

Liangrong Zu

RESPONSIBLE  
MANAGEMENT  
AND  
TAOISM

VOLUME 2

Transforming Management Education for  
Sustainable Development Goals (SDGs)



# **Responsible Management and Taoism, Volume 2**

## **Praise for Responsible Management and Taoism**

This book offers a refreshing step forward from traditional management literature towards a new management thinking. It consists of a unique blend of Eastern philosophy and Western management science, showing the way towards an integrative business paradigm. It is a must-read for anyone interested in creating a socially responsible and sustainable organization. The practical guidance and case studies provided in this book are invaluable.

– **Professor Dr René Schmidpeter**,  
*Research Scientist at Parmenides Foundation in Munich, Germany,  
and Professor at BFH Bern, Switzerland*

Taoism and Responsible Management is a truly original and unique book that offers practical insights and guidance for business practitioners seeking a more sustainable approach to management.

– **Dr Nicholas Capaldi**,  
*Professor in Business Ethics at Loyola University, and CEO of  
Global Corporate Governance Institute (GCGI), New Orleans,  
USA*

In a world where traditional management practices are no longer sufficient, this book offers a novel approach to responsible management. The principles of Taoism provide a unique perspective that is both practical and visionary.

– **Dr Marisa Mühlböck**,  
*Social Entrepreneur, Researcher and Author in Vienna, Austria*

The originality and novelty of Taoism and Responsible Management make it an important contribution to the field of responsible management and sustainability. Therefore, this book is a highly practical guide to implementing responsible and sustainable management practices.

– **Dr Hualiang Lu**,  
*Professor of CSR and Sustainability at Changzhou University,  
China*

The principles of Taoism are a unique and valuable addition to the field of responsible management. This book provides a practical and insightful guide for both academic scholars and business practitioners looking to integrate these principles into research projects and management practices.

– **Dr Qingxia Xia,**  
*Philosophy Professor in Nanjing University of Finance and  
Economics, Nanjing, China*

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# **Responsible Management and Taoism, Volume 2: Transforming Management Education for Sustainable Development Goals (SDGs)**

BY

**LIANGRONG ZU**

*Taoist Leadership Academy for Sustainability & Excellence  
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## Also by the Author

Responsible and Sustainable Business: The Taoism's Perspective

The Wisdom of the Tao: A Novel Translation of Tao Te Ching with Illustrations of Chinese Calligraphy (A book series that combines the ancient text of Tao Te Ching with the artistic expression of Chinese calligraphy)

Corporate Social Responsibility, Corporate Restructuring and Firm's Performance: Empirical Evidence from Chinese Enterprises

Encyclopaedia of Corporate Social Responsibility (co-editor)

Dictionary of Corporate Social Responsibility (co-editor)

The Elgar Companion to Corporate Social Responsibility and SDGs (co-editor)

The Future of the UN Sustainable Development Goals: Business Perspectives for Global Development in 2030 (co-editor)

Global Youth Leadership for SDGs: Empowering Youth as Future Leaders for Social Change (in the pipeline, Springer)

Rising from Zero to Hero: Youth's Journey to Unravelling Success in the VUCA World (forthcoming)

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The Tao of Great Leaders: How Ancient Wisdom Shapes Modern Success (forthcoming)

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# Table of Contents

List of Figures	<i>xi</i>
About the Author	<i>xiii</i>
Foreword One	<i>xv</i>
Foreword Two	<i>xvii</i>
Preface	<i>xix</i>
Acknowledgements	<i>xxiii</i>
Prologue: Beginning Your Journey to Explore Laozi’s ‘Treasures’ for Responsible Management	<i>xxv</i>
Book Description for Vol.2	<i>xxxvii</i>
<b>Introduction</b>	<b><i>1</i></b>
<b>Part I: Taoist Principles in Responsible Management Education</b>	
<b>Chapter 1 Transforming Management Education: An Urgent Imperative for Sustainable Future</b>	<b><i>15</i></b>
<b>Chapter 2 Philosophy and Management Education: A Global Agenda for Change</b>	<b><i>25</i></b>
<b>Chapter 3 Responsible Management Education: From the Perspective of Taoism</b>	<b><i>31</i></b>

<b>Chapter 4 PRME: A Framework for Responsible Management Education</b>	<i>69</i>
---	-----------

**Part II: Tao of Responsible Management and Sustainable Development Goals (SDGs)**

<b>Chapter 5 Taoism’s Wisdom: A Contribution to Realization of SDGs</b>	<i>85</i>
---	-----------

<b>Chapter 6 From Corporate Social Responsibility (CSR) to Sustainable Development: The Role of the United Nations</b>	<i>89</i>
--	-----------

<b>Chapter 7 Pathways to a Sustainable and Inclusive World for All Beyond the Year 2030</b>	<i>135</i>
---	------------

<b>Chapter 8 Being in Harmony With Nature: A Systemic View of Taoism</b>	<i>165</i>
--	------------

<b>Chapter 9 ‘Our Common Agenda’: A New Vision for a Better World</b>	<i>175</i>
---	------------

Epilogue: Embracing the Tao in Responsible Management – Guidelines for Success	<i>189</i>
--	------------

References	<i>193</i>
------------	------------

Index	<i>201</i>
-------	------------

# List of Figures

## **Introduction**

Figure 1. The Structure of the Book. 9

## **Chapter 3**

Figure 1. The Data, Information, Knowledge and Wisdom (DIKW) Pyramid: A Taoism's View. 34

Figure 2. Four Types of Talented People Based on Competence/Talent and Character/Virtue. 60

Figure 3. Value and Talents Matrix in Kock Industries. 66

## **Chapter 4**

Figure 1. The PRME Transformational Model for Implementation. 75

## **Chapter 6**

Figure 1. The Gap Between Societal Expectations and Actual Sustainability Performance: The Role of the United Nations. 91

Figure 2. The Changed Social Contract at Business Level: Business in Society. 113

Figure 3. The Shifts in Social Contract: Individuals and Institutions From the Perspective of Human Rights and Well-Being. 121

Figure 4. A Renewed Contract at International Level: From the Perspective of Human Rights. 127

## **Chapter 7**

Figure 1. Pilots Never Fail, Pilots Never Scale: Can UN Projects Tackle Sustainability Challenges. 137

*xii List of Figures*

Figure 2.	The Pathways to a Sustainable and Inclusive World for All.	139
Figure 3.	Shift From Systems Optimization to Systems Innovation.	145
Figure 4.	Iceberg Model: A Tool for Guiding Systems Thinking and Change.	150
Figure 5.	Systems Change for Transition to a Sustainable and Inclusive World From the Multi-Level Perspective.	155
<b>Chapter 8</b>		
Figure 1.	The Unity of Man and Nature: The Taoism's View.	167
Figure 2.	Sustainable Development Goals (SDGs) and Taoism's Wisdom: Happiness Versus Harmony.	169
<b>Chapter 9</b>		
Figure 1.	The Challenges That Younger Generations Are Facing Today.	183

## About the Author

**Dr Liangrong Zu** is a specialist and consultant in corporate social responsibility (CSR), business ethics, sustainability science, systems and design thinking for sustainable development, social innovation and social entrepreneurship, Taoist leadership and management, leadership and executive presence, etc.

Dr Zu holds a PhD in Business and Management at Nottingham University Business School in the United Kingdom specialized in CSR, business ethics and sustainability science. He received his master's degree in Economics of Education from Beijing Normal University in Beijing, China.

Dr Zu is the Founder of Global Youth Leadership Academy (GYLA) and Taoist Leadership Academy for Sustainability and Excellence (T-LASE). GYLA is a programme for young people who aspire to work in the international organizations as global leaders and professionals. T-LASE is a platform which provides practical guidance for the next generation of entrepreneurs and executives on how to apply Taoist principles in leadership and management practices and offers practical wisdom and tools for business leaders to create a more sustainable business.

Dr Zu had worked at the Academic Institution, the National Government and the United Nations for over 30 years, and created numerous innovative and unique education and training programs for government officials, business executives, academic scholars and college students in the fields of CSR, sustainable business development, emotionally intelligent leadership, sustainable supply chain, responsible management education, social innovation, social and green entrepreneurship, systems thinking for sustainable development, youth leadership development, leadership and executive presence, etc.

Dr Zu has served on several academic committees and editorial boards, such as the Organizational Committee for the International Conference on CSR, Sustainability, Ethics, and Governance; the Springer Board for the Series Books on CSR, Sustainability, Ethics and Governance, etc. Dr Zu has authored and edited many books with the publishing companies such as Springer, Emerald, Edward Elgar and Amazon in recent years.

- Responsible and Sustainable Business: Perspectives from Taoism’s Wisdom (2022, Springer)
- Responsible Management and Taoism: Overcoming Challenges in the VUCA Era (2023, Emerald)
- The Wisdom of the Tao: A Novel Translation of Tao Te Ching with Illustrations of Chinese Calligraphy (a book series, 2023, Amazon)
- Global Youth Leadership for SDGs: Empowering Youth as Future Leaders for Social Change (in the pipeline, Springer)
- Corporate Social Responsibility, Corporate Restructuring and Firm’s Performance (2008, Springer)
- The Elgar Companion to Corporate Social Responsibility and SDGs (co-editor, 2023, Edward Elgar)
- Encyclopaedia of Corporate Social Responsibility (co-editor, 2013, Springer)
- Dictionary of Corporate Social Responsibility (co-editor, 2015, Springer)
- The Future of the UN Sustainable Development Goals: Business perspectives Global Development in 2030 (co-editor, 2020, Springer)

Dr Zu is currently dedicating himself to authoring the trilogy of youth leadership development based on his decades of experience and expertise in education and training.

- Rising from Zero to Hero: Youth’s Journey to Unravelled Success in the VUCA World
- Rising Star: The GYLA Way to Cultivating 3Q and 3C in Youth as Future Global Leaders
- Rising from Hero to World-Changing Leaders: Transforming Youth’s Dream into Global Influence in the United Nations.

# Foreword One

I wrote the foreword with the great pleasure and honour to the outstanding book ‘Taoism and Responsible Management: Overcoming Challenges in the VUCA Era’. This book is a testament to the passion and commitment the author – a close friend, respected academic scholar and practitioner – has put into his years of research on the meeting point between ancient wisdom and contemporary management.

I’ve had the pleasure of knowing the author for more than 10 years and seen his unwavering dedication to the search for truth and understanding. My respect for his work ethic and intellectual curiosity has grown as a result of our time spent together at conferences, workshops and academic discussions. I have always been inspired, like other members of the academic community, by the author’s thorough research and thought-provoking concepts. His innovative ability to combine traditional Taoist principles with modern management theory demonstrates his profound knowledge of both fields.

As I reflect on this thought-provoking book, I cannot help but appreciate the timeliness of its publication. In today’s rapidly changing business landscape, leaders and managers face increasing pressure to address complex issues such as social inequality, environmental degradation and corporate social responsibility. This book offers a unique and powerful approach to tackling these challenges by drawing upon the ancient wisdom of Taoism and applying its principles to modern management practices.

The 3C Model of Taoism, which the author thoroughly explores, stands for compassion, conversation and compliance. It offers a comprehensive framework that managers and leaders can use to help their organizations become more responsible and sustainable. The author has examined the nuances of each ‘C’ and provides helpful advice and useful insights that will undoubtedly be appreciated by readers from a variety of backgrounds and industries.

Moreover, the author’s adept use of real-world examples and case studies brings the concepts presented in this book to life, allowing readers to see the tangible impact of integrating Taoist principles into their management strategies. These compelling illustrations of the power of Taoism in action will inspire readers to consider how they can apply the lessons learned from this book in their own organizations.

In today’s increasingly interconnected and globalized world, the need for innovative and forward-thinking leadership has never been more apparent. As such, the insights and guidance provided by ‘Taoism and Responsible

Management' are not only timely but also essential for those looking to make a lasting, positive impact in their organizations and beyond.

I would like to reiterate my admiration for the author and his extraordinary work in bringing the wisdom of Taoism to the forefront of responsible management. This book is a testament to the power of interdisciplinary thinking and the transformative potential of ancient wisdom when applied to contemporary challenges. I am confident that 'Taoism and Responsible Management' will serve as an invaluable resource for leaders, managers and scholars alike, and I eagerly anticipate the positive changes it will inspire in the world of business and beyond.

Finally, I wholeheartedly endorse this book and commend the author for his exceptional work in bringing this important and timely subject to light. I have no doubt that 'Taoism and Responsible Management' will not only benefit its readers but will also contribute significantly to the ongoing conversation about the future of responsible management and leadership.

Dr Samuel O Idowu  
*London Metropolitan University*  
*President, Deputy Chief Executive Officer & Director*  
*Publications, Global Corporate Governance Institute*

## Foreword Two

As a Chinese professor specializing in business and management, I have also long held a keen interest in the intersection of Chinese philosophy and management, particularly in the areas of corporate social responsibility (CSR), sustainable development and responsible management education. It is through this shared passion that Dr Liangrong Zu, the author and I have forged a long-standing partnership, working together on many research projects and teaching initiatives over the past years.

The author's unique approach to responsible management, grounded in the rich tradition of Taoism, has consistently impressed me with its depth and nuance. Drawing on the timeless wisdom of Taoist philosophy, the author offers a fresh perspective on the challenges and opportunities facing today's organizations as they navigate the complexities of the VUCA era.

One of the most compelling aspects of 'Taoism and Responsible Management' is its potential to create positive change not only at the individual level but also within organizations as a whole. I believe that when we apply the principles of the 3C Model – compassion, conversation and compliance – managers and leaders can foster a culture of responsibility, sustainability and ethical decision-making. In turn, this has the power to transform organizations from the inside out, leading to more resilient and adaptive businesses that can thrive amid uncertainty.

As we are now facing unprecedented challenges in the 21st century, the need for a holistic approach to management and leadership has never been more crucial. I am sure that this book, 'Taoism and Responsible Management', is a timely and much-needed resource that provides readers with a comprehensive understanding of how ancient Taoist principles can be applied in the modern business context.

The author skillfully weaves together the rich tapestry of Taoist thought, exploring its relevance and applicability to contemporary management and leadership issues. This is particularly evident in the discussion of the 3C Model, which seamlessly integrates the core Taoist concepts of compassion, conversation and compliance with the overarching goal of responsible and sustainable management.

This book provides practical examples and case studies to demonstrate how these ancient principles can be implemented in various organizational settings, illustrating their potential to drive positive change and foster a more responsible approach to management. This book also highlights the importance of collaboration, open communication and adaptability in overcoming the challenges of the

VUCA era, making it an invaluable resource for both seasoned professionals and emerging leaders. In addition, the book encourages readers to reflect on their own management and leadership practices, prompting them to consider how they can incorporate Taoist principles into their daily decision-making processes. This introspective approach not only promotes personal growth and development but also inspires individuals to become agents of change within their organizations and communities.

It is my firm belief that this book will resonate with a diverse audience, from academic scholars seeking to expand their understanding of responsible management and Chinese philosophy, to business leaders searching for innovative approaches to organizational challenges. I believe that national governments and heads of international organizations can also benefit from the insights presented in this book, as they strive to develop policies and strategies that promote sustainable development on a global scale. Therefore, I strongly recommend ‘Taoism and Responsible Management’ to anyone interested in exploring the nexus of Chinese philosophy and responsible management. The author’s unique perspective and deep understanding of both fields, combined with his commitment to making a positive impact on the world, make this book an invaluable resource for all those seeking to create a more sustainable and just future.

Haifeng Huang  
*Professor at Peking University Shenzhen Graduate School*  
*Co-Chancellor, China Institute for*  
*Responsible Management Education and Sustainable Development*  
*(CIRMESD)*  
*Global Member, PRME Steering Committee, UNGC*

# Preface

*A certain world may be what we want and what we wish for,  
but it is not what we need, and it is not what we have.*

–Tom Koulopoulos, Futurist

In 2023, we managed to escape the constraints of the COVID-19 pandemic and regained a sense of freedom. Looking back three years ago, we could not have predicted the profound impact of the coronavirus or the outbreak of conflict in Ukraine. The unpredictable and complex nature of the world we live in is now defined by the VUCA phenomena – volatility, uncertainty, complexity and ambiguity. The COVID-19 crisis serves as a stark example of VUCA and presents a wicked problem.

This pandemic has revealed how deeply interdependent and interconnected our world has become in the VUCA era. The crisis has exposed the intricate web of connections that extend beyond health and wealth to encompass management, leadership, governance, culture and the basic necessities of life and business. The VUCA era ushers in new contexts for management, leadership and business that span personal, professional, organizational and global realms. To adapt to this new reality, we must embrace agility, inner security, holistic thinking and comfort with ambiguity.

Although we cannot predict or control everything that happens in the VUCA era, we can choose how to respond if we are aware of it. We may not be able to change the VUCA world, but we can transform ourselves by adopting a new perspective and taking responsibility for our actions. For example, managers and leaders need to shoulder social responsibility to address the unintended consequences of crises like the pandemic. To tackle these challenges, leaders need to shift from traditional management to responsible management, re-evaluating mainstream management functions and practices that have contributed to social injustice and environmental degradation.

As an academic scholar and practitioner, I believe it is my responsibility to respond to the world by sharing ancient wisdom with modern management practices, thus assisting organizations in navigating the complex and uncertain landscape of today's business world. My interest in the content of this book was sparked by the realization that current management approaches, rooted primarily in the Industrial Age, are no longer sufficient to tackle the multifaceted challenges we face in the VUCA era. With the world characterized by volatility, uncertainty,

complexity and ambiguity, I felt compelled to explore alternative management philosophies that could offer valuable guidance to today's leaders and managers. In my view, the timeless wisdom of Taoism, with its emphasis on balance, harmony and interconnectedness, has emerged as a particularly pertinent and insightful framework for this purpose.

I have found that the process of researching this topic involved an extensive review of both classical Taoist texts and contemporary management literature. I immersed myself in the works of Laozi, Chuangzi and other Taoist thinkers, seeking to distill their teachings into principles that could be applied to modern management practices. In the meantime, I also examined the latest research and case studies on responsible management, sustainability, leadership and the new science like complexity theory and systems thinking to establish a solid foundation for the development of the 3C Model of Taoism: compassion, conversation and compliance.

I am aware that the writing of this book was a challenging yet rewarding journey, spanning over two years. Throughout this period, I was constantly refining my understanding of Taoist principles and their applicability to responsible management. It required a delicate balance between maintaining fidelity to the original teachings and adapting them to contemporary contexts. Furthermore, I sought to create a coherent and engaging narrative that would resonate with readers from diverse backgrounds, bridging the gap between ancient philosophy and current business practices.

This book aims to foster a deeper appreciation of the interconnected nature of today's business environment, emphasizing the need for a holistic and systems approach to management. Drawing on the insights of Taoism and complexity theory, we can develop a greater sensitivity to the complex dynamics of our organizations and the ecosystems in which they operate, equipping us with the tools needed to make more informed and responsible decisions.

As you explore 'Taoism and Responsible Management: Overcoming the Challenges in the VUCA Era', you will find that this book is structured in a way that allows you to build your understanding of the 3C Model progressively. Each chapter delves deeper into the individual components of compassion, conversation and compliance, providing real-world examples, case studies and practical advice to help you apply these principles in your own personal life and professional work.

Therefore, I firmly believe that this book will benefit both individual readers and organizations as a whole. For leaders and managers, it offers a fresh perspective on responsible management, illuminating the potential of Taoist principles to enhance organizational performance, foster ethical decision-making and promote sustainability. For organizations, the adoption of the 3C Model can lead to increased resilience, adaptability and long-term success in the face of rapidly evolving challenges in the VUCA era.

It is my sincere hope that 'Taoism and Responsible Management' can serve as a catalyst for positive change, empowering you to take action and contribute to the creation of a more sustainable, inclusive and prosperous world. May the wisdom of Taoism guide and inspire you all in your quest to overcome the

challenges of your time and chart a path forward that honours both the beauty of your natural world and the boundless potential of human ingenuity.

Liangrong Zu, PhD  
*Founder of Global Youth Leadership Academy (GYLA),  
Founder of Taoist Leadership Academy for Sustainability  
& Excellence (T-LASE)*  
20 May 2023

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# Acknowledgements

*The more you give of yourself,  
The more you find of yourself.  
The more you give to others,  
The more you receive from others.*

– Laozi Tao Te Ching, Ch. 81

I am grateful for the numerous supports and assistance that I have received since I began my journey of incorporating Taoist philosophy in management science and writing a series of the books on Taoist leadership and management over the past years. It is with immense appreciation that I present this book as a tribute to those who have supported and helped me in my efforts. In this book, I have made an effort to explore and explicate the Taoist principles, along with related wisdom and ideas that have guided our thinking and behaviour over the years. The process has been a labour of love, and it has given me with a profound insight into the world of Taoism and profound relationship to contemporary leadership and management practices.

I am especially thankful to the prestigious academic scholars from China and other countries, including Professor Samuel Idowu from London Metropolitan University, Professor René Schmidpeter, professor of Berner Fachhochschule BFH, founder of M3trix, Professor Nick Capaldi, at Loyola University in New Orleans who have inspired and supported my work on the Taoist philosophy and leadership and management.

I would also like to extend my gratitude to Professor Hualiang Lu at Changzhou University and Professor Haifeng Huang at Beijing University who have collaborated with me for many years in the areas of CSR, sustainability, and they have offered insights in responsible management education. I am also grateful to Professor Qingxia Xia, at Nanjing University of Finance and Economics, a specialist in philosophy, for generously dedicating herself to discussing, reviewing and offering invaluable advice and comments on improving my work.

I especially appreciate the support and encouragement provided by the team at Emerald, particularly, Nick Wallwork, Senior Commissioning Editor, Thomas Creighton, Madison Klopfer, Sheena Reghunath, Gabriella Barnard-Edmunds, who helped make this book accessible to readers. Mr Niall Kennedy, a former editor and Books Commissioning Lead, Business, Management and Economics

at Emerald Publishing must also be remembered. In May 2021, he got in touch with me and suggested we start this publishing initiative.

I am grateful to my family for being a constant source of encouragement and support. The GYLA (Global Youth Leadership Academy) dream team is one of my family members. Since I founded GYLA, which was based on the philosophy ‘GYLA of the youth, by the youth, and for the youth’, the GYLA dream team has collaborated with me to plan, manage and organize the programme for young people who aspire to become global leaders and international professionals. Additionally, I have imparted Taoist knowledge and concepts to young people in GYLA outreach. Their comments have been quite helpful in helping me get better at what I do. Therefore, I also want to express my gratitude to the GYLA team member for their creativity and dedicated commitment.

# Prologue: Beginning Your Journey to Explore Laozi's 'Treasures' for Responsible Management

*Beautiful are the things we see  
More beautiful those we understand  
Much the most beautiful those we do not comprehend.*  
– Niels Steensen (Steno) 1638–1686, Danish scientist

## Being Prepared to Discover Laozi's 'Three Treasures'

The ancient Chinese sage Laozi, founder of Taoist philosophy, left behind a single holy book containing his teachings and wisdom: the Tao Te Ching, consisting of 81 chapters. One of the most notable chapters is verse 67, in which Laozi introduces what he calls his 'Three Treasures': compassion, conservation and compliance.

*I have three treasures to cherish,  
The first is compassion  
(Virtue of love, empathy, courage, justice, magnanimity, etc.),  
The second is conservation  
(Virtue of moderation, simplicity, generosity, efficiency,  
effectiveness, etc.),  
The third is compliance  
(Virtue of humility, prudence, judgement, integrity, self-control,  
etc.).  
Those who act with compassion are courageous.  
Those who act with conservation are generous.  
Those who act with compliance become head of the world.*  
– Laozi, Tao Te Ching, Ch. 67<sup>1</sup>

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<sup>1</sup>The author of this book cites an English translation of the Tao Te Ching that he personally created. In constructing his translation, the author engaged in extensive research into various fields, including Chinese philosophy, literature and history, as well as management and leadership, complexity theory and systems science. Through synthesizing his knowledge and understanding of these diverse areas of study, the author aims to unlock the mysteries of the Tao Te Ching and gain a deeper understanding of practical wisdom of Laozi. The author hopes that his translation will serve as a valuable resource for those seeking to apply the timeless principles of the Tao Te Ching to the challenges of the modern world.

Laozi's 'Three Treasures' are essential knowledge for everyone who wants to study and comprehend Taoism's wisdom and teachings. On the one hand, the 'Three Treasures' are a distillation of Laozi's teachings, like a perfume drop containing millions of roses. The 'Three Treasures' are Taoism's fundamental principles, basic values and essence for humanity. On the other, the Tao that Laozi speaks of is the life force, the spiritual and natural rules; it is omnipresent, but abstract, abstruse and elusive: *'invisible when we look at it, inaudible when we listen to it, intangible when we grasp it'*. But when we apply Laozi's 'Three Treasures' to our daily lives, they become expressions of the Tao, which makes them simple to comprehend and put into practice. They are visible, audible and palpable, but they are also limitless. As an illustration, consider how parents and kids interact inside the family. Parents always live a simple and moderate life to save money for their children's education and future (conservation). Parents always guard their children from harm by encouraging them to be humble and in harmony with others (compliance). Parents always love and care for their children with compassion, but they never ask for anything in return (compassion).

Laozi's teaching is the master key, and once we have it, we can use it to unlock every lock in existence and life. His Tao Te Ching teaching applies the value and knowledge of the past to the difficulties of the present. Everyone may therefore learn it and put it into practice in their daily lives, wherever they are.

Laozi was unhappy to learn that only a relatively small number of individuals in the world could comprehend and apply his principles and wisdom. In Tao Te Ching Chapter 70, he expresses his feelings:

*What I said is easy to comprehend and put into practice,*

*Yet very few people in the world do so.*

*What I said was founded on the source,*

*What I did was founded on the truth.*

*However, very few people understand this idea.*

*They don't get the idea because they don't know who I am,*

*The less people know who I am, the less likely they are to follow my teachings.*

*The sages are difficult to know because they always wear coarse clothes and*

*Keep the treasures inside.*

– Laozi, Tao Te Ching, Ch. 70

The Tao Te Ching contains Laozi's teachings on nature, society, politics, management and leadership in only 5,000 words. Though Laozi's advice is simple to comprehend and put into practice, relatively few people have access to his insights. Laozi thought that because people didn't know him, they can't understand his teachings. Why is it that nobody knows him? Because the sages, like him, are usually modest and dressed simply, they conceal the jewels in their clothing, much as how people frequently judge a book by its cover and fail to see the gem inside. I would like to tell you two stories that can easily and clearly

illustrate and better understand Laozi's sentiments expressed in his sacred book. One is about a father and son in the West and the other is about a River God and a Sea God in the East.

Jean-Pierre is the son of a billionaire. As he approached his twenty-first birthday, he told his father, Joseph, that he really wanted a small penthouse in Paris that he had admired for many months. He wanted to move out of the family home and start living independently. On his birthday, his father called him into his office and told him how much he loved him, before handing his son a beautifully wrapped package. With a mixture of curiosity, anticipation and excitement, Jean-Pierre tore open the package, but to his surprise found only a leather-bound holy book. Bitterly disappointed, he shouted at his father: 'With all your wealth, all you can give me for my twenty-first birthday is a holy book?' Furious, he slammed the book on the desk and left the house, never returned. Many years later, Jean-Pierre had become a prominent businessman with a happy family. Unexpectedly, one day he received a call from an estate lawyer telling him that his father died, and that Jean-Pierre needed to take care of his father's estate immediately. When he arrived at his father's house, Jean-Pierre was filled with grief and sadness. As he searched through his father's documents, he came across the Holy Book. It was right where he had left it years before. Tears streamed down his face as he opened the book, only to find a hidden compartment containing a small envelope. Jean-Pierre took the envelope from the book and when he opened it, he found a set of keys on a tag with the address of the penthouse he had wanted so much. The tag bore the date of his birthday and the words: 'Paid in full and ready to move in tomorrow'. There was also a note inside the envelope:

*Dear Jean-Pierre, you are my beloved, and I'm very proud of you.  
On your 21st birthday, I want to give you a very special gift – the  
penthouse you always wanted. With all my love, your father Joseph.*

This tale serves as a powerful example of the Tao Te Ching's teachings and a gentle reminder never to judge a book (or a person or circumstance) by its cover. When we pass judgement on people, we not only alienate them and give them a terrible name and reputation, but we also miss out on valuable knowledge and chances – some of which we'll never even be aware of. The tale of Jean-Pierre also made us aware of other worthwhile things. For instance, the fact that the penthouse key Jean-Pierre so desperately desired was always within his grasp makes us ponder how many other excellent opportunities there may be that we are not aware of. We all know how horrible it feels to be criticized, categorized and underappreciated. And have we not all perpetrated it against others? We rarely take into account the fact that when we stereotype and condemn others, we lose out on opportunities as well as the advantages of pleasant feelings like gratitude and thankfulness.

In his work 'Chuangzi: The Autumn Flood', the Taoist philosopher Chuangzi related a tale about the River God and the Sea God to Laozi's statement in verse 70 of the Tao Te Ching, 'Few people understand my teachings and the vast Tao'. Those who have now realized the limitations of conceptual knowledge, ignorance

and hubris are probably the target audience for the parable. According to the story, River God is proud and content in the autumn when the rain falls on schedule and the hundred streams flow into the river, thinking that he has everything wonderful in the world. Until he reaches the North Sea, River God travels along with it as it flows eastward. He cannot discern the sea's boundaries when he looks east. River God starts to feel guilty about his previous contentment. Sea God told River God that 'we cannot discuss the ocean with a frog in a well, because its vision is limited by the size of its well (place). We cannot discuss ice with an insect in summer because its existence is limited by its season (time). We cannot discuss the Tao with those who are ignorant and arrogant because their lives are imprisoned within the confines of their own thoughts (value)'. Sea God continues to say to River God, 'Now you have come out of your river banks (emptying your own thoughts) and seen the Great Ocean (the Tao). You now realize your own limitations and ignorance, so it is now possible to discuss the great Tao with you'.

You may readily understand the message of Laozi's sacred book when you connect with truth and reality, when you move past your fixed mindsets and the boundaries of your own thoughts and when you have the unwavering clarity of the ancient spiritual teacher, Laozi.

In the traditional sense of the word, Laozi, our true spiritual teacher, has nothing to impart or add, such as fresh knowledge, ideas or moral codes. Such a teacher has no other purpose but to assist you in removing the obstacles that stand between you and the truth of who and what you already are at your core. Laozi is there to explore and make that aspect of your inner depth, which is also peace, known to you. You will be let down if you seek to Laozi or his holy book in search of intriguing concepts, hypotheses, convictions or intellectual debates. In other words, you won't find any food for thought if you're looking for it. And you'll miss the point of his instruction, which isn't in the words themselves but in you and how you interact with them.

This book seeks to take you on a journey to explore Laozi's 'treasures' and employ them in your life and work, especially the Taoist wisdom. I'd like to ask you to join me for a brief minute of meditation to revitalize your body and mind before we start the difficult journey.

*I have left the gate open and thou art welcome to my home.*

*There is room in my house for all.*

*I have swept the hearth and lighted the fire.*

*The room is warm and cheerful, and you will find comfort and rest within.*

*The table is laid, and the fruits of Life are spread before thee.*

*The wine is here also, it sparkles in the light.*

*I have set a chair for you where the sunbeams dance through the shade.*

*Sit and rest and refresh your soul.  
Eat of the fruit and drink the wine.  
All, all is yours, and you are welcome.*

(Holmes, 2021)

## **Beginning Your New Venture Towards Exploration of the ‘Three Treasures’**

I hope that the fruit and drink have refreshed your body and soul and strengthened you to join me in this new venture of spiritual exploration of Laozi’s ‘Treasure’ – the great Tao.

*From a tiny sprout grows a giant tree.  
A skyscraper tower builds from a mound of earth.  
A journey of thousands of miles begins with a single step.*  
–Laozi, Tao Te Ching, Ch. 64

I was happy to discover that Taoism provided the real wisdom and spiritual guidance I was seeking when I started my journey of spiritual exploration decades ago, wanting to enhance my connection to the cosmos and to life. As I set out on my quest to write this book, I discovered that I was tremendously gaining from the fruits of the enormous spiritual tree, the Taoist wisdom, which had grown from the tiny seedling. Therefore, today I am able to guide you through this book to uncover and study the Tao of management, notably the key concepts of responsible management and leadership from a fresh holistic perspective.

I anticipate that you’ll be happy to start your journey through this book with me to nurture a small seedling inside you. I have no doubt that after your journey is over, you will be able to incorporate Taoist ideas and wisdom into your daily activities, bringing you, your family and your team closer to peace and harmony with other people, organizations and the rest of the world.

I’d like to start the voyage by introducing you some of the Taoist ideas that are applicable to managing in today’s volatile, uncertain, complex and ambiguous world. Two perspectives are used to understand Taoism in China: one is the religious tradition of Taoism, which is one of the three main religions in China along with Confucianism and Buddhism; the other is the classical or philosophy of Taoism, which was established by Laozi some 2,500 years ago, but which Laozi never intended to become a religion. While the philosophical tenets of Confucianism and religious Taoism are concerned with the effects of people’s activities, Taoist moral arguments concern proper conduct. It is clear that yin and yang are intrinsically linked; this means that any action will inevitably result in a counteraction, and therefore practices call for acceptance, conformance and moving on despite the results of nature. The idea is holistic rather than atomistic and static, which is how it differs from Western ontology. The discussion of Taoism in this book will be mostly focused on Taoist philosophy.

The Tao is the unbounded spirit, the unchanging unity beneath all changing occurrences and the universal energy of nature. It is a method of living that individuals might adopt to synchronize with the cosmos. Thus, the term ‘Tao’ denotes the overarching idea that unites all of reality. There is no doubt that existence is not a chaotic universe. It has a vast order to it, an innate order, and that order is known as the Tao. Simply put, the Tao refers to the balance of the entire. The Tao is pure knowledge rather than an ideology or a religion. ‘Nature’ is the English word that most closely resembles the Tao; the Tao is the laws of nature.

*Those who learn from the ancient Tao  
Are able to guide the present world.  
Those who follow the laws of nature  
Will be able to know the origin of the universe.*

–Laozi, Tao Te Ching, Ch. 14

When Taoism’s ideals are put into practice in modern society, it is evident that the philosophy has evolved past its roots. Taoism is a way of thinking and acting, and its inspiration, the unformed, unnameable and mystical Tao, is still relevant in today’s world. The wisdom of Taoism is eternal; it is comparable to a compass that can guide us through life and to the North Star that can illuminate our steps, providing us with support during the darkest times and solace, equilibrium and happiness during the happier times. The Taoist concepts enable us to take part in the course of events naturally by understanding the interconnectedness of our own nature and the nature of the cosmos. Learning about Taoism entails developing a mindset that emphasizes development, self-discovery, transformation and establishing a connection between one’s inner self and the outside world. This is how one interacts with the Tao world.

What effects does Taoism have on management and leadership? Can we use the Tao’s concepts in the contemporary business world? Of course, yes, but if we want to reach the domain of the Tao, we must have the readiness to accept the natural flow of activities and events. When we are aware of the ever-changing facets of nature, we will have the power to create harmony.

I’d like to give you an illustration of how Taoist wisdom is used to support business leaders in their success. James A. Autry, a former Fortune 500 executive, award-winning business author and one of the business world’s most popular and influential consultants, praises the wisdom of Taoism in the Tao Te Ching for contributing to business success. In *Real Power: Business Lessons from the Tao Te Ching*, Autry says: ‘The Tao Te Ching, perhaps the world’s most profound book of leadership wisdom, speaks to the principles that underlie all truly fulfilling enterprises. It is a way that many powerful business leaders already practice, but call by other names, such as “servant leadership”, “values-based leadership” or “leadership from the heart”. Each of these terms describes aspects of the wisdom in this ancient text. It transcends all systems and yet brings fulfilment, both personal and organizational’ (Autry & Mitchell, 1998). James has not only benefited personally from Taoism’s wisdom but has also had a positive

impact on other leaders and organizations through his job as a top business executive and consultant.

According to Taoism, in order to be a responsible leader, you must cultivate three key principles and attributes of management and leadership, particularly when you deal with adaptive challenges and wicked problems in a world of uncertainty (Part II will discuss sustainability challenges and wicked problems).

*The first Taoist principle is to cultivate the systems thinking paradigm, i.e. shift paradigm of thinking from conventional reductionism to holism in the context of a complex environment.* I can discern from Laozi's Tao Te Ching what was present but went unnoticed and what we knew but failed to recognize. That is to say we must approach problems from a systemic perspective and think in systems. The paradigm of systems thinking is just one illustration of Laozi's wisdom. In the ancient times, Laozi had already mastered the ability to observe and think the universe in systems rather than in isolated parts. This is referred to as systems thinking or a holistic approach in our contemporary jargon.

Reductionism, which is the foundation of our old scientific style of thinking, has given us the Archimedean tools to move the world and the delusion that we comprehend what we are doing. We live in a world where even the simplest parts can interact in complex ways, creating an emergent whole that behaves in ways seemingly unrelated to its humble origins. It is both a magical and a dangerous world, where simple beginnings can produce either a miraculous outcome or an awe-inspiring catastrophe (Miller, 2016).

Taoist philosophy's earliest teachings were based on observations of nature. The philosophy of Laozi and others held that everything has a complementary opposite. They said that the only way to understand anything is to contrast it with its antithesis. These observations were thoroughly examined, and the results revealed that such linkages seem to flow. Everything is consequently linked and dependant upon one another. The Taoists came to understand the purpose of life and the significance of human life in the cosmos through such observations of nature. The philosophy is built on this tenet. According to Taoist philosophy, everything in nature is effortless. However, it does not imply that everyone succeeds without effort or that things happen on purpose.

Laozi's mental model, which he employed to observe and investigate the enigmas and wonders of the cosmos, provides us with insight into his paradigm of systems thinking. Laozi's mental model focuses on holism from the three views of what (observation), why (interpretation) and how (intervention): observing and exploring what patterns and events are there in the cosmos; interpreting why they happen; and intervening in how we might learn from them and apply them in our daily life. In the book of Tao Te Ching, most of the verses begin with 'what': describing phenomena, symptoms or events in the universe, then Laozi discovers and interprets 'hy': the root causes, and then he intervenes with the principles and wisdom he derives from observation and interpretation and gives his advice on 'how'.

I would like to use Chapter 7 of the Tao Te Ching as an example to illustrate this mental model thinking.

*Heaven is eternal, and Earth is everlasting.  
Why Heaven and Earth exist forever is  
because they do not live for themselves.  
This is why the sages (wise men)  
Place themselves behind, and yet, find themselves ahead.  
Lay their life down, and yet, find their life go on.  
Give on thought to themselves, and yet, end up fulfilling themselves  
– Laozi, Tao Te Ching, Ch. 7*

Laozi starts with an event and a pattern: Heaven and Earth are eternally present in the cosmos. Then he investigates and explains the causes, concluding that heaven and earth are responsible for the universe's support of life through their selfless creation of it. Finally, he steps in by convincing others to learn the virtue of Heaven and Earth, which is that great leaders must also be unselfish in serving others in order to achieve in fulfilling themselves. Laozi was able to learn numerous things that are marvel-worthy thanks to the systems thinking or holism paradigm. Laozi understood that profoundly distinct processes explain how living systems develop and change. He also learnt that humans live in interaction and are connected to everything else. Laozi saw the webs of interconnectedness that bind the world together.

*Second, recognize and welcome the inevitable movement of change.* The first principle and this one go hand in hand. Because 'everything flows' is one of the key tenets of systems thinking or holism. One of the fundamental ideas of Taoism is 'the natural movement of change'. Taoism is upbeat about life's potential and constantly emphasizes the fundamental, innate cycles of change. This promising trend gives us hope for change and brighter days ahead. Heraclitus, a Greek philosopher, also espoused the notion that everything changes when he declared that you cannot tread into the same river twice. Oneness, the complex mechanism that oversees the equally complex cosmos, is the Tao. In the intricate universe, everything is dependent on and connected to one another. The cosmos has evolved through a perpetual cycle of dialectical progress; hence, the complex structures are not static but dynamic, and individual components of the universe interact to produce a new pattern. In the Tao Te Ching, Laozi notes,

*The laws of movement of the Tao are  
The cycle of dialectical progress and the unity of opposites.  
The Tao's principles of operation are  
The act of yielding and function of dispossing.  
All creatures in the universe were created by being,  
Which itself was created by non-being.  
– Laozi, Tao Te Ching, Ch. 40*

Laozi asserts that the dynamic nature of being should be the primary focus of any comprehensive account of how the world works. Every element has an opposite or is related to an opposite. Thus, the material world is said to be

composed of an infinite, boundless apeiron from which the elements and pairs of opposites have arisen. Natural wisdom enables us to act appropriately. When we harmonize with the dynamics of nature, we learn to let go of our interpretations and stereotypical thinking. Nature is made up of opposites and does not make discriminations or moral judgements, which are usually the cause of irresponsible management. We also realize from this verse that by not clinging to either polarity, an individual is able to see a crisis as an opportunity for growth. They generally develop an optimistic view of life. Working with the ultimate unity of opposites enables people to accept the different facets of human existence that follow the path of the Tao.

According to Laozi, the major focus of any thorough explanation of how the world functions should be the dynamic nature of being. Each element has an opposite or a relationship with its antithesis. Thus, it is said that the elements and opposite pairs emerged from an infinite and boundless apeiron, which makes up the material world. Our inherent intelligence allows us to behave appropriately. We learn to let go of our interpretations and conventional thinking when we synchronize with the rhythms of nature. Nature is made up of opposites and does not make moral judgements or discriminations, which are typically the root of negligent management. This verse also teaches us that by letting go of either polarity, a person is able to recognize a crisis as a chance for personal development. They typically adopt a positive outlook on life. People can accept the various dimensions of human existence that adhere to the Tao by working with the ultimate unity of opposites.

*The third principle requires leaders to manage people with less rules and control, but with more freedom and responsibility.* The first and second principles are related to this one. They can self-organize and manage themselves because everything in a complex world is interrelated, interdependent and interacted with. Self-organization is a prominent theme in complex systems and a common occurrence in our world. Complex organizations like schools of fish, ant colonies and traffic are examples of emergent patterns that complex organizations can create without the need for any kind of global coordination. And this runs somewhat opposite to what we typically believe, which is that order and organization must be imposed by some outside power. Hurricanes, consciousness and bee swarms are further instances of organization that develops out of the internal interaction between the component elements, but self-organization is formed inside.

The Tao emphasizes the essential nature of the universe, as we already stated. It is difficult to limit the ultimate essence of the universal order since it is non-conceptual, according to Laozi, who describes the Tao as the universal natural order in the Tao Te Ching. One of the fundamental ideas or guiding principles of Tao is 'wu wei' (non-action). The *wu wei* principle places a strong emphasis on natural, spontaneous leadership. It doesn't tamper with or exert excessive control over the natural course of events. People consider themselves to be a part of the cosmos by adopting the holistic perspective, which enables them to work in harmony with life's natural cycle. Tao Te Ching also offers examples of the self-organizational principle.

*The Tao acts upon everything spontaneously without deliberate effort (wu wei),*

*But she accomplishes whatever she wishes to do.*

*Thus, when rulers lead in alignment with the Tao,*

*All things shall self-organize and fulfil themselves.*

– Laozi, Tao Te Ching, Ch. 37

*I lead with wu wei (non-action), people are self-organized.*

*I lead with no control, people are self-efficacy.*

*I lead with no rules, people are self-disciplined.*

*I lead with no desires, people are self-contented.*

– Laozi, Tao Te Ching, Ch. 57

According to Laozi, when there aren't any rigorous laws, rules or restrictions, individuals develop an honest work ethic. It holds that people will become wealthier if economic planning is abandoned, and happier if the control is let go exerted by managers and leaders through plans, policies, sanctions and rules. Executives who voluntarily abdicate authority over an organization do so with greater success. Believing in self-organization permits the Tao's guiding principles to rule people. Leaders must have faith in the Tao's powers to sustain order even in the absence of long-term plans and laws. Leaders must forgo the expenses of creating policies and conducting strategic planning. Due to geopolitics and commercial dynamics, modern company leaders create policies and strategic plans that are quickly forgotten. The constantly shifting dynamics may naturally produce common benefits, which the leaders must take into account. According to Taoism, a leader simply doesn't meddle with the affairs of the world, and it advises others to do the same. A leader can implement Taoist ideas in his company with the objective of producing a shared benefit.

In the modern business world, a significant portion of our management paradigm is based on the notion that management's job is to persuade individuals to take actions that they would not naturally take. This makes sense because you would not require management in this sense if people just did what you wanted them to do. Therefore, the concept of self-organization appears to be in direct opposition to the entire managerial endeavour within this conventional paradigm. As we have discussed, management in this new context needs to be redefined. It is now all about leading by creating or designing the future context, and this is where design thinking and systems thinking fit into management. Instead of directly controlling and coordinating, we are designing the context.

The Taoist principles, that one can become a responsible and effective leader by shifting from traditional reductionism to systems thinking or holism, accepting the changes and chaos of the VUCA era and creating an environment or context that allows people to self-organize and self-fulfill themselves, have been confirmed by modern science.

*Great minds actively put it into practice when hearing the Tao.  
Average minds practice it reluctantly when hearing the Tao.  
Small minds despise it when hearing the Tao.*

– Laozi, Tao Te Ching, Ch. 41

Our mind is a remarkable system, according to Laozi's teachings. When our thinking operates one way, it can carry us forward to remarkable accomplishment. However, the same mind acting in a different way can result in a complete failure. The mind is the most sensitive and fragile tool in all of creation. The perception that huge achievement is out of reach, in my opinion, is the biggest impediment to discovering Taoist 'treasures' for high-level success. This mindset results from the numerous suppressive factors that mould our thoughts to fit little brains.

I'm hoping that through learning about and putting the Tao and Taoist wisdom into practice, our journey together can help you grow great minds. Those with brilliant minds would, I'm confident, choose one notion from the voyage to adopt as your own, making that idea the centre of your thoughts, dreams and daily existence. You will eventually find the path to success in your life and at work if you just let that notion fill your brain, muscles, nerves and every other part of your body.

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## Book Description for Vol.2

Volume Two: 'Transforming Management Education for Sustainable Development Goals (SDGs)' - From the book series 'Responsible Management and Taoism: Overcoming Challenges in the VUCA Era'.

In Volume Two of this enlightening series, I wish to discuss the realm of responsible management education and its vital role in shaping a sustainable and inclusive future. Building upon the core themes explored in Volume One, which focused on 'Managing Responsibly in the VUCA World' through the lens of Taoism's wisdom, this volume explores the transformative power of management education.

Volume Two presents a compelling exploration of Taoist principles and their integration into responsible management education. It delves into the crucial shift from knowledge-inquiry to wisdom-inquiry, advocating for a holistic and insightful approach in management education that transcends traditional boundaries. What's more? It examines how the integration of corporate social responsibility (CSR) and sustainability in management education is essential for nurturing future leaders who are equipped to address the pressing challenges of our time.

An integral part of responsible management education is its contribution to the achievement of the Sustainable Development Goals (SDGs). This volume discusses the profound impact that responsible management education can have on advancing the SDGs, highlighting the interconnectedness between education, responsible business practices and sustainable development. It also explores the vision for a sustainable and inclusive world through the implementation of 'Our Common Agenda', a groundbreaking initiative spearheaded by the United Nations, which emphasizes the importance of a new social contract.

Volume Two concludes by shedding light on the role of the young generation in realizing the SDGs through their engagement in responsible management education and their innovative endeavours in social and green business startups. By empowering young leaders with the knowledge, skills and values needed for responsible and sustainable management practices, this volume highlights the potential for transformative change and a brighter future.

'Transforming Management Education for Sustainable Development Goals (SDGs)' is an essential resource for educators, students and practitioners seeking to shape the future of management education and contribute to sustainable development. When embracing the profound wisdom of Taoism and integrating responsible management education into the fabric of our educational systems, we

can pave the way for a sustainable, inclusive and prosperous world for all. This volume is part of a two-volume series, together providing a comprehensive exploration of responsible management, Taoism and their transformative potential in overcoming challenges in the VUCA era.

# Introduction

*Our world is suffering from a bad case of 'trust deficit disorder'.*

*People are feeling troubled and insecure.*

*Trust is at a breaking point.*

– Antonio Guterres, Secretary-General of United Nations

*A leader who allows their subordinates to*

*suffer as proof of who is the boss likely*

*quenches their thirst with salt water*

*from a rusted canteen.*

– Donovan Nelson Butler, Master Sergeant, US Army

In 2020, when the COVID-19 pandemic swept across the world, I began writing a trilogy on *Taoist Leadership for Sustainability & Excellence*, which explores responsible business, responsible management and responsible leadership from a Taoist perspective. As the Great Resignation began to impact companies in 2021, I made the decision to leave my employment to pursue my interests and have the freedom to focus on my writing.

Given that more than 3 years have passed since the pandemic's outbreak, I invite you to take a moment to reflect on your job and personal life. If you are a manager or a leader, how have you changed the way you lead or manage your subordinates or employees in response to the pandemic? As a follower, how have you reacted to the way you were managed and led?

These are essential questions that can help us understand how we've been affected by the pandemic and how we can use Taoist principles to promote sustainability and excellence in our professional and personal lives. Through the lens of Taoist leadership, we can gain new insights into how we can cultivate responsible leadership and management practices that promote the greater good.

## **The Great Resignation: The New Management Challenges**

The term ‘The Great Resignation’, coined in May of 2021, refers to the unprecedented number of individuals who have resigned from their jobs since the start of the pandemic. The pandemic has caused many people to re-evaluate their priorities, with a growing number placing a higher value on maintaining a healthy work–life balance, especially since the shift to remote work eliminated the need for commuting.

Millions of employees, like myself, have resigned from their positions as a result. Recent surveys suggest that anywhere from 25% to 40% of employees are considering changing jobs or resigning. Additionally, 71% of US employees surveyed expressed that they would likely leave their job if they lost faith in their employer. According to a PwC survey conducted in 2021, 22% of respondents indicated they had quit their work because of trust issues (Woellert, 2022).

If you were to ask me why I left my job, like many others, I would say that it was due to a toxic environment and toxic leadership. Toxic culture, which is often linked to management failure or irresponsible leadership, is a key contributor to creating a toxic workplace. In fact, a study conducted by Sull, Sull, and Zweig (2022) found that five topics, including toxic corporate culture, job insecurity and reorganization, high level of innovation, failure to recognize employee performance and poor response to COVID-19, were the leading predictors of employee attrition. The toxic culture is 10.4 times more likely to cause attrition.

However, the main cause of the toxic environment is toxic leadership, as toxic leaders create the culture within the organization. My personal experience and observations, along with a recent study conducted by Donald Sull (2022) support this assertion. Sull conducted a meta-analysis of thousands of papers on toxic corporate culture and found that toxic leadership, toxic social norms and poor work design were the most effective predictors of toxic behaviour in the workplace. Leaders’ actions and workplace social norms are 10 times more strongly associated with the likelihood of toxic behaviour than the person’s age or seniority. Leadership has consistently been identified as the best indicator of a toxic culture.

Over the years, I have witnessed first-hand how toxic managers and leaders negatively impact a business’s productivity, innovation, employee morale and well-being. Toxic leaders often exhibit autocratic, egotistical, manipulative, intimidating, excessively competitive and prejudiced behaviour. It’s also important to recognize that toxic leaders cannot exist in isolation. They require an environment that lacks governance, has dubious standards and values, is marked by instability, and creates a sense of threat. In such an environment, toxic leaders can thrive, and employees may be afraid to challenge them.

Toxic leadership is the primary cause of a toxic workplace, which can have significant negative consequences for both the business and its employees. Recognizing and addressing toxic leadership is essential for creating a positive work environment that fosters loyalty, engagement and productivity.

## **The Trust Deficit Calls for Taoism’s Wisdom**

Having worked for the same organization for over 20 years, I’ve had the opportunity to observe various management and leadership philosophies. While

some managers and leaders have been competent and responsible, others have lacked these qualities. To ensure responsible management that supports people's well-being and long-term social and environmental sustainability, I've always tried to identify the factors that differentiate leadership and management in organizations and how these factors can be practically operationalized.

While we typically blame individuals' incompetence and irresponsibility for leadership and management failures, these are not the root cause. In my studies of leadership and Taoist philosophy over the past years, I've discovered the real cause of these issues, drawing on the ancient sages' knowledge. For example, Taoist philosopher Laozi introduced four leadership styles and four management approaches in the Tao Te Ching, each with varying outcomes. According to Laozi, 'trust' is a critical element that establishes and differentiates leadership styles and management philosophies.

*Great leaders are barely known by people.*

*Good leaders are liked and praised by people.*

*Bad leaders are feared by people.*

*The worst leaders are hated by people.*

*Those leaders who are untrustworthy are not trusted by people.*

*Great leaders lead people without excessive rules and control.*

*When accomplishing their work, people all say, "we did it ourselves!"*

– Laozi, Tao Te Ching, Ch. 17

My years of experience and studies have led me to agree with Laozi's wisdom that the real cause of leadership and management failures is rooted in the lack of trust, and other factors contribute to this problem. Recognizing and addressing these issues is essential for responsible management that supports employees' well-being and fosters long-term social and environmental sustainability.

Laozi emphasized that great leaders are trustworthy and accountable, guiding their followers with respect and trust rather than enforcing strict rules and regulations. Effective leaders provide their followers with the flexibility and accountability to self-organize and self-manage, allowing individuals to grow and develop in a supportive environment. They earn the admiration and respect of their followers by treating them with kindness and concern. Conversely, bad leaders are egocentric, incompetent and untrustworthy. They create an unsafe work environment through excessive and restrictive rules, controls and directives, leading people to despise and revolt against them. The worst leaders are toxic, reckless, incompetent and irreparably harmful, bullying and harassing others while using pressure and deception to manage people in their own self-interest. They foster a culture of victimization to avoid responsibility, risk and mistakes.

Through Laozi's teachings, I've come to understand that trust is a crucial component of effective leadership and responsible management. Building good working relationships between leaders and followers requires being trustworthy. When team members perceive their manager and leaders as trustworthy, they are

#### 4 *Responsible Management and Taoism, Volume 2*

more likely to cooperate, promote information exchange and be open and accepting of one another.

*Great leaders have no self-interest,  
But regard people's interest as their own.  
They do good to those who are good,  
They also do good to those who are not good,  
Then, virtue of goodness radiates, reflects and spreads.  
They trust those who are trustworthy,  
They also trust those who are untrustworthy,  
Then, virtue of honesty radiates, reflects and spreads.  
When great leaders transcend ego,  
People become honest and loyal.  
Because what leaders do and say affect how people behave.  
Great leaders set an example for those around them.*

– Laozi, Tao Te Ching, Chapter 49

Great leaders and organizations prioritize their people and reject egotism, treating all individuals equally. According to Laozi, individuals must cultivate the virtues of goodness, trust and honesty to overcome egotism and self-interest. Virtue is the power to do good, and trust is a principle of power. Goodness and honesty are essential attributes of excellent leaders, implying that natural love is necessary, ongoing, vast and all-inclusive. These qualities are diffuse within themselves and radiate, reflect and spread throughout the world like light. A moral leader has the ability to foster kindness and trust, create organizations that value, trust and change the world for the better. Goodness and trust are essential for activating virtue, building high-trust organizations and transforming the world through doing good. Serhat Unsal, CEO of Dawn Foods, embodies the qualities of a great Taoist leader with his selfless leadership style. Unsal emphasizes the importance of humility, mentoring and listening during good times, which increases engagement, builds skills and develops trust. During tough times, he believes it's essential to be more directional while maintaining the trust, engagement and skills developed during good times (Hougaard, Carter, & Coutts, 2016).

Recent studies in management and leadership support Laozi's teachings. Professor Linda Hill and executive coach Kent Lineback define trust as a combination of character and competence. Character refers to how one's intentions align with their actions, while competence refers to their technical, operational and political knowledge. Gaining the trust of the team is one of the first tasks for a manager and leader, regardless of their competence and effectiveness. A leader's moral fibre and virtues define their character, and if they only have their own interests in mind and don't care about their followers, they won't gain their trust (HBR, 2017).

According to Kouzes and Posner's (2017) study on leadership problems, the top four attributes that people look for and appreciate in a leader – someone whose direction they would happily follow – are honesty, competence, inspiration and forward-looking (Kouzes & Posner, 2017). The same four qualities constantly come out on top in different nations. Honesty is by far the most distinctive trait that people search for and admire in a leader. Because a leader's honesty reflects on their own honesty, people want their leaders to be trustworthy. It's the characteristic that has the greatest potential to improve or harm one's reputation. Since honesty is closely related to morals and ethics, it is the most crucial trait that followers should look for in a leader. People value leaders who stand up for essential values. People strongly reject those who lack faith in their own convictions as followers. People simply don't trust leaders who are unable or unwilling to disclose or uphold a distinct set of principles. Even if there have been minor shifts in focus, these four qualities of leadership – honesty, competence, inspiration and forward-looking – have endured through time and space. People continue to place honesty at the top of their list of requirements for a follower.

The quality of competence is the second most crucial trait that leaders must develop, according to the research by Kouzes & Posner and Harvard Business Review (HBR). One explanation is that character and expertise go hand in hand to build trust. People assume that in order to lead them into the future, leaders must be extremely skilled. Leaders need to be competent and successful. According to studies, when people think their leader is incompetent, they reject both the person and the post. People must first feel confident that the person is deserving of their confidence before they will voluntarily follow them anywhere, including into a boardroom, the front office or the factory floor. They want to know if the person is sincere, moral and ethical. 'A failure of honesty poisons the team, damages the trust between people, and breaks down team cohesion' said Anand Reddy, senior engineering manager at Intel, 'Besides, nobody wants to follow a leader who is not honest'.

## **The Role of Trust and Taoism in Responsible Management**

Built on the discussions above, I categorize management and leadership styles into two contrast types: responsible and irresponsible, based on the wisdom of Taoism and contemporary management and leadership research. Responsible leaders manage people with goodwill & trust, with less rules and control, fostering a culture of freedom and responsibility for people to flourish organically. Irresponsible leaders control their followers with an overabundance of rules, command and control, creating a toxic culture of blame and fear. In today's business world, one of the usual and well-known examples of responsible management and leadership is Netflix. Its astonishing rise across the globe is being fuelled by its distinct culture of freedom and accountability as well as its capacity for adaptation. The amazing tale of Netflix's growth is told in the book *No Rules Rule: Netflix and the Culture of Reinvention* by Netflix CEO Reed Hastings. Instead of error avoidance and rule adherence in Netflix, he has worked to create and foster

a culture of flexibility, employee independence and innovation. But in the modern era, command and control has been the go-to response for managers and leaders when faced with growing uncertainty. Power has been taken back to the top of most large enterprises, governments and organizations, while employees have been relegated to repetitive, exhausting tasks.

Now, let's move from the ancient wisdom to modern reality and examine the trust crisis in the volatile, uncertain, complex and ambiguous (VUCA) world. In September 2018, the head of the UN, Antonio Guterres issued a dire warning to the globe that 'Our world is suffering from a bad case of "trust deficit disorder"'. People are feeling troubled and insecure. Trust is at a breaking point. Trust in national institutions. Trust among states. Trust in the rules-based global order. Within countries, people are losing faith in political establishments, polarisation is on the rise and populism is on the march. Among countries, cooperation is less certain and more difficult. Trust in global governance is also fragile. We have never had a true system of global governance, much less a fully democratic one'. Three years later, Antonio Guterres emphasized the lack of trust in our society once more. In the statement following the completion of the COP26 Conference in 2021, he expressed his concern that 'we have another climate crisis today. A climate of mistrust is enveloping our globe'.

Although UN Secretary-General is fully aware of the trust crisis in the world from the macro-perspective, things are growing far worse on a micro level. Due to a lack of trust and transparency in the relationships, we have witnessed the disruptive relationships between leaders and followers, employers and employees, businesses and stakeholders, companies and customers, governments and citizens, media and the general public, etc.

Unquestionably, a lack of trust in management and leadership is irresponsible and will result in failure. When a leader fails, distrust takes over. Trust is the ultimate currency in the connection that all institutions – businesses and brands, governments, nongovernmental organizations (NGOs) and the media – develop with their stakeholders, according to the more than 20-year research of Edelman Trust Barometer. According to the 2020 Edelman Trust Barometer, trust combines competence (delivering on promises) and ethical behaviour (doing the right thing and working to improve society). In other words, doing the right things (competent management) and being trustworthy both involve doing the right things (ethical leadership). The Trust Barometer also highlighted the facts of trust crisis, for example, they observed that few of organizations are considered as both competent and ethical. Government and industry rank lower on competence, whereas NGOs outperform both in terms of ethical behaviour. Government and media are perceived as both incompetent and unethical (Edelman, 2020).

According to the 2022 Edelman Trust Barometer, the world is trapped in a self-perpetuating cycle of distrust and is unable to address the extraordinary issues of our time. This cycle is driven by four interrelated causes that obstruct progress on global pandemic preparedness, racism and rising international tensions. One of the four forces is leadership failure, along with the spiralling distrust between the government and the media, over-reliance on business, mass class division and leadership failure. Traditional figures in business, the media and politics have lost

their credibility. As people rely on their employer, coworkers and families, trust, which was formerly hierarchical, has become local and diffused. With this turmoil comes a decline in democratic trust and an increase in autocratic trust (Edelman, 2022).

Trust defines an organization's licence to operate, lead and succeed. Trust is the foundation that allows an organization to take responsible risk, and, if it makes mistakes, to rebound from them. For a business, especially, lasting trust is the strongest insurance against competitive disruption, the antidote to consumer indifference, and the best path to continued growth. Without trust, credibility is lost and reputation can be threatened. Therefore, with a growing trust gap and trust declines worldwide in recent years, people are looking for leadership and solutions as they reject talking heads who they deem not credible. As Edelman Trust Barometer claims that in reality, none of the societal leaders they track – government leaders, CEOs, journalists and even religious leaders – are trusted to do what is right, with drops in trust scores for all. In particular, CEO's credibility is at all-time lows in many countries, making the challenge for CEO leaders even more acute as they try to address today's problems (Edelman, 2021).

It is abundantly obvious that the main problem affecting organizational performance and sustainable development is a lack of trust in management and leadership. We face too many challenges in the VUCA era, both technical and adaptive, and organizations must be responsible for everything they do, outward-looking, flexible and resilient. People now demand to be heard, given choices, given greater flexibility in how they work, given a fair chance to be supported and for their welfare to be prioritized. We want the organizations for which we work to be transparent about their goals, to be dependable and to behave morally and responsibly in order to drive meaningful change for all economies and society.

According to what we've discussed, trust is one of a company's most valuable assets and is essential to its survival in the VUCA era. Trust truly is the new currency of business. As a result, building trust must become a top goal for organizations; they also have a responsibility to build trust because trust is crucial to innovation. The Global Chairman of PwC, Bob Moritz, stated that 'we believe business has a responsibility to be a force for good in society, accountable not just to shareholders but to all stakeholders: staff, customers, communities, policy-makers, regulators and society at large. This is necessary for companies to maintain a social licence to operate, but more importantly, it's crucial to maintaining the healthy societies on which we all depend' (<https://www.pwc.com/gx/en/about/global-annual-review-2022/letter.html>).

## **The Structure of the Book**

In today's VUCA business environment, traditional management practices may no longer work well. 'Taoism and Responsible Management: Overcoming Challenges in the VUCA Era' offers a fresh perspective on how businesses can

navigate these challenges and create more socially responsible and sustainable organizations through applying the principles of Taoism.

The original and unique 3C Model of Taoism is at the heart of ‘Taoism and Responsible Development’. This book explores how businesses can adopt a more holistic and sustainable approach to management by integrating the Taoist principles. The 3C Model of Taoism focuses on managing with compassion with a focus on social responsibility, managing with conservation with a focus on ecological sustainability and managing with compliance with a focus on business ethics. By embracing these principles, businesses can create a more socially responsible and environmentally sustainable approach to management.

Drawing on the principles of Taoism, this book provides practical guidance on how to apply Taoist principles to responsible management practices. It offers case studies and practical tools for leaders and managers who are interested in creating a more sustainable approach to business.

In addition, this book explores the role of Taoist principles in responsible management education, providing practical guidance on how to integrate these principles into business education programmes. It also shows how businesses can contribute to the Sustainable Development Goals (SDGs) by aligning their practices with the principles of Taoism.

The book ‘Taoism and Responsible Development: Overcoming Challenges in the VUCA Era’ is divided into two volumes with five parts as shown in [Fig. 1](#).

### ***Volume 1: Managing Responsibly in the VUCA World (From Part I to Part III)***

Volume 1 serves as a comprehensive introduction to the Trilogy of the 3C Model – compassion, conservation and compliance, which forms the foundation for sustainability and excellence. Through a deep exploration of the relationships among business, management, leadership, sustainability and excellence, readers gain valuable insights into how these aspects intertwine to shape responsible management in today’s dynamic landscape.

Furthermore, Volume 1 examines and discusses the adaptive challenges and wicked problems that organizations face in the VUCA world. It provides guidance on shifting the management paradigm to adapt to these challenges and effectively address wicked problems within complex organizations. When adopting the 3C Model of Taoism, business leaders will discover how to manage people with compassion, embracing social responsibility; manage organizations with conservation, fostering ecological sustainability and manage businesses with compliance, upholding strong business ethics.

Volume 1 is an indispensable resource for managers, leaders and scholars seeking innovative solutions and a deeper understanding of responsible management practices. Drawing from the profound wisdom of Taoism, this volume offers practical insights and strategies to navigate the complexities of the VUCA world while upholding values of compassion, conservation and compliance.