Taoism-Oriented Model of Ethical Leadership

Dr Xuezhu Bai

Director of Research

Department of Research and Development

China Executive Leadership Academy Pudong (CELAP)

Abstract: Through an analysis of ethical leadership challenges in modern leadership studies, this paper argues that holistic Taoism characterized by a dialectic thinking system should be utilized as a complimentary approach to ethical leadership analysis to address the dynamic phenomena in organizations. A “Taoism-oriented Model of Ethical Leaders” is proposed to account for the five fundamental virtues of an ethical leader consistent with the five typical organizational contexts in practice. In addition, it is argued that to guarantee ethical leadership, a leader must be chosen according to the high standards of their moral virtues consistent with the characteristics of specific organizational contexts. Moreover, this model is potentially a holistic framework to integrate the major existing leadership theories, which satisfactorily explains the dynamics of the associated ethical virtues required for adaptive leaders in the organizational change cycle.

Keywords: Taoism, Yin-Yang, Leadership, Virtue, Five-Element Theory
Background:

"Real leaders concentrate on doing the right thing, not on doing things right." This is a well-known saying in leadership studies due to the fact that the most important role by leaders is to make strategic direction for their organizations and they often have to do so in difficult ethical dilemmas (Antonakis et al. 2003; Karp and Helgo 2009). In fact, since we are in a more secular world today, leaders experience such dilemmas more than ever before. The old moral value system from religious teaching are no longer compulsory to modern people, yet the new moral values are often in conflict with each other in the fast changing world. As a result, having moral obligations to society, to the profession, to people around them, leaders need to be fully aware of the content and practices of ethical leadership, such as what is right or wrong, what they ought to do, and which perspective is right in moral terms (Manz et al. 2008).

Unfortunately there is no easy answer to leaders as how to avoid ethical dilemmas in practice. In today’s world, ethical misconducts have led to corporation scandals of various kinds. Typical examples include such companies as Adelphia, Arthur Andersen, Enron, Global Crossing, Health South, Merrill Lynch, Sears Roebuck, Tyco, and WorldCom. In addition, there are other high-profile failures of moral leadership, such as the twin space shuttle disasters or the child molestation scandals of the Roman Catholic Church (Padilla et al. 2007; Schaubroeck et al. 2007; Manz et al., 2008).

In order to explain and cope with increasing ethical misconducts of leaders, people from different fields tried to explore the roots of ethical failures and prescribe different therapies to them
(Piccolo 2010). For examples, the sociological scholars try to attribute them toward external causes, thus looking for measures to diminish societal problems. The philosophical scholars devote to rigorous analysis of moral dilemmas through logic and self-reflection, thus demanding self cultivation of moralities. Economics scholars believe that inadequate institutional systems result in ethical failures, thus demanding highly elaborate ethical systems are in place to keep the process from spinning out of control and require that managers adhere to set principles. And finally, leadership scholars, quite resembling the philosophers, believe that a great leader would have to cultivate their moralities to rise against evil forces and resist ethical temptation (Bass 1990; Antonakis et al 2003).

In theory, an ethical leader who has high moral standards would be able to make ethical decisions regardless of organizational structures. However, even the most moral and ethical individual may be faced with conflicting demands that challenge their standards. As Luban observes, “The fact is that everyday morality does not have settled principles for hypercompetitive, highly adversarial settings” (Kidder 1995, 59). He suggests that leaders should establish beforehand some early warning signs to prevent from a downward ethical spiral, and in addition, he should also maintain a consistent skepticism about their own behavior. Nevertheless, in reality, an "ethical dilemma" is not a choice between right and wrong, but a choice between two rights (Kidder 1995), that is, dilemmas arise when cherished values conflict. This kind of conflict is heightened because leaders are public officials with obligations to many people who often have competing values or interests. Scholars from secular philosophical background generally agree there is no ethical "cookbook" that provides easy answers to complex dilemmas (Bennis 2007).
Interestingly, the Chinese traditional philosophies such as Confucianism, Taoism and Buddhism, generally agree that a great leader should know instinctively how to deal with the complex dilemmas in the real world. Their fundamental assumption is based on that the nature of mankind is spiritually connected with God or Buddha, who will always guide leaders to make the right decisions. Taoism, in particular, provides an abstract model for leaders to cultivate their virtues and guide their executive behaviors, later accepted by Confucianism. The philosophical framework of virtues has been utilized for thousands of years in China for selecting and cultivating capable leaders (Bai and Roberts, 2011), but forsaken after modern science spread to China since the late 19th century. We will investigate Taoism-oriented leadership model and explore the underneath logics of the ancient wisdom in the following section.

**Oriental Holistic Dialectic Philosophy—Chinese Taoism**

Taoism (Tao), as the core thinking system in the Chinese culture, has been widely accepted as the most fundamental philosophy for the Chinese civilization (Bai and Roberts, 2011). Although embracing various explanations in different disciplines in China, “Tao” is widely accepted as ‘the universal way’ or ‘the absolute truth’ in philosophical studies, which indicates that Taoism in nature is a theory that explores the origin and rules of the universe and mankind. It is a complete philosophical system that starts from the revelation of relationship between universe and mankind and further extends to all aspects associated with human beings (Jin 2005). Generally speaking, Taoism as a philosophy emphasizes a holistic study of the universe and mankind, which is characterized by both a macro and a micro approach and provides dialectic investigation on all the subjects covered (Feng 2004; Zhang 1992).
Concerning the origin of the universe, Taoism believes that everything originates from nothing (the void) and eventually returns to nothing. The ‘Chi’ or the energy that combines two opposite forces - Yin and Yang - may be called the very starting point of the universe. The founder of Taoism Lao Tzu said ‘Tao gives birth to the first thing (Chi) that combines two forces (Yin and Yang). Yin and Yang are parents of three creators (heaven, earth and mankind ) who create all the things in the universe’(Lao Tzu 2006).

In addition, elaborating how Yin and Yang generate all the things in the universe, Taoism explains that Yin and Yang further generate five fundamental energies or the so-called “Five Elements”: wood, fire, earth, metal and water. Of course, the five energies were named by the most common matters that everyone can easily see and understand. These five elements, or the five fundamental energies to be exact, are apparently not the physical things in nature, but they do have quite similar functions of the five matters in nature. The observation of Taoism produces a theory that the universe is made up of the five fundamental energies, and human beings too are micro-cosmos of the universe that follows the operating rules of the five energies （Liu 2006）.

The abstract framework of the universe (Diagram 1) vividly depicts and generalizes the relationship of Yin and Yang, as well as that of the five energies. First of all, the ‘Chi’ or the original energy consists of two forces of which Yin (the black part) symbolizes passive force and Yang (the white part) active force. Within each force there exists a seed of its opposite force that eventually makes itself grow into its opposite. The energy starts from the smallest point of Yang, grows to its maximum and then ceases to grow. It then begins its journey from the smallest Yin until it grows to the maximum of Yin, where Yang again takes its turn to grow. The Yin and Yang
forces are depending on each other for existence: that is, neither of them can exist without the other’s existence. The cycle of the universe keeps going from Yin to Yang and from Yang to Yin, but each cycle reaches end up at a higher or lower dimension (Bai and Roberts, 2011).

If the rule of Yin and Yang is called the fundamental law for the universe and everything in the universe, then the five-energy rule, according to Taoism, can be said to lay more subtle rules for all existing matter in the universe (Xiong, 2005). Since Yin and Yang give birth to the five fundamental energies, the five energies determine the ways of the universe functioning. The diagram demonstrates a dynamic cycle where Wood energy gives birth to Fire energy, Fire to Earth, Earth to Metal, and Metal to Water, which then returns to Wood. Nevertheless, each energy controls its opposite and keeps a good balance of another element functioning in the universe, for instance, Wood controls Earth, Earth controls Water, Water controls Fire, Fire controls Metal, and Metal controls Wood. The theory illustrates that the universe and anything in the universe follow the principles of the functioning rules of the five energies: otherwise, the universe or the micro-system will be in the state of chaos (Bai and Roberts, 2011).

The framework highlights the truth that everything combines two opposite forces and emphasizes the co-existence of opposite forces in the universe. The model indicates that everything is in the process of eternal changes, in a cyclic manner, and nevertheless each stage of the circular process demonstrates different features of its nature (Yu and Yu 2005; Shan 1993).

Diagram 1,  Taoist Model of the Universe and Mankind
From the above framework, universal rules of every existence in the universe are generalized as follows (Bai and Roberts, 2011):

- **The Unity of Heaven and Mankind:** “Mankind follows the rule of the Earth, the Earth follows the rules of Heaven or the Universe, the Heaven or the Universe follows the rule of Tao, and Tao follows its own nature” (Lao Tzu, Tao Te Ching)

- **Dialectics of the Opposite Forces:** “Tao exists as the movement of Yin and Yang”, “Every existence combines Yin and Yang.”

- **Interdependence of the Opposite Forces:** “Yin depends on Yang’s existence, and vice
versa.

- Interchangeability of the Opposite Forces: “Termination of Yin follows by beginning of Yang, and vice versa.”
- Infiniteness: Tao is not limited with boundaries either internally or externally
- Eternal Changing: “Changing is the universal law”

In fact, Taoism does not only reveal the above-mentioned laws of things working in the universe, but also generalizes the relationships between nature and the human body and even the internal dynamics of human organs and their associated functions. The principles of Taoism have provided the fundamentals for Chinese Traditional Medicine which is today widely accepted as a complimentary treatment to Western medicine. The accurate explanation, diagnosis and treatment of human ailments by Chinese Traditional Medicine are in effect under the guideline of the law of Yin and Yang and its associated five elements. There are now numerous scientific evidences to prove the validity and reliability of Chinese Traditional Medicine to human health (Liu 2006; Shan 1993; Bai and Roberts 2011).

There are numerous description of Yin-Yang and Five-Element theories in Taoism. We list a few below:

**Table 1, Attributes of Yin and Yang**

<table>
<thead>
<tr>
<th></th>
<th>Yang</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yin</td>
<td>Tranquil</td>
<td>Passive</td>
<td>Soft</td>
<td>Conservative</td>
<td>negative</td>
</tr>
<tr>
<td>Yang</td>
<td>Moving</td>
<td>Active</td>
<td>Hard</td>
<td>Open</td>
<td>positive</td>
<td></td>
</tr>
</tbody>
</table>

**Table 2, Five Energies, Nature and Human Body**
<table>
<thead>
<tr>
<th>Nature</th>
<th>Human Body</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five Elements</td>
<td>Internal Organs (Yin)</td>
</tr>
<tr>
<td>Wood</td>
<td>Xu</td>
</tr>
<tr>
<td>Fire</td>
<td>Ke</td>
</tr>
<tr>
<td>Earth</td>
<td>Hu</td>
</tr>
<tr>
<td>Metal</td>
<td>Si</td>
</tr>
<tr>
<td>Water</td>
<td>qui</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sounds</th>
<th>Tastes</th>
<th>Colors</th>
<th>Directions</th>
<th>Seasons</th>
<th>Functions</th>
<th>Internal Organs (Yin)</th>
<th>Organs</th>
<th>Tissues</th>
<th>Emotions</th>
<th>Liquids</th>
<th>Internal Organs (Yang)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood</td>
<td>Xu</td>
<td>Sour</td>
<td>Green</td>
<td>East</td>
<td>Spring</td>
<td>Liver</td>
<td>Eyes</td>
<td>Tendons</td>
<td>Anger</td>
<td>Tears</td>
<td>Gall Bladder</td>
</tr>
<tr>
<td>Fire</td>
<td>Ke</td>
<td>Bitter</td>
<td>Red</td>
<td>South</td>
<td>Summer</td>
<td>Heart</td>
<td>Tongue</td>
<td>Joy</td>
<td>Sweat</td>
<td>Small Intestine</td>
<td></td>
</tr>
<tr>
<td>Earth</td>
<td>Hu</td>
<td>Sweet</td>
<td>Yellow</td>
<td>Middle</td>
<td>Summer</td>
<td>Spleen</td>
<td>Mouth</td>
<td>Flesh</td>
<td>Worry</td>
<td>Saliva</td>
<td>Stomach</td>
</tr>
<tr>
<td>Metal</td>
<td>Si</td>
<td>Pungent</td>
<td>White</td>
<td>East</td>
<td>Autumn</td>
<td>Lungs</td>
<td>Nose</td>
<td>Skin</td>
<td>Grief</td>
<td>Mucus</td>
<td>Big Intestine</td>
</tr>
<tr>
<td>Water</td>
<td>qui</td>
<td>Salty</td>
<td>Black</td>
<td>North</td>
<td>Winter</td>
<td>Kidneys</td>
<td>Ears</td>
<td>Bones</td>
<td>Fear</td>
<td>Urine</td>
<td>Bladder</td>
</tr>
</tbody>
</table>

Designed from the content in the Book of Yellow Emperor (Wang, 2003)

Taoism and its associated Yin-Yang and Five-Element theories do not stop at the explanation of the apparent physical entities and their functions in the universe and human body. Taoism as a philosophy, may be most significant to human beings in its spiritual exploration of the universe and the virtue definition of human beings. Following the ideology of “Mankind follows the rule of the Earth, the Earth follows the rules of Heaven or the Universe, the Heaven or the Universe follows the rule of Tao, and Tao follows its own nature”, there are five spiritual virtues parallel with the five elements or energies. These are benevolence (wood), propriety (fire), faithfulness (earth), justice (metal) and wisdom (water), which are called the “Five-Virtue Principles” adopted by Confucianism in governing Chinese ancient societies. In a Confucian society in ancient times, the Five-Virtue Principles were provided as guidelines for selecting appropriate leaders and officials for governments. In addition, it provided fundamental principles to guide Chinese people on how to behave in society. According to Confucianism, to be a leader of a nation one needs to own all the five virtues in a way that is in complete balance, and only in this way would he be able to rule a nation in a most appropriate way. In Chinese ancient literature, the theory was widely practiced in different fields, of which Sun Tzu’s Arts of War is...
The principles of Taoism have been applied to nearly all aspects of Chinese ancient disciplines. Since Taoism believes that everything that is out of Tao thus follows the law of Yin and Yang and its associated five-element theories, it has provided the guideline for Chinese politics, military, arts and agricultural practices. Taoism before modern times enabled Chinese people to achieve indisputable accomplishments in nearly all aspects of Chinese civilization. Even to today, Taoism is still the source of wisdom for Chinese in modern times (Bai and Roberts 2011).

**Leadership Studies and the Nature of Tao**

The 20th Century was an important era for leadership research, during which leadership studies became a scholarly discipline. It is generally accepted that leadership studies began with the traits school of “Great Man”, which is consistent with Taoist model of virtues. Some studies (Antonakis et al 2003) conclude that eight major schools have influenced leadership studies and practices in the West. They are: Trait School of Leadership; Behavioral School of Leadership; Contingency School of Leadership; Relational School of Leadership, Skeptics of Leadership School; Information-Processing School of Leadership, The Contextual School of Leadership, The New Leadership School (Neocharismatic, Transformational, Visionary). These eight schools of leadership studies seem to us to follow one after another as replacements or are in stages of growth and competing with each other. After a full century of study, the focus of leadership research today seems to have come full circle in many ways with an apparent return to the initial endeavor of leadership studies with some new elements included in the new traits schools. For in Toaism writes Lao Tzu ‘The universal truth is superior over all, which goes the furthest, yet
eventually returns to its origin’ (Lao Tzu 2006). It demonstrates that the truth of everything, including scientific studies, lies in the original nature of the very subject. By sincere and consistent methods of returning to origins of the study of leadership is the truth of it to be found (Bai 2008).

What contributions can a fuller understanding of Taoism provide for leadership studies? We already know that Taoism is a philosophy which helps us study the universe, nature and mankind in general, and which believes that any existing matter or phenomenon in the universe consists of two interdependent yet competing forces. If this is true, leadership should be no different from any other matter or phenomenon in the universe, that is, it should consist of two competing and interdependent forces that follow the rules of Taoism as well. From a Taoist point of view, leadership is a phenomenon which exists in human society and is built upon the relationship between people. It therefore has no way to escape from the fundamental rules of Taoism that require an interdependent, interchangeable, and balanced relationship between its two internal competing forces.

From the analysis of the literature on leadership studies, there is evidence that in leadership theories there two dialectic relationships (Antonakiset et al 2003; Bass 1990), as follows:

- Leadership consists of two major dialectic objects: leaders and followers
- Leadership studies never progress beyond the two dialectic aspects: leadership itself and its existing context
- In leadership studies, researchers always have to examine the two dialectic factors:
Traits (internal) and behaviors (external) of leaders

- To assess leadership performance, the dialectic relationship between leaders and their context is the fundamental issue that decides performance.

With a more careful analysis, it is clear that the above pairs of leadership entities follow the rules of Taoism, insofar as they are interdependent, interchangeable and counter-balancing. Concerning interdependence and counter-balance, few would doubt the realities associated with their relationships. Nevertheless, interchangeability may be something others would doubt. In fact, from a Taoist perspective, leaders and followers are interchangeable, not just because leaders are followers of their superiors and followers might be leaders of their subordinates, but also their positions are changeable over the time. As for leadership and context, there appear to be two competing forces in a singular system of leadership. However, when they are placed in smaller or larger systems, leadership or context alone or together may become internal or external forces of the associated systems. Examples are workshop leadership vs. organizational leadership (Context), or organizational leadership vs. industrial context. Similarly, traits and behaviors are interchangeable in the sense that behaviors would form into habits over time that finally would become part of one’s personality, whereas traits is the origin that gives birth to behaviors. As a result, it is not surprising to find pairs of fundamentals in leadership studies:

**Diagram 2, The Dialectic Relationship in Leadership Studies**

Leadership  →  Context

Leadership  ←  Context
As shown in the above diagram, the fundamentals in the different levels of leadership follow the rules of Taoism, which are interdependent, interchangeable and counter-balancing with each other, moreover, they also follow Taoist theory that there are always Yin and Yang (dialectic forces) in any beings or phenomena in the universe and entities with only Yin or Yang alone do not exist in the world (Xiong 2005).

**The Taoist Model of Virtues of Ethical Leaders and Relevant Leadership Theories**

In order to investigate the dynamic movement of leadership in an organization, a model of virtues required for ethical leaders which is based on the principles of Taoism has been developed. This model is not only designed to reflect the dynamics involved in leadership, but also to explain the majority of leadership theories that fit into the dynamic system. Through an extensive study of ethical leadership literature, I conclude that five concepts in leadership studies that are consistent with the Taoist rules and principles, and their relationships are described as follows:
To be more specific, each above concept has their respective features and content:

**Values**: out of wisdom, and it is the primary and uttermost principle for any organization, which guides the formation of a vision. It is often formed before a new organization established or at the end of a business cycle of an organization.

**Vision**: with a required feature of benevolence, and it is a long-term objective guided by organizational values. It is a key concept for an infant organization which would encourage all people to work towards the same destination.

**Mission**: with a required feature of propriety, and it consists of short-term goals that serve for organizational vision. It is a key concept that a fast developing organization should appropriately master.
**Strategy:** with a required feature of faithfulness, and it is a well-weighted plan to fulfill the tasks of vision and mission. It is a key concept that a maturing organization should utilize to fulfill its objectives.

**Execution:** with a required feature of justice, and it is actions that are executed to complete the tasks planned in the strategy. It is a key concept that a declining organization should focus on for preventing the declining trend of business.

Following the Taoist rules and principles, a framework including the above five managerial concepts is therefore designed to demonstrate a dynamic Yin-Yang cycle of leadership in an organization. The five managerial concepts are located at the places of the five element points for the five typical organizational contexts in an organization. Through analysis of the five typical contexts of an organization by applying Taoism principles, five typical virtues for ethical leaders that fit in different contexts are illustrated. In fact, within the circle of the Taichi diagram, there are infinite points which may symbolize infinite different contexts for leadership, nevertheless following the Taoist principle, and five fundamental points are adopted to describe the most typical contexts and their respective virtues required for successful leaders in an organization.

**Diagram 3, Taoist Model of Virtues of Ethical Leaders**
Note: 1. Yin-Yang Changing Process (Growth)  
2. Yin-Yang Changing Process (Control)  
3. Key Points of Yin-Yang  
4. Black symbolizes for Yin, White symbolizes for Yang

The above model illustrates the five key points that represent the five typical contexts of an organization: Starting, Growing, Maturing, Aging and Dying. For each of the five contexts, five typical leaders who are characterized with virtues of Benevolence, Propriety, Faithfulness, Justice and Wisdom are required to make the organization run successfully. As required by the dynamic cycle of an organization, each stage of its development requires a different style of leaders (Proactive or Passive) to fit in with the particular context (Yin or Yang) to make the organization successful (Bai and Roberts 2011).

The first stage is an infant organization or a starting business in its very early period, when a style of leaders characterized by “benevolence” is required. As the organization at this stage is
dominated by the Wood energy, according to Taoism, the virtue of successful leaders needs to be consistent with the requirement of Wood energy which is characterized by the virtue benevolence. At this infant stage of a business, the organization needs an encouraging vision that is recognized by all followers due to the fact that the success of an infant organization requires concerted efforts from all members in the organization. A successful leader who is benevolent will tolerate the mistakes of the followers in order to encourage their creativity and innovative performance, while at the same time he fully demonstrates his loving and caring characteristics by listening to his followers and taking care of their needs. As organizational success at this stage needs the contribution of all people, a leader would have to be easy-going, encouraging, and keen on gathering advice from his followers. His loving and embracing energy will build up a charisma around him, which will attract various kinds of talents around him. Based on the virtue of benevolence, the leader successfully makes his organization grow rapidly by utilizing all the creative and innovative capabilities of his followers. People will praise him a charismatic leader and attribute the success to his benevolent personality and caring behaviors. The theories from the Charismatic School of Leadership would best suit the Wood stage of an organization which is a starting or infant business (Bai and Roberts 2011).

The second stage of an organization is a rapidly developing business or an organization in its rapid growing period, when a style of leaders characterized by “propriety” is required. The organization at this stage is dominated by Fire energy, which indicates business or organization is rapidly developing and is in an extremely strong Yang position. However, according to Taoist principles, propriety is the utmost requirement for a successful leader at this stage. Due to the fact that a
leader at this stage can easily be overwhelmed by success and would put into practice some unrealistic plans beyond the capabilities of the organization, he is required to be self-constraint, treating followers in a proper way and taking appropriate actions in a measured way. At this stage, encouraged by rapid success, people in the organization are generally very proactive and competitive, which would create an enthusiastic and encouraging atmosphere for implementing new missions to accelerate the business to rapidly expand. We have seen in reality many businesses at the Fire stage have collapsed due to their leaders were overwhelmed by success. As a result, Taoism regulates that the most important virtue of leaders at the rapid growing stage has to be “propriety”, which indicates they have to act appropriately in his missions and actions for a continuous success of their organizations. The nature of leadership at this stage is also dominated by the traits and behaviors of the leader, as he appears to be the most important individual in the organization and his traits and behaviors are often regarded as indispensable factors for the success of the organization. People generally attribute the success of the organization at this stage to the traits and behaviors of the leader that is dominated by the virtue of “propriety”. Therefore, the theories from Trait and Behavior Schools of Leadership can best explain the leadership performance in organizations at the rapid growing Fire stage (Bai and Roberts 2011).

The third stage is an established business or an organization in its maturing period, when a style of leaders characterized by “faithfulness” is required. The organization is now dominated by the Earth energy, which indicates the business is undergoing stable growth with a mature organizational structure. At this stage, power balance between leadership and followers are at their ideal state, the organizational system and mechanism are effective and efficient for business
operation. According to the principles of Taoism, as long as a leader at this stage is “faithful” to his organization, that is, when he is a sincere person loyal to his position and honest to his followers, the organization would be automatically proceeding to its success. Generally speaking, the actions and plans of a successful organization at this stage are predictable due to nature of Earth energy that is characterized by “faithfulness” and honesty. The mutually important efforts of both the leadership and followers are regarded as the most important factor in the success of the organization. Leaders are very lucky to work in organizations at this stage due to the ideal state of business and the mature organizational structure. As leaders have much room to freely select different strategies to run business, different styles of leadership from the Transformational or Transitional Schools of Leadership, the Transactional School of Leadership, and even a “Lasse Faire” School of leadership would enable leaders to make equally successful performance at this stage. Although different strategies and different kinds of leadership styles may be available for leaders to freely select, the utmost virtue of all successful leaders at the maturing stage has to be “faithfulness”, which is required by the nature of the organizations dominated by the Earth energy (Bai and Roberts 2011).

The fourth stage is a rigid and bureaucratic organization at the declining period, when a style of leaders characterized by “justice” is required. At this stage the organization is dominated by the Metal energy, which indicates the business has passed its mature growing time and tends to be declining. The organization appears to be rigid in its organizational structure and the organization mechanism is no longer proactive. Leadership is conservative and reacts passively to changes from both internal and external environments. Creative and competitive followers tend to be
depressed and discouraged by the existing structure and system, while the “smart and sneaky” followers tends to benefit most from the system not through contribution but through idling or “growing their own business” (Bai and Roberts 2011). At this stage, a successful leader should have a strong virtue of justice, who is capable of utilizing regulations, managerial skills and his power whenever necessary to stop and punish the wrongdoing and to enable people to act in an appropriate way to contribute to the business. Leadership characterized by strong managerial approaches and execution techniques is usually regarded as a necessary approach to prevent the declining tendency of a business. The managerial school of leadership, one category of the Behavior School, would best suit this kind of organization where leadership with the virtue of “Justice” is required (Bai and Roberts 2011).

The final stage is a decaying and near-bankrupt organization in its dying period, when a style of leaders characterized by the virtue of “wisdom” is required. At this stage, the organization is dominated by the Water energy which indicates an extremely passive state where the organization structure is decaying and running at a near-bankrupt state. As the existing structure and system are corrupt and under attack and leadership is passive to stimuli from the internal and external environments, the organization is no longer competitive and its people are depressed by the doomed future of the business. As the capable and creative followers are leaving and its finance is constantly in the state of emergency, the organization is in fact at the intersection of death and birth. At this critical time, according to the Taoism principle, a visional leader with the virtue of “Wisdom”, who have insights into the existing problems and the wisdom to set up new values to transform the organizational culture is required to rescue the organization. Therefore, a successful
leader at this stage needs to be the wise ones who would be able to establish a new value system and put forward an encouraging vision for the organization in order to start a rebirth cycle. In order to bring the business out of bankruptcy and to convince the followers with bright future, a successful leader at this stage therefore should be able to point out a new direction for the organization to inspire depressed followers. The theories of Visionary School, which emphasize wisdom and the cognitive capabilities of leaders, would best explain the leadership performance in the organization at this stage (Bai and Roberts 2011).

In order to better understand the above-mentioned model of the virtues of ethical leaders, the following table lists relevant Taoist principles and modern theories associated with the virtues of successful leaders under different circumstances:

Table 3, Principles of Taoism, Virtues of Successful Leaders and Adaptive Leadership Theories

<table>
<thead>
<tr>
<th>Name</th>
<th>Wood</th>
<th>Fire</th>
<th>Earth</th>
<th>Metal</th>
<th>Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elements of Ethical Leadership</td>
<td>Vision</td>
<td>Mission</td>
<td>Strategy</td>
<td>Execution</td>
<td>Values</td>
</tr>
<tr>
<td>Virtues of Leaders</td>
<td>Benevolence</td>
<td>Propriety</td>
<td>Faithfulness</td>
<td>Justice</td>
<td>Wisdom</td>
</tr>
<tr>
<td>Description of Ethical leadership</td>
<td>Compassion, Easy-going, Care, listen to others, Tolerance for mistakes</td>
<td>Doing things or treating followers appropriately, deciding or convincing by demonstrating good balance in actions and behaviors</td>
<td>Consistence of behaviors, faithful to words and acts, loyal to vision and mission, democratic way of doing things</td>
<td>Strong responsibility, doing things by law and regulations, justice on reward and punishment</td>
<td>Visionary, farsighted, super-cognitive capability</td>
</tr>
<tr>
<td>Leadership</td>
<td>Power of Power of Power of Power of Power of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>style</td>
<td>Best theories</td>
<td>Organizational Stage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>---------------</td>
<td>----------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Embracing</td>
<td>Infancy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Charismatic</td>
<td>Youth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Convincing</td>
<td>Maturity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Traits/behavioral</td>
<td>Declining</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cohesion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transformational</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accountability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Behavioral</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inspiring</td>
<td>Visional</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Nevertheless, it must be pointed out that the model of the virtues of ethical leaders based on Taoist principles is only a brief framework for categorizing the major theories generated by modern leadership studies. As it is clear that infinite points exist in the cycle of the model, theoretically infinite theories are needed to explain the real outcomes. Nevertheless, the human mind needs some tangible and stable model to help to understand unstable and changeable realities, and a model with five categories provides ready tool for us to understand what is happening in organizations and their associated leadership styles. According to Taoism, the circumstances of leadership at both internal and external levels are under constant change. Under one particular circumstance, a particular theory might best explain actual events; however, as the cycle tends to change continuously, changed theories are required to cope with the changes. Therefore, no fixed theories are able to explain or cope with the actual events all the time. As a result, Taoism tells us that we can only expect some kind of “predictable” theories to guide us in “unpredictable” realities, and the leadership phenomena are no exceptions.

As the model based on Taoism highlights the changes of contexts, thus requiring relevant virtues and behaviors of leaders to fit the changing circumstances, it has similarities to the Contingency theories of leadership studies. However, although contingency theories do have some similarities to the Taoist model, these are not exactly in the same way. The contingency theories argue that
leaders should change their behaviors to follow the changing contexts, more or less in a passive way to fit in with the environments. In reality, at different stages leadership itself is at a Yang stage as a proactive and driving force, thus leading the changes or creating changes in some circumstances. In other circumstances, for example in the Earth and Water stages of the cycle, visionary and transformational leaders are able to change the circumstances rather than just follow suit. Often the Taoist model of leadership can better describes the real events.

Thus from the above discussion, it is also obvious that confronting and conflicting theories in the contemporary leadership literature are not surprising due to ever-changing realities. Equally, in the field of ethical leadership, the assumption of no ready “cookbook” to solve all ethical dilemmas for leaders is understandable. However, as the Taoist model in this paper demonstrate, a holistic framework that integrates all the leadership theories, although a daunted work, may be achievable in the near future to guide both researchers and practitioners in practice.

The Model of Virtues of Taoist Leadership outlined in this paper is only a very rudimentary one, and has so far ignored many other variables in the leadership context. In particular the external factors such as the industrial or social contexts in which the organization exists. As changes occur both in the internal and external context of the organization and leadership itself, more variables or factors need to be taken into consideration. As more dynamic and more unpredictable contexts bring about more changes in the relevant leadership styles, the model will get more complex in relevant virtues and behaviors required to reflect the real events. It is fair to say that the current model is an assumed “ideal” state to describe the core relationship of leadership—leaders and followers in a changing context, but that is has ignored the greater context of leadership such as
the dynamic external industrial or social contexts. As leadership and external context form into the a larger Yin-Yang cycle, it can be expected to develop interesting picture of leadership movements and a more complex model of leadership to explain the real events. We would like to discuss this issue further in the future.

**Conclusion**

The ethical leadership based on Taoism emphasizes the universal virtues that shape leader's individual personality characteristics and moral standards, of which benevolence, propriety, faithfulness, justice and wisdom are the five core elements in the dynamic value system. Taoism-oriented ethical leadership model proposes that an ethical leader must apply the five ethical standards consistent with the five typical organizational contexts in practice. To guarantee ethical leadership a leader must be chosen according to the high standards of their moral virtues consistent with the characteristics of specific organizational contexts.

From the study of Taoism-Oriented ethical leadership, we believe that the Chinese traditional Taoism is a strong tool for a holistic study of ethical leadership, because it is based on the five fundamental virtues of mankind with dialectic thinking of organizational phenomena in the changing process. It therefore complements the inadequacies of the current positivist approach that is good at analytical investigation of an isolated subject in a stable context. With rules and principles of Taoism adopted in leadership studies, leadership realities are more likely to be discovered in a more accurate way. Through the study of the Taoist model of ethical leadership, we may conclude as follows:
Traditional Taoism is not dated, and it complements the inadequacies of modern philosophies, which may provide better explanation for ethical leadership studies.

The oriental wisdom such as Taoism is good at holistic observation while the Western science is good at positivism and analysis, so a combination the two will provide an enhanced tool for discovering the realities in the universe.

Through a combination of Taoism and modern leadership theories, a brand-new ethical leadership model or theory is likely to be developed to account for real organizational outcomes.

We wish more efforts be taken into this field so that a greater understanding of both ethical leadership and Taoism can be achieved.

References:


Shan, Quan. 1993. Figures of Yiching in Zhou Dynasty. Xi’an: Shanxi People’s Education Press


About the Author:

Mr. Bai Xuezhu is the Director of Research in China Executive Leadership Academy Pudong (CELAP), the Associate of Oxford Policy Institute, and Director of Shanghai Leadership Studies Association. He obtained BA of English Education in Huaibei Coal Industry Teachers College in China(1989), Master Degree of Human Resources in Victoria University, Australia (2001) and PhD of Management in La Trobe University, Australia (2005). He has a wide range of research interests, which include leadership and cultural studies of both China and the West, state-owned enterprise reform, public management, human resource management, employment relations, and others. His major publications include “Performance Appraisal in the Chinese State-owned Coal Industry”, International Journal of Business Performance Management (June 2005); “Modern Enterprise System in China and the Role of the Party and State in Chinese SOEs”, International Journal of Business and Systems Research(June 2007); “Taoism and Leadership Studies”, Theoretical Investigation (January 2008) “Taoist Rules of Growth and Control, Leadership Transformation and Leadership Strategies”, Theoretical Investigation (November 2009) "Taoism and its model of traits of successful leaders", Journal of Management Development (August 2011)