The application of Laozi’s DAODEJING to today’s maritime leaders: An empirical study from stakeholders’ viewpoints in Taiwan

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This study looks at the twenty precepts of virtues set forth by the ancient philosopher Laozi’s DAODEJING (DDJ) related to a leader’s ethical spirit (LES) and leader’s social responsibility (LSR) and applies them to today’s leaders in China. We define two constructs of LES and LSR, referred to as ‘Dao’ and ‘De’ on the respective chapters in DDJ; we then provide an empirical validation and develop a scale of twenty virtues of LES and LSR with desirable psychometric properties, and explore theoretical and practical applications to Taiwanese stakeholders in the shipping industry. Linear structural equation modeling (SEM) is applied for measurement of the components of Laozi’s ‘Dao-De’ relationship to help readers understand these two constructs that underlie leadership of Chinese. The ‘virtues’ aspect of a leader’s ethical spirit is defined in terms of humility, love, resolution, temperance, purity, sincerity, order, justice, benefit, and moderation. ‘Social responsibility’ related to a leader’s virtues power are then described in terms of livelihood, welfare, happiness, follow-through, accomplishment, tolerance, support, everlastingness, practice, and credit. Empirical evidence proves that leader’s ethical spirit (LES) has a significant effect on leader’s social responsibility (LSR). The study results provide criteria for virtues applicable to the ethical spirit and social responsibility of a leader. With desirable psychometric twenty virtues and explore theoretical and practical applications to Chinese leaders, which serve as guiding criteria to improve leadership in current Chinese society.

Key words: Laozi, DAODEJING, Dao-De, leader’s ethical spirit (LES), leader’s social responsibility (LSR).

INTRODUCTION

Recently, a series of corporate and government scandals in the world has rapidly and dramatically influenced the behavior of government leaders, business executives, and policy makers, leading to the introduction of reforms refining the checks and balances surrounding Chinese public leaders following a succession of corporate fraud cases affecting society at home and abroad. In the early 2000s, a rash of such scandals seriously affected Taiwan's economic development and political stability and once again, attracted government attention. The recent Taiwan conflagration of corporate, business, and political scandals involved such figures as Rebar, Procomp, and former president Chen Shui-Bian has been sentenced in prison. These events seriously undermined investor confidence, and the Shanghai, Shenzhen and Taiwan benchmark indexes dropped to record lows during 2003 to 2004.

One assumption might be that the problems arose out of some lack of morality and ethics in the leaders. According to this view, the scandals occurred because individuals holding leadership roles in the corporate arena lacked an inner moral code to influence their options, and instead, let opportunism and self-interest, expressed by love of money, entirely dictate their conduct (Bragues, 2008). The lesson of the leadership scandals would then be that reform of the soul of the leader was needed, to make him internalize the idea that fortune is not the be all and end all of life, but that there are ethical principles to which
the pursuit of wealth must sometimes be sacrificed. Since new laws and regulations hold little promise, the prevention of corporate misconduct requires that attention be paid to the character of governing leaders. Bragues (2008) has heeded the ancients, though this must be done with a view to the modern reality of complex commercial societies. De Hoogh and Den Hartog (2008) argued that morality, fairness, role clarification, and power-sharing are aspects of ethical leadership. Garriga and Melé (2004) drew attention to the great challenge of studying and integrating empirical and normative aspects of corporate social responsibility and ethics related to business and society.

This study looks at a major stream of political philosophy, the ancient traditional Daoism of Laozi in China. An ancient traditional Daoism of Laozi, who is the founding father of Daoism, lived before Confucius (557 to 479 BC) and advocated benevolent, never aristocratic rule, a system basically similar to the traditional Chinese Confucianism (Yang, 2000). Confucianism focuses on interpersonal harmony, and Daoism emphasizes harmony with nature (Wang and Justin, 2009). Laozi is revered as a deity in religious forms of Daoist in later religion of Han dynasty (around the Second Century, A.D.). In the Daoist religion, Laozi is known as ‘Taishang Laojun’, or ‘One of the Three Pure Ones’; Laozi literally means ‘Old Master’ and is generally considered an honorific title in Chinese Daoist religion (Robinet, 1997). During the Tang dynasty (around the 6th to 9th Century, A.D.) in ancient China, Daoist had once been the royal religion by the empire (Chan, 2000).

More a path to enlightenment than a moral or religious treatise, Daoism predates Christianity and Buddhism by many centuries, and has had a profound, if intractable, influence on the cultures of the East, especially China and Japan (Durlabhji, 2004). Davis (2003) listed the fundamental precepts of Daoism with regard to leadership as leadership energy, macrocosm within the microcosm, clarity, integrity, unforced action with right timing, managing paradox, and personal cultivation. This study quotes the most famous book on the maddeningly inscrutable philosophy of DAODEJING (DDJ) of Daoism. DDJ comprises approximately five thousand words in eighty-one chapters to state its wisdom, rationale, philosophy, and thought. DDJ can be regarded as a scripture that instructs the Chinese in interpreting and interacting with the environment. It is divided into two parts, ‘Dao’ as the ‘Way’ of concentration in the individual as the natural virtues of man, and ‘De’ as ‘Power’, inherent in any individual thing (Yang, 2000).

There is, however, a scarcity of in-depth studies addressing the ethical spirit of Chinese leaders and their most fundamental intentions with regard to social responsibility from a Daoist point of view. Here we investigate whether the ethics and moral behavior of Chinese maritime leaders reflect the viewpoints of Laozi, an ancient Daoism philosopher. We argue that it is important for such firms to follow Laozi’s Daodejing (DDJ; ethical spirit and social responsibility). This study first emphasizes how the character of a leader reflects the virtues view of the ancient philosopher of Laozi. We apply the ‘Dao’ as a leader’s ethical spirit, and argue that ‘De’, the virtues power, works best when leaders are individuals of good character, we apply these to assess the ethical spirit and social responsibility of Chinese leaders. The underlying precepts of twenty virtues are cited from various sections of DDJ. DDJ has been translated into spoken Chinese and English by a well-known Daoist professor in Taiwan, but this study is not intended to cover the entire eighty-one chapters of DDJ. Instead, it offers some empirical testing from the viewpoint of stakeholders in the shipping industry in Taiwan to evaluate their leaders’ ethical spirit and social responsibility. We hope that this study will serve as a helpful reference for all readers to assess how spirituality and personality define essential characteristics of modern leader’s ethical spirit (LES) and leader’s social responsibility (LSR) according to Daoism philosophy.

LITERATURE REVIEW

Dao precepts are returning to leader’s ethical spirit

Autry and Mitchell (1998) interpreted ‘Dao’ as willingness to accept learning and to delegate and move on with the new-found knowledge; the ‘Dao’ sees the leaders as understanding the chaotic nature of the universe. Zhang and Veenhoven (2008) conceptualized that ‘Dao’ existed before man and is eternal and unchangeable; once you realize ‘Dao’ governs all truth of the world, you no longer have to worry about your limited and temporary life and you can be a truly happy person. The ‘Dao’ of Laozi’s DDJ is abstractive: “Once there was something that rose before the beginning of heaven and earth, stood alone and unchanged, moved around but never ended, capable of being the mother of heaven and earth; I do not know its name but call it Dao” (Yang, 2006: 25). ‘Dao’ is the origin and element of the universe, or the general treatise of the universe. The world was initiated by it, all things came from it, and man was born because of it. Thus, ‘Dao’ has no beginning and no end; it is everywhere but without form, odor or shape. Although, it was ‘seemingly hazy’ (Yang, 2006: 21), it ‘cannot be seen, not heard and not be touched’ (Yang, 2006: 14). Laozi used ‘Dao’ as the essential theory to view the human character and the basic guide for human life. It teaches how not to be greedy and to endure forever. ‘Dao’ is “shape within, elements within, essence within, it is real, it is confident; from ancient till present, its name never disappears, in order that all things enjoy life from it” (Yang, 2006: 21). Hensler et al. (2000) believed that ‘Dao’ recognizes that the leader is only as good as the people who engage him to achieve an aim which is consistent to the modern
Corporate social responsibility by Chinese leaders

In the twenty-first century, the corporate social responsibility (CSR) in the west has meant that enterprises should create social value, do a good job of environmental protection, safeguard labor rights and practice enthusiastic charitable and community participation. Campbell (2007) argued that leaders focus on imperative of profit and shareholder value maximization may cause corporations to act in ways that do not even meet the minimum threshold of socially responsible behavior. The extant literature on corporate social responsibility suggests that firms whose financial performance is weak are less likely to engage in socially responsible corporate behavior, conventionally defined, than firms whose financial performance is strong (Margolis and Walsh 2001; Orlitzky et al., 2003). This is because firms that are less profitable have fewer resources to spare for social responsible activities than firms that are more profitable (Campbell, 2007). For modern business operators, the burden of responsibility to promote the company’s sustainable operation and sound development is very heavy. The ethical motivation guiding business is related to a desire to do the right thing, without external pressure or governmental constraint (Joyner and Payne, 2002).

In practice, in modern business society in China, Chinese executives face a variety of social related issues and must determine how the mechanism might be assisted by morality and ethics to comply with the legal requirements for social responsibility. Therefore, executives see that their social determination can force companies to implement social responsibility. As a caring community with a full range of corporate and sincere intentions, such a community must enthusiastically engage in responses that will help it attain robust business growth; large enterprises such as Taiwan Semiconductor Manufacturing Company have no hesitation in committing to this goal. Most Chinese small and medium enterprises (SME), however, are focused on their monthly statements and earning profit. In financial terms in China, costs will be increased if leaders decide to contribute their social responsibility. It is trade-off situation, and the question is, where is the fundamental soul of Chinese leaders to support social responsibility?

Defining the social responsibility on corporate leaders’ behavior is not a straightforward exercise (Maignan and Ralston, 2002; Roberts, 2003; Rowley and Berman, 2000). To begin with, what constitutes socially responsible behavior may vary according to our point of view. On the one hand, Campbell (2007) suggested the further researchers might use more subjective criteria and adopt the perspective of the stakeholders who interact with a corporation. The cultural distinctiveness of Asian and emerging economies call for entirely new theories that are built from the bottom up in management (Hofstede, 1993). When China opened up its economy, some Chinese scholars believed that China is different from the West, and thus needs to invent its own theories (Li and Nair, 2009). Wang and Justlin (2009) argued that western CSR concepts do not adapt well to the Chinese market in view of Chinese physical reality, value and cultures; their study explored the notion that Chinese CSR means ‘respecting nature and loving people’ in accordance with Daoist harmony between man and nature.

The study looks at the nature of ‘Dao’ of leaders and considers the precepts of DJJ in a specific way, to highlight the importance of social responses from leader’s determination in terms of the power of ‘De’ as a whole. The social responsibility by a leader is comprised of the individually or collectively held ideas or concepts of responsibility in terms of the soul. This study defines the LSR by applying ‘De’ to the leader who dedicates himself to ultimately achieving social responsibility, which influences the evaluation of management effectiveness regarding the future of the greater environment and the company’s place within it. It is natural for ‘Dao’ to act naturally, and ‘De’ is the ability of ‘Dao’ to act naturally. We propose that ‘De’ is the intelligence power by means of which a leader’s genuine social responsible goals can be achieved.

De’s precepts are returning to leader’s social responsibility

De’ is a special term of reality precepts: “One does not possess merely because one gives birth to a certain thing; one is not proud merely for something one has done for others; one does not control others merely because of being older, such are the great ethics of De” (Yang, 2006: 10). In our human society, perhaps the only ones who can behave like this are parents towards their children. An excellent saintly leader could reach such greatness since saints do not have selfish thoughts but thoughts of all people; a saint loves those that are cherished by others; believes that which is believed by others; even those who are not trusted, saints still trust them and share their minds for the world (Yang, 2000). This study believes that great leaders are similar to the saints and can shoulder their social responsibility to treat all people as one would treat oneself. This study argues that De’s precepts of ‘virtues power’ are returning to
Table 1. Laozi’s Dao tables are defined in terms of leader’s ethical spirit.

<table>
<thead>
<tr>
<th>Virtues way</th>
<th>Dao’s precepts</th>
<th>Measure items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humility</td>
<td>When one realizes one’s own great strength, yet preserves one’s own meekness, such broad mindedness is of a great person (Yang, 2006, chapter 8). A skilled driver leaves no tracks. Skilled speakers talk no nonsense. Thus, truly good men wish to save others and spurn no one. They wish to save all things of this world as they spurn nothing. This is true enlightenment (Yang, 2006, chapter 27).</td>
<td>Leader behaves with civility and humility.</td>
</tr>
<tr>
<td>Love</td>
<td>Those who use the principal of ‘Dao’ to advise the ruler would not suggest violence. If one pushes hard to be strong, one will grow old and weak sooner, because this is not of ‘Dao’; one who is contrary to ‘Dao’, shall perish quickly (Yang, 2006, chapter 30).</td>
<td>Leader is love and virtues.</td>
</tr>
<tr>
<td>Resolution</td>
<td>He who holds fast the great ‘Dao’ shall be followed by all the people of the world (Yang, 2006, chapter 35). The best men hear of ‘Dao’ and immediately put it into practice with diligence. The greatest ‘Dao’ is hidden and has no name, It is only ‘Dao’ that can provide foundation for all achievement (Yang, 2006, chapter 41).</td>
<td>Leader is committed to advocacy of moral concepts.</td>
</tr>
<tr>
<td>Temperance</td>
<td>Fame or life, Which is more precious? Life and property? Which is more important? Inordinate love of worldly things shall result in waste of much energy and time (Yang, 2006, chapter 44).</td>
<td>The industrious and frugal habits of leader’s mind.</td>
</tr>
<tr>
<td>Purity</td>
<td>Heaviness is the source of the lightness. Peace is the lord of the reckless. Wherefore the sage always conducts himself with grace and dignity (Yang, 2006, chapter 26).</td>
<td>An ethical mind from the perspective of people.</td>
</tr>
<tr>
<td>Sincerity</td>
<td>When talents are not glorified, men will not fight each other for position and glory; wherefore, the Sage as regards government, wishes only that all people be humble at heart, be nourished, be free from wanton desire and strong in physical body (Yang, 2006, chapter 3).</td>
<td>Leader is selfless to company and society.</td>
</tr>
<tr>
<td>Order</td>
<td>The appearance of a man who has attained ‘Dao’ will be in accord with ‘Dao’. The definition of ‘Dao’ is vague and intangible. Yet, in the vague and void, there is abstraction, there is substance; within the intangible, there is essence, there is marrow; this essence is real. Within this real being, there is validity. Such has been the way since the beginning of the world, it can’t be ignored. It is the beginning of all things. Through this origin, I come to know all things (Yang, 2006, chapter 21).</td>
<td>Leader has great moral faith.</td>
</tr>
<tr>
<td>Justice</td>
<td>The most virtuous does things spontaneously and does all things with no selfish aim. The most kind helps people without discrimination. The courteous people are polite and behave according to rules; hence, are compelled to do so (Yang, 2006, chapter 38).</td>
<td>Leader is goodness and integrity.</td>
</tr>
<tr>
<td>Benefit</td>
<td>The way of a good person is like water, it benefits all but never for itself. It puts itself in the place where no one else would wish to be. Sage’s work is diligent (Yang, 2006, chapter 8).</td>
<td>Sacrifice leader’s own interests to share with others.</td>
</tr>
<tr>
<td>Moderation</td>
<td>When one is able to incorporate the entire, he is able to abide by nature’s way; that person has spontaneously attained the ‘Dao’. When one is aware of the pure but will not spurn the dark, one can serve as a symbol of the world. As such one can return to the spontaneous nature of the world (Yang, 2006, chapter 28).</td>
<td>Patience with the peace of mind.</td>
</tr>
</tbody>
</table>
Table 2. Laozi’s ‘De’ tables are described in terms of leader’s social responsibility.

<table>
<thead>
<tr>
<th>Virtues power</th>
<th>De’s precepts</th>
<th>Measure item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livelihood</td>
<td>Don’t interfere with a person’s residence; don’t make people weary of life. Only when there is no oppression, will there be no reaction. The Sage knows his own worth, but makes no self display (Yang, 2006, chapter 72).</td>
<td>Without malicious layoffs and pay cuts.</td>
</tr>
<tr>
<td>Welfare</td>
<td>The rivers and seas are considered the “lords of all waterways”. Thus the Sage as a leader doesn’t overwhelm the people. He leads but the people don’t resent it. Therefore, the whole empire takes delight, and is never weary of paying him homage. (Yang, 2005, chapter 66).</td>
<td>Leader treats to each stakeholder.</td>
</tr>
<tr>
<td>Happiness</td>
<td>The foods are preserved, the clothes are fashioned. The homes are at peace; the customs are enjoyable. People in the neighboring states see each other, hear each other (Yang, 2006, chapter 80).</td>
<td>Emphasis on staff health, safety working environment.</td>
</tr>
<tr>
<td>Completion</td>
<td>Mysterious nature grows all things without desiring to claim ownership; gives without thought of return; rules over all but never claims lordship (Yang, 2006, chapter 10). ‘De’ determines the individuality, growth, development, completion, maturity, nature and security of all things. The most wonderful aspect of ‘Dao’ and ‘De’ is that they provide life but never claim ownership; give support without the wish for return; rule without lordship (Yang, 2006, chapter 51).</td>
<td>Leader cares for world environment, prevents pollution.</td>
</tr>
<tr>
<td>Accomplishment</td>
<td>To seek out the difficult from easy, to find the large from small. For the world’s difficult things often begin as easy, just as the world’s great achievements begin as small tasks. Hence, the Sage doesn’t pursue great matters, but accomplishes great things (Yang, 2005, chapter 63).</td>
<td>Establishment a task force of social responsibility in company.</td>
</tr>
<tr>
<td>Tolerance</td>
<td>The ideal nation is small in size. The people are few in number; tools are plentiful, almost a hundredfold beyond requirement; people cherish life and never emigrate; though there are weapons and armor, no one uses them (Yang, 2006, chapter 80).</td>
<td>Leader treats multinational employees with respect for their cultures and civil rights.</td>
</tr>
<tr>
<td>Support</td>
<td>People starve because taxes are too high. People risk death because they seek to live better. Thus, if a government is concerned with the livelihood of the people, then, it would surely receive the support of people (Yang, 2005, chapter 75).</td>
<td>Leader takes care of socially vulnerable groups.</td>
</tr>
<tr>
<td>Everlasting</td>
<td>The way of heaven is like the drawing of a full bow; the bulge is leveled; the depression is raised; the excess is reduced; the slack is replenished. The way of heaven is to reduce the excess, to replenish the slack. The way of man is the opposite, he robs the poor to serve the rich. Who would give what he has to serve the world? (Yang, 2006, chapter 7).</td>
<td>Leader cares for labor rights.</td>
</tr>
<tr>
<td>Practice</td>
<td>There is nothing in this world that is softer than water. The meek can overcome the strong, just as the soft can overcome the hard. Only people can practice this. He who can accept humiliation for the sake of his country is qualified to rule over the country. He who can suffer for the sake of his country is qualified to rule over the empire (Yang, 2006, chapter 78).</td>
<td>Both employee welfare and shareholder’s equity are of equal concern to the leader.</td>
</tr>
</tbody>
</table>
modern leader’s social responsibility, and ten measure items are described in Table 2.

The essence of “Dao-De” in DDJ

The ‘Dao’ of DDJ is abstractive and ‘De’ is of reality. Laozi used ‘Dao’ as essential theory and ‘De’ as the practical application. The practice of ‘De’ must rely on ‘Dao’ (Yang, 2006, chapter 38). The most virtuous doesn’t brag about his virtue, he is truly virtuous (Yang, 2006, chapter 7). The relationship between the leader’s ethical spirit and leader’s social responsibility

Jones (1995) pointed out that the ascetic of ethical leader is predicted to increase ethical awareness and accountability within his organization or hers. Husted and Allen (2000) proved that ethics (including personal values) and social responsibility have been linked to corporate ‘objectives’ as an element of management discourse since its inception. Windsor (2001) assessed two fundamentals of social responsibility: the prevailing psychology of the manager, and the normative framework for addressing how that psychology should be shaped to the future of corporate social responsibility. Frankental (2001) phrased the corporate social responsibility is view of organizations’ ethical stances. Joyner and Payne (2002) suggested instilling business ethics in their employees to encourage them to engage in socially responsible behavior with respect to their environment and community, and this can boost profits. Treviño et al. (2003) argued that ethical leader is outside the executive suite to engage in socially salient behaviors that make the executive stand out as an ethical figure since they are also concerned about the interests of multiple stakeholders, including the community and society. Garriga and Mele (2004) argued that the principles rightly express how to achieve a good society by their ethical requirements that cement the relationship between business and society. Waldman et al. (2006) found that CEO intellectual stimulation was significantly associated with the propensity of a firm to engage in strategic corporate social responsibility. An ethical leader participated in seminars about the virtues and benefits of corporate giving, as they learned of such behavior from their counterparts in other cities, and as they were exposed to peer pressure to behave in these socially responsible ways (Campbell, 2007). De Hoogh and Den Hartog (2008) showed that leaders strong in social responsibility were rated higher on ethical leadership and lower on despotic leadership. Messick (2009) proved that insights from contemporary psychology can illuminate the common psychological processes that facilitate unethical decision making. Fulmer and Barry (2009) proved that the leader’s positive mood or emotion can also reduce the likelihood of engaging in detailed critical thinking and is also less likely to cause concern about dubious unethical activities. The aforementioned studies, however, focus on the CSR or psychological issues rather than LSR. Although, the studies on ethics have become a key component of research agenda, invariably they have lacked a focus on the relationships between LES and LSR in Chinese society. For these reasons, we propose that LES is an appropriate factor by which to test the LSR and

<table>
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<th>Table 2. Contd.</th>
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<tbody>
<tr>
<td>Credit Heaven is infinite and earth everlasting. Their life is eternal, because they never go out of their way to search for life. Thus, the Sage always regards himself fast but becomes first; he puts away thought of life, and has long life; he never considers his own self, and can realize his total being (Yang, 2006, chapter 7). The most virtuous doesn’t brag about his virtue, he is truly virtuous (Yang, 2006, chapter 38).</td>
<td>Leader is extremely dedicated to social responsibility.</td>
</tr>
</tbody>
</table>
therefore how LES relates to LSR in this study.

RESEARCH DESIGNS AND METHODS

Questionnaire design

The data for this study were collected from a survey questionnaire. In the process of determining the questionnaire items, it was crucial to ensure their content validity, which reflects survey instrumentation accuracy. First, the content of the questionnaire used in this study was established through DDJ and interviews with a professor who is dedicated to the study of the ancient philosophy of DDJ in the Chinese Society of Daoism. Ten LES items and ten LSR items were selected. Next, the content validity of these twenty items was assessed by a panel of five expert judges including two academic professors, two stakeholders from the shipping industry, and one government officer from the Ministry of Transportation and Communications in Taiwan. The judges were asked to edit and improve the items to enhance their clarity, readability, and content validity, and to identify any items that might be objectionable to respondents. Finally, the twenty measure items depicted in Tables 1 and 2 were used to design the official questionnaire.

Of all the scales used in questionnaire collection procedures, the seven-point Likert scale is the most commonly used in measuring human perception (Driscol et al., 1994; Gallarza et al., 2002; Meng et al., 2011). Attitudes to each of the measurement items used in the questionnaire were assessed using the seven-point Likert scale based on ‘1 = strongly disagree’ to ‘7 = strongly agree’. Then the twenty items were pre-tested on forty stakeholders who graduated from the National Taiwan Ocean University. After a pre-test, item analysis was carried out. The analysis results showed the item validity of all twenty items to be very good.

Sampling process

The corporation contracts were entered into by various parties — shareholders, creditors, suppliers, managers, workers, and customers — each trying to maximize its own advantage (Jensen and Meckling, 1976). High impact scandals in corporations ranging from businesses have generated widespread interest in ethical and unethical behavior in Chinese society. There are more literatures on corporate governance that have done a better job in arguing that legal, financial, shareholders rights, and other institutions vary cross-nationally and, therefore, affect the degree to which stakeholders can influence corporate leaders (Aguilera and Jackson, 2003; Campbell, 2007; Dore, 2000; Roe, 2003). According to the Chinese Institute of Labour and Social Security, the enterprises should take into consideration stakeholder’s benefit in corporate governance. Stakeholders have placed increasing pressure on corporations to evaluate leaders’ ethical behavior in ways that will reduce individuals’ illegal and unethical conduct. In the last 20 years, researchers have focused more attention on the social scientific study of ethical and unethical behavior in corporate governance and have produced a body of research that is informative and useful. This review of behavioral ethics research is aimed at providing a coherent through stakeholders’ viewpoints, integrated portrait of much of this work and identifying directions on maritime firms for future research. This study lists the various members who are represent to shipping industry in order to meet with the stakeholder characteristic in Taiwan shipping industry (Table 3).

The sample population of the study consisted of a list of organizers representing a wide variety of entities. With the elimination of double listings, a total of 600 stakeholders were generated to serve as the sample basis for the study. The main method of collecting data was by direct mailing of questionnaires and this was supplemented by personal contacts, fax, e-mail, etc. This study surveyed the stakeholder members listed by the alumni organization of the National Taiwan Ocean University. The survey was distributed to 600 alumni connected with the shipping industry, and 325 questionnaires were returned. Fifty-four of the 325 questionnaires returned were discarded because of incomplete information. There were 271 usable responses in total, for an overall response rate of 45.1%.

ANALYSIS APPROACH

In this study, the statistical analyses and factor analysis were conducted by applying the SPSS; the factor analysis was conducted to investigate any separate underlying factors to reduce redundancy. To test the relationship, we used structure equation modeling (SEM) on two structures between the leader’s ethical spirit (LES) and leader’s social responsibility (LSR) that were explored by the AMOS.

Factoring analysis on measuring twenty items

To simplify the analysis structure, this study conducts the factor analysis on twenty items of LES and LSR. First, Bartlett’s test of sphericity was applied, resulting in an approximate value of $\chi^2 = 5782.219$, and a corresponding P-value of less than 0.001; this means there are common factors in the correlation matrix of population. By applying the Kaiser-Meyer-Olkin (KMO) test, the respective KMO value for LES and LSR is 0.735 and 0.678. It indicates that our data can be appropriately evaluated by the factor analysis (KMO>0.5). This study adopts a principal component to extract the factors whose Eigen value is greater than one, and then uses the Varimax of orthogonal rotation to obtain rotated coefficients. Finally, two factors are extracted, and the accumulated variance explained for LES and LSR is 67.162 and 75.577%.

Measurement model

The adequacy of the measurement model was examined by confirmatory factor analysis (CFA). The conceptual model for the test included two constructs of leader’s ethical spirit (LES) and leader’s social responsibility (LSR). All of the model fit indices from CFA indicated a good fit with $\chi^2 = 671.1$, df =168, comparative fit index (CFI) = 0.871, goodness of fit index (GFI) = 0.711, Tucker-Lewis index (TLI) = 0.854, and root mean square error of approximation (RMSEA) = 0.126. The results of the CFA satisfy the recommended level of goodness of fit, which indicates that the measurement model fits the sample data well.

Composite reliability (CR) of the constructs was utilized to examine the internal consistency of the variables in the measurement model (Fornell and Larcker, 1981).
Table 3. Demographic profile of the stakeholders.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Category</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>156</td>
<td>57.6</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>115</td>
<td>42.4</td>
</tr>
<tr>
<td>Age</td>
<td>21–30</td>
<td>99</td>
<td>36.5</td>
</tr>
<tr>
<td></td>
<td>31–40</td>
<td>87</td>
<td>32.1</td>
</tr>
<tr>
<td></td>
<td>41–50</td>
<td>46</td>
<td>17.0</td>
</tr>
<tr>
<td></td>
<td>51–60</td>
<td>35</td>
<td>12.9</td>
</tr>
<tr>
<td></td>
<td>Over 61</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td>Education Level</td>
<td>Senior high school</td>
<td>5</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td>University and college</td>
<td>178</td>
<td>65.7</td>
</tr>
<tr>
<td></td>
<td>Master</td>
<td>80</td>
<td>29.5</td>
</tr>
<tr>
<td></td>
<td>PhD</td>
<td>8</td>
<td>3.0</td>
</tr>
<tr>
<td>Relationships</td>
<td>Shareholders</td>
<td>53</td>
<td>19.6</td>
</tr>
<tr>
<td></td>
<td>Employees</td>
<td>62</td>
<td>22.9</td>
</tr>
<tr>
<td></td>
<td>Creditors</td>
<td>3</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>Charitable organizations</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>Government authorities</td>
<td>16</td>
<td>5.9</td>
</tr>
<tr>
<td></td>
<td>Lawyer</td>
<td>1</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>Directors</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>Customers</td>
<td>68</td>
<td>25.1</td>
</tr>
<tr>
<td></td>
<td>Management levels (assistant general manager above)</td>
<td>11</td>
<td>4.1</td>
</tr>
<tr>
<td></td>
<td>Accountants</td>
<td>2</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td>Suppliers</td>
<td>2</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td>Audit committee</td>
<td>1</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>Institutional investors</td>
<td>2</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td>Branch offices</td>
<td>5</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td>Ship owners</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>Education and training institutions</td>
<td>33</td>
<td>12.1</td>
</tr>
</tbody>
</table>

According to Table 4, the CR of each construct ranged from 0.82 to 0.84; all the values exceeded 0.7 recommended by Nunnally and Bernstein (1994). In addition, the Cronbach’s alpha values of the four constructs were well above the threshold value of 0.7 that Nunnally (1978) recommended. The results showed that all scale items of the measurement model were internally consistent.

Discriminant validity

The discriminant validity of a construct is established when its square root of AVE is greater than the correlation coefficients between the construct and all other constructs (Fornell and Larcker, 1981). In addition, discriminant validity can be assessed for each pair of estimated constructs by constraining the estimated correlation parameter between them to one, and a $\chi^2$ difference test was performed on the values obtained from the constrained and unconstrained models (Joreskog, 1971; Anderson and Gerbing, 1988).

A significant relationship between LES and LSR

The relationship between LES and LSR is significantly proved in this empirical study. From the statistics in Table 5, we found that LES was positively linked to LSR ($\beta = 0.941$, $P < 0.001$), which was consistent with the hypothesized viewpoint that the LES has a significant effect on LSR.

DISCUSSION

Laozi’s lifetime was a period of chaotic factional rule in ancient China. In addition to much cruelty and conditions of hardship in society, Laozi witnessed the internal power struggle within a nation, external aggression between nations, assassinations of government officials, bickering
Table 4. Standardized loadings, t-values, Cronbach’s α, CR and AVE of the model.

<table>
<thead>
<tr>
<th>Constructs Item</th>
<th>Standardized loadings</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leader’s ethical spirit (LES; Cronbach’s α=0.945, CR=0.82; AVE=0.80)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leader behaves with civility and humility.</td>
<td>0.766</td>
<td>8.934</td>
</tr>
<tr>
<td>Leader is love and virtues.</td>
<td>0.761</td>
<td>8.957</td>
</tr>
<tr>
<td>Leader is committed to advocacy of moral concepts.</td>
<td>0.783</td>
<td>8.842</td>
</tr>
<tr>
<td>The industrious and frugal habits of leader’s mind.</td>
<td>0.552</td>
<td>9.479</td>
</tr>
<tr>
<td>An ethical mind from the perspective of people.</td>
<td>0.870</td>
<td>7.988</td>
</tr>
<tr>
<td>Leader is selfless to company and society.</td>
<td>0.816</td>
<td>8.611</td>
</tr>
<tr>
<td>Leader has great moral faith.</td>
<td>0.808</td>
<td>8.626</td>
</tr>
<tr>
<td>Leader is goodness and integrity.</td>
<td>0.848</td>
<td>8.281</td>
</tr>
<tr>
<td>Sacrifice leader’s own interests to share with others.</td>
<td>0.779</td>
<td>8.867</td>
</tr>
<tr>
<td>Patience with the peace of mind.</td>
<td>0.820</td>
<td>8.851</td>
</tr>
<tr>
<td>Sacrifice leader’s own interests to share with others.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without malicious layoffs and pay cuts.</td>
<td>0.839</td>
<td>8.881</td>
</tr>
<tr>
<td>Leader treats to each stakeholder.</td>
<td>0.858</td>
<td>8.729</td>
</tr>
<tr>
<td>Emphasis on staff health, safety working environment.</td>
<td>0.857</td>
<td>8.743</td>
</tr>
<tr>
<td>Leader cares for world environment, prevents pollution.</td>
<td>0.844</td>
<td>8.841</td>
</tr>
<tr>
<td>Establishment a task force of social responsibility in company.</td>
<td>0.804</td>
<td>9.073</td>
</tr>
<tr>
<td>Leader treats multinational employees with respect for their cultures and civil rights.</td>
<td>0.854</td>
<td>8.766</td>
</tr>
<tr>
<td>Leader takes care of socially vulnerable groups.</td>
<td>0.826</td>
<td>8.961</td>
</tr>
<tr>
<td>Leader cares for labor rights.</td>
<td>0.864</td>
<td>8.675</td>
</tr>
<tr>
<td>Both employee welfare and shareholder’s equity are of equal concern to the leader.</td>
<td>0.875</td>
<td>8.564</td>
</tr>
<tr>
<td>Leader is extremely dedicated to social responsibility.</td>
<td>0.864</td>
<td>8.867</td>
</tr>
</tbody>
</table>

***P < 0.001

Table 5. Results of the relationship between the LES and LSR.

<table>
<thead>
<tr>
<th>Construct ← Construct</th>
<th>Loading</th>
<th>Standardized loading</th>
<th>SE</th>
<th>t-value</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSR</td>
<td>LES</td>
<td>0.941</td>
<td>0.778</td>
<td>0.086</td>
<td>10.914</td>
</tr>
</tbody>
</table>

among common folks and family feuds. Laozi was deeply concerned with the future of human society and said, “those who take pride in wealth are insecure; those who are conceited are never satisfied; for worldly things overflow and cause disturbance”. People who are conceited about their knowledge do not know the bounds of knowledge and will not be secure, for conceit invites contempt. ‘Dao’ teaches one to cherish one’s success and draw back from taking credit (Yang, 2008). After much reflection, Laozi’s philosophy was not only concerned with the human behavior but also with political, economic and military theories. “To rule a great nation is like to fry a small fish” (Yang, 2006: 60) and “take the world with no effort” (Yang, 2006: 62). The Chinese traditionally emphasize harmony in interpersonal relationships and harmony with nature (Wang and Juslin, 2009; Hung, 2004; Yang, 1992). Daoism emphasizes harmony with nature (Wang and Juslin, 2009; Li, 2006) while Daoist believe that the laws of nature are all-powerful (Zhang and Veenhoven, 2008). Where Laozi diverges in opinion is in not relating virtue to an internal good. Laozi observed the changes in the case of natural factors, and understood this human society has a causal relationship between LES and LSR proved by this study.

‘Ying’ and ‘Yang’ are descriptions of the early Chinese organic world. When the sun illuminated one part of a mountain this part was the ‘Yang’ and bright part. The other side of the mountain that was left in shade was ‘Ying’. ‘Ying’ and ‘Yang’ are always moving and in flux. ‘Yang’ is similar to Plato’s view which attempts to improve the race through selection and maximization of socially desirable genes in China (Rodgers, 1999). The leader’s ethical spirit contains ‘Ying’ that exists in the virtues belief of humility, love, resolution, temperance, purity, sincerity, order, justice, benefit, and moderation of ethical spirit. Another leader’s social responsibility contains ‘Yang’ that exists wherever there are the virtues power of livelihood, welfare, happiness, completion, accomplishment,
tolerance, support, everlastingness, practice, and credit for leader’s social responsibility. The deep meaning of Daoism points to the great way that transcends heaven of one ‘Ying’ and one ‘Yang’. ‘Yang’ is explicit and ‘Ying’ is implicit, with mutual interaction. Where the ‘Ying’ and ‘Yang’ exist in dynamic balance there is harmony, and imbalance of these two forces caused discord and dysfunction (Durlabhji, 2004). During the growth of the universe, heaven and earth began wheeling; so that the sun and the moon began shining; all things and beings began coming and going; yet all things and all beings carried ‘Yang’ and embraced ‘Ying’, just as according to this research viewpoint, the LES has a significant effect on LSR. It is also consistent to the great social responsibility on corporation undertaken as a high level of business ethics and responsible manner as concluded by Radenkovic et al. (2010).

Today’s corporate, government, and political scandals are similar to those of Laozi’s lifetime. The vicious warmongers are the immoral leaders. Thus, we advocate that the philosophy of Laoz is the best defense against this class of leaders running amok, flouting their legal, moral and ethical obligations while systematically robbing stakeholders, investors and ordinary people in the world. This study takes the ancient virtues view that LES and LSR criteria contribute to Chinese society; we develop two generic constructs with desirable psychometric properties, and explore twenty items’ theoretical and practical applications.

“Dao gives rise to one. One gives rise to two. Two gives rise to three. Three gives rise to the multitude of things” (Yang, 2006: 42) which is in accord with Aristotle in the Edemian ethics when he says that “Plato identifies the Good with the One…the one itself is the good itself…the Forms are Cause of the essence of all other things, and the One is the cause of the essence of the Forms…the Idea of Good is principle of the whole…the Idea of Good is… the universal author of all things, beautiful and right, parent of light and of the lord of light in the world. God was captain of all things…the One…the Father with the one or Good” (Copleston, 1959). The DDJ blends with the principles of Deming and Da Vinci by emphasizing the interaction of the leaders with the earth, people, organizations, competitors and the universe (Hensler et al., 2000). Our study of ethical spirit of virtues tables tie to Roopr and Sangam (2010) argument that western Aristotle’s ethical philosophy of virtues such as justice, charity and generosity benefit the person and the person’s society. In addition, eastern leader’s social responsibility meet to Kant’s philosophy that ethic are central to morality - a human duty - based on rational people’s respect for other rational people that concluded by Roopr and Sangam (2010). Consequently, we look to the ancient major stream of DDJ philosophy, the ancient tradition of Laozi, applying the ancient view to modern commercial realities and governing leaders. This paper concludes that virtuous character together with enlightened ethics offer criteria applicable to modern leaders.

Conclusions

The theme of this study is “Daoism philosophy and virtues of the leaders”. This study has examined the factors of how two constructs of LES and LSR will both contribute to the future study and development of Daoism. The empirical evidence proves that LES has a significant effect on LSR, while also offering empirical results applicable to some of the ethics problems faced by the human race today and in the future. In addition, this study tests relationships between LES and LSR to offer some guidance for human society. However, the results reveal that the two constructs had desirable psychometric properties for the implementation and promotion of explaining stakeholder’s evaluations. The virtues way of leader’s ethical spirit is defined as humility, love, resolution, temperance, purity, sincerity, order, justice, benefit, and moderation. Finally, the social responsibility approach to leader’s virtues power is described as livelihood, welfare, happiness, completion, accomplishment, tolerance, support, everlastingness, practice, and credit. On OECD’s annotation of corporate governance (2004), it suggested that board should apply high ethical standards to take the interests of stakeholders into account. In organizational communication, ethics in leadership are very important. The leaders must make decisions that will not only benefit to their company, but also they must think about how the other people will be affected (Stansbury, 2009). The best leaders should know their values and their ethics and preach them in their leadership style and actions. It consists of communicating complete and accurate information, where there is a personal, professional, ethical, or legal obligation to do so (McQueeny, 2006).

Carroll (2000) pointed out the difficulty of gathering actual reliable measures of stakeholders’ opinions or assessments, and to develop comprehensive measures of corporate social activities is really a challenge. This paper concludes that stakeholders hope to be led by the ethical leaders who enlightened non-action to pursue virtuous characters. The mission of this study is to guide guiding human beings to return to their original place of safety and away from the confusion of power, money, selfishness, and return to the ‘Dao’ of ethical spirit, and the ‘De’ of social responsibility; to return to grace, quietness, and to DDJ’s great meaningful thinking. Scientific progress has advanced extremely rapidly in the world, but spiritual civilization has been in decline. The Daoism philosophy has long occupied a high position in the history of Chinese literature and intellectual thought, and has exercised a profound influence on China’s culture development.

Anti-benevolent leaders indulge in stealing money, and
bring about water- and land-pollution. This environmental
pollution is caused because leaders care only for
immediate profit and do not consider the health of others
or the stability of the natural-chain cycle. Beginning in the
fall of 2008 with former president Chen Shui-Bian, a
series of moral failures of a number of major government
officials came to light, the chief response to which has
been to augment and refine the checks and balances
governing for Taiwanese people. This policy reaction has
adhered to the outlines of the modern tradition in political
philosophy with its emphasis on channeling and
containing self-interest, which violates to ancient political
philosophy that stresses the character of leaders
(Bragues, 2008). This research proposes twenty virtues
aimed at achieving the ancient goal of good character;
the whole group of virtues state that the character for-
motion of leaders should take place through an education
emphasizing role models culled from government leaders
in Chinese society. Leader’s ethical spirit is delivered by
individuals who are encouraged to undertake a program
of social responsibility through the strong insistence that
virtue pays off in personal terms.

Kouzes and Posner (1992) found that the ethical
leaders are in love, which constitutes the soul of “ethical
leadership”. They described that boil ethical leadership
down to ‘love’. The fundamental notion of love comprises
transformational (versus transactional) leadership is that
through interaction with leader, other people (consti-
tuents) are elevated to a higher plane-be it emotionally,
intellectually, physically, or performance-based. Reave
(2005) argues that spiritual values such as integrity,
honesty, and humility have been demonstrated to have
an effect on leadership success. Ethical leadership
requires ethical leaders (Reilly, 2006). Ethical leader, as
observed by Bennis and Nanus (1985), set the moral
tone “The leader is responsible for the set of ethics or
norms that govern the behavior of people in the
organization”. Ethics and leadership may just go hand in
hand (Hitt, 1990). Leaders must be concerned with the
organization’s health and, if love is the power behind
individual health, why not also of organizational health
(Kouzes and Posner, 1992). The best guarantee of
ethical leadership therefore, lies in the identification of
those already predisposed to live according to high moral
standards (Jones, 1995). If Chinese leaders are ethical,
they can ensure that ethical spirit are carried out through-
out their powers to practice for this society. Ethical
leadership is leadership that is involved in leading in a
manner that respects the human rights. As leaders are by
nature in a position of power, ethical leadership focuses
on how leaders use their power in the decisions they
make, actions they engage in, and ways they influence
others (Resick et al., 2006). The criteria of ethical spirit
are consistent to Kouzes and Posner (1992) study that
ethical leader accesses the healing and energizing power
of love, passions comes from compassion, serve and
support, and honesty is so essential for moral leadership.

Finally, our study follows the definition of Mohr et al.
(2001), which describes social responsibility as a
company’s commitment to minimizing or eliminating any
harmful influence and maximizing its long-run beneficial
impact on society.

Laozi offers an initial ‘Dao’ of ethical spirit and gives
rise to applying oneself to social responsibility for pos-
ternity. DDJ is one of the most important books advocating
the traditional Chinese philosophy of the perfect system
of union of the heavens and humans. If the vision of
Laozi were to be realized, all men would change their
behavior as well as their characters to become self-less,
less desire and pacifist; the good and capable would be
elected to rule, and true democracy could be realized.
Daoism has a much more individualistic and mystical
character: people maintain the balance between human
beings and nature, between individuals and society,
between oneself and others, asking people to love nature
(Zhang and Veenhoven, 2008).

Confronted with the pervasive pattern of unjust con-
duct, policy makers and corporate reformers could have
responded by improving ethical standards by DDJ. If
business people and government leaders are against
“Dao-De”, they will ultimately be overthrown. In contrast,
the truth of Daoism for all humans, particularly in political
science, is that all leaders can practice “Dao-De”, and
this will achieve overwhelming support. The entire world
would be at peace and in perfect harmony and people
could live in happiness and in beauty.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

Conger (1998) argued that despite its limited contribution
thus far, qualitative research is underutilized in studying
ethical leadership. A qualitative methodology is appro-
priate for our work because empirical research in this
area is at an early stage, the phenomenon is complex,
and ethical leadership is likely to have a ‘symbolic and
subjective component’ (Conger, 1998) that may be
difficult to capture with other methodologies. We began
with the following general research questions: what is the
domain of a leader’s social responsibility arising from his
executive power? The paper brings to light factors that
affect leadership in the maritime industry. However, any
conclusions drawn should be analyzed with an
awareness of the study limitations.

First, the findings and their implications are for a
specific stakeholder group in the maritime industry in
Taiwan. Future research is needed to generalize the
findings and extend the discussion to other national or
cultural groups for worldwide stakeholders. Second, the
study did not incorporate determinants returned by the
overall DDJ for the ethical spirit and social responsibility
of a leader in the model. Hence, there may be a need to
search for additional factors that can improve Daoism
criteria regarding the ethics and moral behavior of
leaders in the Chinese society.

Finally, this study proposes a list of twenty virtues in relation to character formation for leaders through education. Furthermore, we emphasize role models from Daoism history, ethical spirit delivered through publications, and encouragement of leaders to follow a program of self-vigilance. By forcibly insisting that virtue has a personal payoff, Loazi offers a compelling ethic for Chinese leaders. A follow-up study is needed with an understanding of the traditional Chinese Confucianism ethics adopted by leaders. It is important for leaders to use ancient ethics values and morality in perfect harmony.

REFERENCES


Rooprai YK, Sangam S (2010). A study of ethical leadership & its traits for successful organization. AIMS International Conference on Value-based Management.