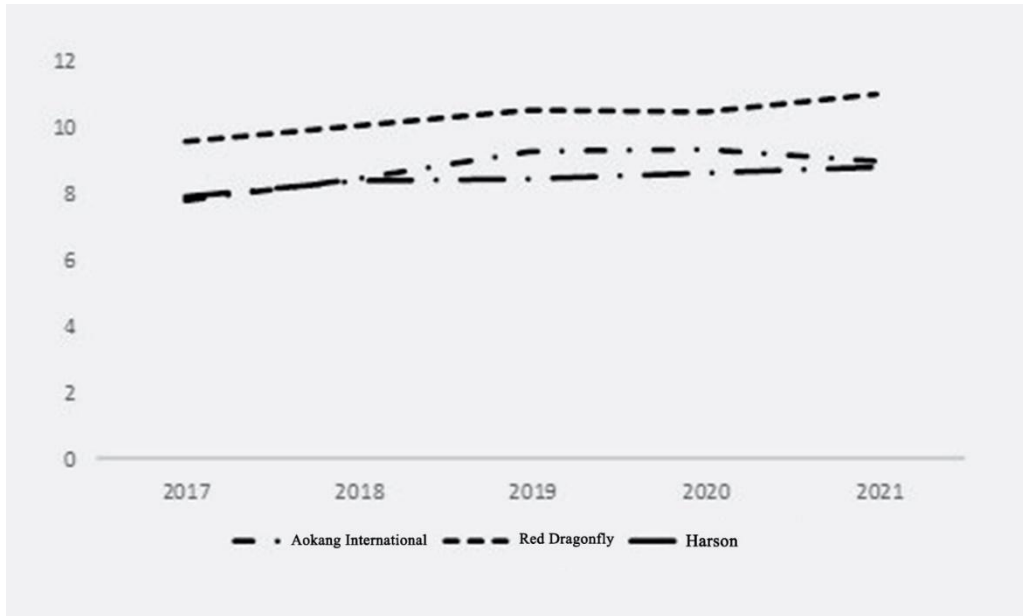


Fig. 4-2 Comparison of average remuneration (RMB 10,000) of Aokang International, Red Dragonfly, and Harson

As seen in Figure 4-3, Aokang consistently maintains a larger workforce compared to the other two enterprises. In 2021, the number of employees in Aokang, Red Dragonfly, and Harson were 5,274, 4,053, and 4,212, respectively. The employee count in Aokang was significantly higher than the other two enterprises. In other years, Aokang International also had around 500 more employees than the other two enterprises. With such a large workforce, it is not difficult to understand why the average remuneration at Aokang International is at a moderate level. Moreover, judging by the number of job positions offered, it is evident that Aokang bears a greater responsibility. Furthermore, the figure shows that the workforce size of all three enterprises is generally declining. It is related to the slowing economic growth, rising labor costs, and cyclical downturn within the industry, as well as the manufacturing digitization and the substitution of labor with robotics technology. However, it is evident that Aokang places a greater emphasis on the well-being of its

employees, even increasing job positions. In 2021, the number of employees increased by 504 compared to the previous year, indicating a tendency to create more job opportunities.

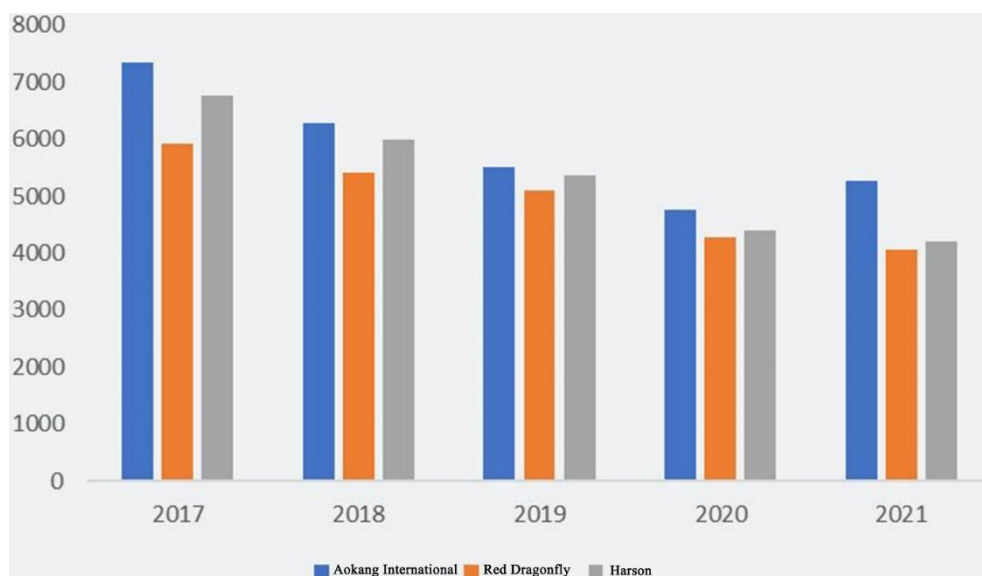


Fig 4-3 Comparison of the number of employees of Aokang International, Red Dragonfly, and Harson

In terms of remuneration structure, besides conventional monetary remuneration, publicly listed companies also have a preference for equity-based incentives such as stock ownership incentives and employee shareholding plans. Compared with general monetary remuneration, equity-based rewards link the interests of the enterprise with those of managers by giving senior managers and employees contingent stock rights. The wealth of employees would grow synchronously with the improvement of enterprise management, which implies giving the initiative to employees, stimulating their work enthusiasm, and also a positive return for employees' contributions. As of 2022, Aokang initiated two employee share holding plans. In the same period, the main competitor Harson did not issue an employee shareholding plan, while the other one, Red Dragonfly issued one in the second year after

listing, with the incentive targeting 41 employees, mainly from the middle and senior management. Among all listed companies in the leather manufacturing industry in China's mainland, only three enterprises, including Aokang, have adopted employee shareholding plans.

Table 4-2 Overview of Employee Shareholding Plans Adopted by Listed Enterprises in the Leather Manufacturing Industry

	Whether There Is an Employee Shareholding Plan
Huasi	No
Xingye Technology	No
Wanlima	No
Huali Industrial Group	No
Rebecca	Yes
Hiking	No
Aokang	Yes
Red Dragonfly	Yes
Qibu	No
TOPSCORE	No
Harson	No

For the first time, in the second year after the listing of Aokang in 2012, the *Bill on the Employee Shareholding Plan of Zhejiang Aokang Shoes Co., Ltd. (Draft) and Its Abstract* was approved. According to Aokang International's announcement, its employees participated as posterior-grade contributors in the shareholding. The specific shareholders consisted of a total of 51 individuals, including some directors, supervisors, senior executives, and employees of Aokang International and its subsidiary companies. A total of 42 out of them were employees. The incentivized senior executives and founders were not relatives but rather professional managers. The lockup period for the employee shareholding plan was 12 months, and the duration of the plan was 36 months. In the case of Aokang International, the employee shareholding plan adopted a structured asset management approach in which shareholders were divided into priority-grade contributors (external investors) and posterior-grade contributors (Aokang International employees). After the

termination of the asset management plan, the distribution order of the acquired assets was as follows: priority-grade principal, priority-grade returns (annual base earnings ratio of 7.5% (simple interest)), posterior-grade principal, and posterior-grade returns. This was equivalent to providing Aokang's employees with an equal-leveraged fund at an annual interest rate of 7.5%. The asset management plan invested a total of RMB 253.2985 million in purchasing Aokang International stocks and obtained cash from selling Aokang International stocks in three phases, totaling RMB 393.3965 million. Aokang International has utilized an employee shareholding plan to provide economic incentives for its core employees. Employees get the right to buy shares at a lower cost according to the plan and will receive a return at a later stage. It can be seen that with the Confucian culture, the concepts that "the benevolent love others" and that "the people are more important than the ruler" are implemented. The enterprise puts emphasis on improving employees' benefits and establishing a close connection between employees and itself for future growth. With the aforementioned competitive remuneration levels and economic incentives for employees through a shareholding plan, the enterprise demonstrates benevolence, benefits, protection, and support for its employees, which helps to adjust the enterprise's psychological contract with employees and greatly enhances their work engagement.

Table 4-3 Overview of Aokang's First Employee Shareholding Plan

Employee Shareholding Plan	
Contracting party	Amount of contribution (RMB 10,000)
Some directors, supervisors, and senior managers of the company	2,800
Other employees of the company	10,500
Capital source	
1. Priority-grade investor A: introducing external investors, with a fixed annual benchmark interest rate of 7.5%; in the distribution of property, priority is given to them, and RMB 133 million is raised.	
2. Posterior-grade investor B: mainly including senior executives and some employees of the company, and RMB 133 million is raised.	
Buying method	
The shareholding plan of an advantageous enterprise completes the purchase of the underlying stocks through the secondary market. At the end of 2014, the asset management plan of advantageous enterprise No. 1 bought Aokang's shares at an average price of about RMB 16 in the secondary market, with a total shareholding ratio of 4.15%.	
Earning	
On December 15, 2015, the employee shareholding plan of Aokang International sold 5 million shares through block trades at an average selling price of RMB 37.37 per share, resulting in a total transaction amount of RMB 186.85 million. On December 15, 2016, another 4.975 million shares were sold, with an average selling price of RMB 24.14 per share, resulting in a total transaction amount of RMB 120.0965 million. By selling shares twice, the employee shareholding plan not only recouped the entire investment but also gained a profit of RMB 30.97 million, with 6.65 million shares left. On December 7, 2017, all the remaining shares were sold at a transaction price of RMB 13 per share, resulting in a total transaction amount of RMB 86.45 million.	

Aokang's incentives for employees are long-term. In April 2021, Aokang passed the *Motion Concerning Aokang's Employee Shareholding Plan 2021 (Draft) and Its Abstract* along with related motions, transferring 18,193,731 shares held in the repurchase dedicated securities account to the 2021 employee shareholding plan account through non-transaction ownership transfer. The shareholders participating in this employee shareholding plan acquired the repurchased company stocks at a price of RMB 5.00 per share, with a total amount of over RMB 90 million. However, the company's funds for repurchasing securities reached RMB 172 million, which means that Aokang would transfer the repurchase securities account to its employees at a discount. Obviously, introducing measures such as employee shareholding plans and share repurchases is typically a sign that the company has a positive business outlook and that the major shareholders have full confidence in the

company. It also reflects the company's determination to achieve sustainable growth together with its employees.

Based on the analysis above, it can be seen that with significant Confucian culture, Aokang demonstrates considerable concern for employees' benefits. Its remuneration level is above average in the industry, and the company also actively provides appropriate incentives through an employee shareholding plan, establishes economic contracts with employees, and creates positive suggestions, which, apparently, help enhance employees' work enthusiasm.

4.3 Respecting and Caring for Employees

Respecting employees: The concept of "kindheartedness" advocates that high-level leaders should manage employees not only through systems and rules but also with morality. Mencius' thought of benevolent policies emphasizes that a ruler should govern with morality, as morality is the key to achieving lasting stability in a country and is also crucial for the benign operation of an enterprise. Aokang believes that employees are not just workers, but also part of the Aokang family. It treats each member with kindheartedness and respect. Enterprises applying Confucian culture attach great importance to employees' personal values emotionally and behaviorally and respect their labor achievements. Various measures are adopted, such as pre-employment psychological tests, assisting employees in devising personalized career paths, and establishing incentive mechanisms like the "Golden Idea" reward system. This type of emotional and behavioral care goes beyond the traditional reciprocal relationship between organizations and

employees. It can unleash the potential of employees and cultivate their core abilities.

Caring for employees: With the principle of “kindheartedness”, Aokang not only provides generous salary packages for its employees but also extends family-like care to them, fully considering and satisfying employees’ practical interests. Enterprises applying Confucian culture attach great importance to caring for the physical and mental health of their employees and their families, as manifested by measures such as promoting the Aokang employee housing project, establishing high-end staff living areas as well as supporting leisure and entertainment facilities, extending employees’ benefits to their families, and holding summer camps and granting scholarships for employees’ children. These efforts allow employees to feel the enterprise’s love and care for them and thus enhance employee motivation. As a result, Aokang gains the stability of its workforce and an improvement in work efficiency. It is certain that when Aokang places great emphasis on advocating for human-centered care for employees and even their children and parents, it will enable better performance. Emotional care has surpassed the traditional realm of reciprocal exchange between organizations and employees and resembles the care found within a family.

Table 4-4 Examples of Emotional Mechanisms

Core Category	Representative Example
Respecting employees	Conducting a pre-employment psychological test to assist employees in identifying their interests, values, and behavioral orientations, guiding them to reflect on their current career positions, and developing future development plans; establishing a “Golden Idea” reward mechanism to encourage employees to provide ideas with rewards ranging from a few tens of yuan to hundreds or even tens of thousands of yuan.
Caring for employees	Introducing Aokang’s employee housing project that involves the building of high-end staff residential communities with accompanying leisure and recreational facilities; launching an annual program for the education of employees’ children that includes organizing summer camps, providing scholarships, and other concrete actions.

Aokang applies the kindheartedness-centered Confucian culture in the hope of making employees happy in possible ways. This corporate culture has become Aokang’s most unique feature. The company adheres to the management philosophy of prioritizing the rights, benefits, and care for its employees and always considering the well-being of its employees. Even if it cannot provide lifelong job positions for its employees, Aokang will strive to help them cultivate good habits that will benefit them throughout their lives.

Based on the above analysis, Aokang has successfully created an influential Confucian cultural environment by caring for and respecting employees with concrete deeds, which results in a strong emotional connection with its employees. This connection elevates the relationship between the company and its employees from a basic working level to a deeper familial level. With this relationship, employees’ psychological expectations can be achieved, which plays a stable role in guiding employees’ behaviors and makes employees work spontaneously and show self-management behaviors in line with relevant orders, thereby enhancing their work enthusiasm.

4.4 Organizational Governance and Social Support

(1) Organizational governance

Organizational support to employees is the key to the formation of employees' positive emotions and helps to enhance employees' work enthusiasm. As mentioned earlier, enterprises with Confucian culture application often demonstrate respect and care for their employees and tend to adopt a combination of economic incentives and emotional rewards to establish a benign, mutually beneficial relationship with their employees. Therefore, in the process of applying the Confucian culture, enterprises' creation of an organizational support atmosphere that stimulates employees' positive emotions in the workplace has an implied impact on increasing employees' work enthusiasm. Organizational support is the overall perception employees have regarding the organization's recognition of their contributions and concern for their well-being. The organization's provision of support to employees can meet the social needs of employees, bring more psychological resources and working resources to them, and make them develop a sense of duty to serve and contribute to the organization. Research has shown that organizational support effectively enhances employees' job satisfaction and promotes their positive behaviors, such as work engagement, innovative behaviors, and organizational citizenship behaviors.

Of course, it must be admitted that organizational support represents a kind of psychological feeling and self-evaluation. However, evidence can also be found from organizational governance that sound organizational governance clearly exerts a subtle influence on employees, aiding them in cultivating a stronger sense of organizational support. A stable and

professional management team is crucial for the development of an enterprise, and the frequent turnover of management team members indicates potential significant problems in enterprise management. Enterprises applying Confucian culture demonstrate a strong awareness of acting for the unity of the organization, and they emphasize applying the doctrine of the mean in dealing with personnel and other affairs. In 2022, Aokang's management team consisted of 16 individuals, with an average tenure of 4.94 years. Among them, three had served for over a decade, while another three had a tenure exceeding five years. As a family business, Aokang has several family members who are members of the board of directors and hold key positions in the company, including the founder's son and his younger brother. However, they have grown alongside the enterprise, and the founder has planned and arranged for succession early. As a result, Aokang's enterprise management remains stable. As of now, there have been only two changes in the key positions of the president and the finance manager within Aokang. The financial manager held the position for as long as seven years before resigning, while the departure of the president only involved the founder stepping down from the position and passing on the role to a family member. From these typical data, it can be observed that there is little change among the core organizational members of Aokang, which provides a guarantee for the stable application of the Confucian culture and thus allows the self-management behaviors of employees in line with the organizational order to get positive feedback. In addition, stable expectations among employees are formed. At the same time, a stable organizational structure contributes to guaranteeing employees' sense of security. Within a stable system, employees have a clearer understanding of

their own value and object location, will draw a more defined blueprint for their future career planning, and feel encouraged when their personal value is recognized. It is obvious that these factors play a positive feedback effect on cultivating employees' positive emotions.

Table 4-5 Status of Aokang's Management

	Number of Management Members	Average Tenure	Percentage of Family Business Members	Number of Key Management Member Changes
Statistical magnitude	16	4.94 years	18.75%	2

The current assessment of organizations has moved beyond a simplistic function of profit and places a greater emphasis on the sustainable development ability of the organizations. In fact, this also pertains to the evaluation of employees for organizational support. To approximately assess organizational support in Aokang's application of Confucian culture, this study draws on the ESG evaluation by Sino-Securities Index Information Service (Shanghai) Co., Ltd., to provide a summative side perspective to analyze organizational support in Aokang. ESG stands for Environmental, Social, and Governance, and is used to measure the sustainability of enterprise development. 1. Environmental: carbon and greenhouse gas emissions, waste pollution and management policies, energy use/consumption, natural resource use and management policies, biodiversity, compliance, employee environmental awareness, green procurement policies, energy saving and emission reduction measures, environmental cost accounting, and green technologies. 2. Social: gender and gender balance policies, human rights policies and violations, society (community) health and safety, management training, labor standards, product liability, occupational health and safety, product quality, supply chain responsibility management, targeted poverty

alleviation, public welfare and charity, and others. 3. Governance: company governance, anti-corruption and -bribe-taking policies, anti-unfair competition, risk management, tax transparency, fair labor practices, code of ethics, compliance, independence and diversity of the board of directors, organizational structure, investor relations, and others. Table 4-6 shows that Aokang's ESG rating remains stable between B and BB, primarily due to its underperformance in environmental responsibility fulfillment, which may be closely related to its involvement in polluting industries. Regarding social responsibility fulfillment, Aokang's performance is predominantly at the B level. This rating encompasses various aspects, mainly including employee management and contributions to society. Overall, Aokang has fulfilled its social responsibilities in this aspect well. In terms of enterprise governance, Aokang exhibits the best performance, achieving a rating of BBB for most years. From this perspective, it can be observed that Aokang excels in the organizational governance mechanism. Applying the Confucian culture, Aokang is adept at constructing robust and stable organizational structures, thus providing strong organizational support to enhance employees' work engagement.

Table 4-6 Annual ESG Trend of Aokang

Year	ESG		E		S		G	
2012	B	74.13	CC	60.98	B	63.40	A	88.09
2013	BB	75.44	CC	61.30	BB	74.68	BBB	83.17
2014	B	74.69	C	59.51	B	71.70	BBB	84.45
2015	B	72.31	C	59.51	B	67.63	BBB	82.00
2016	B	74.68	C	59.51	B	71.14	BBB	84.81
2017	BB	75.91	C	56.83	BB	77.17	BBB	84.81
2018	B	74.44	C	56.83	B	74.82	BBB	83.17
2019	BB	76.86	CC	63.07	BB	76.74	BBB	83.99
2020	B	73.22	CC	61.28	B	70.72	BBB	81.00
2021	BB	76.98	B	74.19	BB	77.60	BB	78.00

This study compares the ESG status of Aokang with two other competing enterprises. As seen in Figure 4-4, before 2020, Aokang had a higher rating

than Harson and slightly lower than Red Dragonfly (with a small difference between the two). However, the overall rating of Aokang stayed on an upward trend, consistently above Harson and eventually surpassing Red Dragonfly in 2021. This suggests that in recent years, Aokang, as a representative of enterprises applying Confucian culture, has demonstrated greater stability and continuity in fulfilling its social responsibilities, as well as stronger organizational support compared to the other two enterprises.

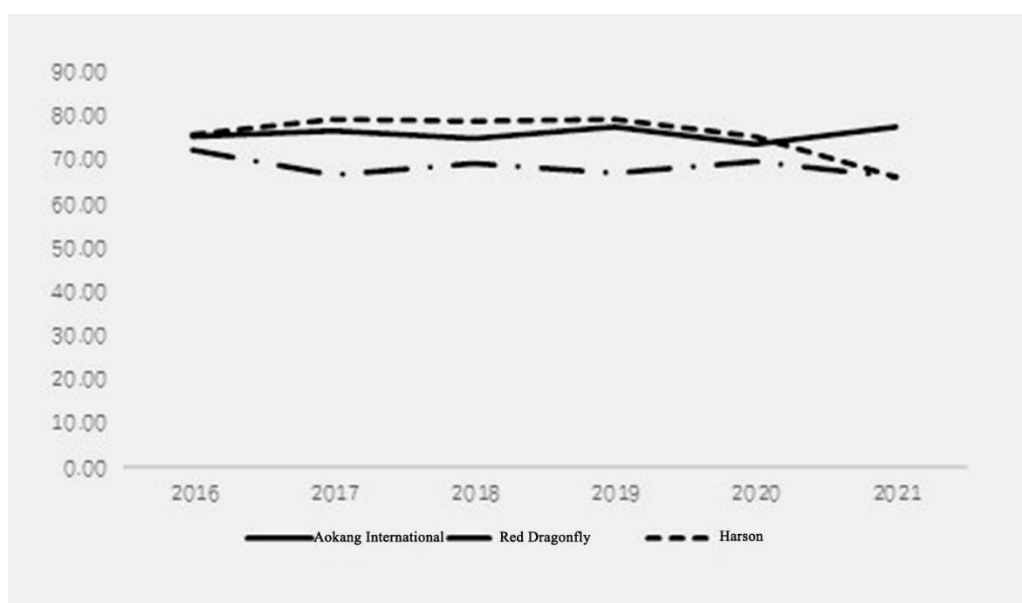


Fig. 4-4 Comparison of ESG scores of Aokang International, Red Dragonfly, and Harson

During its growth process, Aokang International has consistently adhered to integrity management, which was crucial for its client accumulation in the early stages. When conducting business with clients from Italy, Japan, the Hong Kong Special Administrative Region of China, and others, Aokang will never compromise its integrity for short-term profits. It always prioritizes the spirit of the contract, such as product quality and production deadline, which are of great importance for international partners. Aokang spares no cost to fulfill its promises and earn the trust of these clients, as well as establish long-

term partnerships with them. Organizational support is a recognition of Aokang's application of the Confucian culture, and recognition from external organizations is positive feedback for its cultural endeavors. With this positive feedback, employees are greatly encouraged and their work pressure is alleviated, resulting in employees' positive mood and enhanced work engagement.

(2) Social support

The employees' good work status requires support not only from the organization but also from society. Enterprises applying Confucian culture often receive higher social recognition and support from government authorities, which helps them to establish easier communication channels with the government. In its history, Aokang lit a fire on two significant occasions: One was the burning of fake Aokang shoes in 1999, which aroused extensive attention in society and boosted the sales of Aokang leather shoes. This action also received strong support from the government. Qian Xingzhong, the then-mayor of Wenzhou commented, "This fire can be written into the history of Wenzhou." The second occasion occurred during the "Integrity Day of Wenzhou" in 2007 when the "fire of integrity" was ignited, embodying Aokang's integrity image and vividly demonstrating the founder's motto of "Be sincere in what you say, and fulfill what you promise". These events serve as evidence that Aokang values integrity toward the government and society and always adheres to the principle of operating with integrity. They also indicate that enterprises that uphold the core spirit of Confucian culture have also received positive feedback from the government and society. Furthermore, in 2006, Aokang exemplified the fulfillment of enterprise responsibility by

responding to Western anti-dumping investigations. It took the lead in a 6-year anti-dumping lawsuit with Europe, ultimately achieving victory in 2012. This action established Aokang as an embodiment of contemporary entrepreneurial spirit, making it garner praise and extensive support from its peers and the country. Today, the founder of the company also holds various important positions in society, such as a member of the Standing Committee of the Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference (CPPCC) and vice chairman of the Wenzhou Municipal Committee of the CPPCC. Government support is considered an important aspect in mitigating employees' work pressure and enhancing their work engagement. Aokang's application of Confucian culture to improve the work enthusiasm of employees needs social response and support. In many cases, when society gives positive feedback, employees' perceptions and behaviors will align with the company and provide a source of vitality.

Table 4-7 Examples of Organizational and Social Support

Core Category	Representative Example
Organizational support	Under the principle of integrity management, Wang Zhentao's commitment to fulfilling contracts, even at a loss, has garnered praise and long-term orders from the Italian Trader. Aokang's use of high-cost air transport to ensure timely delivery of a Japanese customer's order has also been appreciated, resulting in an increase in orders from the customer. Wang Zhentao emphasized, "Consumer trust is most valuable to Aokang. Practices akin to killing the goose that lays the golden egg must be avoided."
Social support	The two "fires" in 1999 and 2007 contributed to shaping Aokang's brand image as a high-integrity company. In 2006, Aokang took the lead in organizing anti-dumping litigation, receiving widespread praise from both society and the government.

Based on the analysis above, organizational support has a significant impact on employees' work engagement. Aokang's application of Confucian

culture demonstrates its stable management, active fulfillment of social responsibility, and self-disciplined creditworthy behavior. The company's quality is widely supported by society and various organizations. Additionally, Aokang's business management is well-received by society, making communication with government agencies easier. This indicates that Aokang enjoys strong organizational and social support. Enhanced organizational and social support is crucial in fostering employees' work engagement. It strengthens the organization, society, and employee cohesion, while also ensuring that employees' labor and value are respected and recognized. This creates a positive cycle, enhancing employees' positive attitudes and ultimately promoting their work enthusiasm.

4.5 Employee Cognition and Behavior Feedback

According to the analysis above, Aokang has constructed a psychological contract with its employees through the application of Confucian culture, utilizing economic paradigm incentives and emotional mechanism connection. This has promoted the formation of positive emotions among employees. Additionally, employees receive extensive social and organizational support in their work, which serves as positive feedback to their expectations. Aokang respects and cares for employees' sense of achievement at work, thereby enhancing their work enthusiasm. Employee work enthusiasm can be observed in both cognition and behavior, as these aspects mutually influence and promote each other's change. With Aokang's application of Confucian culture, employees feel a harmonious work environment where unity and a sense of family beyond the intense work are fostered. Furthermore, employees actively contribute their advice to the company, developing a sense of ownership that

promotes closer ties between them and the company. Table 4-8 reports specific examples of positive behaviors exhibited by Aokang employees. It is evident that Aokang's application of Confucian culture has contributed to the establishment of a shared psychological contract with employees, influencing them to respond to the company's ethical values with positive behaviors, align with organizational values, and form a mutually beneficial relationship with the organization.

Table 4-8 Examples of Employees' Positive Behaviors

Core Category	Representative Example
Employees' positive behaviors	The increase in trust among employees leads to a greater willingness to communicate. Aokang organizes various activities, such as the "Growing Together in Gratitude" event to celebrate the Mid-Autumn Festival and National Day holiday, as well as the "For Greater Completeness at Aokang" speech contest, to foster closer relationships among employees. The "Golden Ideas" initiative has also had a positive impact, as employees enthusiastically provide suggestions to management regarding the company's production, operations, and management.

4.6 Model of Mechanism of Action of Confucian Culture in Enhancing Employee Work Enthusiasm

Based on the analysis above, this study presents a model illustrating how Confucian culture can enhance employees work enthusiasm, as depicted in Figure 4-5.

The first stage of this model shows the application of Confucian culture, which involves cultivating cognition of Confucian culture or learning cultural classics, such as *The Analects*, *Mencius*, *Great Learning*, and *Doctrine of the Mean*, as well as works like the *Classic of Filial Piety* and *Di Zi Gui* (*Standards for being a Good Pupil and Child*), which have a significant influence on people. The application of Confucian culture involves situational

education. This includes creating an atmosphere of Confucian culture and teaching employees to apply cultural classics in real-life situations, allowing them to gain personal experiences and develop a deeper understanding. “Leaders taking the lead in setting an example” emphasizes the importance of leading by example, a value deeply rooted in Chinese culture. As the Master said, “When a prince’s personal conduct is correct, his government is effective without the issuing of orders. If his personal conduct is not correct, he may issue orders, but they will not be followed.” (*Zi Lu, The Analects*). This statement highlights the role of leaders’ moral character and their ability to inspire and influence others. Leaders who embody virtue and demonstrate moral leadership in specific situations prioritize employees’ personal and organizational economic values, striving for self-improvement and benefiting the public. This, in turn, contributes to the cultivation of Confucian cultural cognition and provides a platform for employees to immerse themselves in Confucian culture.

The second stage involves the establishment of a psychological contract with employees, in virtue of constructing formal rules of economic paradigm incentives and informal rules of emotional mechanism connection. Firstly, moral leaders, who prioritize the value and growth of their employees, transmit shared Confucian ethical values, which then infiltrate the psychological contract between them and employees and have an impact. Secondly, within the shared Confucian ethical values, informal rules are formed to harmonize with the overall organizational formal rules, with the harmonization between formal and informal rules being restricted under the ethical values contained in the psychological contract. This means that

employees' behavior within specific work tasks is regulated by the formal rules of the organization, while their specific ways of thinking and work methods are guided by informal rules in specific situations. This guidance is carried out under the rational regulation of the psychological contract and ethical values. Thirdly, leaders take the lead in translating generally accepted Confucian ethics into practical actions, leveraging the power of example to deepen the psychological contract between them and organization members. They also guide and standardize the emotions and behaviors of members, promote the development of informal rules, and confirm the impact of the current psychological contract, composed of formal and informal rules, on employees' behaviors. Finally, appropriate authorization is provided to ensure that there is room for harmonization with the informal rules in employees' specific behaviors, thus ensuring the realization of employee self-management. As a result, the psychological contract is constructed, leading to a tacit understanding between the organization and its members, which includes mutual expectations between employees and the organization. Based on these expectations, employees regulate their behavior, measuring every action they take toward the organization according to the organization's responsibility to them. This responsibility includes not only the efficiency of the economic paradigm but also human nature under the value paradigm. Employees consider this as an inherent requirement to regulate their behavior. As a result, employees of different types engage in various self-management behaviors in accordance with local orders under regulations generated from internal consciousness and expectations.

The third stage introduces organizational and social support, which are the experiences of employees perceiving external evaluation. The employment relationship between employees and organizations involves the satisfaction of employees' emotional needs of material interests and respect, in exchange for their hard work and loyalty. The organization's care and attention toward employees are important factors that foster employees' willingness to stay in the organization and contribute to its success with hard work. The sense of organizational support fulfills the psychological needs of employees. When employees feel that the organization is willing and capable of supporting and rewarding their efforts, they are more likely to exert greater effort for the benefit of the organization. A strong sense of organizational support instills a sense of responsibility and mission in employees toward the organization. Employees believe that they have a responsibility to support the organizational goals through practical actions in return for the support they receive. The same applies to social support, which comes from society, particularly government authorities. When employees feel respected and recognized for serving all sectors of society, they are motivated to strengthen the psychological contract with the company in return for the trust and support of society.

In the fourth stage, employee work enthusiasm is expressed through their changed perception of Confucian culture, influenced by leaders' moral inspiration and their learning and application of cultural classics. As employees learn cultural classics under leaders' inspiration, their understanding of work transforms in an invisible, formative way, allowing them to perceive their work environment as a family-like atmosphere, characterized by harmonious interpersonal relationships and open

communication with leaders. The improvement in employee work enthusiasm can be largely attributed to four key aspects: leaders taking the lead in making good examples, the application of Confucian culture, the psychological contract, and organizational and social support. This section studies a logical chain (taking the lead in making good examples—application of Confucian culture—psychological contract—work enthusiasm) formed among three aspects.

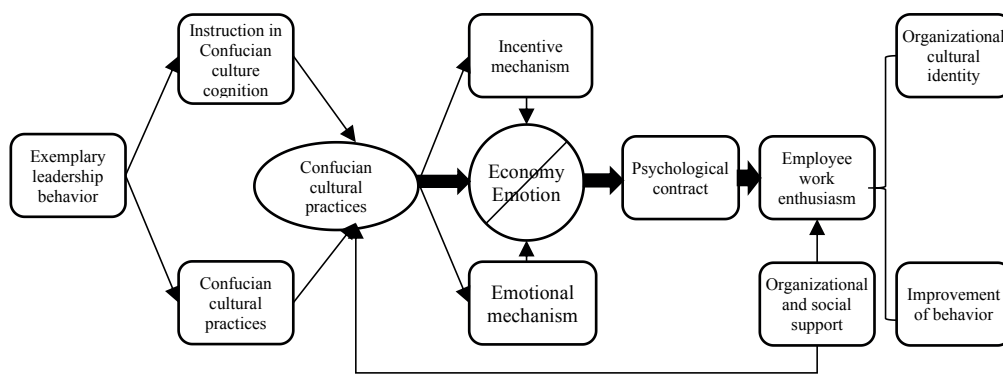


Fig. 4-5 Mechanism path of Aokang International's application of Confucian culture influencing employee work enthusiasm

4.7 Management Performance

This section examines the impact of Aokang International's application of Confucian culture on social recognition and the company's management performance. The primary focus is on the company's performance, which is analyzed through aspects such as enterprise cost control, cash flow performance, and operating income performance. These factors are used to illustrate the company's management status and financial situation, as well as the result of employee work enthusiasm. Additionally, this section emphasizes the comparison with multi-sample companies and considers the factor of industry cycles to explore the profound impact of applying Confucian culture on the company's management resilience.

(1) In the industry cyclical downturn stage

The actual business situation of an enterprise is a factor in examining its performance. Aokang primarily operates business in shoe products and leather goods, which fall under the industries of leather, fur, feathers, and their products, as well as shoemaking. Given the current economic slowdown and the challenges of boosting consumption for daily durable goods, coupled with rising raw material costs, particularly labor costs, the industry is experiencing a period of difficulty. The industry is highly competitive, with numerous brands and a fragmented market structure, which results in low profit margins and vulnerability to macroeconomic and industry demand fluctuations. The performance of the leather manufacturing industry, represented by Aokang is generally weak due to the double whammy of the deteriorating external environment and intense competition. Figure 5-6 presents the average profitability of listed companies in the leather manufacturing industry, indicating a downward trend in net operating profit margin and return on total assets, with some of them, such as seven out of twelve enterprises in 2022, reporting negative profits in recent years. Gross profit margin data also show a declining trend. These findings suggest that the industry is currently experiencing a cyclical downturn, and enterprises within the industry are facing significant survival challenges, necessitating effective measures to overcome these difficulties. In this context, it is important to analyze whether Aokang, as an advocate for applying Confucian culture, can demonstrate greater resilience and performance compared to other enterprises. This study aims to explore this question.

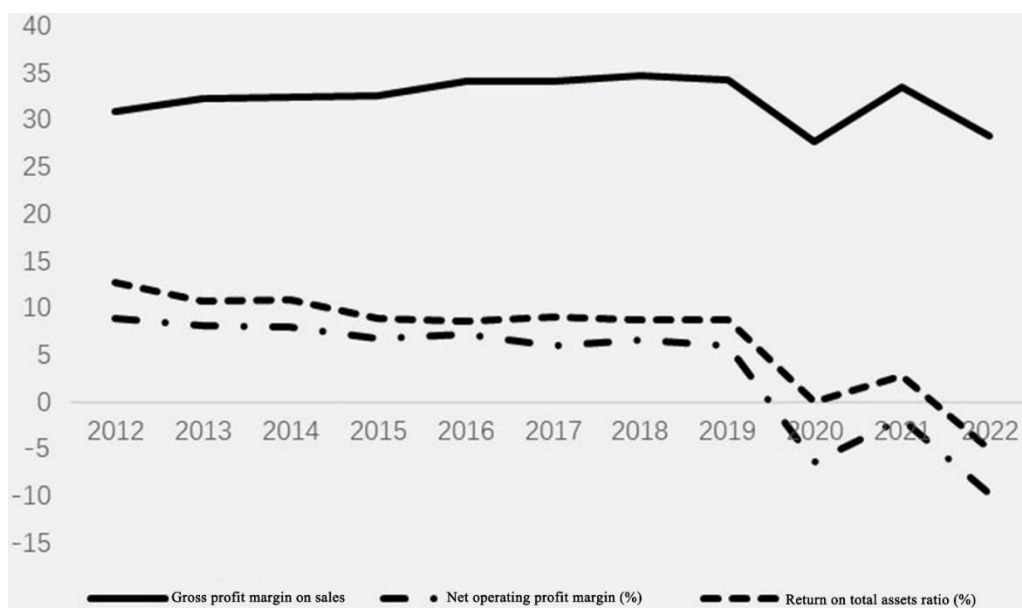


Fig. 5-6 Average profitability of the industries of leather, fur, feathers, and their products, as well as shoemaking

(2) Operating expenses and costs remain stable

The operating expenses of a company can indicate its management performance. Table 4-9 shows that Aokang's management expense rate is basically lower than the industry average, which suggests that its expenses related to salaries, travel, office costs, and project management are below the industry average. In general, high management costs indicate high employees' invisible income, potentially as a way for the company to stimulate performance growth and enable profit on alienation for the interests of major shareholders. This approach of high salary for a clean administration can help reduce conflicts within the company and ensure the consistency between corporate interests and individual interests as much as possible. Obviously, high management costs are often indicative of severe agency conflicts within a company, as well as high operation and management costs. In essence, this is a result of poor management and inefficiency of the enterprise. However, Aokang's management expense ratio is relatively low compared to the

industry average. This can be attributed to its application of Confucian culture, which helps establish emotional connections between the company and its employees and reduces agency conflicts thanks to the sense of ownership. This ultimately leads to lower management costs. Additionally, Aokang maintains a very low financial expense rate. For example, while the industry average financial expense rate in 2022 was 13.35%, Aokang's rate was only 0.32%, and even negative in some years. This indicates that Aokang not only has advantages in financing but also generates income from financial assets. However, it is worth noting that Aokang's sales expense rate is relatively high, exceeding the industry average. This is primarily due to their high advertising expenses. Despite rising labor costs and increased competition, Aokang has managed to maintain relatively stable management expenses, hovering around 10% in recent years with minimal increases. This stability is particularly evident in their financial expenses, which remain consistently low. Overall, Aokang's lower operating expenses reflect their effective management performance. It is Aokang's care for its employees, coupled with effective management methods that motivate employee work enthusiasm, that enables it to promote employee and company interests without too much need for hidden means regarding operating expenses.

Table 4-9 Aokang's Operating Expenses over the Years (%)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sales expense ratio	11.67	18.55	14.36	12.47	13.91	16.62	15.15	16.83	29.73	29.20	40.65
Industry sales expense ratio	11.98	13.30	13.09	13.98	13.89	13.06	13.80	13.63	18.19	17.40	20.85
Management expense ratio	6.17	7.54	7.15	8.11	9.25	9.59	10.71	11.49	9.80	10.84	11.22
Industry management expense ratio	6.73	7.43	7.24	8.02	8.21	8.07	8.82	9.02	11.43	10.36	13.35
Financial expense ratio	-0.75	-0.67	-0.53	-0.41	-0.30	0.13	-0.17	1.31	0.22	0.02	0.32
Industry financial ratio	6.73	7.43	7.24	8.02	8.21	8.07	8.82	9.02	11.43	10.36	13.35

This study focuses on Aokang's cost control. According to Table 4-10, Aokang's ratio of sales to cost is consistently lower than the industry average, which indicates a higher level of cost control. This ratio has been decreasing over the years, which is in contrast to the industry average which has been steadily rising. This demonstrates Aokang's effective cost control through the application of Confucian culture. This is particularly important for Aokang as the cyclical decline of the industry often leads to decreasing returns to scale and rising costs. In this context, Aokang's ability to maintain cost control reflects the advantages of applying traditional culture. Aokang places great emphasis on management and has established various system structures such as the "Little Eagle Program" and "Aokang Philosophy of the Mind". It also encourages employees to undergo training and study in excellent enterprises across the country and even internationally. These initiatives have significantly improved Aokang's management ability and the comprehensive skills of employees, resulting in a workforce that is capable and well-equipped for the challenges. As a result, Aokang demonstrates a level of cost control that surpasses the industry average, effectively reducing costs while improving quality. Additionally, influenced by the corporate culture, employees are more mindful of the company's interests in their daily activities, reducing

unnecessary expenses and translating the economical quality into actions that help reduce costs. Furthermore, the company's reputation and production costs are not negatively impacted by dishonest behavior due to the strong corporate culture.

Table 4-10 Aokang's Cost Rate over the Years (%)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Ratio of sales to cost	62.84	59.99	64.51	66.28	62.91	63.73	64.26	65.03	59.99	58.54	58.08
Industrial ratio of sales to cost	69.12	67.71	67.55	67.38	66.02	66.74	65.88	65.76	70.74	66.52	71.55

It is important to highlight that Aokang's achievements are not solely attributed to the application of Confucian culture. This study also emphasizes that companies applying traditional culture place significant importance on improving their own management skills, employee training, corporate culture month, lean management (TW), Amoeba Management (ZX), and fostering good ideas. In other words, the ideological education and cultivation of employees go with the improvement in processes and system establishment. The aforementioned management performance reflects the objective state of such companies, as their ultimate goal is to achieve sustainable growth.

(3) Revenue to maintain market competitiveness

The operating income of a company reflects its position in the market competition, which is influenced by both product competitiveness and the overall performance of the company. According to Table 4-11, Aokang has maintained a stable revenue of around RMB 3 billion since its listing. However, it is important to acknowledge that the industry downturn and shrinking global demand, particularly due to the pandemic, have significantly impacted Aokang's performance, leading to a decline in recent years. This trend seems to be similar to other companies. While companies applying

Confucian culture may not significantly outperform their industry counterparts or generate substantial profits, Aokang's operations remain relatively sound. Additionally, Aokang's per capita income generally shows a progressive increase. Compared to highly competitive enterprises such as Red Dragonfly and Harson, Aokang has the largest number of employees and has experienced a relatively low decline in employee numbers. Aokang has even created new jobs instead of laying off staff. This demonstrates the company's good operating efficiency. It is evident that in the depressed market, both employees and the company have a shared future and can persevere in production and market expansion. This resilience reflects the indomitable spirit of Confucian culture. Diligence and perseverance, influenced by this cultural mindset, enable the company to maintain high morale even in extremely difficult circumstances. Particularly during the three years of the pandemic, when market demand has significantly shrunk, Aokang has faced great difficulties. However, the company has not faltered, and the inner drive of its employees has protected the company's fundamental business and ensured stable performance. This highlights the impact of corporate culture on employees's consistent work engagement, which contributes to high operating efficiency.

Table 4-11 Aokang's Revenue over the Years

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Per capita income (RMB 10,000)	44.26	35.91	40.79	45.47	42.63	44.47	48.37	49.47	57.40	56.10	39.74
Operating income (RMB 100 million)	34.55	27.96	29.65	33.19	32.50	32.62	30.43	27.26	27.38	29.59	27.54

(4) Maintain profitability and low business risks

The above content introduces Aokang's management performance from the dimension of its absolute revenue. In terms of relative indicators, Aokang's return on total assets, operating profit margin, and industry gross

profit margin are all in the upper-middle level of the industry, with a particularly strong advantage in gross profit margin. This indicates that Aokang, influenced by traditional culture, has established a good brand reputation in the industry and maintains a stable team, which contributes to its high profitability. In other words, it is the educational implication of Confucian culture that contributes to securing Aokang's stable management and employee work engagement, thus resulting in a sound financial status throughout its more than 10 years of listing. While Aokang's profits have experienced a decline, it is important to consider this in the context of the sluggish industry as a whole. Aokang's decline in profitability is lower than that of the industry, which indicates the crucial role played by Aokang's management in uniting employees to overcome challenges. This highlights Confucian culture's role in stimulating employee work enthusiasm and ultimately supporting the company's resilient performance. (See Table 4-12)

Table 4-12 Aokang's Profitability over the Years (%)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rate of return on total assets	16.99	7.16	6.91	9.54	6.92	5.17	3.33	1.32	1.12	0.82	-7.79
Industry rate of return on total assets	12.72	10.79	10.81	8.88	8.57	9.01	8.70	8.71	-0.01	2.78	-5.08
Operating profit margin	18.69	12.95	11.06	14.74	11.77	8.32	5.75	1.99	1.69	1.09	-12.65
Industry operating profit margin	8.92	8.05	7.93	6.81	7.19	5.98	6.66	5.94	-6.35	-1.76	-9.75
Gross profit margin	37.16	40.01	35.49	33.72	37.09	36.27	35.74	34.97	40.01	41.46	41.92
Industry gross profit margin	30.88	32.29	32.45	32.62	34.12	34.13	34.73	34.22	27.72	33.44	28.31

Table 4-13 reports Aokang's revenue growth rate and Z value of operating risk. It is evident that Aokang has experienced stable revenue growth and has entered a period of stability and maturity. While Aokang may not have a significant or absolute advantage over other enterprises, its business

strategy is to promote down-to-earth and steady progress. Additionally, Aokang's Z value of operating risk is above 4 in most years. On the whole, the company has no financial or operational risks. Even when the Z value fell to 2.19 in 2022, Aokang still faced unremarkable operating risk. This shows that Aokang has managed to navigate the industry recession by focusing on its core business and maintaining stability. The influence of Confucian culture has allowed Aokang to stay focused on its original mission and achieve stable growth. Imagine if Aokang were to deviate from its original aspirations and rely heavily on capital market tools for diversified mergers and acquisitions. In such a scenario, the company may struggle to maintain operation stability and could hardly expand its business. By staying committed to sustainable growth, Aokang can continue to thrive.

Table 4-13 Aokang's Growth Rate of Operating Revenue and Z Value

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Growth rate of operating revenue (%)	16.50	19.07	6.05	11.92	-2.07	0.36	-6.70	10.41	0.42	8.06	-6.91
Z value	5.44	5.33	7.13	7.11	5.66	4.57	4.51	4.89	4.13	4.20	2.19

(5) The model for the application of Confucian culture

Based on the above analysis, this study proposes a model for the application of Confucian culture, as shown in Figure 5-7. The application of Confucian culture helps to foster a sense of unity among employees and establish a tacit understanding among them. This, in turn, awakens their inner drive to work and enhances their work enthusiasm. Such enthusiasm can be manifested in the performance of the company. This performance may not necessarily mean absolute advantages or substantial profit gains but rather involves the whole industrial and economic background. In a highly competitive landscape, Aokang, under the educational implications of

Confucian culture, demonstrates remarkable corporate resilience and a strong commitment to humanistic care. The company refrains from laying off employees and even increases job opportunities. It effectively manages its operating expenses, achieves high efficiency in output, and demonstrates the ability to save costs while maintaining steady revenue. These factors contribute to the company's advantageous position in difficulties and exhibition of performance surpassing the industry average. This exemplifies the positive influence of Confucian culture within Aokang.

It is worth noting that Aokang is not an isolated case. The founder of Panasonic made the decision to retain all staff, provide full pay, and reduce working hours by half during the economic crisis in 1930. This decision greatly boosted morale and, surprisingly, led to an increase in sales. The underlying reason behind this success is that Panasonic embodies Confucian qualities such as morality, emotion, and trust in its operations. These elements are ultimately translated into productivity, enabling Panasonic to thrive in the face of adversity. Similarly, Kazuo Inamori, who practiced the maxim of "Respect the Divine and Love People", prioritized the material and spiritual well-being of employees as their corporate mission and created two Fortune Global 500 enterprises. Even today, Kazuo Inamori's ideas continue to have a profound impact on many entrepreneurs. These examples demonstrate that a strong corporate culture, deeply rooted in local values and traditions, can provide a continuous source of vitality for an enterprise. In China, the cultural practice based on Confucian values has invigorated and helped enterprises to stay true to their original aspirations in good times, persevere through challenges, and thus achieve sustainable success. Enterprises like Suzhou

Good-Ark and CATL embracing Confucian culture have leading business performance within related industries. This employee-centric approach drives sustainable development and demonstrates the positive impact of Confucian culture on overall enterprise performance.

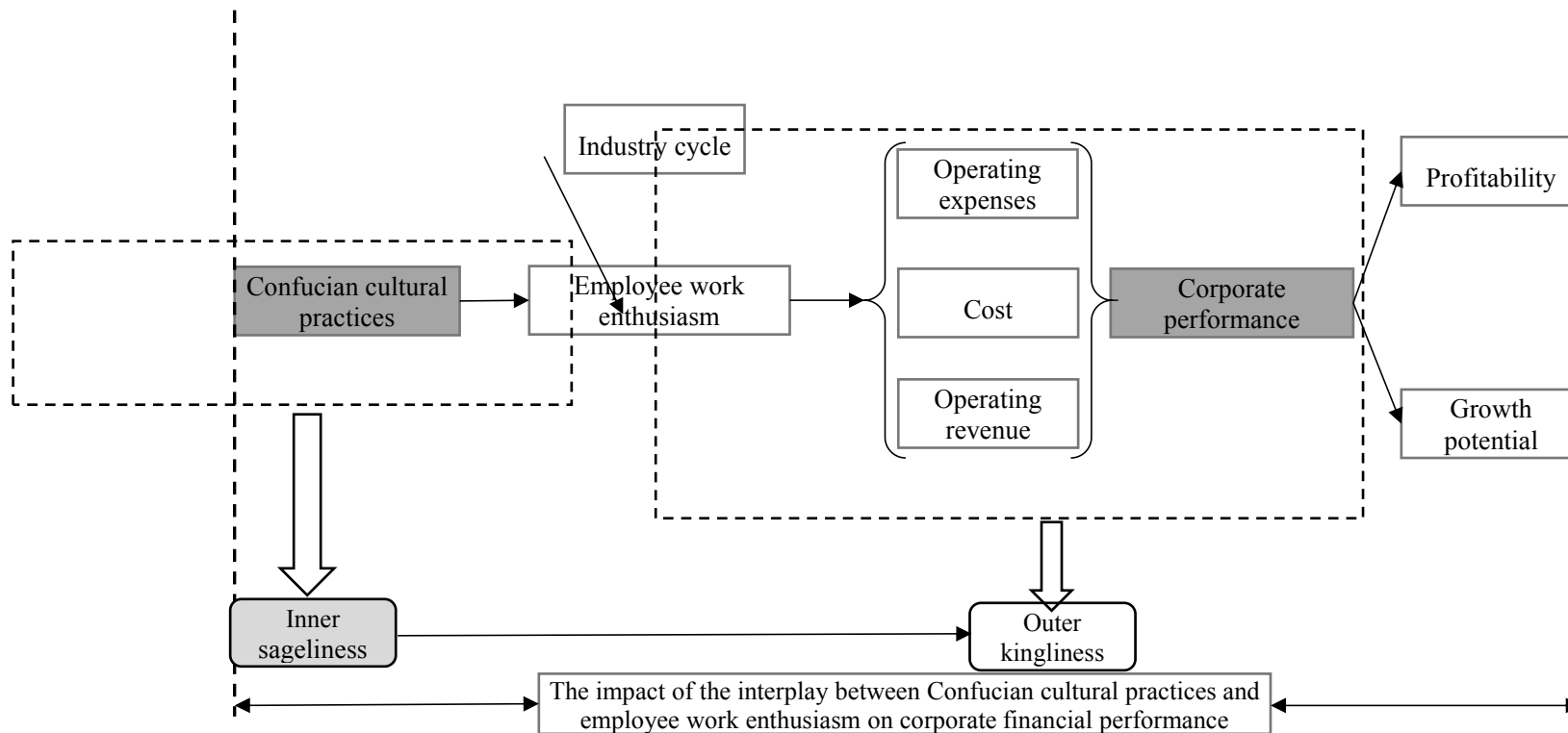


Fig. 5-7 Enterprise performance effect of Aokang International's application of Confucian culture influencing employee work enthusiasm

4.8 Chapter Summary

This chapter begins by examining the specific measures taken by Aokang International to apply Confucian culture. It is observed that the leaders of Aokang International have served as role models and have established a Confucian management culture within the company. This application of Confucian culture, at various levels including spiritual, institutional, behavioral, and material, has had a profound impact on the perception and behaviors of employees. Furthermore, this study investigates the mechanism and pathway through which the application of Confucian culture influences employee work enthusiasm. It establishes a logical sequence that includes “leadership by example—application of Confucian culture—establishment of psychological contract—employee work enthusiasm”. It is discovered that from the influence of both the economic and emotional paradigm to employees’ psychological contracts, enterprises can encourage employees to identify with themselves, the organization, and their work and also help cultivate a sense of ownership among employees, ultimately enhancing their work enthusiasm. Lastly, this paper explores the effect of Aokang International’s application of Confucian culture on employee work enthusiasm and its role in enterprise performance. It is found that Aokang International’s application of Confucian culture is effective, especially in the face of industry downturns. Despite the challenging industry cycle, Aokang International’s performance has generally remained stable and excellent compared to its competitors. This highlights the advantages of applying Confucian culture in management.

The case of Aokang International serves as a prime example of

entrepreneurs' vision to enhance their spiritual qualities, create success, and become a prominent symbol of China's economy. This case also showcases the cultural self-confidence of the Chinese people and contributes to the great rejuvenation of the Chinese nation. It further reinforces the truth emphasized by General Secretary Xi Jinping, that without a strong sense of cultural self-confidence and cultural prosperity, the great rejuvenation of the Chinese nation cannot be achieved.

Chapter V Empirical Study on the Effect of Confucian Culture on the Work Enthusiasm of Corporate Employees

The previous chapter focuses on a single case study of Aokang to explore the internal mechanisms through which the application of Confucian culture influences employee work enthusiasm. It is found that these types of enterprises often establish positive psychological contracts with employees, with the help of educational implications of Confucian culture, and receive widespread support from the organization and society. This significantly enhances employees' work enthusiasm and leads to positive performance outcomes. The findings can serve as a reference for enterprises like Aokang. To find out whether other enterprises follow similar patterns or general principles, the study raises the issue of how China's Confucian culture management affects corporate performance. This chapter addresses four questions: Can Confucian culture management have a stable and powerful impact on employee work enthusiasm? What specific effects can it produce? What are the internal mechanisms at play? Is there a portfolio of tools that can enhance the employee output effect of Confucian culture management? This chapter tries to answer these questions from the perspective of employee output. This chapter adopts an empirical approach based on the framework of "basic identification—stability test—endogenous test—heterogeneity analysis—mechanism analysis—regulatory effect analysis" to clarify the role of Confucian culture in employee output, thus ensuring logical consistency in the empirical evidence.

5.1 Theoretical Analysis and Hypothesis

(1) Application of Confucian culture and employee work enthusiasm

The application of the concepts of benevolence, righteousness, propriety, wisdom, and faithfulness, the Doctrine of the Mean, and self-cultivation advocated by Confucian culture in enterprise management practices can have a subtle yet significant impact on employees. While this impact may be challenging to quantify, it becomes integrated into the work of employees, influencing their work enthusiasm, and ultimately contributing to the enterprise performance.

Firstly, the principles of benevolence and the propriety advocated by Confucian culture encompass a broad vision of moral standards and political demands. Enterprises that embrace Confucian culture tend to demonstrate greater care for their employees. By emphasizing the incentive and restraint system with morality given priority over penalty, these enterprises can enhance employee work enthusiasm. Under the influence of a home-like environment, employees are more likely to develop altruistic ideas and increase their work engagement. Chinese Confucian philosopher Mencius considered “the benevolent man loves others” as the tenet of “treating others with benevolence”, so enterprises that apply Confucian culture are more likely to foster a culture of benevolence among management stakeholders, creating a home-like company atmosphere. Hu and Li (2022) discovered that enterprises that apply Confucian culture exhibit strong family-style organizational relationships, which enhance organizational resilience and employee motivation. A real-life example is Suzhou Good-Ark, a listed company that practices Confucian culture. The company demonstrates benevolent care and emotional support for employees, facilitating multi-directional exchanges between the company and its employees, and promoting

employee work enthusiasm (Chao et al., 2019). Furthermore, benevolence also encompasses the values of self-restraint and propriety. To a large extent, the application of Confucian culture exhibits leaders' role in setting good examples, and the self-cultivation of leaders can influence employees (Chao et al., 2021). As a result, employees sincerely accept the principles of benevolence, which optimizes the working atmosphere, encourages collaboration among employees, and fosters active engagement in their work. FOTILE exemplifies the application of Confucian culture. Through years of exploration, FOTILE's leaders have incorporated benevolence and righteousness into enterprise management, integrating the principles with Western practices. This approach has yielded positive results, making it a typical example of using the principles of benevolence and righteousness from Confucian culture to enhance employee work enthusiasm.

Additionally, Confucian culture places emphasis on propriety, which encompasses general views on ethics, social norms, values, etiquette, and national system rules (Ames & Rosemont, 1998). Enterprises utilize propriety as a means of implementing soft constraints on staff management. The use of verbal instruction, actions, rules, regulations, and standards ensures the stable and orderly operation of social organizations. By standardizing propriety, enterprises ensure the stability and development of organizational order and establish an organizational structure based on ethics, enabling the dynamic cycle and sustainable development of propriety-based management. Within the organization, the proactive engagement of employees is a clear manifestation of the mutual benefits fostered by the propriety system. It is

through the guidance of such a system that employees' proactive engagement becomes a conscious action.

Secondly, Confucian culture advocates prioritizing righteousness over benefit, regarding honesty as the foundation of human behavior. For enterprises, this is reflected in actively undertaking social responsibility, which helps optimize the interactive relationship between enterprises and employees, thereby enhancing employee work enthusiasm. Social responsibility highlights the relationship between enterprises and stakeholders, emphasizing that enterprises should not solely focus on maximizing profits, but also consider their social obligations. The righteousness from Confucian culture can well reflect the requirements for corporate social responsibility and represents the pursuit of justice and what is morally right. Confucian culture emphasizes that righteousness is regarded as a quality and holds superiority. Therefore, righteousness serves as a strong constraint guiding principle, under which enterprises shape a culture of righteousness. This culture places particular emphasis on self-restraint, especially in the pursuit of profit, as exemplified by the saying, "A virtuous man makes his fortune in a proper way." Enterprises that apply Confucian culture value righteousness and actively fulfill their social responsibilities (Zou & Li, 2022). This helps foster an altruistic spirit within the enterprise and promotes a positive social exchange relationship between the enterprise and its employees. Reciprocal exchanges contribute to the maintenance of long-term relationships (Hofstede, 1991), enhancing employees' sense of identity and pride in the company culture, and encouraging their active and voluntary engagement in their work (Ma, 2020).

Regarding faithfulness, Muller (1997) and Murphy (1998) pointed out that the efficiency of human industrial activities and joint endeavors relies heavily on the extent to which people trust each other and abide by contracts. Trust serves as a crucial prerequisite for establishing numerous personal connections. Confucian culture places a strong emphasis on the concept of faithfulness, with integrity being highly valued. There is no doubt that faithfulness plays a vital role in ensuring the healthy development of the market economy and serves as a reliable indicator of trust between market entities. Confucian culture advocates for enterprises to prioritize gaining trust from others and emphasizes the importance of aligning words and actions, as well as keeping promises and taking productive actions. Under the concept of faithfulness in Confucian culture, the integrity of enterprise leaders helps foster role models, establish their authority, and enhance employees' admiration for their personal charisma. This, in turn, fosters positive interactions between employees and leaders within the enterprise (Chao et al., 2021). During the development of Confucian culture, enterprises also instill the concept of faithfulness in their employees, which helps foster mutual trust and cultivate a positive work environment. Within this atmosphere of integrity, employees can enhance their sense of responsibility and mission, as well as cultivate their work enthusiasm. Additionally, the consensus of organizational norms implied in Confucian culture creates a certain level of consciousness and sensitivity among employees, making them feel obligated to fulfill their role tasks when trusted by a higher-ranking superior. With the incentive compatibility constraint by principles of faithfulness, a favorable environment for fostering employee work enthusiasm is created.

Thirdly, the concept of wisdom in Confucian culture highlights the significance of learning. Enterprises place great importance on investing in the human capital of their employees, which not only promotes their personal growth but also enhances their cohesion and execution, ultimately increasing their work enthusiasm. Organizational learning involves the act of identifying and rectifying errors. The concept of wisdom in Confucian culture implies qualities as described by the sentence “The wise are free from perplexities; the virtuous from anxiety; and the bold from fear.” It also requires the ability to discern the truth of things and maintain their original intentions, as well as persist in their pursuit of goodness. When an enterprise embodies wisdom, a clear direction, and impartiality, it contributes to the stability of its framework. The concept of wisdom in Confucianism was initially interpreted to emphasize the importance of education. However, with the advancement of society and science, wisdom now encompasses talent, knowledge, and technology. This necessitates strong organizational learning, meaning that enterprises must learn through practical experience, increase investment in human capital, strengthen training for employees, and ensure access to medical and healthcare services. Shaping Confucianism helps foster unity among employees and establishes centripetal control over them (Cheng, 1995; Hwang, 2006; Redding, 2009). Drawing from the organizational learning theory, Cheng and Xiong (2018) argued that learning promotes collective reflection, learning, and summary of lessons, as well as the adjustment of behaviors within organizations. This helps reduce future accidents and innovation risks, thereby enhancing organizational vitality and innovation performance (Baum & Ingram, 1998; Unger et al., 2014). Within

an organization that embraces Confucian culture, employees are quick to adapt to changes in their environment and tend to uphold and adhere to underlying principles, such as diligence, respect for authority, and loyalty. According to Chao et al. (2021), training in traditional culture is beneficial in strengthening employees' understanding of traditional culture and stimulating their psychological capital, thus enhancing their work performance and improving enterprise performance. In this context, Confucian culture can also stimulate employee work enthusiasm.

Fourthly, Confucian culture follows the Doctrine of the Mean, which emphasizes impartiality and helps juggle the interests of all stakeholders and, in turn, enhances employee work enthusiasm. The Doctrine of the Mean is a central concept in Confucian culture. Confucius and Mencius emphasized that it is the most practical way to practice morality. An enterprise that applies Confucian culture prioritizes impartiality when dealing with the relationship between it and its employees. Confucian culture emphasizes the importance of finding a balanced point in relationships, using the idea of moderation to achieve harmony (Zhu & Chen, 2020). The Doctrine of the Mean entails the application of clever strategies to find the best possible solution. It encapsulates the fundamental principle of harmony and represents the core idea of dealing with stakeholders. Guided by the Doctrine of the Mean, both enterprises and their employees can achieve Pareto improvement. This fosters win-win cooperation between enterprises and their employees, creating a mutually beneficial community with a shared future and thus helping enhance employee work enthusiasm.

In conclusion, the application of Confucian culture encourages enterprises to embrace the values of benevolence, righteousness, propriety, wisdom, and faithfulness. This promotes emotional connections, such as caring for employees, fostering reciprocal relationships, and considering the interests of various stakeholders. These practices contribute to the formation of harmonious relationships within the company and have a positive impact on employee work enthusiasm. Kang et al. (2017) provided similar evidence, suggesting that the four dimensions of Confucian culture (benevolence, righteousness, loyalty, and relationship) positively influence employees' emotional and normative motivations, which, in turn, affect their overtime behaviors. Therefore, the paper proposes the following hypothesis:

Hypothesis 1: The application of Confucian culture enhances employee work enthusiasm.

(2) Intermediary mechanism of agency conflict

Jensen and Meckling (1976) provided a classic explanation of the corporate agency. In modern companies, where control and management are separated, the principal-agent problem between the principal (major shareholder) and the agent (manager) is inevitable. The agent may naturally have the motivation to encroach on the interests of the principal or choose leisure over hard work (lazy behavior). The principal-agent problem has been long-standing in company management. Economists have been diligently seeking ways to weaken the incentive and restraint mechanisms of this problem.

Confucianism offers a solution to the issue of agency conflict. Firstly, Confucian culture emphasizes the concept of pursuing benefits in a proper

way, which helps restrain the self-interest behaviors of agents. In the absence of a strong external supervisory environment, Confucian culture emphasizes self-discipline and self-cultivation, requiring agents to seek interests based on righteousness in their work. Mencius said, “If people are able to fully develop the kind of mind in which theft is inconceivable, then their fairness is beyond the point of ever being overcome.” It implies that the righteousness in Confucian culture emphasizes the importance of agents restraining their self-interests from within and resisting unrighteous actions, even in the absence of external supervision mechanisms. It can be said that the implementation of righteousness in Confucian culture has remained vital and stable for thousands of years. Therefore, the concept of righteousness and interest in Confucian culture can restrain agents’ self-interest motivation, effectively compensating for the lack of external supervision and alleviating agency conflicts within companies. Secondly, Confucian culture upholds the value of loyalty, which helps agents develop a sense of faithfulness and strive to fulfill their entrusted responsibilities. Trust is crucial in reducing the costs associated with creating, enforcing, and monitoring contracts in contemporary business. Confucian culture promotes ideas, such as “examining whether being faithful in transacting business for others; whether being sincere in intercourse with friends” and “keeping promises and taking productive actions”, which requires the agent to wholeheartedly dedicate themselves to the tasks entrusted by the principal and abide by the spirit of the contract. This effort bridges the gap between the interests of the principal and the agent, reduces the loss of utility between the two parties, and mitigates the agency conflict within the company. Thirdly, agency costs can be reflected in company management when agents

choose leisure over diligent work, leading to laziness. This type of agency cost can reduce the operational efficiency of the company and cause outstanding agency problems (Holmstrom & Tirole, 1997). Through the educational implications of Confucian culture, enterprises can establish a management approach based on faithfulness to curb agents' tendencies to shirk responsibilities and engage in lazy behavior. Moreover, Confucian culture emphasizes the value of perseverance and personal growth, as reflected in sayings such as "Heaven, in its motion, gives the idea of strength. The superior man, in accordance with this, nerves himself to ceaseless activity." and "When Heaven is about to confer a great office on any man...exposes his body to hunger, and subjects him to extreme poverty." This value helps strengthen agents' resilience, optimism, and open-mindedness, which contribute to the increase in employee work enthusiasm (Chao et al., 2021). Therefore, incorporating Confucian culture into enterprise management can effectively mitigate agency costs. Undoubtedly, the reduction of agency conflict reflects the gradual resolution of the conflicting interests between company leaders and employees. When employees genuinely accept organizational arrangements and align their interests with those of the company, it undoubtedly enhances their work enthusiasm. Therefore, the following hypothesis is proposed:

Hypothesis 2: Enterprises applying Confucian culture, advocating propriety, and treating others with integrity will reduce conflicts in communication and mitigate agency conflicts, thus enhancing employee work enthusiasm.

(3) Intermediary mechanism of sense of fairness

Enterprises that uphold the Confucian culture-based management philosophy place importance on the internal fairness system, which enhances employees' sense of fairness and accomplishment. Confucian culture advocates various ideas related to fairness, with the most prominent being the concept of the Doctrine of the Mean. This concept urges enterprises to pursue impartiality and strive for a balanced approach when dealing with the interests of stakeholders. Prioritizing fairness and justice is undoubtedly beneficial for enterprises to enhance employees' sense of fairness. Throughout China's long history, the imperial examination system was one of the significant institutional innovations during the feudal dynasties. This system influenced by Confucianism advocated fairness and justice (Lei, 2017). The value—"Inequality rather than want is the cause of trouble"—advocated by Confucian culture has deeply influenced the Chinese people. Many writings in classical Chinese reflect the pursuit of an ideal fair society. For example, "Are kings and nobles given their high status by birth?" "Land is distributed equally without the requirement to pay grain taxes." Moreover, the values of benevolence and righteousness advocated by Confucian culture also contribute to fostering a sense of fairness within the enterprise. The concepts of benevolence and seeking interests based on righteousness demonstrate the enterprise's care for its employees and emphasize equal treatment for all employees, regardless of their positions, fostering a sense of unity within the enterprise. This approach reduces the pressure on expectations of the salary gap and weakens the economic psychological stimulation by establishing emotional connections, thus creating a sense of fairness within the organization. It is important to note that fairness and equality are not

synonymous. Individuals in the economic sector consider structural inequality as a common and reasonable phenomenon (Stolte, 1983). The sense of fairness is more of a subjective value judgment, while equality is an objective concept (Li & Wu, 2012). Therefore, the sense of fairness, as a psychological judgment and stable value, is closely related to culture. Verwiebe and Wegener (2000) found that differences in the sense of fairness are significant factors in people's subjective judgments of income inequality. Similarly, employees' sense of fairness will impact their work enthusiasm.

The company is essentially an economic organization based on the exchange of interests (Homans, 1958). The internal sense of fairness is crucial in managing the exchange relationship between employees and the company, as it helps motivate employees to dedicate themselves to their work. From the perspective of the multiple equilibria game model, the equilibrium point of benefit distribution lies in each actor's sense of justice, aiming to achieve a focal equilibrium (Schelling, 1969). In this context, culture becomes the preferred method for resolving disputes (Zhang, 2013). In fact, employees' work enthusiasm follows a benefit distribution pattern similar to the repeated game model. A relatively reasonable salary gap helps establish a sense of fairness within the enterprise (Cowherd & Levine, 1992). Conversely, a sense of unfairness can lead to increased employee turnover, disrupting the equilibrium of the game. The bottom line for employees' work enthusiasm is their sense of fairness. By establishing an emotional framework of fairness and reaching a psychological contract with employees, their work enthusiasm can be promoted. Chang et al. (2020) found that enterprises embracing Confucian culture adjust their management style by reducing the emphasis on Key

Performance Indicators (KPIs) and increasing employees' working holidays. These changes positively influence employees and help reduce work-related stress. Therefore, applying Confucian culture within a company contributes to the sense of fairness in the interactive relationship between employees and the organization. This sense of fairness serves as the foundation for enhancing employee work enthusiasm. In summary, the sense of fairness plays an intermediary role between the application of Confucian culture and employee work enthusiasm. Therefore, this paper proposes the following hypothesis:

Hypothesis 3: Enterprises that apply Confucian culture will enhance employees' sense of fairness, leading to increased work enthusiasm.

(4) Adjustment mechanism of equity incentive

Introduced from the Western enterprise management system, equity incentive is an important measure to mitigate corporate agency conflicts, including salary, performance rewards, and supervision systems. It has become an effective means to encourage employees to actively work and reduce lazy behavior (Inoue, 2013), thereby aligning the interests of employees and enterprises (Morck et al., 1988). The principal-agent theory highlights that information asymmetry can lead to adverse selection and moral hazard among agents. Agents, driven by self-interest, may establish an "enterprise empire", misuse corporate funds, and tend to conduct company-paid consumption. Additionally, for the company's new project investment, agents may evaluate the benefits and costs associated with the investment project. If the incentive income is insufficient to cover the costs, agents tend to shirk their responsibilities (laziness), because engaging in new projects requires agents to invest more energy and time in learning. In this regard,

Jensen and Meckling (1976) proposed the convergence of interest hypothesis, suggesting that enterprises should establish incentive mechanisms in advance to enhance the alignment of interests between shareholders and agents, thereby reducing agency conflicts. Jensen et al. (1990) further emphasized that providing equity incentives for agents allows for a win-win situation, where the agent's wealth and the company's value can both increase, thus inducing an alignment of interests between agents and shareholders. Numerous evidence from existing studies has found positive values of equity incentives. It has been found that equity incentives are effective in restraining inefficient investment (Song et al., 2017), reducing executive turnover rate (Chen et al., 2017), decreasing executive consumption while in office (Liu et al., 2017), and promoting corporate innovation (Zhao et al., 2020). Therefore, based on the convergence of interest hypothesis, equity incentive plans establish flexible remuneration systems tied to company performance in aspects like sales and share prices. By aligning the interests of employees with those of the company, these plans aim to address the principal's problem arising from the difficulty of fully observing agent behavior, serve to deter misconduct by employees, and motivate them to work actively to get the benefits of equity incentives.

However, it should be noted that an increasing amount of evidence also shows that equity incentives can become a tool for agents' management entrenchment. To meet the conditions for exercising equity incentives, equity incentives can intensify corporate fraudulent behavior (Denis et al., 2006) and earnings management behavior (Li & Kuo, 2017; Xie, Cui & Tang, 2018). Moreover, restricted equity incentive plans can induce agents to stimulate

short-term share price increases in order to profit from reducing their holdings (Feng & Yang, 2018; Chi et al., 2020). Wu Y. and Wu S. (2010) pointed out that the self-interest motive of company agents is manifested in the low standards when setting the conditions for exercising equity incentive plans. Equity incentives fail to mitigate agency conflicts and instead become a tool for insiders to encroach upon the company's interests. In fact, the exposure of scandals in companies such as Enron and WorldCom has revealed certain deviations in the effectiveness of equity incentives. By using equity incentives, companies can reach a contract with employees through material rewards, satisfy the utility of employees' self-worth, and motivate them to work diligently. However, relying solely on equity incentives still cannot provide institutional constraints on employee behavior. Employees may take advantage of the system incentive provided by equity incentives to engage in fraudulent activities and gain personal benefits, which deviates from the goal of increasing employees' work engagement.

Companies that apply Confucian culture can achieve a consensus effect with equity incentive plans and enhance employees' work enthusiasm. On the one hand, equity incentives can guide employees to align with company values, and employees will internalize their work as a natural driving force, actively engaging in their work. The satisfaction derived from material rewards, combined with the influence of Confucian culture, can have a cumulative effect on motivating employees to improve their work enthusiasm. On the other hand, equity incentives may have management entrenchments. However, the Confucian culture can facilitate the potential formation of emotional constraints on employees and the correction of their self-interest motives,

guiding them to establish a correct materialistic perspective. For example, under the guidance of the ideology of upholding justice while pursuing interests, employees can receive dual effects in both material and spiritual aspects, which, in turn, drives the improvement of work engagement and enthusiasm. Therefore, this paper proposes the following hypothesis:

Hypothesis 4: Adopting equity incentive management methods in enterprises can strengthen the positive effects of the application of Confucian culture on employees' work enthusiasm.

(5) Adjustment mechanism of promotion incentives

As the tournament theory points out, one of the implicit incentive mechanisms to improve corporate performance is to adopt a flexible promotion system (Lazear & Rosen, 1981). The institutional design of promotion tournaments can help enhance employees' work enthusiasm. Employees compete in a promotion tournament based on three main motivations. Firstly, higher positions are associated with higher salary levels; secondly, promotion to a higher position allows for more on-the-job consumption and greater power and resources; thirdly, higher positions bring more reputation and honor, leading to a greater sense of satisfaction. Therefore, winners of promotion tournaments can receive not only monetary rewards (Lin & Lu, 2009; Kale et al., 2009), but also greatly satisfy their emotional needs (He, Xiong & Xuan, 2013). In this regard, Professor Edgar Henry Schein, a famous American business theorist and psychologist, proposed the psychological contract theory, pointing out that promotion incentives are the biggest factor among many factors that affect the psychological contract. Employees' active engagement in work is a consensus reached in the signing

of the psychological contract with the enterprise. Through the promotion tournament system, enterprises establish a positive psychological contract with employees, motivating them to work actively and achieving a win-win situation of performance growth and employee promotion. Existing studies have found that promotion incentives contribute to enhancing corporate research and development innovation (Kang et al., 2016; Hao et al., 2018), corporate performance (Firth et al., 2011), and corporate social responsibility (Zhang, 2019). However, it is worth emphasizing that with material rewards involved, the competition for rights can easily distort employee behavior. On the one hand, personal promotion can potentially lead to employees' fraudulent behavior and motivate them to manipulate earnings. (He, Xiong & Xuan, 2013); on the other hand, promotion incentives focus more on the final performance growth and cannot observe the employee's work process. Under the drive of promotion tournaments, it is easy to induce employees' short-sighted behavior. To achieve goals, they may engage in projects that can quickly show results, rather than investing energy in long-term value projects that are beneficial to the company's development. Furthermore, excessive promotion incentives can put excessive pressure on employees, and strict promotion policies combined with large salary gaps can discourage employees' work enthusiasm, which does not contribute to enhancing their vitality (Kang & Wu, 2020).

The application of Confucian culture can complement the promotion and incentive system, resulting in a cumulative effect of boosting employees' work enthusiasm. The core values of "benevolence, righteousness, propriety, wisdom, and faithfulness" upheld by Confucian culture guide employees to

the correct view of materialism, enhance their concern for the collective interests of the enterprise, and also help improve their sense of happiness and satisfaction. This moral influence weakens the distortion of excessive competition that may be caused by promotion incentives. Besides, the objective reality of the salary gap resulting from promotion incentives, along with the educational implications of Confucian culture, helps employees objectively assess the reality of salary disparity and curb negative emotions arising from unfavorable career advancements. The concept of “God helps those who help themselves” and the concept of resilience cultivated by Confucian culture also help eliminate the adverse effects of promotion incentives. Therefore, both promotion incentives and the application of Confucian culture have significant benefits in motivating employees’ work engagement. More importantly, the influence of Confucian culture can weaken the adverse effects of promotion systems that are based on materialism and power as incentives, thus achieving a dual effect in enhancing employees’ work enthusiasm. Based on the above, this paper puts forward the hypothesis 5:

Hypothesis 5: Adopting promotion incentive management methods in enterprises can strengthen the positive effects of the application of Confucian culture on employees’ work enthusiasm.

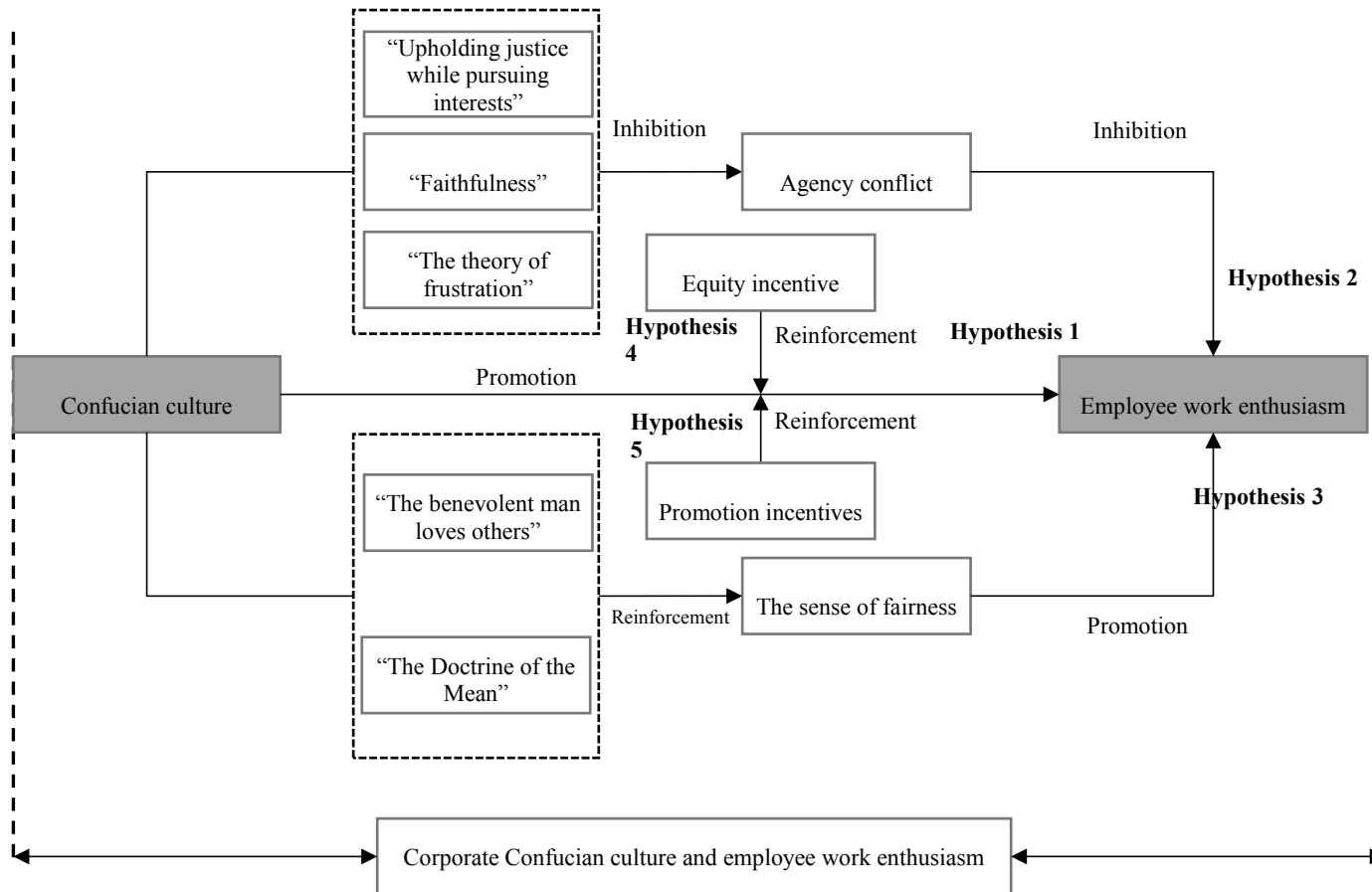


Fig. 5-1 Empirical module research model

5.2 Study Design

(1) Data source and sample processing

To examine the influence of the application of Confucian culture on employees' work efficiency, this study uses data from A-share listed enterprises from Shanghai and Shenzhen in China and combines micro datasets from enterprises with macro data. The sample period is from 2007 to 2021. Based on this, the data was processed as follows with reference to research conventions. Firstly, considering the unique nature of financial data for listed companies, this study excluded companies based on industry classification by the China Securities Regulatory Commission; secondly, the loss of key data can result in sampling bias, so this study excluded such data; thirdly, companies under ST (Special Treatment) or delisted conditions were also excluded due to their special characteristics; fourthly, this study removed sample data that did not span at least three consecutive years. Among them, the financial characteristic data of the enterprises is sourced from the CSMAR database and the WIND database, the Confucian culture data is sourced from the CSMAR Chinese Culture database, and the macro data is sourced from the China Economic Information Network. In addition, this study conducted winsorization on all continuous variables at the 1% quantile to avoid the influence of extreme anomalies on the empirical study.

(2) Meaning and setting of variables

1) Explained variables

Employees' work enthusiasm (WE). Work enthusiasm and work engagement are similar concepts, representing a sustained, positive, and fulfilling work state for individuals. Involved employees are energetic,

dedicated, and focused (Schaufeli et al., 2002). Work enthusiasm can be measured from multiple dimensions, including vigor, dedication, absorption, and efficiency (Schaufeli et al., 2002; Ma et al., 2020). This measurement method requires the use of questionnaire surveys to capture the degree of employees' work enthusiasm to a certain extent. It should be taken into account that due to the considerable expense involved in gaging employees' work enthusiasm via surveys or interviews, the lack of sample representativeness, as well as the possible presence of the "halo effect", the correlation between a particular viewpoint and a positive expression could lead respondents to accept and endorse a perspective, individual or object without proper verification and result in distorted survey data and questionable data quality. Furthermore, the indicator for employee enthusiasm is acquired through questionnaires. However, this indicator can only be categorized as a binary variable between 0 and 1, or a value ranging from 1 to 6. This method of measurement is hardly sufficient to comprehensively depict employee work enthusiasm, let alone quantify and compare the work enthusiasm of the employees sampled. Given the availability and validity of data from listed companies, this study uses a continuous variable approach to measure the work enthusiasm of employees in enterprises. Although publicly available data may not directly capture evidence of employees' work enthusiasm, it is generally true that companies with highly engaged teams tend to have higher productivity levels. In this regard, this study uses per capita output to measure employees' work enthusiasm and utilizes the main revenue growth rate and per capita output adjusted by industry median as stability indicators to conduct further examinations.

2) Explanatory variables

Confucian culture (CONC). This study mainly measures the regional Confucian culture influence range (CONC-A). The Confucian culture influence range is often measured by proxy variables, namely the number of academies that existed from the Tang Dynasty to the end of the Qing Dynasty within a certain distance range. (Gu, 2015; Cheng et al., 2016; Xu & Li, 2019; Wang, 2021). This study refers to this method and manually records and organizes the location information of academies that have appeared since the Tang Dynasty based on the records of *A Dictionary of Academies in China* (excluding data from Hong Kong, Macao, and Taiwan regions). Then, it uses the latitude and longitude coordinates of the registered locations of the listed companies as the center to calculate the number of academies within a 50-kilometer radius using software. Finally, the number of academies included in each listed company is added by 1 and then the natural logarithm is taken as a proxy variable for Confucian culture, defined as CONC-A50. Besides, this paper also uses software to calculate the number of academies within a 150-kilometer radius, using the same method as mentioned above, as a proxy indicator for the application of Confucian culture, defined as CONC-A150.

3) Mediating variables

Sense of fairness (FAIR). The phrase “Inequality rather than want is the cause of trouble” is an extremely important economic proposition and social ideal in Confucian culture. The application of Confucian culture by enterprises is likely to influence employees’ sense of fairness. The sense of fairness reflects employees’ satisfaction with the company and serves as an emotional bond for motivating employees’ work engagement. Perceived unfairness can

reduce individual efforts (Cowherd & Levine, 1992). Therefore, this paper selects the sense of fairness as the second mediating variable through which Confucian culture influences employees' work enthusiasm. The sense of fairness, as a psychological feeling, is difficult to directly capture. However, research has found that members of an organization compare themselves to individuals around them, and income disparity is an important factor in perceived unfairness. Once individuals realize that their efforts are not being rewarded accordingly, they will perceive themselves as being treated unfairly (Liang, Zhang & Wang, 2019). Given this, this paper refers to the research methods of Kong D., Xu & Kong G. (2017), using the intra-firm wage gap as a proxy variable for the sense of fairness. The specific equation is

$$\text{Wage gap} = \frac{\text{average salary of directors, supervisors, and executives}}{\text{average salary of ordinary employees}}$$

The average salary of directors, supervisors, and executives = the total annual salary of the directors, supervisors, and executives / the total number of directors, supervisors, and executives = total annual salary of directors, supervisors, and executives / (number of directors + total scale of supervisors + number of executives - number of independent directors - number of directors, supervisors, and executives who have not received salary); Average salary of ordinary employees = salary of employees / total number of employees = (total salary payable in the current year - total salary payable in the previous year + cash paid to and for employees - remuneration of directors, supervisors and executives) / total number of employees.

Generally speaking, the larger the salary gap, the higher the sense of unfairness in an enterprise. For ease of understanding in the following text,

this paper takes the negative sign of the wage gap to reflect the positive effect of the sense of fairness.

Agency cost (AC). This paper adopts the research method of Liu and Ma (2016), using the ratio of management expenses to corporate operating revenue for measurement.

4) Moderating variables

Equity incentive (EI). This paper adopts the research method of Tian and Meng (2018). For listed companies that issue and implement equity incentive plans, the year in which equity incentives (EI) are issued and implemented is assigned as 1; otherwise, it is 0.

Promotion incentive (PI). This paper takes the study by Kang and Wu (2020) as an example to use the ratio of the average salary of non-deputy general managers and above-level executives to the average salary of ordinary employees for measurement. The specific equation is:

$$PI = \frac{\text{The average salary of executives who are not at the CEO level or vice president level}}{\text{Average salary of ordinary employees}}$$

$$= \frac{\text{Total salary of executives who are not at the CEO level or vice president level}}{\text{The number of executives who are not at the CEO level or vice president level and receive salaries}}$$

$$/ \left(\frac{(\text{Cash paid to and for employees} - \text{the total salary of all executives who receive salaries})}{(\text{The total number of employees} - \text{the total number of executives})} \right)$$

5) Control variables

Years of listing (age). With the increased age of the enterprise, the lifecycle of the enterprise changes accordingly, and during this process, the initial level of employee work enthusiasm will also change. This indicator is calculated by subtracting the enterprise's listing year from the sample plus 1;

Total assets (at). The scale of assets shows the scale effect of the enterprise. Generally speaking, larger enterprises have increased difficulty in managing employees. This indicator is the logarithm of the total assets of the company at the end of the year;

Operating revenue (sale). The large scale of an enterprise's operating revenue, to a certain extent, reflects the strength of the enterprise, as well as certain cash flow and financial security, which helps to enhance employees' work enthusiasm. This indicator is measured by the logarithm of the enterprise's main operating revenue;

Capital intensity (cs). It positively reflects the capital dependency of the enterprise and can represent the business preference of the enterprise. This indicator is measured by the ratio of total assets to the main operating revenue of the enterprise;

Debt ratio (lev). It reflects the level of leverage ratio of the enterprise. This paper uses the usual method, namely the ratio of total liabilities to total assets of the enterprise, to measure it;

Current ratio (liq). It can reflect the enterprise's short-term debt-paying ability, and to some extent, it can reveal the financial balance of the enterprise. This indicator is measured by the ratio of current assets to current liabilities;

Tangible asset ratio (tang). It refers to the proportion of tangible assets in the enterprise and is measured by the proportion of fixed assets to the total assets of the enterprise;

Total asset growth rate (sg). It reflects the enterprise's growth ability and is measured by the ratio of the difference between the total assets at the end of the current year and the total assets at the beginning of the year to the

total assets of the year;

Ownership concentration (fs). It shows the degree of equity dispersion in the enterprise. A high ownership concentration means that the cost of risk borne by major shareholders is relatively high, and it also reflects the control ability of major shareholders over the company and is conducive to establishing the authority of leaders among employees. This indicator is measured by the proportion of shares held by the largest shareholder;

Separation of ownership and management (cd). It represents the difference between the control rights of the ultimate controller of the enterprise and the cash flow rights. The larger the difference, the lower the operating cost of the major shareholder supervising the company's operations and the higher the potential for infringing on the overall interests of the company in order to seek benefits for the major shareholder;

CEO duality (dual). It represents whether the chairman and general manager are concurrently serving. The value of 1 indicates concurrent serving; otherwise, it is 0. When the chairman and general manager of the company concurrently serve, it reflects the authority of major shareholders' power and has a strong supervisory effect on employees' work.

Audit opinion (audit). If the audit unit issues a standard unqualified opinion, the value is assigned as 1; otherwise, it is 0. A high-quality audit opinion means that the financial report is of high quality and the transparency of corporate information is good. This comprehensive performance often indicates good corporate governance and reflects concern for stakeholders like employees, which may enhance employees' work enthusiasm.

See Table 5-1 for specific variable definitions and descriptions.

Table 5-1 Definition and Description of Variables

	Variable Name	Variable Symbol	Variable Definition
Explained variable	Employee work enthusiasm	WE	The ratio of the company's main operating revenue to the number of employees
Explanatory variable	Confucian culture	CONC-A50	The number of academies within a 50-kilometer radius of a listed company plus 1, and then take the natural logarithm
		CONC-A150	The number of academies within a 150-kilometer radius of a listed company plus 1, and then take the natural logarithm.
	Years of listing	age	Sample year minus the listing year of the enterprise plus 1
	Total assets	at	The logarithm of the total assets of the company at the end of the year
	Operating revenue	sale	The logarithm of the company's main operating revenue
	Capital intensity	cs	The ratio of total assets to main business income
	Debt ratio	lev	The ratio of total liabilities to total assets of the enterprise
	Current ratio	liq	The ratio of current assets to current liabilities
	Tangible asset ratio	tang	The proportion of fixed assets to the total assets of the enterprise
	Control variable	sg	The ratio of the difference between the total assets at the end of the current year and the total assets at the beginning of the year to the total assets of the year
			The proportion of shares held by the largest shareholder
		cd	The difference between the control rights of the ultimate controller of the enterprise and the cash flow rights
			Whether the chairman and general manager are concurrently serving. The value of 1 indicates concurrent serving; otherwise, it is 0
Mediating variable	The sense of fairness	FAIR	If the audit unit issues a standard unqualified opinion, the value is assigned as 1; otherwise, it is 0
			The wage gap is used as a proxy, that is, the ratio of the average salary of directors, supervisors, and executives to the average salary of ordinary employees
Moderating variable	Agency cost	AC	The ratio of management expenses to corporate operating revenue
	Equity incentive	EI	The year in which equity incentives (EI) are issued and implemented is assigned as 1; otherwise, it is 0
	Promotion incentives	PI	The ratio of the average salary of non-deputy general managers and above-level executives to the average salary of ordinary employees

(3) Model setting

1) Benchmark regression

To examine the influence of the application of Confucian culture on employees' work enthusiasm, this paper constructs the following empirical research model:

$$WE_{it} = \theta_0 + \theta_1 CONC_i + \theta_2 Control_{it} + \sum Industries \& Years + \varepsilon_{it} \text{ Equation}$$

(1)

WE is the employees' work enthusiasm, which is an explained variable. CONC includes the regional Confucian culture influence range (CONC-A). In this paper, the latitude and longitude coordinates of the registered locations of listed companies are taken as the center, and the number of academies within a radius of 50 kilometers or 150 kilometers is calculated using the software as the measurement basis. This is the core explanatory variable of this paper. The aforementioned control variables are the Control Variables described above. ε is the random error term in the model.

In this regard, the preparatory work before the empirical regression is as follows. Firstly, to overcome the disturbance of outliers, this paper winsorizes all continuous variables by 1% on both ends, and logarithmic transformation is applied to non-ratio variables on this basis; secondly, to alleviate the endogeneity caused by variables that do not change over time and cannot be observed, this paper uses fixed effects model to control for industry fixed effects of enterprises and further control for year fixed effects of enterprises, thus conducting regression analysis through two-way fixed effects model; thirdly, to overcome the interference of heteroscedasticity, this paper defaults to robust standard error adjustment in all regressions and uses robust standard

errors clustered at the joint levels of individual and time for processing.

2) Mediating effect model

To examine the mechanism path of the influence of the application of Confucian culture on employees' work enthusiasm, this paper refers to the methods of Wen et al. (2004) and Chen (2016) and establishes the following recursive equations (Equation (2) to Equation (3)) to test the mediating mechanism of the relevant variables, thereby depicting the path of the influence of applying Confucian culture on employees' work enthusiasm.

$$Mediator_{it} = \theta + \theta_1 CONC_i + \sum \phi CV_{it} + \sum Industries \& Year + \tau \quad \text{Equation}$$

(2)

$$WE_{it} = \phi' + \phi'_1 Mediator_{it} + \phi'_2 CONC_i + \sum \phi CV + \sum Industries \& Year + \xi \quad \text{E}$$

quation (3)

CONC is the core explanatory variable, which refers to the regional Confucian culture influence range (CONC-A) and the intensity of Confucian culture in the registered location of the chairman or CEO (CONC-B); CV represents the control variable, which is the control variable set mentioned above; Mediator represents the mediating variable group; the rest is set as above. In the selection of mediating variables, variables that are closely related to employees' work enthusiasm and the application of Confucian culture should be selected. In this paper, sense of fairness (FAIR) and agency cost (AC) are selected as mediating variables. The explanation of the mediating effect model is that referring to the research ideas of Wen et al. (2004), in equation 3, if the values of ϕ'_1 and ϕ'_2 are statistically significant, it indicates that the mediating variables play a partial role; if the value of ϕ'_1 is significant,

but the value of ϕ_2' is not significant, it indicates that the mediating variables play a complete role and the mediating mechanism is fully effective; but if the value of ϕ_l' is not significant, it means that the mediating variables do not play a role, that is, there is no mediating effect.

3) Moderating effect model

To examine the net effect of the application of Confucian culture on employees' work enthusiasm, this paper sets the following moderating effect model for examination:

$$WE_{it} = \theta_0 + \theta_1 CONC \times INC + \theta_2 CONC + \theta_3 INC + \theta_4 Control_{it} + \sum Industries \& Years + \varepsilon_{it}$$

Equation (4)

INC includes equity incentives (EI) and promotion incentives (PI). Other variables are set as above. Interactive terms are employed for examination.

(4) Variable characteristic analysis

Table 5-2 reports the descriptive statistics of the primary variables for the full sample. The mean and median of employee output (WE) are 13.81 and 13.70, respectively, and the 25% and 75% quantiles are 13.18 and 14.30, respectively. These indicate significant differences in per capita output among different companies. The mean values of the regional Confucian culture influence range within a 50-kilometer radius and a 150-kilometer radius are 2.449 and 11.27, respectively, and the median are 2 and 11. This data reveals significant differences in the influence of Confucian culture on listed companies. In addition, the mean of capital intensity (cs) is 2.519, reflecting the high capital intensity of Chinese listed companies; the mean of debt ratio (lev) is 0.443, indicating that the average debt ratio of the sample companies is 44.3%; the mean values of ownership concentration (fs) and CEO duality

(dual) are 34.67 and 0.232, respectively, indicating that the proportion of the largest shareholder and the proportion of the chairman and general manager concurrently serving in the sample companies are 37.67% and 23.2%, respectively, highlighting the fact that Chinese listed companies have concentrated ownership and prominent insider control. The mean of the separation of ownership and management (cd) is 5.019, indicating that the deviation of the separation of ownership and management of the sample companies reaches a level of 5%, which means that the major shareholders of listed companies having control rights may see high-level benefits and low costs of seeking private benefits.

Table 5-3 reports the correlation coefficient table for the control variable group. The table shows that the correlation between most variables is below 0.7, indicating that the correlation is not at a high level. To some extent, this reflects the rationality of variable settings and the absence of serious multicollinearity problems.

Table 5-2 Descriptive Statistics

variable	N	mean	min	p25	p50	p75	max	sd
WE	20602	13.81	8.030	13.18	13.70	14.30	19.70	0.946
CONC-A50	20638	2.449	0	1	2	4	12	2.149
CONC-A150	20638	11.27	0	8	11	15	41	6.755
age	20630	10.56	1	5	9	16	29	6.473
at	20630	22.12	14.16	21.19	21.93	22.86	28.51	1.314
sale	20622	21.57	12.80	20.58	21.42	22.43	28.69	1.484
cs	20621	2.519	0.381	1.271	1.895	2.964	13.77	2.131
lev	20630	0.443	0.00710	0.277	0.436	0.591	58.08	0.520
liq	20629	2.443	0.00790	1.101	1.575	2.485	204.7	4.090
tang	20630	0.924	0.125	0.912	0.956	0.979	1	0.0979
sg	20630	0.169	-0.712	0.0162	0.0939	0.210	45.46	0.612
fs	20630	34.67	8.960	22.86	32.59	44.93	74.30	14.83
cd	19825	5.019	-0.0116	0	0	8.779	49.40	7.877
dual	20325	0.232	0	0	0	0	1	0.420
audit	20646	0.978	0	1	1	1	1	0.147

Table 5-3 Correlation Coefficient

	age	at	sale	cs	lev	liq	tang	sg	fs	cd	dual	audit
age	1											
at	0.365	1										
sale	0.294	0.872	1									
cs	0.0915	0.0278	-0.394	1								
lev	0.128	0.132	0.414	-0.0303	1							
liq	-0.185	-0.221	-0.270	0.143	-0.179	1						
tang	0.0750	0.0196	0.0529	-0.0829	0.0573	0.0534	1					
sg	-0.0546	-0.0720	0.00700	0.111	0.0211	-0.0153	-0.128	1				
fs	-0.0388	0.222	0.227	-0.0454	0.0154	-0.0281	0.125	-0.0275	1			
cd	0.1006	0.0530	0.0856	-0.0603	0.0250	-0.0549	0.0557	-0.0020	0.151	1		
dual	-0.186	-0.156	-0.149	0.0143	-0.0368	0.0945	-0.0508	0.0341	-0.0726	-0.0622	1	
audit	-0.0342	0.0291	0.0601	-0.0874	-0.118	0.0250	0.0274	0.0301	0.0677	0.0245	-0.0178	1

5.3 Basic Regression and Economic Interpretation

Table 5-4 reports the benchmark regression results. This study empirically examines the analytical framework of “Confucian culture—employees’ work enthusiasm” at the regional level, using a progressive regression approach. Columns (1) and (3) are univariate regressions without control variables, while Columns (2) and (4) include the aforementioned control variable set. The core explanatory variables are the Confucian culture within a 50-kilometer radius (CONC-A50) and the Confucian culture within a 150-kilometer radius (CONC-A150). The empirical result shows that in the univariate regression model, the coefficients of CONC-A50 and CONC-A150 are both significantly positive (0.032 and 0.007, respectively, and both pass the significance test at the 1% confidence interval), indicating that Confucian culture can significantly enhance employee output. Furthermore, after adding the control variable set, the coefficients of CONC-A50 and CONC-A150 are still significantly positive (0.019 and 0.005, respectively, and both pass the significance test at the 1% confidence interval). It can be observed that although the coefficients have a certain passivation effect due to the inclusion of the control variable set, the positive incentive effect of Confucian culture on employee output is still prominent. The above empirical result indicates that the influence of regional Confucian culture helps to improve employees’ output performance. For this empirical result, this study believes that Confucian culture can cultivate employees’ positive emotions, and enhance their unity, cooperation, and dedication spirit, which play a crucial role in the development of enterprises. Moreover, employees who have positive emotions within the enterprise will also receive feedback on the overall corporate

performance. As a result, an enhancement effect on employee output within the enterprise will be created. The empirical conclusion of Table 5-4 verifies the hypothesis of this study, that is, the application of Confucian culture helps to enhance employees' work enthusiasm.

The control variables in Table 5-4 also offer intriguing insights. The year of the enterprise (Age) does not have a statistically significant influence, possibly because enterprises in their early stages are more adventurous, with employees having higher work enthusiasm. As the enterprise grows, employees gradually lose their work enthusiasm. Hence, the two may not have a monotonic relationship. The scale of operating revenue (sale) significantly motivates employees' work engagement, and as operating revenue grows, positive feedback from employees will also be enhanced. The higher the shareholding ratio of the largest shareholder (fs), the higher the employees' work enthusiasm. As the difference between corporate control rights and cash flow rights (cd) increases, it will inhibit the improvement of employees' work enthusiasm. This indicates that as the convenience of the major shareholder's transfer of assets increases, it is not conducive to the improvement of employees' work enthusiasm.

Table 5-4 Regional Confucian Culture and Employees' Work Enthusiasm

	(1)	(2)	(3)	(4)
	WE	WE	WE	WE
CONC-A50	0.032*** (11.61)	0.019*** (7.19)		
CONC-A150			0.007*** (9.18)	0.005*** (6.61)
age		-0.000 (-0.41)		-0.000 (-0.27)
at		-0.423*** (-14.48)		-0.417*** (-14.27)
sale		0.624*** (21.99)		0.621*** (21.89)
cs		0.063*** (6.70)		0.063*** (6.69)
lev		0.103*** (3.24)		0.099*** (3.12)
liq		0.014*** (6.28)		0.014*** (6.29)
tang		0.390*** (5.65)		0.384*** (5.55)
sg		-0.076** (-2.25)		-0.075** (-2.23)
fs		0.001*** (3.47)		0.002*** (3.83)
cd		-0.004*** (-6.08)		-0.004*** (-6.34)
dual		-0.011 (-0.94)		-0.012 (-0.98)
audit		-0.194*** (-4.05)		-0.190*** (-3.96)
_cons	13.475*** (357.41)	7.874*** (54.39)	13.415*** (335.94)	7.800*** (53.76)
Ind	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
N	20596	19499	20596	19499
adj. R²	0.258	0.427	0.255	0.427

Note: (1) ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels respectively; (2) t-statistics clustered by company and year are shown in parentheses. The same below.

5.4 Robustness Test

In the verification of general rules, this study found that Confucian culture helps to enhance employees' work enthusiasm. However, it needs to be emphasized that the stability of this conclusion still needs to be confirmed. On the one hand, the above-mentioned employees' work enthusiasm and Confucian culture indicators are not sufficient to fully demonstrate the common directionality of the conclusion; on the other hand, the transformation

of sample data may also cause bias in the regression equation. Besides, the aforementioned control of the “industry-year” fixed effects model may also lose certain information. Therefore, this study adopts multiple robustness methods such as replacing the explained variable, replacing the explanatory variable, adjusting the regression sample, and replacing the fixed effects model to re-examine the basic regression model in order to verify the validity of the conclusions of this study.

5.4.1 Replacing explained variables

In the aforementioned basic regression, per capita employee operating revenue is used to be a proxy for employees’ work enthusiasm (WE). As mentioned above, the empirical result of verifying the single employee’s work enthusiasm index is not sufficient to support the stability of the conclusion. For this reason, this study also uses three other indicators to measure the stability of employees’ work enthusiasm: a. using the performance indicator for relative indicators. In models (1) and (2), the return on assets (i.e. net profit divided by total assets) is used as a proxy for employees’ work enthusiasm (WE1). b. using the performance indicator for growth rate. In models (3) and (4), the growth rate of operating revenue is used as a proxy for employees’ work enthusiasm (WE2). c. using the per capita employee output index adjusted by the industry median in consideration of the influence of industry attributes on corporate performance. This index reflects the relative level of employees’ work enthusiasm in the industry, represented by (WE3). Table 5-5 reports this result, from which it can be seen that regardless of the new measurement methods used for the explained variables, they all show a significant positive effect on employees’ work enthusiasm. Therefore, the

validity of the basic conclusion of this study is proved.

Table 5-5 The Influence of Regional Confucian Culture on Employees' Work Enthusiasm: Replacing Explained Variables

	(1) ROA	(2) ROA	(3) InGrow	(4) InGrow	(5) WE_ADJ	(6) WE_ADJ
CONC-A50	0.001*** (5.42)		0.002* (1.69)		0.021*** (8.79)	
CONC-A150		0.000*** (3.32)		0.001*** (2.69)		0.006*** (9.07)
age	0.000 (1.62)	0.000 (1.50)	-0.004*** (-7.13)	-0.004*** (-7.16)	0.000 (0.27)	0.000 (0.43)
at	-0.046*** (-15.55)	-0.047*** (-15.64)	-0.191*** (-6.90)	-0.192*** (-6.93)	-0.367*** (-13.68)	-0.359*** (-13.41)
sale	0.062*** (21.69)	0.062*** (21.71)	0.186*** (7.05)	0.187*** (7.07)	0.558*** (21.39)	0.554*** (21.26)
cs	0.007*** (8.23)	0.007*** (8.21)	0.020** (2.40)	0.020** (2.41)	0.047*** (5.36)	0.047*** (5.34)
lev	-0.125*** (-24.62)	-0.124*** (-24.58)	0.029** (2.11)	0.029** (2.13)	0.078*** (2.72)	0.074*** (2.59)
liq	-0.000** (-2.03)	-0.000** (-2.22)	0.000 (0.11)	0.000 (0.07)	0.012*** (6.06)	0.012*** (6.09)
tang	0.014** (2.13)	0.014** (2.19)	-0.499*** (-9.75)	-0.498*** (-9.74)	0.348*** (5.41)	0.339*** (5.28)
sg	0.004 (1.20)	0.004 (1.19)	0.111** (2.30)	0.111** (2.30)	-0.060** (-2.06)	-0.059** (-2.04)
fs	0.000*** (8.21)	0.000*** (7.96)	0.001** (2.56)	0.001** (2.51)	0.001*** (3.44)	0.002*** (3.84)
cd	0.000*** (4.11)	0.000*** (4.34)	-0.000 (-1.16)	-0.000 (-1.17)	-0.004*** (-5.53)	-0.004*** (-5.76)
dual	0.003** (2.40)	0.003** (2.43)	0.010 (1.56)	0.010 (1.57)	-0.017 (-1.45)	-0.018 (-1.49)
audit	0.097*** (12.10)	0.096*** (12.07)	0.066*** (2.67)	0.065*** (2.64)	-0.136*** (-2.94)	-0.132*** (-2.83)
_cons	-0.352*** (-19.68)	-0.345*** (-19.20)	0.786*** (8.00)	0.802*** (8.11)	-4.298*** (-31.21)	-4.396*** (-31.92)
Ind	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes
N	19500	19500	19514	19514	19499	19499
adj. R²	0.248	0.247	0.155	0.155	0.230	0.230

5.4.2 Replacing explanatory variables

In the aforementioned basic regression, this study uses two indicators to measure Confucian culture. One is the number of academies within a 50-kilometer radius of listed companies, and the other is the number of academies within a 150-kilometer radius of listed companies. It can be stated that employing explanatory variables at two dimensions that suggest the reliability of the fundamental conclusions in this study has demonstrated a compelling

level of persuasiveness. Certainly, there is still room for further exploration. One aspect involves the potential expansion or contraction of the Confucian cultural influence range. Another aspect pertains to measuring Confucian culture beyond just academies, by considering factors such as the number of listed companies located near Confucian cultural centers or Confucian temples. In addition, this study also employs three other dimensions to measure the influence of Confucian culture and tests them again in the benchmark regression: a. The number of academies with different distance models is used as a proxy for Confucian culture. In models (1) to (4), the number of academies within the radius of 5 kilometers (**CONC-A5**), 30 kilometers (**CONC-A30**), 200 kilometers (**CONC-A200**), and 300 kilometers (**CONC-A300**) of listed companies is used as a proxy for Confucian culture. b. The intensity of the distance from the center for Confucian culture is used as a proxy for Confucian culture. This study draws on the research ideas of Du (2015) and Chen et al. (2020), using the geographical distance between the company's registered location and the center for Confucian culture to measure the extent of Confucian culture (Confu) influence on enterprises. After thousands of years of development, Confucian culture has gradually formed seven centers in present-day Qufu of Shandong Province, Luoyang of Henan Province, Chengdu of Sichuan Province, Sanming of Fujian Province, Dongtai of Jiangsu Province, Fuzhou of Jiangxi Province, and the eastern part of Zhejiang Province (such as Ningbo and Shaoxing). On this basis, the influence of Confucian culture can be measured by following these steps. Firstly, use internet tools such as Google Maps and Baidu Maps to collect the latitude and longitude of company registration locations and centers for Confucian culture.

Next, calculate the geographic distances from the registered locations to the seven Confucian centers, and find the average DIS. Finally, calculate the intensity of the influence of Confucian culture using the formula: $\text{Confu} = (\text{Max_DIS} - \text{DIS}) / (\text{Max_DIS} - \text{Min_DIS})$, where Max_DIS and Min_DIS are the maximum and minimum distances of the average geographical distance from all listed companies to the seven Confucian centers in the same year. A higher Confu value indicates a higher degree of influence of Confucian culture on the enterprise. c. The number of Confucian temples in the distance model is used as a proxy for Confucian culture. This study draws on the research of Jin, Xu, and Ma (2017), selecting the number of Confucian temples within 100 kilometers, 200 kilometers, and 300 kilometers from the registered locations of listed companies to measure Confucian culture. The steps for manually collecting proxy variables for Confucian culture in this article are as follows. Firstly, search for the names of existing Confucian temples across the country through Wikipedia and chinaguoxue.net, and determine the locations of the temples through Google and Baidu search engines. Then, use Amap and Google Maps to retrieve the latitude and longitude information of the company's registered locations and the locations of the Confucian temples. According to the formula for spherical distance calculation, calculate the distance between the company's registered location and each Confucian temple. Finally, count the number of Confucian temples within a radius of 100 kilometers from each company's registered location, and logarithmically transform this data to obtain the proxy variable for Confucian culture (Confu2).

Table 5-6 reports the test results and the empirical results show that regardless of the method used to measure Confucian culture, the coefficient of

the Confucian culture variable is significantly positive at the 1% level. This indicates that companies located in areas with a stronger influence of Confucian culture have higher per capita output levels, supports the conclusion that Confucian culture helps to enhance employees' work enthusiasm, and further validates the robustness of the basic conclusions of this paper.

5.4.3 Adjustment of study sample

In benchmark regression, the law of a pedigree is derived from a large sample. However, some special samples may cause bias in the results of benchmark regression. Given this, this study makes the following adjustments to the sample data for re-examination. Firstly, this paper follows the research approach of Pan, Yi, and Bai (2022), excluding samples with headquarters located in Beijing and Shanghai and conducting the test again. This is because Beijing was the political center of feudal dynasties in China, while Shanghai has been strongly influenced by Western civilization since modern times. Therefore, the influence of Confucian culture on these two regions may differ from other regions. Table 5-7 reports the test results and the empirical results show that the regression coefficients of **CONC-A50** and **CONC-A150** are positive (the coefficient of **CONC-A50** is positive, but not statistically significant. The coefficient of **CONC-A150** passes the test of significance at the 10% level and is positive). The results support the conclusion that Confucian culture enhances employees' work enthusiasm; secondly, considering that ethnic minority regions have unique cultures and customs, this paper excludes research samples from regions such as Tibet, Xinjiang, Qinghai, and Inner Mongolia, and conducts a regression analysis again. The

results show that the regression coefficient of Confucian culture on employees' work enthusiasm is still significantly positive and passes the test of significance at the 1% level. Therefore, through sample adjustments, the basic conclusion of this paper remains robust.

Table 5-6 The Influence of Regional Confucian Culture on Employees' Work Enthusiasm: Replacing Explanatory Variables

	(1) WE	(2) WE	(3) WE	(4) WE	(5) WE	(6) WE
CONC-A5	0.077*** (6.25)					
CONC-A30		0.025*** (6.49)				
CONC-A200			0.002*** (4.90)			
CONC-A300				0.001*** (3.89)		
Confu					0.212*** (5.34)	
Confu2						0.021*** (7.07)
age	0.001 (0.58)	-0.001 (-0.55)	-0.000 (-0.24)	-0.000 (-0.25)	0.000 (0.00)	-0.000 (-0.40)
at	-0.422*** (-14.34)	-0.424*** (-14.54)	-0.418*** (-14.27)	-0.424*** (-14.38)	-0.416*** (-14.21)	-0.425*** (-14.55)
sale	0.627*** (21.99)	0.624*** (22.03)	0.622*** (21.89)	0.628*** (21.96)	0.619*** (21.81)	0.624*** (22.04)
cs	0.064*** (6.76)	0.063*** (6.73)	0.063*** (6.72)	0.064*** (6.73)	0.063*** (6.70)	0.063*** (6.69)
lev	0.096*** (3.02)	0.104*** (3.29)	0.097*** (3.03)	0.099*** (3.14)	0.101*** (3.20)	0.104*** (3.31)
liq	0.014*** (6.23)	0.014*** (6.28)	0.014*** (6.28)	0.014*** (6.25)	0.014*** (6.31)	0.014*** (6.26)
tang	0.392*** (5.67)	0.392*** (5.64)	0.387*** (5.59)	0.386*** (5.56)	0.395*** (5.70)	0.390*** (5.64)
sg	-0.076** (-2.21)	-0.076** (-2.26)	-0.076** (-2.23)	-0.077** (-2.25)	-0.075** (-2.23)	-0.076** (-2.25)
fs	0.002*** (4.02)	0.001*** (3.38)	0.002*** (3.82)	0.002*** (3.92)	0.002*** (3.84)	0.001*** (3.39)
cd	-0.005*** (-7.05)	-0.004*** (-6.20)	-0.004*** (-6.44)	-0.005*** (-6.87)	-0.004*** (-6.66)	-0.004*** (-6.06)
dual	-0.012 (-0.95)	-0.013 (-1.03)	-0.011 (-0.93)	-0.014 (-1.11)	-0.013 (-1.03)	-0.012 (-1.01)
audit	-0.189*** (-3.95)	-0.191*** (-3.99)	-0.188*** (-3.92)	-0.192*** (-4.02)	-0.189*** (-3.94)	-0.194*** (-4.05)
_cons	7.835*** (53.78)	7.888*** (54.35)	7.816*** (53.83)	7.911*** (54.46)	7.668*** (51.34)	7.905*** (54.50)
Ind	Yes	Yes	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes	Yes	Yes
N	19499	19499	19499	19499	19499	19499
adj. R²	0.427	0.427	0.426	0.426	0.426	0.427

Table 5-7 The Influence of Regional Confucian Culture on Employees' Work Enthusiasm: Sample Adjustment

	(1) WE	(2) WE	(3) WE	(4) WE
CONC-A50	0.004 (1.38)	0.022*** (8.23)		
CONC-A150			0.001* (1.95)	0.006*** (8.47)
age	-0.005*** (-4.13)	-0.001 (-1.09)	-0.005*** (-4.03)	-0.001 (-0.94)
at	-0.423*** (-15.73)	-0.436*** (-15.31)	-0.421*** (-15.64)	-0.429*** (-15.09)
sale	0.635*** (24.07)	0.640*** (23.37)	0.634*** (23.95)	0.636*** (23.27)
cs	0.069*** (7.35)	0.070*** (7.87)	0.068*** (7.33)	0.070*** (7.85)
lev	0.163*** (4.37)	0.112*** (3.48)	0.163*** (4.36)	0.108*** (3.32)
liq	0.017*** (4.95)	0.014*** (6.19)	0.017*** (4.95)	0.014*** (6.21)
tang	0.104 (1.50)	0.445*** (6.42)	0.105 (1.52)	0.436*** (6.29)
sg	-0.120*** (-7.18)	-0.077** (-2.30)	-0.120*** (-7.14)	-0.076** (-2.28)
fs	-0.000 (-0.05)	0.002*** (3.78)	-0.000 (-0.05)	0.002*** (4.20)
cd	-0.002*** (-2.82)	-0.004*** (-6.01)	-0.002*** (-2.79)	-0.004*** (-6.32)
dual	0.001 (0.11)	-0.009 (-0.72)	0.001 (0.09)	-0.009 (-0.75)
audit	-0.165*** (-3.22)	-0.202*** (-4.16)	-0.164*** (-3.20)	-0.199*** (-4.05)
_cons	9.052*** (47.46)	7.750*** (52.37)	9.036*** (47.49)	7.651*** (51.65)
Justification for sample adjustment	Exclusion of Beijing and Shanghai	Exclusion of ethnic minority areas	Exclusion of Beijing and Shanghai	Exclusion of ethnic minority areas
Ind	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
N	16162	18914	16162	18914
adj. R ²	0.429	0.434	0.429	0.434

5.4.4 Replacement of fixed effect model

In the benchmark regression, fixed effects for industry and year are included to control for unobservable industry effects that do not vary over time. This approach minimizes the problem of omitted variables in the model as much as possible. Certainly, it is also necessary to consider the influence of industry time trends and regional time trends on the Confucian culture and employees' work enthusiasm. Therefore, this study adopts a fixed effect

regression approach. Model (1) and Model (3) in Table 5-8 control for industry-year joint fixed effects, while Model (2) and Model (4) further control for province-year joint fixed effects on the basis of controlling for industry and time fixed effects. The empirical results show that Confucian culture is still significantly positively correlated with employees' work enthusiasm. The above results indicate that after controlling for industry-year and city-year time trend effects to mitigate the influence of omitted variables, the results of this study remain robust, which further confirms the causal relationship between Confucian culture and employees' work enthusiasm.

Table 5-8 The Influence of Regional Confucian Culture on Employees' Work Enthusiasm: Replacement of Fixed Effect Model

	(1) WE	(2) WE	(3) WE	(4) WE
CONC-A50	0.021*** (8.45)	0.023*** (6.38)		
CONC-A150			0.006*** (8.41)	0.010*** (8.55)
age	-0.000 (-0.08)	-0.002* (-1.70)	0.000 (0.11)	-0.002 (-1.64)
at	-0.377*** (-13.71)	-0.427*** (-14.97)	-0.370*** (-13.46)	-0.422*** (-14.81)
sale	0.582*** (21.80)	0.624*** (22.40)	0.579*** (21.67)	0.620*** (22.28)
cs	0.047*** (5.16)	0.063*** (6.77)	0.047*** (5.16)	0.062*** (6.65)
lev	0.059* (1.96)	0.140*** (4.30)	0.056* (1.84)	0.140*** (4.34)
liq	0.012*** (6.32)	0.014*** (6.34)	0.013*** (6.35)	0.014*** (6.37)
tang	0.452*** (6.52)	0.325*** (4.75)	0.437*** (6.29)	0.330*** (4.83)
sg	-0.058** (-1.99)	-0.075** (-2.33)	-0.058** (-1.97)	-0.073** (-2.29)
fs	0.002*** (3.84)	0.001** (2.01)	0.002*** (4.29)	0.001** (2.09)
cd	-0.003*** (-5.19)	-0.005*** (-6.75)	-0.004*** (-5.41)	-0.005*** (-6.89)
dual	-0.016 (-1.35)	-0.025** (-2.06)	-0.017 (-1.40)	-0.027** (-2.24)
audit	-0.149*** (-3.24)	-0.183*** (-3.86)	-0.146*** (-3.14)	-0.182*** (-3.84)
_cons	9.800*** (19.57)	10.121*** (45.58)	9.736*** (19.20)	10.110*** (45.46)
Ind	No	Yes	No	Yes
Year	No	Yes	No	Yes
Ind-Year	Yes	No	Yes	No
Prov-Year	No	Yes	No	Yes
<i>N</i>	19499	19499	19499	19499
<i>adj. R²</i>	0.463	0.451	0.462	0.451

5.5 Endogeneity Test

The benchmark regression has already confirmed that Confucian culture helps to enhance employees' work enthusiasm. After robustness tests such as core indicator replacement, sample selection, and fixed effect changes, the above conclusion has been verified from multiple aspects to ensure its consistency. However, the results of benchmark regression may still have endogeneity problems. One possible endogeneity source is that enterprises

consciously choose regions with a higher influence of Confucian culture in order to enhance employees' work enthusiasm, resulting in a mutually causal endogeneity problem. Another potential endogeneity problem is the existence of unobserved factors that affect both Confucian culture and employees' work enthusiasm, leading to estimation bias in the benchmark model. Therefore, this study will use the instrumental variable method to address the aforementioned potential endogeneity problems.

This study refers to the practices of Xu and Li (2019) and Pan, Yi, and Bai (2022), selecting the number of chastity archways (Cha_Ar) in the region where the company is located as the instrumental variable. (1) Correlation of instrumental variables. Chastity archways are erected to honor chaste and virtuous women, reflecting a feudal moral code. Generally speaking, the number of chastity archways reflects the local people's recognition and adherence to Confucian culture, especially the moral concept of "Three Obediences and Four Virtues" and "Husband as the Cardinal Guide of Wife" advocated by Cheng-Zhu school, one of the major philosophical schools of Neo-Confucianism, based on the ideas of the Neo-Confucian philosophers Cheng Yi, Cheng Hao, and Zhu Xi. Therefore, the more chastity archways there are in an area, the greater the influence of Confucian moral concepts on the people. Both of them meet the requirements for the correlation of instrumental variables. (2) Exogeneity of instrumental variables. The number of chastity archways in the region where the company is located as a pure exogenous variable is not influenced by the psychological state of the company's employees, nor does it affect their work enthusiasm through other pathways. Therefore, it theoretically meets the requirement for the exogeneity

of instrumental variables.

Table 5-9 reports the results of the endogeneity analysis. The Kleibergen-Paaprk LM test results show that there is no problem of underidentification, and the Hansen J statistic fails the significance test, indicating that the instrumental variable is effective. The results show that the regression coefficients of CONC-A50 and CONC-A150 are both significantly positive at the 1% level, and the coefficients are significantly increased, which is consistent with the conclusion of benchmark regression. The conclusion of this study maintains a relatively high level of stability after the endogeneity problem is mitigated.

Table 5-9 The Influence of Regional Confucian Culture on Employees' Work Enthusiasm: Instrumental Variable Test

	(1)	(2)
	WE	WE
CONC-A50	0.117*** (4.43)	
CONC-A150		0.032*** (4.67)
age	0.002 (1.44)	-0.001 (-0.96)
at	-0.430*** (-14.01)	-0.419*** (-14.40)
sale	0.659*** (22.56)	0.627*** (22.28)
cs	0.078*** (8.23)	0.070*** (7.69)
lev	0.063* (1.78)	0.109*** (3.10)
liq	0.016*** (5.62)	0.014*** (6.07)
tang	0.449*** (5.95)	0.411*** (5.74)
sg	-0.083** (-2.25)	-0.075** (-2.29)
fs	0.003*** (5.79)	0.002*** (3.99)
cd	-0.007*** (-7.55)	-0.003*** (-4.65)
dual	-0.018 (-1.33)	-0.006 (-0.50)
audit	-0.161*** (-3.10)	-0.190*** (-3.67)
_cons	8.540*** (50.27)	8.306*** (45.99)
Underidentification test (P-val)	0.0000***	0.0000***
Hansen J statistic (P-val)	0.9237	0.1700
Ind	Yes	Yes
Year	Yes	Yes
N	18823	18823
adj. R ²	0.345	0.401

5.6 Heterogeneity Test

The aforementioned benchmark regression provides the general law of the influence of Confucian culture on employees' work enthusiasm, and after multiple robustness tests and endogeneity tests using instrumental variable regression, the basic conclusion of this study still holds robust. It is worth emphasizing that the above argument reveals a general law, but in fact, due to the differences in the endowment environment of the region where the enterprise is located and the differences in the attributes of the enterprise itself, this influence may have significant variations. Therefore, it is necessary to further explore the structural differentiation relationship of "Confucian culture-employees' work enthusiasm". Identifying the asymmetric effects of Confucian culture on employees' work enthusiasm can capture the heterogeneous response functions of Confucian culture on employees' work enthusiasm in different contexts. Besides, it also helps to propose targeted and clear policy recommendations. In this regard, based on the theme of this study and the research of relevant literature, cross-sectional analysis is conducted based on four dimensions: the nature of corporate property rights, family business attributes, the marketization process, and the degree of opening up.

5.6.1 Cross-section analysis based on the nature of property right

As a transitioning economy, China has a wide distribution of state-owned enterprises and private enterprises, which shows typical differences in property rights. Ever since Emperor Wu of the Han Dynasty proposed the idea to "dismiss a hundred schools of thought and revere only the Confucian arts", Confucian orthodoxy has become the core ideology for rulers, deeply influencing their governing principles. Embracing Confucian culture, the

government institutions naturally serve as the benchmark and the primary executing agencies. It is not difficult to see that as government-affiliated institutions, state-owned enterprises clearly exhibit a stronger influence of Confucian culture, with administrative management leaning toward the Confucian culture-oriented management model. Furthermore, the executives in state-owned enterprises are appointed by the government, and major strategic decisions are largely issued by the government. Managers at all levels also hold corresponding government official positions. As a result, there is a clear hierarchical structure within the management levels of state-owned enterprises, which are heavily influenced by Confucian culture. From this perspective, it can be argued that Confucian culture, as previously discussed, contributes to enhancing employees' work enthusiasm. Therefore, state-owned enterprises deeply influenced by Confucian culture are likely to exhibit even stronger effects in terms of employees' work enthusiasm. However, on the other hand, as private enterprises with a higher degree of marketization have clearer property rights, they are less influenced by administrative assessments and political promotions and have a stronger alignment of interests between their executives and the interests of the company. Moreover, due to the inherent disadvantages, private enterprises place greater emphasis on maximizing profits to establish their competitiveness in fierce markets where they hold disadvantaged positions. Most existing studies have found that private enterprises have higher production efficiency compared to state-owned enterprises. So, is the employees' work enthusiasm in state-owned enterprises greater than that in private enterprises because of the influence of Confucian culture, or is it smaller than that in private enterprises because of their specific

property rights arrangements and administrative mechanisms?

The sample is divided into state-owned enterprises and private enterprises according to the nature of property rights. Table 5-10 reports the results of this sample. The empirical result shows that the effect of Confucian culture on employees' work enthusiasm is mainly manifested in private enterprises, and the influence is greater (the coefficients of CONC-A50 and CONC-A150 on work enthusiasm are 0.024 and 0.007 respectively, and both pass the test of the 1% confidence interval). Although it is also positive in state-owned enterprises, the coefficients are smaller and do not pass the statistical significance test (the coefficients of CONC-A50 and CONC-A150 on work enthusiasm are 0.005 and 0.000 respectively, and both do not pass the significance test). This empirical result indicates that non-family businesses, under the influence of a strong Confucian culture, have a stronger shaping effect on employees' positive psychology. In terms of institutional and policy implementation, non-family businesses, such as state-owned enterprises, are more significantly influenced by policies and have a stronger execution capability. This helps them overcome challenges in fierce market competition and reflects a higher level of employees' work enthusiasm. Family businesses, on the other hand, are more self-contained and less affected by administrative assessments and political promotions. The lag in policy implementation may impede employees' work enthusiasm.

Table 5-10 Heterogeneous Influence of Regional Confucian Culture on Employees' Work Enthusiasm: Nature of Property Rights

	(1) WE	(2) WE	(3) WE	(4) WE
CONC-A50	0.024*** (6.68)	0.005 (0.41)		
CONC-A150			0.007*** (6.77)	0.000 (0.16)
age	0.004** (2.14)	0.002 (1.21)	0.003* (1.82)	0.002 (1.24)
at	-0.470*** (-15.62)	-0.399*** (-10.76)	-0.463*** (-15.45)	-0.399*** (-10.73)
sale	0.677*** (23.19)	0.592*** (16.44)	0.675*** (23.17)	0.592*** (16.39)
cs	0.076*** (7.56)	0.051*** (4.08)	0.075*** (7.52)	0.051*** (4.08)
lev	0.232*** (3.42)	0.072** (2.15)	0.224*** (3.29)	0.071** (2.14)
liq	0.031*** (4.32)	0.012*** (6.07)	0.033*** (4.45)	0.012*** (6.07)
tang	0.752*** (7.16)	0.268*** (3.08)	0.772*** (7.30)	0.268*** (3.08)
sg	-0.047 (-1.41)	-0.124*** (-5.50)	-0.045 (-1.40)	-0.124*** (-5.50)
fs	0.003*** (5.14)	0.001 (1.28)	0.004*** (5.55)	0.001 (1.28)
cd	-0.003** (-2.42)	-0.005*** (-5.39)	-0.003** (-2.51)	-0.005*** (-5.39)
dual	0.041 (1.50)	-0.041*** (-2.93)	0.034 (1.28)	-0.040*** (-2.90)
audit	-0.093 (-1.02)	-0.170*** (-3.12)	-0.095 (-1.02)	-0.169*** (-3.11)
_cons	8.329*** (39.13)	9.392*** (41.42)	8.167*** (38.39)	9.388*** (41.57)
Rationale for sample division	Private enterprises	State-owned enterprises	Private enterprises	State-owned enterprises
Ind	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
N	8302	11185	8302	11185
adj. R ²	0.450	0.411	0.450	0.411

5.6.2 Cross-sectional analysis based on whether it is a family business or not

Undoubtedly, China has a large number of family businesses that have become the most active business model in the economy. These family businesses are controlled by the family, with family members as the core of the management team, forming an organizational management model based on blood ties for resource and power allocation. Qian Mu, a master of Chinese

studies, once said that family is a crucial cornerstone in Chinese culture, and it can be almost regarded as the foundation of Chinese culture. Family culture is the epitome of Confucian culture, and it can be said that the essence of Confucian culture naturally flows within family businesses. According to this logic, family businesses further implement the concept of Confucian culture and rely on the core values of “benevolence, righteousness, propriety, wisdom, and faithfulness” in Confucian culture to further unite family members, reduce principal-agent conflicts, enhance family cohesion and sense of honor, thereby helping to further enhance employees’ work enthusiasm. Based on this, it can be inferred that in family businesses, Confucian culture has a stronger enhancement effect on employees’ work enthusiasm. However, it should also be noted that family businesses, due to the strong control of the interest group by family bloodlines, inevitably have a psychological resistance to professional managers and external resources, which results in a backward enterprise management system. This exclusionary mindset leads to a multitude of unfairness faced by employees and is detrimental to ordinary employees’ work enthusiasm. However, the influence of Confucian culture may further reinforce the idea of “family above all”, which may not benefit the enhancement of employees’ work enthusiasm. So, is employees’ work enthusiasm in family businesses greater than that of private enterprises due to the influence of Confucian culture or is it lower than that of private enterprises due to their specific “family culture” and “exclusionary” mindset?

Based on existing research, there are two criteria for identifying family businesses. One is whether the actual controller of the family business is a family member, and the other is whether the chairman or CEO of the family

business is from the family. Accordingly, this study divides the sample into family businesses and non-family businesses. Table 5-11 reports the results of this sample. The empirical results show that the effect of Confucian culture on promoting employees' work enthusiasm is mainly manifested in non-family businesses, and the influence is greater (the coefficients of CONC-A50 and CONC-A150 on work enthusiasm are 0.015 and 0.004, respectively, and both pass the test of the 1% confidence interval). In family businesses, the coefficients are smaller or even negative and fail the significance test (the coefficients of CONC-A50 and CONC-A150 on work enthusiasm are -0.007 and 0.002, respectively, and the former does not pass the significance test while the latter passes the test of significance at the 5% level). The explanation for this empirical result is that non-family businesses, under the influence of a strong Confucian culture, are conducive to cultivating a harmonious corporate culture, enhancing the cohesion force between them and their employees, and strengthening employees' sense of responsibility and dedication, thereby greatly reflecting stronger employees' work enthusiasm. For family businesses, due to their inherent strong Confucian culture-oriented management that tends to prioritize family interests, the influence of Confucian culture further strengthens the exclusion of professional managers. This may undermine the effect of Confucian culture in motivating employees' work enthusiasm, thus failing to demonstrate significant motivational effects.

**Table 5-11 Heterogeneous Effects of Regional Confucian Culture on
Employees' Work Enthusiasm: Family Businesses**

	(1) WE	(2) WE	(3) WE	(4) WE
CONC-A50	0.015*** (4.11)	-0.007 (-1.36)		
CONC-A150			0.004*** (4.09)	0.002** (2.29)
age	0.005*** (2.65)	0.003** (2.03)	0.005*** (2.73)	0.003* (1.80)
at	-0.376*** (-9.85)	-0.491*** (-16.40)	-0.372*** (-9.73)	-0.485*** (-16.26)
sale	0.572*** (15.40)	0.701*** (24.22)	0.568*** (15.29)	0.696*** (24.08)
cs	0.038*** (2.98)	0.089*** (8.84)	0.037*** (2.98)	0.088*** (8.78)
lev	0.061* (1.79)	0.265*** (3.95)	0.058* (1.73)	0.255*** (3.80)
liq	0.012*** (6.14)	0.033*** (4.63)	0.012*** (6.13)	0.033*** (4.62)
tang	0.237*** (2.71)	0.767*** (7.24)	0.220** (2.50)	0.784*** (7.40)
sg	-0.115*** (-5.12)	-0.051 (-1.47)	-0.115*** (-5.09)	-0.050 (-1.47)
fs	0.001** (1.98)	0.004*** (6.21)	0.001* (1.94)	0.004*** (5.86)
cd	-0.004*** (-4.00)	-0.005*** (-5.00)	-0.004*** (-4.01)	-0.005*** (-4.78)
dual	-0.031** (-2.23)	-0.019 (-0.71)	-0.029** (-2.08)	-0.019 (-0.72)
audit	-0.167*** (-3.02)	-0.131 (-1.56)	-0.163*** (-2.92)	-0.126 (-1.49)
_cons	9.415*** (41.53)	8.271*** (39.22)	9.368*** (41.50)	8.187*** (38.64)
Rationale for sample division	Non-family businesses	Family businesses	Non-family businesses	Family businesses
Ind	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
N	10713	8786	10713	8786
adj. R ²	0.428	0.435	0.427	0.436

5.6.3 Cross-section analysis based on marketization process

In Confucian culture, economic transactions are primarily based on blood ties or personal acquaintances, and the transaction costs between strangers are relatively high. However, the building of a market economy focuses on establishing a fair and competitive market environment and ensuring the enforcement of economic contracts between strangers in accordance with the

law. Both parties in a market transaction seek to maximize their own interests, engaging in voluntary and fair competition, without the need for relying on personal relationships or familial ties to conduct the trade. Marketization has shifted the economic transaction attribute from being relationship-based to being depersonalized between strangers, thereby reinforcing individualistic characteristics in the market economy. It has weakened both its attributes of hierarchical concept and collectivism. Licht et al. (2007) pointed out that the market economy system is based on individual economic conflicts and poses a significant challenge to harmoniousism. Marketization ensures the fairness and legitimacy of transactions between strangers by establishing formal systems (legal system, property rights system, market supervision system). The clarity and soundness of these systems can motivate market participants' internal driving force and stimulate employees to maintain a positive work state in a fair and competitive market environment and show higher work enthusiasm. Therefore, the degree of marketization and Confucian culture can produce an effect on promoting employees' work enthusiasm. In areas with poor market conditions, Confucian culture can compensate for the deficiencies in the degree of marketization and have a stronger effect on enhancing employees' work enthusiasm. In fact, non-formal systems, represented by Confucian culture, play a crucial role and provide a stronger explanation for the rise of China's economy (Allen et al., 2005; Chen et al., 2013), which also confirms the above opinion. In the context of China's marketization process, despite the significant influence of over three decades of market reforms on Confucian culture, the vast regional diversity and complex social structures in China have led to significant disparities in the level of marketization across

different regions (Fan et al., 2010). As a result, there are variations in the degree to which the degree of marketization affects the influence of Confucian culture on employees' work enthusiasm. Therefore, it is necessary to verify the structured features of this influence under the disturbance of the marketization process.

Grouping according to the degree of marketization, the marketization index compiled by Fan et al. (2010) is used as a proxy variable for the market environment, and the samples are grouped based on the high and low degrees of the marketization index into the high-degree marketization process and low-degree marketization process. Table 5-12 reports the results of this sub-sample. The empirical findings indicate that Confucian culture primarily promotes employee work enthusiasm and has a greater influence **in the low-degree marketization process** (the coefficients of CONC-A50 and CONC-A150 on work enthusiasm are 0.035 and 0.026 respectively, and both pass the significance test at the 1% confidence interval). In the high-degree marketization process, the coefficients are smaller and can even be negative, with lower significance and even the possibility of failing any statistical significance test (the coefficients of CONC-A50 and CONC-A150 on work enthusiasm are -0.001 and 0.003 respectively, and the former does not pass the significance test while the latter passes the test of significance at the 5% level). The empirical findings show that in the low-degree marketization process, Confucian cultural values such as collectivism and harmony can help companies reduce transaction costs and agency costs in management. This, in turn, contributes to enhancing employee work enthusiasm. In the high-degree marketization process, there is a substitution relationship between the market

environment and Confucian culture. The advantages of marketization give full play, replacing the effects of Confucian culture on motivating employee work enthusiasm. The positive effects of Confucian culture are not obvious in this context.

Table 5-12 Heterogeneous Effects of Regional Confucian Culture on Employee Work Enthusiasm: Marketization Process

	(1) WE	(2) WE	(3) WE	(4) WE
CONC-A50	0.035*** (9.15)	-0.001 (-0.29)		
CONC-A150			0.026*** (15.34)	0.003** (2.18)
age	0.003* (1.65)	-0.003* (-1.71)	0.002 (1.12)	-0.003* (-1.81)
at	-0.461*** (-11.37)	-0.347*** (-10.69)	-0.447*** (-11.06)	-0.351*** (-10.78)
sale	0.643*** (16.37)	0.560*** (17.36)	0.638*** (16.38)	0.564*** (17.42)
cs	0.066*** (5.07)	0.050*** (4.37)	0.066*** (5.10)	0.051*** (4.41)
lev	0.180*** (3.01)	0.101** (2.32)	0.196*** (3.31)	0.103** (2.42)
liq	0.016*** (5.02)	0.011*** (5.00)	0.017*** (5.33)	0.011*** (4.99)
tang	0.402*** (4.19)	0.345*** (3.64)	0.315*** (3.30)	0.341*** (3.60)
sg	-0.076* (-1.69)	-0.069*** (-3.11)	-0.075* (-1.67)	-0.070*** (-3.16)
fs	0.002*** (2.82)	0.001 (1.30)	0.002*** (3.33)	0.001 (1.28)
cd	-0.004*** (-4.36)	-0.004*** (-4.78)	-0.005*** (-5.03)	-0.005*** (-5.11)
dual	-0.044*** (-2.77)	-0.002 (-0.11)	-0.042*** (-2.67)	-0.003 (-0.18)
audit	-0.152** (-2.35)	-0.181*** (-2.62)	-0.138** (-2.13)	-0.181*** (-2.63)
_cons	8.307*** (38.91)	10.384*** (20.18)	7.796*** (36.16)	10.411*** (20.25)
Rationale for sample division	Low-degree marketization process	High-degree marketization process	Low-degree marketization process	High-degree marketization process
Ind	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
<i>N</i>	9837	9662	9837	9662
adj. <i>R</i> ²	0.473	0.400	0.480	0.401

5.6.4 Cross-section analysis based on foreign culture impacts

In the context of globalization, two or more cultures will compete or conflict with each other when they interact, which is academically defined as

cultural conflicts. Cultural conflicts can result in either integration or replacement. Whatever the outcome, the influence of any culture involved is inevitably diminished. When studying how cultural conflicts affect corporate investment, Siegel et al. (2011) found that diverse cultural backgrounds lead to different ideologies, ways of thinking, and behavioral patterns. The higher the degree of cultural conflict between the home country culture of a multinational corporation and the host country culture, the more likely conflicts arise in investment strategies and approaches, thus hindering mutual investment between the two countries. This suggests that the theory of cultural conflict is applicable in explaining similar corporate behaviors. According to the theory of cultural conflict, when Confucian culture interacts with foreign colonial culture, its influence will inevitably be diminished. Therefore, the impact of Confucian culture on employee work enthusiasm will also be weakened due to the integration of foreign colonial culture. Hofstede and Bond attributed the economic success of the “Five Asian Tigers” (Hong Kong and Taiwan in China, Japan, South Korea, and Singapore) in the 1970s and 1980s to the high “long-term orientation” in Confucian culture. As Max Weber pointed out, if Confucian culture in the East Asian cultural sphere indeed had such a significant impact on economic development, then why couldn’t capitalism spontaneously develop in China’s feudal dynasties? It is easy to find out that East Asian culture’s significant role in driving economic development has been influenced by foreign cultures. Hence, it can be argued that Confucian culture has a stronger influence on employee work enthusiasm under strong foreign culture impacts. In companies experiencing stronger foreign culture impacts, is the employee work enthusiasm greater than that in companies

experiencing weaker foreign culture impacts due to Confucian culture, or is it smaller due to cultural conflicts?

Drawing from the ideas presented by Jin, Xu H., and Ma (2017) as well as **Xu X.**, Li, and Chen (2020), this paper measures the intensity of foreign culture impacts through the openness degree of the region where companies are located. Specifically, this paper categorizes companies located in 17 special economic zones and open coastal cities/provinces such as Shenzhen, Zhuhai, Shantou, Xiamen, Hainan, Shanghai, and Lianyungang as a high openness group; otherwise a low openness group. See Table 5-13 for group regression results. The empirical results show that the effect of Confucian culture on promoting employee work enthusiasm mainly exists under small foreign culture impacts, and the influence is stronger (the coefficients of CONC-A50 and CONC-A150 on work enthusiasm are 0.054 and 0.018 respectively, and both pass the significance test at the 1% confidence interval). However, under large foreign culture impacts, the coefficients become smaller and even negative, and they do not pass any statistical significance tests (the coefficients of CONC-A50 and CONC-A150 on work enthusiasm are 0.01 and -0.000 respectively, and they do not pass any significance tests). The interpretation of these empirical results is that in regions where there are small foreign culture impacts and cultural conflicts, the core values of Confucian culture can give full play, thus enhancing employee work enthusiasm. However, in regions experiencing large foreign cultural impacts, the deepening cultural conflicts hinder the application of Confucian culture, resulting in the unobvious positive effects of Confucian culture.

**Table 5-13 Heterogeneous Effects of Regional Confucian Culture on
Employee Work Enthusiasm: Foreign Culture Impacts**

	(1) WE	(2) WE	(3) WE	(4) WE
CONC-A50	0.054*** (11.59)	0.010 (1.02)		
CONC-A150			0.018*** (14.59)	-0.000 (-0.22)
age	-0.000 (-0.12)	-0.004** (-2.25)	0.000 (0.13)	-0.004** (-2.21)
at	-0.432*** (-12.42)	-0.375*** (-9.57)	-0.420*** (-12.08)	-0.374*** (-9.56)
sale	0.645*** (19.20)	0.569*** (14.65)	0.637*** (18.93)	0.569*** (14.63)
cs	0.067*** (5.94)	0.056*** (4.12)	0.065*** (5.82)	0.056*** (4.11)
lev	0.177*** (3.86)	0.033 (0.60)	0.183*** (3.97)	0.031 (0.56)
liq	0.013*** (4.82)	0.012*** (3.69)	0.013*** (4.89)	0.012*** (3.68)
tang	0.340*** (3.68)	0.398*** (4.14)	0.322*** (3.47)	0.398*** (4.15)
sg	-0.070* (-1.78)	-0.094*** (-3.50)	-0.068* (-1.73)	-0.093*** (-3.49)
fs	0.002*** (4.44)	0.000 (0.08)	0.002*** (4.32)	0.000 (0.15)
cd	-0.002*** (-2.67)	-0.007*** (-6.90)	-0.002*** (-2.76)	-0.007*** (-6.87)
dual	-0.039*** (-2.69)	0.031 (1.42)	-0.042*** (-2.92)	0.032 (1.43)
audit	-0.113* (-1.93)	-0.266*** (-3.51)	-0.108* (-1.83)	-0.265*** (-3.49)
_cons	8.633*** (42.53)	9.778*** (47.09)	8.393*** (41.04)	9.758*** (47.24)
Rationale for sample division	Small foreign culture impacts	Large foreign culture impacts	Small foreign culture impacts	Large foreign culture impacts
Ind	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
N	7465	12034	7465	12034
adj. R ²	0.438	0.457	0.438	0.459

5.7 Test of Mediating Mechanism

The previous section basically introduces the influence of Confucian culture on employee work enthusiasm in companies. The conclusion remains the same after multiple robustness tests and endogeneity tests are conducted. To further determine the structured effects of Confucian culture on employee

work enthusiasm, this paper will take into account companies' property right nature, family business attributes, marketization process in the region, and foreign culture impacts. This paper has obtained reliable and highly informative empirical evidence. However, the previous sections neither answer how Confucian culture affects employee work enthusiasm nor provide a detailed logical explanation of the relationship between the two. To answer this question, this section employs the mediating effect model to explain in detail how Confucian culture affects employee work enthusiasm based on the mechanisms of agency conflicts and a sense of fairness.

5.7.1 Test of the mechanism based on agency conflicts

This paper takes the transfer of assets by major shareholders as the proxy variable for the agency conflict mechanism. This paper adopts the research method of Liu and Ma (2016), using the ratio of management expenses to corporate operating revenue for measurement.

The empirical test results in Table 5-14 show that Confucian culture can effectively avoid the opportunistic behavior of major shareholders in transferring listed companies' assets. This finding indicates an improvement in corporate agency conflicts (the regression coefficients of CONC-A50 and CONC-A150 on agency cost are -0.002 and -0.001 respectively, and they pass the test of significance at the 1% level). This study suggests that in regions deeply influenced by Confucian culture, the management of listed companies features qualities such as integrity, propriety, filial piety, and incorruptibility. The essence of Confucian culture guides the management to prioritize "reasonable management" and "pursuing righteousness before profit". Consequently, unjust behaviors such as the transfer of benefits by major

shareholders are restrained. Further empirical results reveal that agency conflicts hamper the enhancement of employee work enthusiasm (the coefficients of agency conflict on work enthusiasm are -1.200 (in Column (2)) and -1.188 (in Column (4)), both significant at the 1% confidence level). As for the underlying logic, agency conflict exists in inconsistent interests between employees and major shareholders. For example, the management harms employee interests or employees conduct behaviors that prioritize personal gains over company profits. Such conflicts of interest create a “hostile” environment where employees find it difficult to devote themselves to routine work arrangements and have a low level of work engagement. Confucian culture rooted in benevolence, righteousness, propriety, wisdom, and faithfulness can greatly enhance the cohesion between employees and companies and effectively weaken corporate agency conflicts. Thus, the logical path of “Confucian culture → (mitigating) agency conflicts → (promoting) employee work enthusiasm” is formed.

**Table 5-14 Test of Mediating Mechanism: From the Perspective of
Agency Conflicts**

	(1) AC	(2) WE	(3) AC	(4) WE
CONC-A50	-0.002*** (-4.59)	0.021*** (8.14)		
CONC-A150			-0.001*** (-3.30)	0.005*** (6.84)
AC		-1.200*** (-5.33)		-1.188*** (-5.34)
age	0.000* (1.87)	-0.000 (-0.03)	0.000** (1.99)	0.000 (0.13)
at	0.021** (2.42)	-0.404*** (-14.33)	0.022** (2.43)	-0.398*** (-14.10)
sale	-0.042*** (-4.45)	0.580*** (21.00)	-0.042*** (-4.42)	0.578*** (20.91)
cs	0.020*** (8.62)	0.088*** (8.82)	0.020*** (8.62)	0.088*** (8.79)
lev	0.030* (1.84)	0.138*** (3.78)	0.029* (1.80)	0.133*** (3.63)
liq	0.001* (1.87)	0.015*** (6.27)	0.001* (1.91)	0.015*** (6.25)
tang	0.005 (0.47)	0.396*** (5.94)	0.005 (0.44)	0.389*** (5.82)
sg	0.001 (0.15)	-0.076** (-2.40)	0.001 (0.15)	-0.075** (-2.38)
fs	-0.000*** (-2.61)	0.001*** (3.19)	-0.000** (-2.23)	0.001*** (3.61)
cd	0.000** (2.55)	-0.004*** (-5.74)	0.000** (2.20)	-0.004*** (-6.07)
dual	-0.005*** (-2.69)	-0.018 (-1.48)	-0.005*** (-2.72)	-0.018 (-1.53)
audit	-0.068*** (-3.63)	-0.278*** (-5.52)	-0.068*** (-3.61)	-0.273*** (-5.41)
_cons	0.571*** (17.19)	8.552*** (45.99)	0.568*** (17.23)	8.469*** (45.63)
Ind	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
<i>N</i>	19518	19499	19518	19499
adj. <i>R</i> ²	0.312	0.447	0.311	0.446

5.7.2 Test of mechanism based on sense of fairness

In selecting the variable for the mechanism of a sense of fairness, this study adopts the method of Kong D., Xu, and Kong G. (2017), using the intra-firm wage gap as a proxy variable for the sense of fairness.

The empirical test results in Table 5-15 demonstrate that Confucian culture can narrow the intra-firm wage gap and develop a more equitable salary system (the regression coefficients of CONC-A50 and CONC-A150 on

the sense of fairness are 0.113 and 0.02 respectively, and both pass the test of significance at the 1% level). This study gives an explanation that under the influence of Confucian culture, the management of listed companies possesses the quality that “the benevolent loves others”. These companies show more care for employees and tend to adopt a “golden mean” in salary arrangements. Therefore, a fairer and overall-oriented salary system will be adopted to narrow the intra-firm wage gap. It is clear that a huge intra-firm wage gap will widen the psychological gap among employees, and employees’ aspiration for equality leads to a sharp increase in employees’ sense of unfairness. A smaller intra-firm wage gap contributes to a stronger sense of fairness among employees. Additional empirical results show that a stronger sense of fairness among employees contributes to enhancing their work engagement (the coefficients of sense of fairness on work enthusiasm are 0.078 and are significant at the 1% confidence level). The reason is that a sense of fairness is one of the crucial factors influencing employee work enthusiasm and can narrow the gap between employees’ expectations and reality, leading to more rational work attitudes. This strengthens the cohesion between employees and companies and greatly improves employee work enthusiasm. Confucian culture’s emphasis on the social ideal of “inequality rather than want is the cause of trouble” contributes to the establishment of a more equitable intra-firm salary and assessment system, thus enhancing the sense of fairness among employees. The logical path of “Confucian culture → (enhancing) sense of fairness → (promoting) employee work enthusiasm” is formed.

Table 5-15 Test of Mediating Mechanism: From the Perspective of Sense of Fairness

	(1) FAIR	(2) WE	(3) FAIR	(4) WE
CONC-A50	0.113*** (9.89)	0.010*** (4.06)		
CONC-A150			0.020*** (5.92)	0.003*** (4.69)
FAIR		0.078*** (42.35)		0.078*** (42.51)
age	-0.007 (-1.23)	-0.001 (-1.06)	-0.008 (-1.44)	-0.001 (-0.99)
at	0.113 (1.05)	-0.416*** (-16.09)	0.085 (0.79)	-0.412*** (-15.93)
sale	0.893*** (8.68)	0.694*** (27.35)	0.901*** (8.74)	0.692*** (27.26)
cs	0.061* (1.90)	0.069*** (7.97)	0.061* (1.88)	0.069*** (7.96)
lev	-0.928*** (-3.43)	0.031 (0.83)	-0.903*** (-3.36)	0.030 (0.78)
liq	-0.003 (-0.55)	0.013*** (6.17)	-0.005 (-0.77)	0.013*** (6.19)
tang	-0.682** (-2.48)	0.344*** (5.41)	-0.650** (-2.36)	0.340*** (5.34)
sg	0.153 (1.31)	-0.065** (-2.49)	0.151 (1.28)	-0.065** (-2.48)
fs	-0.031*** (-15.46)	-0.001*** (-2.99)	-0.032*** (-15.88)	-0.001*** (-2.80)
cd	0.042*** (11.29)	-0.001 (-1.23)	0.043*** (11.63)	-0.001 (-1.31)
dual	0.133** (2.24)	-0.001 (-0.13)	0.137** (2.31)	-0.002 (-0.15)
audit	0.420** (2.57)	-0.160*** (-3.54)	0.400** (2.44)	-0.158*** (-3.49)
_cons	-14.083*** (-18.42)	6.771*** (47.79)	-13.761*** (-17.94)	6.719*** (47.52)
Ind	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
N	19452	19451	19452	19451
adj. R²	0.160	0.507	0.157	0.507

5.8 Analysis of Drivers of Confucian Culture Based on Equity Incentives and Promotion Incentives

Previous sections demonstrate that Confucian culture features many admirable spiritual qualities that have lasting positive effects on employee work enthusiasm. This section will figure out how to achieve double positive effects through effective institutional design. Essentially, Confucian culture, as an informal system, reinforces and applies well-known customs and traditional

practices in enterprise management. Companies show care and concern for employees and establish a harmonious relationship with them, thus forming positive feedback. Incentives of Western modern companies focus more on material incentives to achieve alignment with employees in terms of interests. Equity incentives and promotion incentives are two major types of incentives. It can be speculated that explicit material incentives can promote employee work enthusiasm. One question worth asking is whether a synergistic effect can be achieved by integrating explicit economic incentives and Chinese Confucian culture to promote employee work enthusiasm.

To answer this question, this paper includes equity incentives and promotion incentives as variables in the baseline model. Regression tests are conducted, with interaction terms between equity incentives and Confucian culture, as well as between promotion incentives and Confucian culture.

The empirical test results in Table 5-16 indicate that the regression coefficients of the interaction terms between Confucian culture and equity incentives are both positive and pass the significance test (the coefficient of CONC-A50* equity incentive is 0.015 and passes the significance test at the 5% confidence interval, while that of CONC-A150* equity incentive is 0.002 and passes the test of significance at the 10% level. This suggests that in companies that vigorously advocate Confucian culture, equity incentives can promote employee work enthusiasm. This study believes that under the influence of Confucian culture, the corporate culture of “the benevolent loves others” and “respect for nature and love for people” helps establish positive emotional bonds and enhances employee work enthusiasm. The use of equity incentives by companies can further improve the relationship between

companies and their employees. By emphasizing respect for employees and showing care for their well-being, companies can provide equity incentives to further promote employee work enthusiasm. It is worth noting that after including the interaction terms, both proxy variables of Confucian culture (CONC-A50 and CONC-A150) remain significantly positive, while the coefficient of equity incentives (EI) is negative (the coefficients in Column (1) are significant at the 5% confidence interval, while those in Column (2) fail the significance test). The deviation probably results from the fact that the effects of equity incentives may take some time to manifest. The significant positive coefficients of the interaction terms indicate a weakening sensitivity of employee work enthusiasm to equity incentives.

They also reflect the effects of promotion incentives. The empirical results suggest that the regression coefficients of the interaction terms between Confucian culture and promotion incentives are both positive and pass the significance test (the coefficient of CONC-A50* promotion incentive is 0.006 and the t value is 8, while that of CONC-A150* promotion incentive is 0.001 and passes the test at the 1% significance level). This means that in companies that vigorously advocate Confucian culture, promotion incentives can promote employee work enthusiasm. The study explains that promotion incentives align with the propriety and filial piety principles in Confucian culture. Promotion incentives make this hierarchical order explicit and have a positive effect on employee work enthusiasm. The influence of Confucian culture has also weakened the sensitivity of employee work enthusiasm to promotion incentives.

From this perspective, material incentives such as equity incentives and

promotion incentives are effective means to reinforce the application of Confucian culture and enhance employee work engagement. The above-mentioned findings provide empirical evidence for the effectiveness and necessity of the application of Confucian culture in enterprise management. Emphasis on Western material incentives and neglect of Chinese cultural development can reduce the overall effects. Material and spiritual incentives are equally important. It is crucial for companies to adopt incentive strategies that align with their own cultural values and show care for employees in promoting employee work engagement.

**Table 5-16 Discussion from the Perspective of Equity Incentives and
Promotion Incentives**

	(1) WE	(2) WE	(3) WE	(4) WE
CONC-A50	0.015*** (4.96)		0.040*** (8.61)	
CONC-A150		0.002*** (3.45)		0.007*** (4.74)
EI	-0.040** (-2.26)	-0.037 (-1.63)		
CONC-A50* EI	0.015** (2.55)			
CONC- A150* EI		0.002* (1.82)		
PI			-0.064*** (-26.16)	-0.069*** (-20.47)
CONC-A50* PI			0.006*** (8.00)	
CONC- A150* PI				0.001*** (2.93)
AC		-1.200*** (-5.33)		-0.001*** (-5.34)
age	-0.000 (-0.40)	-0.000 (-0.21)	-0.001 (-1.26)	-0.001 (-1.06)
at	-0.423*** (-14.48)	-0.418*** (-14.26)	-0.418*** (-16.23)	-0.413*** (-16.00)
sale	0.625*** (22.00)	0.623*** (21.88)	0.694*** (27.49)	0.693*** (27.35)
cs	0.063*** (6.70)	0.063*** (6.71)	0.069*** (8.07)	0.069*** (8.03)
lev	0.101*** (3.18)	0.097*** (3.03)	0.034 (0.88)	0.031 (0.81)
liq	0.014*** (6.29)	0.014*** (6.28)	0.013*** (6.08)	0.013*** (6.20)
tang	0.393*** (5.68)	0.383*** (5.52)	0.333*** (5.28)	0.340*** (5.35)
sg	-0.076** (-2.24)	-0.076** (-2.23)	-0.066** (-2.54)	-0.065** (-2.50)
fs	0.001*** (3.51)	0.002*** (3.81)	-0.001*** (-2.99)	-0.001*** (-2.87)
cd	-0.004*** (-6.09)	-0.004*** (-6.46)	-0.001 (-1.04)	-0.001 (-1.14)
dual	-0.011 (-0.91)	-0.011 (-0.87)	-0.004 (-0.36)	-0.003 (-0.24)
audit	-0.194*** (-4.05)	-0.188*** (-3.92)	-0.158*** (-3.52)	-0.159*** (-3.51)
_cons	9.990*** (58.57)	9.917*** (58.43)	8.818*** (54.28)	8.759*** (54.20)
Ind	Yes	Yes	Yes	Yes
Year	Yes	Yes	Yes	Yes
N	19499	19499	19451	19451
adj. R²	0.427	0.426	0.509	0.507

5.9 Chapter Summary

This paper studies Chinese listed companies and analyzes the influence of Confucian culture on employee work enthusiasm. The empirical research findings show that Confucian culture contributes to enhancing employee work enthusiasm. This conclusion holds true after stability tests such as changing the importance attached to Confucian culture, indicators of employee work enthusiasm, the fixed effect model, and two-stage tests of instrumental variables. In addition, group testing on heterogeneity suggests that Confucian culture has a stronger influence on samples that develop in a low-degree marketization process and are less affected by foreign cultures such as state-owned enterprises and non-family enterprises. Moreover, the test of mechanism path indicates that Confucian culture enhances employee work enthusiasm by promoting a sense of fairness and mitigating agency conflicts. Lastly, the test of moderating effects shows that promotion incentives and equity incentives can reinforce the positive effects of Confucian culture on employee work enthusiasm, thus forming a comprehensive method for enterprise management.

Chapter VI Research Conclusions and Contributions

This study analyzes the impact of the application of Confucian culture on employee work enthusiasm through empirical research and case studies. It aims to provide empirical evidence for localized enterprise management in China.

6.1 Main Conclusions

Case studies conducted in this paper have the following findings. First, the case of Aokang International finds that in companies that apply Confucian culture, leaders take the lead in implementing Confucian values and principles. These companies adopt a holistic Confucian culture management method that integrates spiritual, institutional, behavioral, and material aspects. Second, companies that attach importance to Confucian culture's core values of "benevolence, righteousness, propriety, wisdom, and faithfulness", as well as the principle of unity of knowledge and action show support, respect, and care toward employees. They establish positive emotional bonds with their employees and fully utilize economic incentives such as salary incentives and employee shareholding plans to promote employee work enthusiasm. Moreover, companies that embrace Confucian culture enable employees to feel more positive organizational and social support. This positive feedback helps employees sustain a sense of happiness and fulfillment, ultimately enhancing their work engagement. Confucian culture has a great influence on promoting employee work enthusiasm and performance. Companies that apply Confucian culture show huge potential in cost reduction and quality improvement. They focus on optimizing operating expenses and increasing revenue. Their pursuit of stability and long-term progress allows them to

achieve sustainable development although they are not in the leading position in the industry in terms of performance. In the context of cyclical industry downturns, companies that embrace Confucian culture have strong resilience in operations and can overcome difficulties. This confirms the effectiveness of applying Confucian culture in enhancing employee work enthusiasm.

This paper studies Chinese listed companies and analyzes the influence of Confucian culture on employee work enthusiasm, and its empirical research findings are as follows. First, Confucian culture contributes to enhancing employee work enthusiasm. This conclusion holds true after stability tests such as changing the importance attached to Confucian culture, indicators of employee work enthusiasm, the fixed effect model, and two-stage tests of instrumental variables. Second, group testing on heterogeneity suggests that Confucian culture has a stronger influence on samples that develop in a low-degree marketization process and are less affected by foreign cultures such as state-owned enterprises and non-family enterprises. Third, the test of mechanism path indicates that Confucian culture enhances employee work enthusiasm by promoting a sense of fairness and mitigating agency conflicts. Lastly, the test of moderating effects shows that promotion incentives and equity incentives can reinforce the positive effects of Confucian culture on employee work enthusiasm, thus forming a comprehensive method for enterprise management.

6.2 Research Innovation and Contributions

Compared with existing studies, this study makes incremental contributions in three aspects:

First, this study adopts a combined method of qualitative and quantitative analysis to analyze the influence paradigm of “traditional Confucian culture—employee work enthusiasm”. This method provides empirical evidence and requires case studies, thus enhancing the practical significance of this study. Most existing studies on Confucian culture are qualitative research, some of which focus on macro-level measurement of Confucian culture. It is rare to see the micro-level measurement of Confucian culture in companies’ strategies, so this study is a valuable supplement to existing studies. This study becomes practical in discussing the relationship between traditional Confucian culture and employee work enthusiasm.

Second, this study supplements existing studies by analyzing the influence of China’s deeply rooted traditional Confucian culture on employee work enthusiasm, a key human resources factor. On the one hand, most previous studies discuss the effects of explicit or psychological factors on employee work enthusiasm. On the other hand, there has been a cultural trend in economic management, with Confucian culture being a symbol of traditional Chinese culture and playing a significant role in shaping China. Few studies have analyzed the impact of Confucian culture on employee work enthusiasm, as most existing studies focus on the relationship between Confucian culture and corporate management or performance. Therefore, this study serves as an important supplement to existing studies on traditional Confucian culture.

Third, this study not only discusses the characteristic facts and mechanism paths in the paradigm of “traditional Confucian culture—employee work enthusiasm” but also explores companies’ mechanism path

designs of traditional Confucian culture in the Chinese institutional context. It provides management insights and recommendations for corporate managers and inspires subsequent research in political, academic, and industrial fields. Given this, this paper aims to provide a systematic solution for enhancing employee work enthusiasm by adopting an empirical and case analysis approach based on China's reality. The effectiveness and scientificity of the policy suggestions derived from this study are improved compared with previous studies.

The practical implications of this study are as follows:

The enterprises studied in this paper apply Confucian culture, prioritize caring for employees, and have yielded good results in enhancing employee work enthusiasm. These enterprises serve as important samples in contemporary China. Attention should be paid to the following aspects.

First, establishing a workplace environment based on integrity, the principle of pursuing righteousness before profit, and the philosophy of benevolence is crucial. The study in this paper indicates that continuous application of Confucian culture awakens employees' "sense of ownership", fosters stable reciprocal relationships between enterprises and employees, and enhances employee work enthusiasm. The formation, maintenance, and development of the positive relationship of "enterprise—employee" is based on employees' deepening sense of corporate identity. Stable trust based on shared values between enterprises and employees and that resulting from positive feedback from organizations and society is the key factor for the long-term stability and resilience of enterprises. The Confucian cultural space,

which emphasizes “trust” and the well-being of both oneself and others, has a significant impact on promoting employee work enthusiasm.

Second, Chinese enterprises should embrace the spirit of “unity of knowledge and action” to absorb and implement the essence of excellent traditional culture. They should foster a Confucianism-oriented corporate culture for management. In recent years, there has been a trend of applying traditional Chinese culture among Chinese enterprises. The application of traditional cultures, such as the Amoeba Management model advocated by Kazuo Inamori, has gained widespread popularity among the public and enterprises. However, few enterprises have succeeded in implementing these models. This is largely attributed to the Japanese spirit of perfection in craftsmanship and the universal values of integrity, respect, and righteousness demonstrated in the Amoeba Management. Besides, the business philosophy of “respect for nature and love for people” and “putting employees first” consistently upheld by entrepreneurs such as Kōnosuke Matsushita and Kazuo Inamori has also contributed a lot. Refined production and Amoeba Management are the tactics of business operations guided by ingrained traditional culture. Currently, many enterprises pursuing Confucian culture-based management tend to focus on studying and implementing traditional management methods, but they ignore the importance of establishing a sound emotional system that culturally links them and their employees.

Third, corporate managers should pay attention to the influence of Confucian culture on employees’ psychology, as it affects various aspects of corporate operations. Managers should know well about Confucian culture’s strengths and weaknesses and take appropriate and effective measures to make

full use of the strengths and avoid weak points. Training, education, and nurturing help build a team composed of humble, respectful, positive, socially responsible, and helpful employees enthusiastic about participating in social welfare activities. Enterprises with such a team will gain recognition from society and organizations, thus forming a cycle of continuous positive feedback that drives their long-term success and stability. Nonetheless, in the application of Confucian culture, enterprises should determine their cultural values and consider how to respond to cultural integration amid diverse cultures in the context of international competition and globalization. It is necessary to lead employees' thinking according to the situation. When formulating regulations and policies, regulators should consider the subtle and profound impacts of culture and the harmony between policies and prevailing cultural values in society. In other words, regulatory authorities need to comprehensively consider the influence of cultural factors on the feasibility of policy implementation.

6.3 Research Limitations and Prospects

This study takes Aokang as an example to explain the influence mechanism of Confucian culture on employee work enthusiasm. Moreover, it explores the role of Confucian culture in employee work enthusiasm in Chinese A-share listed companies and obtains impressive empirical evidence. Nevertheless, it must be acknowledged that due to limited ability, this study has some shortcomings that need to be improved: (1) This single-case exploratory study attempts to explore the practical application of Confucian culture in typical cases. It utilizes available information and financial data to clarify the factors affecting employee work enthusiasm. Aokang suffers

cyclical industry downturns and has limited growth potential. The conclusions drawn from this study can inspire enterprises facing similar difficulties. Conclusions drawn from subsequent multi-case studies on enterprise management are necessary for companies that have huge growth potential and develop in diverse industries. (2) This study conducts a comparative analysis in the industry for the case study of Aokang and obtains empirical findings, but it lacks employee surveys and a scale to measure employee work enthusiasm. It is necessary to design questionnaires in the future to dynamically collect data on psychological factors such as employees' work attitudes and to measure employee work enthusiasm from a process-oriented perspective. (3) In empirical research, this study has an exploratory finding by using performance to understand employee work enthusiasm. Future employee enthusiasm scales or measurement indexes designed for listed companies will be greatly beneficial to the advancement of this research theme. Except for formal institutions, Confucian culture has a profound influence on corporate behaviors and management. Researchers should understand the impact of cultural factors on shaping companies for better comprehension of the influence that formal institutions have on enterprises. This helps to obtain empirical evidence consistent with localized management and China's reality.

6.4 Thinking and Expansion

Confucian culture is an excellent traditional culture of the Chinese nation, deeply ingrained in the collective memory of the Chinese people. It shines with wisdom and has become a foundational element in shaping thinking patterns and cultural identity. It requires attention, awakening, inheritance, and further development.

When applied to companies, Confucian management philosophy focuses on cultivating the self-management and organizational management skills of professional managers.

Expansion 1. How to apply Confucian culture in enterprise management?

What are the specific measures to make Confucian culture more acceptable for young employees?

Expansion 2. Create “family culture” in companies in a detailed way such as providing employee care.

Expansion 3. Optimize the office procedures of companies, with a focus on receiving feedback and making the procedures friendlier.

Reduce internal friction and improve work efficiency.

Acknowledgments

I would like to extend my gratitude to the Zhejiang University - Singapore Management University Doctor of Business Administration (ZJU - SMU DBA) for granting me intellectual and educational growth. I'm honored to have met so many outstanding entrepreneur classmates and teachers. I believe role models are like lighthouses that illuminate the path ahead during hard times. They help me move forward steadily on my journey in life!

My sincere thanks also goes to Professor Chen Xia, Professor Dou Junsheng, and Professor Li Weikai for their dedicated guidance and inspiration!

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