

The Influence and Enlightenment of Lao Tzu's Philosophical System on Modern Enterprise Management

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Abstract. A full exploration of the essence of management science in traditional culture is an important path for modern enterprises' innovation in management thought. Taoist culture is an important branch of traditional Chinese culture. Lao Tzu's philosophical system contains not only rich philosophical, ecological, and military thought, but also rich management thought, playing a quite conductive role in constructing a management theory that tailors to local reality in China. Lao Tzu's management philosophy, such as " Dao follows what it is", "non-contention ", "the Supreme Good is like water", have been widely considered as excellent management philosophy and used in business management by many entrepreneurs. For modern Chinese enterprises, an in-depth study of Lao Tzu's philosophy will help achieve the best management state. In this context, this paper gives a systematic analysis of the influence and enlightenment of Lao Tzu's philosophical system on modern enterprises' management.

Keywords: Lao Tzu's Philosophy; enterprise management; influence; enlightenment.

1. Introduction

Lao Tzu, the founder of Taoism, is dubbed as the "eastern giant", "the ancestor of a hundred schools", and "the first philosopher in China and the world". The continuity and heritage of Taoist philosophy over the two thousand years has formed the most cohesive philosophical system in the world, bringing profound impact on generations of people. Management guru Peter Drucker once remarked that "management is a social function that conceals in the tradition of values, customs, beliefs... Management is also a 'culture'. It is not a science without values." It can be seen that any management theory must be combined with corresponding cultural carrier to play its due value.

The ever-lasting business is the pursuit of all enterprises. In particular, with increasing complexity and risks of survival environment, enterprise management must return to the essence of business. For a long time, represented by the theory of bureaucracy and scientific management ideas, almost all behavioral theories and methods concerning management, organizational reform, and people are based on a mechanical view, believing that employees are machines without creativity and only follow rules and regulations. This seriously hampers employees' enthusiasm in innovation and the organization's realization of common vision. In the future, however, the technological and economic environment will be a rather complex life system. The management idea under the guidance of mechanical view will fail in understanding and dealing with the complex system. Amidst the global innovation and competition in the new era, it is necessary to go beyond single cultural or economic development concept and emphasize comprehensive and sustainable development of people and society and improved happiness, which are the footholds of management theory in the new era and the value origin of enterprise management.

2. The Significance of Lao Tzu's Philosophical System to Modern Enterprise Management

Since the end of the 19th century and the beginning of the 20th century, Western society has witnessed the emergence of various management sciences which contribute to modern scientific management. Due to differences in political and historical environment, traditional cultural background and values between the East and the West, the management concepts and models also vary. Believing in the view of evil human nature, the West emphasizes rigid management, the constraints and norms at the institutional level, and the rigor and stability in the operation process of

rigid management; while in ancient China, mainstream thinkers including Taoist Lao Tzu believed in the theory of good nature, and advocated people-oriented flexible management, where rationality of organizational management was and emphasized. As far as contemporary China is concerned, the adoption of structural wisdom of Lao Tzu's flexible management philosophy based on western management ideas will help achieve the best management.

Taoist culture is an important branch of Chinese traditional culture. *Lao Tzu* is a treasure in the development of human thought. It contains not only rich philosophical, ecological, and military thought, but also rich management thought, playing a positive role in constructing management science that tailors to current Chinese reality and in making up for the defects of contemporary western management science. In particular, the ideological wisdom of ancient Chinese sages still exerts irreplaceable influence on development of scientific and correct concepts of life, business, and management among contemporary business leaders. Chinese management scholars and business leaders are shouldering the transformation mission to explore and develop the "Chinese model" and summarize and upgrade "Chinese experience". Many entrepreneurs have started drawing on the management wisdom from the excellent traditional Chinese culture to better guide the practice of enterprise management in China, which is reflective from the integration of Western management science and Chinese management philosophy. Therefore, it is particularly necessary to explore the innovation path of enterprise management from the perspective of culture.

3. The Influence and Enlightenment of Lao Tzu's Philosophical System on Modern Enterprise Management

Whether a thought or theory is valuable or not depends on whether it can solve practical problems and effectively guide future practice to better serve an organization's value creation. At present, an increasing number of scholars believe that scientific management theories based only on mechanical rigid thinking no longer satisfies the demand for future enterprise development, and the Taoist wisdom in Eastern philosophy has great benefit to enterprise management. Lao Tzu's management philosophy, such as " Dao follows what it is", "non-contention ", "the Supreme Good is like water", have been widely considered as excellent management philosophy and used in business management, becoming an outstanding cultural gene in entrepreneurship.[1]

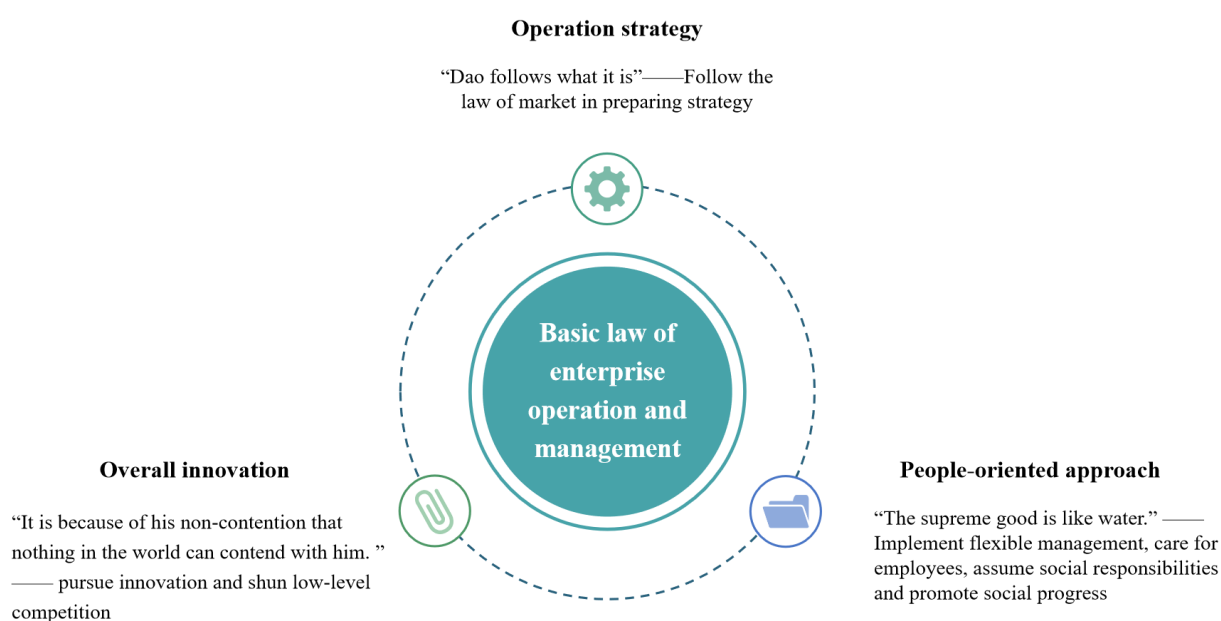


Figure 1. The influence and enlightenment of Lao Tzu's philosophical system on modern enterprise management

3.1 Dao Follows What It Is

Lao Tzu remarked that: “People follow the Earth; Earth follows Heaven; Heaven follows Dao; Dao follows what it is.” [2] “Dao follows what it is” means that the essence of Dao is nature. In reality, the success of an enterprise lies in full respect for and compliance with objective laws, serious engagement, and knowledge about itself and others. In enterprise management, an enterprise may succeed only when it does not violate objective economic laws or issue orders subjectively. The perspicacity of Fan Li's business philosophy in the Spring and Autumn Period lies in his profound understanding of the relationship between the high and low prices of commodities. He knew that the price of commodities fluctuates with changes in market supply and demand. Therefore, he emphasized on studying the surplus and shortage of commodities to master and comprehend the basic laws of price fluctuations. According to the principle that things go in reverse when they become extreme and the general law of market exchange, Fan Li concluded that “extremely high price will surely fall, while extremely low price will definitely rise.”

The essence of business is to create and deliver value. As often as not, those excellent and respectable companies are those who organically integrate technical goals, economic goals, social goals, and sustainable development goals. To be specific, the operation and management of enterprises should be based on the local situation but oriented toward the world, with a clear vision and lofty mission. Furthermore, they should uphold the entrepreneurial spirit, and effectively grasp and apply the basic laws of enterprise operation and management. On one hand, they should engage in endeavors and constant innovation to lead leapfrog development of enterprises and industrial technologies, thus being able to create economic values effectively and continuously. On the other hand, they should shoulder the mission of community and national development, promote inclusive and sustainable global development, and empower people to create value and improve the sense of happiness.

For enterprise operation, strategy is one of the most important forms of planning, an overall action plan of an organization, as well as a key deployment and arrangement for achieving the vision and mission. In terms of operation strategies, the important premise for an organization to win out and maintain vigor and vitality amidst competition is keeping abreast of the trend of the times and following the laws of market development. For instance, IBM has switched the strategic planning focuses from punching machines, computers, and E-commerce to the smart earth, which ensures that it remains a competitive industry leader. The tool of “Strategic Window” enables Siemens to dynamically combine social and economic trends and challenges with its business strategies. The strategic change effectively promoted the continuous transformation of DuPont from the reputation of “hometown of explosives” to the “kingdom of chemistry” and the “empire of materials” today.

3.2 The Philosophy of Non-contention

In Tao Te Ching, Lao Tzu wrote that, “It is because of his non-contention that nothing in the world can contend with him”. [3] In the survival law of enterprise operation, managers often reach such a “consensus”: the market is like a battlefield, and there is always competition even if you are not willing to engage in it. Once upon a time, enterprises regarded Michael Porter's three major competitive strategies as the classics of external competition, believing that enterprise competition is about competing for resources, talents, and markets.

However, the pattern of competition has changed with the times. There are huge risks and threats in pure internal and external competitive thinking, and low-level competition has brought harm to enterprises. The low-level homogeneous competition represented by price, which seems to benefit oneself, actually brings self-harm. Superficially, such competition seems to bring a little benefit. However, the benefit is only immediate, short-term, and petty, without any benefit for future development. One reason why many companies cannot grow bigger and stronger is that they lack a big vision and cannot travel further due to the “heavy” burden of various competitions. In the low-level competition, even if an enterprise gains some small profits, they are not a great help to the future development. Instead, they waste the enterprise's precious time and energy. Especially at the ever-

changing market today, there may be only a slim line between "copycats and followers" and "originators and leaders". The ultimate business benefits and value are strikingly different.

In essence, "non-contention" means that enterprises should give up the low-level competition and concentrate time and energy to do what should be done: select an advanced competition mode of "non-contention" and establish an excellent system that others are unable to "compete". Differentiation strategy, also known as "characteristic advantage strategy", refers to the company's strategic focus on a specific product or service recognized by the market, and secure such leadership or uniqueness, whereby they can satisfy the market demand with unique product characteristics and win recognition from consumers. The positioning theory can help enterprises avoid the competitors' strong advantages and homogeneous competition upon analysis of the external environment and competitors, thus enable them to establish their own competitive position with unique advantages, thus making their products or services a preference in market competition.

Taking automobile industry for example, the differentiation strategy has a great significance to the survival and development of automobile enterprises. Over the years, American automobiles are characterized by "spaciousness", "strong power" and "luxury" in the American mainstream market. When Japanese automobile companies entered the American market, they avoided foregoing strong advantages of traditional American automobile, and focused on the selling points of "small size", "fuel efficiency" and "reliability", thus securing a share in American automobile market. All well-known automobile brands have their own characteristics and advantages. After realizing the characteristics and advantages represented by different brands, consumers can easily make choices that meet their own demand. Therefore, the differentiation strategy based on characteristic advantages is the foundation for enterprises survive at the market. The philosophical wisdom of "non-contention" provides enterprises with such an advanced competition model that is beyond the reach of competitors.

3.3 The Supreme Good Is Like Water

Lao Tzu said, "The Supreme Good is like water. Water benefits all things and does not contend with anything." [4] This tells us that the supreme good resembles the water, which has no contradiction, conflicts, or harm with anything. For enterprises, entrepreneurs should learn the virtues of water, act like water, take altruism as a belief. Such altruism is more reflected in the entrepreneur's contribution to social progress, promotion of enterprise development, care for growth of employees, satisfaction of customers' demand, and harmonious coexistence between man and nature in enterprise management.

The mission of enterprise managers is to activate the organization, stimulate individual enthusiasm of innovation, achieve coordination between mission and cross-border other than reliance on control, and pay attention to cultivating creativity of individuals and the team, thus enabling the organization and the individuals to achieve common value and improve happiness. For example, Hewlett-Packard, Google, 3M, Microsoft, Netflix in developed countries and Huawei, Tencent, Alibaba, and Haier in emerging economies are practicing the business management law of the integrating people with enterprise under respective unique models. With adoption of a series of systems such as granting employees the free time of creation, high degree of democracy, transparent and close connections, flat system and differentiated rewards, they construct an innovative culture that encourages innovation, learning from failure, and maximizing corporate vision and individual goals.

Taking Panasonic as an example, the company gives the priority to the interests of employees and always pays attention to their emotional needs. Furthermore, it proposes a glass-like business philosophy, advocates publicity, transparency, democracy, and openness of business activities, encourages employees to actively participate in business operations, and gives full play to their roles as main participants. This practice facilitates business operators and employees to discover respective strengths and weaknesses, learn from each other, and make self-reflection. As a result, they not only improve themselves but also timely receive information, which reduced communication costs, improves communication efficiency and mutual trust, and enhances each other's social capital. In

addition to promotion of employees' growth, the practice improves the organization's performance and promotes healthy development of organization. [5]

The "goodness" in business operation means that an enterprise should benefit consumers, society, and the country. Since the highest goal of enterprises is economic interest, it is likely that they may violate laws and engage in unscrupulous behaviors, in which case they will not last long. Instead, if they set social responsibilities as the highest goal and develop and render products and services for providing better life to human beings, they will constantly generate economic benefit in operation. Furthermore, the good corporate reputation and large market share will secure their market position and enable them to expand new business. Such a virtuous circle will serve as an ever-lasting drive for enterprises' growth.

4. Conclusion

Lao Tzu's management philosophy has a strong vitality and can provide useful reference for modern enterprise management. Looking ahead, the management paradigm has undergone two transitions from classical management to modern management and then to post-modern management, while the new scientific and technological revolution and management practices with Chinese characteristics are promoting the transformation to the fourth-generation management science led by Chinese philosophy – the integrated management. The fourth-generation management science focuses on the holistic and systematic views and emphasizes integration of science, technology, philosophy, the integration of eastern and western cultures, and the integration of standardized and innovative management, aiming to promote all-round development of people. In face of global innovation and competition in the new era, the emphasis on comprehensive and sustainable development of people and society and improving happiness by overcoming the single cultural and economic development concept are the footholds of management theory, as well as the value origin of enterprise management. Therefore, modern Chinese enterprises may be injected with new ideas and vitality only when they carry out in-depth research and exploration of the essence of Taoism and combine it with western advanced management theories.

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