

## Sustainability Risk and Crisis Management: The Taoism's Perspective

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**Abstract:** The paper examines how Taoism, particularly, the Taoist bible, the Tao Te Ching (the Way and the Virtue), written by Lao Tzu over 2500 years ago, can be of relevance for business managers and leaders who wish to enhance their leadership qualities in sustainable risk and crisis management. Taoism is one of the most influential philosophies in the world, and the Taoism's wisdom reflected in the Tao Te Ching has inspired and guided people with precepts of harmony, compassion, cooperation, integrity, humility and prudence over the past years. The political and business leaders have drawn inspiration from the Taoism's wisdom to govern their organizations effectively and successfully. Today when the human community is facing the heightened contemporary fears about increasingly fractured relations between humanity and natural world, from resource depletion and species extinction to pollution overload, the classical wisdom of Taoism provide new insights and values for human community to be in search of the solutions to social and environmental crisis and new and sustainable relationships to the earth. The paper combines the ancient wisdom with lessons from successful leaders to provide the different resources and approaches to sustainable risk management.

**Key words:** Taoism; wisdom; risk and crisis management; sustainability; social responsibility

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“Heaven is eternal and Earth is everlasting.  
Not living for themselves, but giving life to all,  
Thus they endure forever.  
The Sage  
Placing himself behind,  
Finds himself in the front  
Putting himself away,  
Finds himself remain.  
Being selfless,  
Attains fulfilment”  
—Laotzu's Tao Te Ching, Chapter 7

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“In handling things people usually fail,  
When they are about to succeed  
Be as prudent at the end as at the beginning,  
There will be no failure”  
—Laotzu's Tao Te Ching, Chapter 64

## 1. Introduction

This paper is to examine and analyze the social and sustainable risk and crisis in today's business world and provide an overview of different approaches to risk management from the Taoism's perspective. Combining academic rigour and management science in the West with the Eastern thought-the wisdom and philosophy of Taoism offers an important resource and approach for organization and business leaders concerned with sustainability and risk management.

Taoism has been one of the most significant components of classical and contemporary Chinese cultural values and philosophy. The ancient Chinese thinkers, Laotzu and Chuangzhu, along with the practices, have been used as key Western inspirations in religion, philosophy, ethics, politics, ecology and health. Taoism has begun to penetrate different aspects of modern life, from lofty spiritual quest to everyday matters of health and diet, its relevance to contemporary concerns about the environment, peace and war, gender issues and life in modern societies.

The set of philosophical teachings and practices of Taoism rooted in the understanding of the Chinese Tao was founded by Laotzu in the 600 B.C. in his work *Tao Te Ching (The Book of the Way and its Virtue)*. The Tao, the underlying cosmic power, creates the universe, supports culture and the state, saves the good and punishes the wicked. Literally the Tao refers to the way things develop naturally, the way nature moves along and living beings grow and decline in accordance with cosmic laws (Kohn, 2008). Tao Te Ching laid the philosophical foundation for the religion's beliefs, and also offers ideational principles and practical guidelines for today's business, government and leadership.

Today, when the human community is facing the heightened contemporary fears about increasingly fractured relations between humanity and natural world, from resource depletion and species extinction to pollution overload and toxic surplus, the classical wisdom of Taoism provide new insights and values for human community to be in search of the solutions to social and environmental crisis and new and sustainable relationships to the earth.

This paper will concentrate on the wisdom and principles of Laotzu's Tao Te Ching and apply some of the principles of the Tao to sustainability risk management.

## 2. Doing Business in an Uncertain World

As early as 2500 years ago, Laotzu, the founder of Taoism, had seen the phenomenon of the uncertainty, and its impact on individuals and society. The uncertainty breeds risk and opportunity for organizations and individuals. Laotzu expresses his concern about the uncertainty in his book of Tao Te Ching in Chapter 58 (hereinafter “Ch.58”):

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<sup>1</sup> The version of Tao Te Ching in English that we used in the paper was translated by me built on dozens of the existing English versions and my comprehensive knowledge of Chinese culture and history. Our purpose is to embark on a quest to deepen spiritual understanding of values and wisdom of Tao Te Ching and applying them in modern business management.

Good luck leans on bad luck,  
And bad luck lurks behind good luck.  
Who knows whether one shall rise to another?  
The outcomes of the process are uncertain,  
Normal can change into abnormal,  
Good can change into evil.

The passage depicts a world dominated by uncertainty and change, which is full of big, consequential forces that we can neither predict nor control. Luck event is uncertain, uncontrollable, and consequential, and can bring about risk and opportunity. Rapid change comes uncertainty, and uncertainty comes risk and opportunity. In an uncertain world, one can get bad luck (risk and crisis) yet create a good outcome (opportunity), but equally, one can squander good luck (opportunity) and get a bad outcome (risk). The difference can be made in what people do with the luck (risk and opportunity) they get.

This is also true of today's reality. It is obvious that economic and financial globalization and the expansion of world trade have brought substantial benefits and opportunities to companies, but globalization also poses novel sources of uncertainty and risks. Multiple business indicators show that the level of uncertainty for corporate leaders has increased, due in large part to:

- Large extended enterprises made up of independent organizations but with tremendous pressures to grow and perform as a unit;
- Rapid rates of change in technology, connections and information flows as a result of globalization; and
- Problems in managing scale using methods rooted in controlling all decisions across the entire extended enterprise (Kytte & Ruggie, 2005)

The result of the greater interdependencies and hidden vulnerabilities that businesses now face is an increased number of uncertainties in corporate decision-making. Current network-based operating models highlight the growing importance of the extended enterprise by establishing greater connectivity among and between stakeholders across the globe. This connectivity has also created entirely new stakeholders and requires innovative forms of risk management.

Most companies seem to do well when the future is reasonably predictable and uncertainty is low, but fail spectacularly in a discontinuity - a sudden change in the environment. Many companies seem to have difficulty adapting to a shock or a heightened level of uncertainty — something they are not used to. Many attempt to tackle uncertainty by trying to eliminate it through cleverly crafted hedges — mechanisms that allow them to remove uncertainty from one part of the business or the other. Attempting to eliminate uncertainty is costly and reducing uncertainty in one part of the business may increase the overall risk faced by the company and make it vulnerable to shocks. Increasing flexibility is a much better way to manage and to take advantage of uncertainty, reducing risk and increasing economic value. This is one of Taoism's principles: *reversal is the movement of the Tao* (Tao Te Ching, Ch. 40). It means that the course of the Tao is one of reversal, situations turn around and change to their opposites. This can be said with respect to good and bad luck. In an uncertain world, business leaders must be able to equally accept the opposing segments or phases of the movement of the Tao without being one-sidedly attached to a singular element.

### 3. Why Sustainability Risk Management?

#### 3.1 Sustainability: The Business's View

The concept of sustainable development or sustainability has been interpreted and defined in different time and circumstances since it emerged. The term has many meanings, depending on the subject and context. The term sustainable development rose to significance after it was used by the Brundtland Commission in its 1987 report *Our Common Future*. In the report, the commission coined what has become the most often-quoted definition of sustainable development: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

When we interpret it from the perspective of triple bottom line, sustainability is concerned with social responsibility, environmental and economic (or business) sustainability. This requires that a company's responsibility should lie with stakeholders rather than shareholders. Environmental sustainability describes the capacity of the environment to continue indefinitely to provide a healthy place for us to live and work and the resources necessary to sustain a healthy economy and businesses. Business sustainability can be defined as the capacity of a business enterprise to continue to operate successfully, i.e., to generate sufficient and appropriate economic activity to meet stakeholders' requirements on an ongoing basis. Of course, we believe that business sustainability is the most critical long-term objective of most business enterprises. While these two types of sustainability are different, they are also, in today's world, inextricably linked. If the environment ceases to be sustainable, enterprises that depend on it for resources and on healthy consumers for purchases of their products will cease to be economically sustainable. The gradual reduction in the sustainability of our global environment will result in the consequent reduction in the ability of business enterprises to sustain themselves economically and remain viable. At the same time, enterprises that are not economically sustainable — those that require more and more energy and non-renewable resources and that pollute the environment — will ultimately contribute to environmental unsustainability as well.

#### 3.2 Sustainability: The Taoism's View

The values and ideas of corporate social responsibility (CSR) and sustainability are embedded in the principles of Taoism. Laotzu says (Ch. 7)

Heaven is eternal and Earth is everlasting.  
Not living for themselves, but giving life to all,  
Thus they endure forever.  
The Sage  
Placing himself behind, finds himself in the front  
Putting himself away, finds himself remain.  
Being selfless, Attains fulfillment

The passage defines the concept of CSR and its relationship with sustainability by using the metaphor of Heaven and Earth. What a socially responsible business does should like the Heaven and Earth does, are utterly free from self-interest. The selflessness and altruism allows them to carry on their mutual giving and taking without harming each. They do businesses in accordance with the principle of Tao and Te (Virtue) (Ch. 51):

“Creating all creatures in the universe,  
But they do not demand from them;  
Developing them, but do not take credit from them;  
Leading them, but do not control them”

The principle of the Tao in the passage illustrates the relationship between social responsibility and sustainability. It reflects the core elements of corporate social responsibility: voluntary contribution to community and society beyond the self-interest. By doing it in a socially responsible manner, business can be sustainable socially and economically. Just like (Ch.7 and Ch. 81):

“The sage places his self-interest behind, but becomes a leader;  
Puts himself away, but yet finds himself protected.  
Is it not because he lives only for himself?  
That's why his self-interests can be accomplished”  
...  
“The more they help others, the more they possess.  
The more they give to others, the more they gain”

In Laotzu's Tao Te Ching, many passages touch on the concept of sustainable development. One of important definitions of sustainability is about concept of life cycle and its impact. Laotzu (Ch. 16) says:

All creatures come into being; I thereby observe their life cycle:  
All things grow and flourish, but each ends up returning to its origin.  
Everything rises and falls, but ends up returning to its root.  
Returning to the root, one shall attain tranquillity;  
Attaining tranquillity, one shall return to its nature;  
Returning to one's nature, one shall understand the universal law.  
Understanding the universal law leads to enlightenment,  
Not understanding the universal law leads to calamity.  
Understanding the universal law, one shall be inclusive,  
Being inclusive, one shall be fair,  
Being fair, one shall become the stewardship,  
Being the stewardship, one shall act in accord with law of nature,  
Acting in accord with law of nature is in line with the principle of Tao.  
Holding on to the principle of Tao, one shall be everlasting, and free from danger in life.

Sustainability is one of the important topics of Laotzu's Tao Te Ching. This passage demonstrates that Taoist sustainability is closely related to the sustainability of natural processes or “cycles” of production and reproduction. This is most obvious in regard to four seasons, which are a basic pattern of regulation in an agrarian society. The sustainability course of the four season orders human activity and labour. The regular return of the seasons, the renewed growth of life in spring, is a cornerstone of human and cosmic survival — the sustainability of the productive course of time is fundamental for sustaining both nature and culture. The “new birth” of life in the course of time is not entirely a new birth; it is rather the seamless continuation of a process of reproduction, and of life and death, which is never essentially interrupted. However, in order to sustain the life cycle, all creatures must act in accordance with the law of nature, which is unchanging and universal principle. All creatures in the universe can grow and develop sustainably only by complying with the law of nature. Otherwise, they end up disaster and calamity. In this view, sustainability is the endurance of systems and processes in the universe, and is about how biological and ecological systems remain diverse and productive.

If we take nature itself as our today's model, this passage implies that sustainability should become a cradle-to-cradle process and a powerful growth engine. In order to guarantee more sustainable business practices into the future, businesses must reduce their company's ecological footprint and increase their resource efficiency and productivity so that resources are not unnecessarily depleted or permanently damaged, and still ensure a

sufficient profit and the creation of social value.

Laotzu's life cycle thinking is related to product life cycle management and assessment in today's business world, which is a new approach to sustainability emerging as companies consider their total environmental impact-from growing raw materials to the consumer's disposal of their product. The United Nations Environment Programme (UNEP) and the Society for Environmental Toxicology and Chemistry (SETAC) launched in 2002 an International Life Cycle Partnership, known as the Life Cycle Initiative (LCI), to enable users around the world to put life cycle thinking into effective practice. Life Cycle Thinking (LCT) is about going beyond the traditional focus and production site and manufacturing processes to include environmental, social and economic impacts of a product over its entire life cycle. The main goals of LCT are to reduce a products resource use and emissions to the environment as well as improve its socio-economic performance through its life cycle. This may facilitate links between the economic, social and environmental dimensions within an organization and through its entire value chain.

Life cycle thinking is made operational through life cycle management (LCM). LCM is a management approach that puts the tools and methodologies in the life cycle thinking basket into practice. It is a product management system that helps enterprises to minimize the environmental and social burdens associated with their product or product portfolio during its entire life cycle (UNEP, 2007).

From the social and environmental perspective, this passage says "*Understanding the universal law, one shall be inclusive, being inclusive, one shall be fair*". Inclusion and fairness entail not only the distribution of resources within nature and society at a point of time, but also the distribution of resources across generation. This concept of sustainability is exactly in line with the one defined in the Brundtland Commission Report: "*development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*"

Laotzu calls upon us to keep to fairness so that we can take on the stewardship which is the idea that the living generation must be stewards of the earth's resources for the generations that will come later. We must defend the interests of those whom we've never met and never will, those are our descendants and our fellow humanity. What qualities and responsibilities should a steward embrace?(Hamel, 2012) elaborates well the concept of steward. Hamel claims that if you are a leader at any level in any organization, you are a steward — of careers, capabilities, resources, the environment, and organizational values. What matters now, more than ever, is that managers embrace the responsibilities of stewardship. He suggests that stewardship imply five things:

- *Fealty: A propensity to view the talents and treasure at one's command as a trust rather than as the means for personal gain.*
- *Charity: A willingness to put the interests of others ahead of one's own.*
- *Prudence: A commitment to safeguard the future even as one takes advantage of the present.*
- *Accountability: A sense of responsibility for the systemic consequences of one's actions.*
- *Equity: A desire to ensure that rewards are distributed in a way that corresponds to contribution rather than power.*

Hamel's five qualities of stewardship reflect in Laotzu's "*three treasures*" in Tao Te Ching (Ch. 67).

I have three treasures to hold and cherish,  
The first is compassion,  
The second is conservation, and  
The third is compliance.

Compassion leads to courage,  
Conservation leads to generousness, and  
Compliance leads to leadership in the world”.

We call it 3Cs Model. The three treasures are the fundamental virtues in Taoism. Compassion is about Caring for and contributing to the thriving and development human societies, it is about charity toward all creatures in the universe. By having compassion, one gains courage. True courage doesn't come from macho posturing or false bravado. Rather, it comes from love and commitment to something greater than oneself. When we apply this principle to business, it requires a business to care for the humanity and quality of life, and engage in actions that appear to further some social good beyond the interests of the firm. Conservation is about being frugal of and protecting the natural resources and environment. Chen, 1989 believes *jian* (conservation) is “organically connected” with the Taoist metaphor *pu* (“uncarved wood; simplicity”), and stands for the economy of nature that does not waste anything. When applied to the moral life it stands for the simplicity of desire. When we apply to business, it requires that business should protect nature and environment by increasing resources efficiency and productivity. Compliance is about being prudent in acting consistently with principles, values and beliefs to avoid the crisis, conflicts and disasters in the process of survival and development of human societies. It implies that being a responsible and sustainable business should not be to reach the minimum requirements of stakeholders but to exceed them in complying with social and environmental rules and standards. It requires a business to monitor and ensure its active compliance with the spirit of the law, ethical standards and international norms. The Laotzu's three treasures could be also called “farmer values”, which are the virtues that Hamel described his parents-in-laws, Ferne and Eldon Findley who built Findley farm successfully and sustainably: *prudence, thrift, self-discipline, and sacrifice* (Hamel, 2012).

All the three treasures are important and must work together. Courage without compassion would be nothing more than brutality. To be abundant and reach widely without conserving one's resources will quickly lead to exhaustion. Forgetting the lesson of compliance or humility, becoming hubris, and letting the ego run wild are the beginning stage of self-delusion. These negative consequences can only lead to failure and doom. Those who hold on to the three treasures can achieve success and sustainability. If business leaders who fight with compassion in their hearts can win in the market competition, because charity and love gives them the strength and power they need. If they fight to defend loved ones or a cherished cause, they achieve security and protection. Because they follow the Tao, Heaven itself will come to their aid, events will seem to conspire in rendering assistance at just the right time, as if they are safeguarded by divine powers. All manners of resources and allies will appear and rally to their cause, in unexpected ways that no one could foresee.

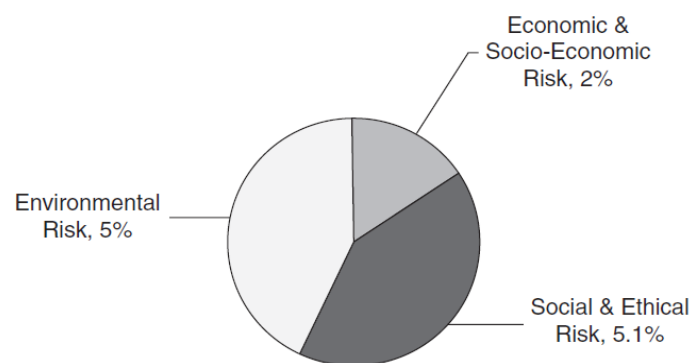
If we interpret it in the business term, compassion is concerned with philanthropic responsibility, conservation with environmental sustainability, and compliance with ethical responsibility. Those who can hold on to the three treasures, they will succeed in achieving sustainability goal. Together compassion, conservation, and compliance provide a solid framework for understanding how these elements work in the pursuit of sustainability. But while each plays a part, it is the collective execution of all three principles that determines the uncommon simplicity and surprising power we seek.

### **3.3 Emerging Sustainability Risk**

Traditionally, when people are talking about business risk, they are more concerned about financial risk, operational risk, security risk or technical risk. But the late twentieth century has shown that any human and business activity can have many consequences on society and natural environment — foreseen and unforeseen,

intended and unintended, beneficial and catastrophic. The companies as they go global have increasingly encountered social and environmental risk. The increasingly significant risks traditionally fall into non-financial areas of business activity, often referred to as environmental, social and governmental (ESG) issues. These risks have been amplified by the butterfly effect in movement of corporate social responsibility, the increasing globalization, new technologies and a rising tide of expectations among stakeholders about the social and environmental role of business. These changes in the operating model have led to a significant shift in market power — not just to customers and traditional investors, but also, more importantly, toward stakeholders. As a result of this shift in market power, “sustainability risk” is a rising area of concern for global corporations. From a company perspective, sustainability risk, like any other risk, arises when its own behaviour or the action of others in its operating environment creates vulnerabilities. In the case of sustainability risk, stakeholders may identify those vulnerabilities and apply pressure on the corporation for behavioural changes. As the ability to listen to corporate stakeholders’ perspectives on social and environmental issues becomes a competitive necessity, managing sustainability risks will need to become more fully embedded in corporate strategy. Experience and case studies demonstrate that the sustainability risks do have financial impacts upon organizations, both positively and negatively. Therefore, it highlighted the need for a review and reappraisal of corporate behaviour and accountability. In turn this had major implications for sustainable risk management. Business leaders must examine new areas of emerging risk and develop sustainable systems of risk analysis and management.

The confluence of risks and opportunities associated with environmental, social and economic performance has made sustainability a strategic priority for companies as part of their overall business strategy. Measuring an organization’s environmental, social and economic performance is often referred to as the “triple bottom line.” Over the past years, we have seen the rising sustainability risks that affect thriving businesses, the environment sustainability, people and the society as a whole. Therefore, sustainability risk management issues have become a critical importance for businesses to be sustainable and competitive in the market. If we look at the pie chart in Figure 1, we can see that the majority of operational risk from sustainability issues is derived from environmental risks, social & ethical issues. As Figure 1 reveals that the primary sustainability risk within the organizations reviewed is still as a result of environmental issues, representing a 5.4% risk to market value; followed by social and ethical issues at 5.1% (including health and safety issues) and economic ‘sustainability’ factors at 2.0% (Spedding, 2008).



**Figure 1 Sustainability Risks**

Source: Spedding, Linda, Adam Rose. (2008). *Business Risk Management Handbook: A Sustainable Approach*. Burlington, USA: CIMA Publishing



**Table 1 Risk to Value from Sustainability Issues**

Risk to value from sustainability issues	Gross (inherent) risk	Risk management factor (RMF)	Net (residual) risk
Economic and socio-economic risk	2.9%	/1.4	= <b>2.0%</b>
Social and ethical risk	9.0%	/1.8	= <b>5.1%</b>
Environmental risk	8.2%	/1.55	= <b>5.4%</b>
<b>Combined risk issues</b>	<b>20.1%</b>	/1.6	= <b>12.5%</b>

Source: Spedding, Linda, Adam Rose. (2008). *Business Risk Management Handbook: A Sustainable Approach*. Burlington, USA: CIMA Publishing

Table 1 also indicates that among the companies analyzed by the sustainability enterprise management risk rating system (UK, EU and US markets), non-financial issues alone put at risk an amount equivalent to 20.1% of the total market capital if left untreated. This represents the “gross” or “inherent” risk borne by those companies by virtue of the nature of their current operations. The risk management measures actually adopted by those companies are taken into account to mitigate this risk, the sustainability of their risk management systems, and the value threatened falls to 12.5% — a measurement of the ‘net’ risk to market value of the organizations (Spedding, 2008).

Every year, the economists who meet in Davos at the World Economic Forum present an updated estimate of the major risks facing the business world and the global economy. They do this using a grid that shows the two dimensions of risk:

- The likelihood or probability of the risk occurring (expressed as a percentage) and
- The severity or consequences if the risk does occur (expressed in monetary units)

Figure 2 reveals that the risks that are most closely connected to environmental sustainability (climate change, extreme weather events and water scarcity, etc.) are marked in green, and socio-economic issues (income disparity, unemployment and fiscal crises) in red. Sustainability risks (environmental and social risks) have become more prominent over the past years. Many of these risks are interconnected, and a major crisis of one type could trigger a series of related crises, a domino effect (WEF, 2014).

Sustainability risk management deals with emerging environmental and social justice risks. Risk managers will need to anticipate these risks and develop appropriate risk mitigation and strategies for them, but since many sustainability risks are new and emerging, the best strategies for dealing with corporate sustainability might not be apparent. This Chapter will discuss some approaches from perspective of Taoism's philosophy and wisdom, and validate the approaches through the management science and practices in business world.

### 3.4 Managing Sustainability Risk

#### 3.4.1 Avoiding the Risk: Responding to Early Warning Signals

In an ancient time, Laotzu observed one phenomenon (Ch. 64):

“In handling things, people usually fail when they are about to succeed.”

Today, an American business consultant (Collins & Hansen, 2011) also observed the same one:

“Why do some companies thrive in uncertainty, even chaos, and others do not? When buffeted by tumultuous events, when hit by big, fast-moving forces that we can neither predict nor control, what distinguishes those who perform exceptionally well from those who underperform or worse?”



Figure 2 Concern over Sustainability Risks is Growing

Source: World Economic Forum Global Risk Report (2014)

As we discuss the alternation of good luck and bad luck in the preceding section, we understand that there are some dangers or bad luck lurking; namely, past success can lead to both inertia and recklessness. Business success to date can lead to reluctance to change or even risk-aversion behaviour. Contrarily, the same success can breed a sense of invincibility and promote reckless action. O'Neill refers to the latter as the "Icarus Paradox". Icarus is the mythical figure who was overconfident of his own powers and eventually fell back to earth after flying too close to the sun. Early success can promote both inertia and recklessness. Organizations that experience strong performance early in their history tend to become imprinted with change-inhibiting routines, and lead to the hubris. The hubris can take several different forms, ranging from refusing to take competitors seriously to overreacting to moves that might be interpreted as personal attacks (O'Neil, 2002).

In the book of *"How the Mighty Fall"*, Collins examines how and why once great companies have since declined and identifies five stages of organizational decline: hubris born of success; undisciplined pursuit of more; denial of risk & peril; grasping for salvation, and capitalization to irrelevance or death. In the first stage of "hubris born of success", faith and confidence become pride and arrogance. Leaders become careless and workers become complacent. From his analysis, we see hubris in undisciplined leaps into areas where a company cannot become the best, hubris in a company's pursuit of growth beyond what it can deliver with excellence. We see hubris in bold, risky decisions that fly in the face of conflicting or negative evidence. We see hubris in denying even the possibility that the enterprise could be at risk, imperilled by external threats or internal erosion. To avoid the decline and failure, Laotzu advises (Tao Te Ching, Ch. 64):

"Be as prudent at the end as at the beginning,  
And there will be no failure."

This can be interpreted profoundly and explicitly by the book of change (or I Ching). The ancient Chinese watched the cycles of the seasons, and comprehended that there also was a cycle of good times and bad times. When favourable situations came to their conclusion, unfavourable situations follow. In the Great Treatise of I Ching, Confucius says (Huang, 2010):

What is danger? It arises when one is satisfied with his security and neglects danger.  
What is to perish? It arises when one is satisfied with his survival and neglects death.  
What is disorder? It arises when one is satisfied with things in order and neglects disorder.  
Therefore the superior person does not forget danger when he is in security, nor does he forget death when he is well, nor does he forget disorder when his affairs are in order.  
In this way he gains personal safety and is able to protect the empire.

It implies that in managing risk and crisis in an uncertain world, business leaders shall be precautionous, when the situation is favourable and peaceful, they shall never forget about hard times or potential risk. On the other hand, when the situation is unfavourable, they shall always look forward to the good. This is also the least costly and simplest way to control a potential risk and crisis. Just as Laotzu points out (Tao Te Ching, Ch. 64):

What is stable and peaceful is easy to hold,  
What is with no signs is easy to plan,  
What is fragile is easy to break,  
What is minute is easy to scatter, therefore,  
Being well-prepared to risk before it arises,  
Being prudent of chaos before it happens

This passage advises acting before anything has happened and setting things in order before confusion arises.

Do not think a mere sprout is not an omen. To act consciously and clutch at things is to court failure. Just as speaking metaphorically of the tree that grows from a slip (Tao Te Ching, Ch. 64):

A huge tree grows from the tiny shoot,  
A nine-story high terrace starts from a mound of earth,  
A journey of a thousand miles begins under one's feet.

When things are in a quiescent or incipient condition or are undergoing the initial changes, they are easy to deal with. Before the risk or crisis happens, it is easy to control and prevent, so organizations shall develop the risk management system to prevent risk and crisis from happening or leading to the disasters. The frog can't feel the crisis which is going to happen; however, when the water is too hot to stand, it is too late to jump out of water. Thus, business leaders shall anticipate and put the risk management system in place.

In order to be competitive, organizations shall constantly review their methods and models to check they are operating correctly. In addition, they shall examine new areas of emerging risk and develop sustainable systems of risk analysis and management. Business leaders shall maintain hypervigilance and be prudent about any small changes, because it is relatively easy to maintain the situation when everything is peaceful and quiet. When the possibility for chaos is small or nearly non-existent, it is a simple task to keep it in check.

#### 3.4.2 Preparing to Manage the Risk: Maintaining Constant Vigilance

Most business leaders, preoccupied with the market pressures of the present quarter, are not inclined to pay much attention to planning for future risks and crises. Therefore, it is important for business leaders to prepare for that circumstance when prevention doesn't work, that is, making a plan to deal with a variety of undesirable outcomes if disaster does strike. In preparing for the risks and crises, it pays to search for subtleties. It is instructive to recall the principle of Tao (Tao Te Ching, Ch. 63):

Handle the difficult while it is still easy.  
Handle the big while it is still small.  
Difficult tasks begin with what is easy.  
Great accomplishments begin with what is small.  
Taking things too lightly results in much difficulty.  
Thus the wise always confront difficulties and, therefore have no difficulty.

The passage advises that being successful in planning to handle the risks and crises, business leaders shall make plans against eventual difficulties when things are still easy to resolve, because the difficulties inevitably grow out of easily resolvable troubles. They shall act on what is eventually big while it is still minute, because the big affairs necessarily grow out of minute ones. Only can business leaders who do not act upon things are in the end able to prevent risks and crises and complete their greatness.

Fink (2000), a prominent management consultant has the same opinion, he emphasizes that everyone in a position of authority "should view and plan for the inevitability of a crisis in much the same way [one] views and plans for the inevitability of death and taxes: not out of weakness or fear, but out of the strength that comes from knowing you are prepared to . . . play the hand that fate deals you." (Fink, 2000). His survey of the Fortune 500's CEOs found that senior managers may suffer from a severe lack of crisis preparedness but certainly not from a lack of confidence that they can handle a crisis. 89% of those who responded said that crises in business are as inevitable as death and taxes, yet 50% said they did not have a plan for dealing with crises. Nevertheless, fully 97% felt confident that they would respond well if a crisis occurred (Fink, 2000).

Once leaders know the events, or black swans, they're looking for, they shall set up signal detection

mechanisms, enable open lines of communication and develop responses. These detection notifications can provide faster emergency response and give first mover advantage to changes in the marketplace. As Laotzu suggests (Ch 15):

Cautious, like crossing a frozen stream in winter  
Vigilant, like fearful of danger and threats on all sides  
Dignified and courteous, like a visiting guest in someone's house  
Self-effacing, like ice beginning to melt  
Genuine and simple, like a piece of un-carved wood  
Open and receptive, like a valley  
Freely mixing, like muddy water.  
Who can make sense of a muddy world?  
Let it be still, and it becomes clear.  
Who can remain calm,  
And through activity come back to life?  
Those who embrace this Tao do not over-extend themselves.  
Because they do not over-extend themselves,  
They do not wear out and are not replaced.

In their activities, business leaders shall be always “*cautious like crossing a frozen stream in winter*”. Whatever activity and strategy they undertake should be very careful to prevent possible risk and crisis from happening. The leaders shall be “*vigilant, like fearful of danger and threats on all sides*”, because whatever business you do, they always have many competitors, of which, some are good competitors, and others hostile, thus, they must be alert all the time, follow this principle of the Tao. In their behaviour, business leaders must be “*dignified and courteous, like a visiting guest in someone's house*”, this requires them to work with its partners and other stakeholders in responsible and ethical manner. Business leaders must be also “*self-effacing, like ice beginning to melt*”, they shall be patient and clam down, and follow it in a natural way when they face the risk and crisis. The character of business leaders should be “*genuine and simple, like a piece of un-carved wood*”, they shall concentrate on internal risk management, and remain so honest and calm that problems can be solved. When risk and crises happens, the outlook of business leaders should be expansive and their attitudes be open and receptive, as if a deep valley”, they have a big heart just like the valley, so broad and deep that you can defend any disturbance and seductions. The outward expression of business leaders can make them appear *mixed-up as if muddy water*”, they must keep their head open and clear when facing the risk and crisis so that the reputation and image of company won't be damaged by the problems. Only “those who embrace this Tao to take precautions can get rid of risk and crisis, their businesses can be successful and sustainable.

Collins and Hansen (2011) studied companies that rose to greatness-beating their industry indexes by a minimum of ten times over fifteen years (called 10Xers) — in environments characterized by big forces and rapid shifts that leaders could not predict or control. The research team then contrasted these “10X companies” to a carefully selected set of comparison companies that failed to achieve greatness in similarly extreme environments. They found that 10Xers differ from their less successful comparisons in how they maintain hypervigilance in good times as well as bad. Even in calm, clear, positive conditions, 10Xers constantly consider the possibility that events could turn against them at any moment. They believe that conditions will — with 100 percent certainty — turn against them without warning, at some unpredictable point in time, at some highly inconvenient moment. And they'd better be prepared. 10Xers maintain hypervigilance, staying highly attuned to threats and changes in

their environment, even when — especially when — all's going well. They assume conditions will turn against them, at perhaps the worst possible moment. They channel their fear and worry into action, preparing, developing contingency plans, building buffers, and maintaining large margins of safety. 10Xers remain productively paranoid in good times, recognizing that it's what they do before the storm comes that matters most. Since it's impossible to consistently predict specific disruptive events, they systematically build buffers and shock absorbers for dealing with unexpected events. They put in place their extra oxygen canisters long before they're hit with a storm.

#### 3.4.3 Recognizing and Containing the Risk

There is a Chinese proverb, saying that “a dike ten thousand feet long begins its crumbling with holes made by ants; and a room one hundred feet square begins its burning with sparks of fire leaping through cracks of chimneys.” Why did the disasters happen? They didn't act in accordance with the principle of the Tao: “*Being well prepared for risk before it rises, being prudent about chaos before it happens (Tao Te Ching, Ch.64).*” In other words, it is always easier to act on something effectively when it is small. Take care of an issue as early as possible, before it really becomes an issue. Nip a potential problem in the bud so it doesn't get the chance to grow into something serious. “A lot of crises seem to happen overnight, but they have really long roots, like ten to fifteen years in terms of the source of the real problems.” This is what Xerox CEO Anne Mulcahy said when she visited Harvard Business School class (George, 2009).

We have also seen that there is a risk, business leaders refuse to face reality, and thus they often fail to see the crisis coming. Rather than acknowledging they should have recognized the signals in time, they blame external events and things outside their control. Companies sometimes misclassify a problem, focusing on the technical aspects and ignoring issues of perception. But it is often the public perception that causes the risks and crises.

Collins (2009) illustrates the story of his wife who suffered breast cancer in his book: *How the Mighty Fall: And Why Some Companies Never Give In*. He described that his wife looked like the picture of health, but she had already been carrying the carcinoma. The image of his wife, looking healthy yet already sick, stuck in his mind and gave him a metaphor. He's come to see institutional decline like a staged disease: *harder to detect but easier to cure in the early stages, easier to detect but harder to cure in the later stages*. An institution can look strong on the outside but already be sick on the inside, dangerously on the cusp of a precipitous fall. Machiavelli (2003) also has the same point of view in his book “*The Prince*”: “If they be foreseen while yet remote, admit of easy remedy, but if their approach be awaited, are already past cure, the disorder having become hopeless; realizing what the physicians tell us of hectic fever, that in its beginning it is easy to cure, but hard to recognize; whereas, after a time, not having been detected and treated at the first, it becomes easy to recognize but impossible to cure.”

China has the same thought-provoking story in the ancient time which can illustrate the problem. Bian Que was a well-known herbalist doctor in the Spring-Autumn & Warring States periods in ancient China. Once he went to visit Lord Huan of Cai. He observed him for a while and said, “Now your disease is at the surface of your skin. It will get serious if you do not cure it.” But Lord Huan of Cai said, “I have no disease.” After Bian Que went out, the Lord said to the people beside him, “It is a common fault for a doctor to cure those who are not ill. And finally he would claim the credit for himself!” Ten days later, Bian Que came to visit Lord Huan again. After careful observation, he said, “Your disease has reached your muscle. If you do not cure it now, it will get worse!” Lord Huan still did not pay any attention to his words and was very unhappy. Another ten days later, Bian Que said to Lord Huan, “Your disease is now in the digestive system. It would be even worse without curing!” Lord Huan again refused to take his advice and was unhappier. Another ten days later, as soon as Bian Que saw Lord

Huan, he left without saying anything. Lord Huan was curious and sent someone to ask Bian Que why. Bian Que said to the messenger, “When the disease was at the skin, in the muscle or in the digestive system, I am able to cure it. But now it is deep in the marrow and no one can cure it.” Five days later, Lord Huan felt pain in his body and sent messengers to look for Bian Que, but Bian Que had escaped to the State of Qin. Soon after that, Lord Huan died of illness.

All the three stories have the same implication for a business leader when they manage risk. A business leader shall be like a good physician, when treating diseases, attacks them when they are still in the capillary tubes. This means that they manage risk when it is small. Hence, the saintly man begins to attend to things when it is early enough. In our daily life and as well as business world, we should not overlook small defects because small problems may bring about disasters in the future. If you want to achieve success, you have to start out small. It also holds true for solving difficulties and risks. If you only focus on the disappointing trouble as a whole, you will lose heart.

Sanlu's melamine scandal in China is the case for illustrating the above problems. On 12 September 2008, the Chinese government ordered the nation's biggest manufacturer of milk powder, Sanlu Group, to halt production because its powdered infant formula was found to contain melamine, a nitrogen-rich chemical, ingestion of which could cause kidney stones. The national inspection agency further discovered that milk products manufactured by 21 other dairy companies tested positive for melamine. Sanlu was reported to have received its first complaint of illness as early as December 2007. However, news of the problem only surfaced nationwide after Sanlu's New Zealand partner, Fonterra Cooperative Group, alerted the New Zealand government in September 2008.

Sanlu received the first complaint about its melamine-laced milk power as far back as December 2007. The first documented exposure of Sanlu's problematic powder was posted on a popular internet community by a consumer. Most of the other Sanlu milk contamination cases were found in Hebei, Jiangsu and Gansu provinces. About three months before the milk scandal leaked in September 2008, a local newspaper in Jiangsu had reported a rising number of babies diagnosed with kidney disease over the previous two months. Around the same period of time, the health department in Gansu also received a report from a local hospital in mid-July indicating a surge in cases of kidney ailments among babies, stating that most of the affected had been drinking Sanlu's infant formula. However, soon after the scandal broke, Sanlu apologized publicly for the incident, but denied about the urgency and severity of the challenges they were facing, and blamed external suppliers for their problems, for example, Sanlu said that its milk suppliers had added melamine to the milk before selling it to them. The company failed to explain the delay in alerting the public to the contamination. The local government of Shijiazhuang, where Sanlu was headquartered, was also blamed for holding back the news from the central government. By the end of September 2008, about 53,000 young children were found to have been sickened due to consumption of melamine-laced dairy products, and at least four babies had died from kidney failure. The melamine scare resulted in many countries recalling and banning goods using milk products from China. The milk crisis was soon regarded by the World Health Organization as one of the largest food-safety events in recent decades.

#### 3.4.4 Strategy for Responding to Sustainability Risk

In today's socially conscious environment, companies are exposed to scrutiny of stakeholders in social and environmental issues. Risks tied to perceptions of over-consumption of water and reputational risks linked to investments in projects with potentially damaging environmental consequences. Additional trends in sustainability risk include risks to financial performance from volatile energy prices, compliance risks triggered by new carbon

regulations, risks from product substitution as customers switch to more sustainable alternatives, and risks associated with the way in which a company and its staff conduct themselves including matters such as culture, tone from the top, governance, how customers are treated, remuneration of staff and how companies deal with conflicts of interest. Therefore, companies are increasingly confronting the risks and crises emerging from corporate social responsibility and sustainability issues.

A business finds itself being criticized for some action it has taken or failed to take. The stakeholders and civil society have the power in exerting enormous pressure on businesses, and wielding significant influence on public opinion, causing firms to take or not take particular courses of action. Stakeholders need a quick response with information about how the company plans to resolve the risk and crises, as well as what they can do to mitigate negative effects to themselves. It is necessary to communicate specific issues to stakeholder groups, including remorse for the event, guidelines as to how the organization is going to address the crisis, and criteria regarding how stakeholder groups will be compensated for negative effects.

What strategies does a company take to respond to them leads to different consequences when the social and sustainable risks and crises emerge? Some researchers have identified some strategies that business response to risks and crises. They are the reactive (or obstructionist), defensive-accommodative and proactive (Carroll, 2008). The reactive strategy involves denying responsibility and doing less than is required. The defensive strategy acknowledges only reluctantly and partially the responsibility issues that may be raised by the firm's stakeholders. The accommodative strategy attempts to satisfy stakeholder demands and the proactive accepts and anticipates stakeholder interests. Few leaders are willing to accept responsibility for their mistakes. Instead, many ignore problems and hope they go away. Most of business leaders take reactive (obstructionist), defensive strategies instead of accommodative and proactive. They often go into denial about the urgency and severity of the challenges they are facing. Or they tend to blame external events, people, or organizations for their problems. Without accepting that the problem is theirs to fix, they cannot understand what they are dealing with. Often the hardest part is to acknowledge their role in the origins of the crisis. Even when leaders acknowledge their responsibility, they may face significant resistance from their organizations in solving it because people have great difficulty in admitting their mistakes (Geogore, 2009).

One of most important principles of Tao is softness and pliancy like water and feminine, and therefore, Laotzu suggests a softer stance so as to reduce or avoid risks and crises, that is accommodative and proactive stances. Laotzu says (Ch.78)

Nothing in the world is softer than water  
Yet nothing is better at overcoming the hard and strong  
This is because nothing can replace it  
That the weak overcomes the strong  
And the soft overcomes the hard

Water appears to be the weakest and softest thing in the world, and is the ultimate symbol of the yielding and flexible aspect of the Tao. At the same time, there is also nothing better than water at dissolving the hardest and most unyielding rocks. This observation of water teaches us that despite a yielding, humble appearance, the weak overcomes the strong and the soft overcomes the hard. This is a principle that we can all understand, but somehow cannot put into practice in real life. We still have a tendency to meet force with force. Business leaders can learn from this wisdom that those who have the strength to accept problems and crises, they can possess the power embodied in water — seemingly soft and weak, and yet able to overcome the hard and strong. If they apply this



power to business, they would achieve competitive advantage in the business world. Therefore, by embracing the seemingly weak and soft, a business leader can gain personal power to overcome risks and crises and achieve sustainable development.

However, if business leaders take the opposite stance, like obstructionist and defensive stances, they will bring about failure and calamity. Laotzu always opposes these actions. He warns that:

The stiff and hard are companions of death,  
And the tender and supple are companions of life.  
The strong army does not win, a stiff tree shall break.  
The hard and strong have disadvantage and shall fall, while  
The tender and supple have advantage and shall live

Life is characterized by softness and pliancy, while death is characterized by stiffness and rigidity, just like our body and trees. We can generalize from this observation and link death to that which is hard and unyielding. Life would be linked that which is pliable and thus capable of growth and adaptation. This applies not only to flora and fauna but also to all aspects of human existence. For instance, an army that cannot adapt to the ever-changing conditions on the battle field will soon find itself out-manuevered and defeated by an enemy that is more nimble and flexible. This implies for business leaders who are forceful and aggressive may seem to have the upper hand, but in fact occupies a lower position of disadvantage. Conversely, being yielding and flexible may be perceived as a weakness, but is in fact a great strength that occupies a higher position leading to victory and success.

The risk and crisis is not going to fix itself, so denying its existence can only make things worse. That reality must start with you and your acknowledgment of your role in the crisis itself. Then you have to guide your organization to face reality as well. Bryant (2009) who lived as a homeless person early in his life, is the founder of Operation HOPE. He has raised \$500 million to focus on financial literacy for the poor and serves as vice chair of the President's Council on Financial Literacy. In *Love Leadership*, Bryant writes, "Vulnerability is power", he says:

"Admitting weaknesses and owning up to mistakes have counterintuitive benefits. When you are honest, people are more likely to forgive your any weaknesses and mistakes. You are also able to make a stronger connection with others. That ultimately gives you an ability to persuade and influence people, which in turn strengthen your ability to lead."

Laotzu has the same opinion (Tao Te Ching, Ch. 73)

Those who are courageous in daring bold shall be killed,  
Those who are courageous in not daring shall survive.  
...  
The best leader,  
Does not contend, yet, he wins easily,  
Does not speak, yet he gets a good response,  
Does not demand, yet, all needs are met.

This passage implies that those who possess courageous resolve but advance with caution are congruent with the Tao, and that is why they seem to be favoured by the heavenly powers. The lesson for business leaders is that they shall know the distinction between courage and daring. Courage means being resolute, dauntless and firm; daring means throwing caution to the winds, full speed ahead and damn the torpedoes. One is an inner quality born of conviction; the other is an external display of bravado. Therefore, business leaders who possess this inner

quality are similar to the Tao in the following ways:

- Because they are unadventurous, they do not struggle against others, just as the Tao contends against no one. But despite this seemingly yielding nature, they consistently achieve their objectives in the long run.
- They are quiet and unassuming, just as the Tao does not speak. However, they remain ever responsive to changing conditions out of their sense of caution. When circumstances change, they are ready to alter their approach to better aim for a moving target.
- They are also fully present in all of their activities, just as the Tao is present in all things. They bring mindfulness to their work. By being totally aware in each moment of life, they enhance and deepen everything they do.
- They are composed and prepared, just as the Tao plans and coordinates its myriad movements in a relaxed and unhurried way. They see how flowers bloom when the season is right and not a moment sooner, so they also take their time in thoughtful planning. By being well-prepared, they are able to act with composure and maximize their chances of success... when the time is right, and not a moment sooner.

Thus, it is exactly that only because he does not contend, no one is able to struggle with him. Compliance means fortune, and opposition means misfortune. That's why he excels in making people respond without speaking. He takes a low position, the people gravitates to him naturally. Heaven reveals good fortune and misfortune by hanging down the images in the sky, and the plan he sets are verified before things actually happen. While security, he does not forget the threat of danger, and makes plans while things are still in the pre-manifest stage. Therefore, Laotzu says (Tao Te Ching, Ch. 81)

True words are not beautiful,  
Beautiful words are not true.  
The good do not argue,  
Those who argue are not good.

We want to examine the two business cases to illustrate the different responsiveness strategies and consequences. The first example is about the organizational denial which can be found in the difficulties pharmaceutical maker Merck. Merck had with its \$2.5 billion pain-relief drug, Vioxx. After an intense battle with Merck over indications of cardiovascular effects from the drug, the FDA approved Vioxx for general marketing in 1999. As large numbers of patients began using the drug and additional studies were completed, concerns continued to arise about Vioxx's safety for cardiovascular patients. Skeptical because the concerns were based on nonrandomized data, Merck executives decided to conduct a three year randomized trial of high-risk cardiovascular patients while continuing to market the drug. In September 2004, Merck halted the study at the midway point because results showed Vioxx patients were twice as likely to suffer a heart attack or stroke as those on placebo. Merck CEO Ray Gilmartin courageously pulled the drug from the worldwide market for all users, not just those at high risk of cardiovascular disease. By then Vioxx was linked to more than twenty-seven thousand heart attacks and sudden cardiac deaths and a rising flood of lawsuits from plaintiff's attorneys. Merck wisely chose to defend Vioxx on a case-by-case basis, which may have saved the company from insolvency. After three years of fighting the attorneys to a draw, Merck announced a \$5 billion settlement with the plaintiffs in 2007. The company had finally put its agony behind it. Why did Merck, a company known for its scientific prowess, not take the more conservative course of restricting access to Vioxx? From the outside, it appears that Merck was so committed to using Vioxx to compete in the pain-relief market with Celebrex and other painkillers that it waited

until proof was in from its own scientific study. When the study confirmed the problem, management immediately took action. By then, the damage was done.

Denying reality has destroyed more careers and organizations than incompetence ever did. The first reason is that people always prefer good news or a quick fix. Rarely are they willing to acknowledge that their organization is facing a crisis. Crises often start out in relatively benign ways, and then seemingly minor events escalate into major ones. Unless leaders face reality early, they can easily miss the signals of the deeper crisis that is waiting ahead. Until its leaders acknowledge the crisis, their organizations cannot address the difficulties (Geogore, 2009). Many people find reality is just too horrible to face or they are too ashamed, so denial becomes a convenient defence mechanism. If you feel yourself getting defensive, ask yourself, "What am I defending against? How might denying reality make the situation worse?"

The second case is about the proactive responsiveness of Amgen. In 2007 Amgen, the world's largest biotechnology company faced growing safety concerns over Aranesp, its highly successful anaemia drug with \$4 billion in annual sales. After six years on the market, a series of studies conducted by Amgen, Johnson & Johnson, and others revealed problems with off-label use of Aranesp. To deal with the growing crisis, CEO Kevin Sharer tasked his key executives with developing a plan to address the problems. But he found they wouldn't move until he acknowledged his own role in the crisis. "For a deeply reflective hour, I asked myself what I owned of this problem. I came up with a long list," said Sharer.

When he met with the executives to go over his list, they were stunned that their CEO would admit his errors. This freed them up to address their roles in the crisis and take necessary actions to get out of it. Well aware of the Merck experience with Vioxx, Amgen voluntarily agreed to more restrictive language on Aranesp package inserts. As a result, sales dropped by 26 percent, or more than \$1 billion, but the company recovered. Aranesp is still on the market, albeit with a reduced patient population, and Amgen's relationship with the FDA is healthy once again.

Reflecting on what he learned from this crisis, Sharer noted, "The toughest thing was to embrace the reality that we had to take action because so many stakeholders had questions about the safety of Aranesp."

*Our first reaction was to blame these problems on the FDA. We had to get above the fray and recognize that public health officials had legitimate questions about what was happening. First, I had to acknowledge my role in the crisis. Then we could face reality together by owning the problem and looking realistically at the decisions we had made.*

Sharer stresses the importance of being adaptive to new realities in a crisis. He notes that many CEOs fail to adapt because they get stuck in a comfortable mind-set with their version of reality. He cites his favourite analogy from biology: "What species survives? The biggest? The strongest? The fastest? No, it's the most adaptive." (George, 2009).

#### **4. Conclusion: Risk Management, Competiveness and Sustainability**

A responsible and sustainable business in an uncertain world shall be prudent to any threats of risks and crises, particularly be concerned about the social and environmental issues and emerging national and global regulations. Laotzu offers us the roadmap for business to achieve a competitive advantage and sustainable goal. He emphasizes in Tao Te Ching (Ch. 59):

Those who lead the organization, just like caring for their body,

Shall be prudent in conservation  
To be prudent is to be well prepared from the beginning.  
To be well prepared from the beginning is to build up virtues.  
By building up virtues, nothing is impossible to be conquered.  
When nothing is impossible to be conquered, one gains unlimited capacity.  
Those who have unlimited capacity can lead the organization.  
Those who hold on to this principle and value of conservation,  
Shall govern the organization sustainably,  
Being built on the firm foundation,  
The organization shall be grown and sustained.

This passage describes the sustainability roadmap for business leaders: to be a sustainable company, Laotzu claims that people shall be prudent in conservation, valuing and using natural resources efficiently, and caring for environment. In doing so, business leaders must be well prepared at the early stage and be precautious of what they are doing. Thus when risk and crisis arises, they are well prepared to avoid and solve it. One of the important measures to avoid and solve risk and crisis is to build up virtues, i.e. doing business in socially responsible way, this can win in the competitive market, and therefore, thus, business leaders have the capacity of leading the people and governing organization. To thrive and sustain their organizations, they must hold on to the principle of the Tao (the Way and Virtue). When it comes to serving the society and protecting natural resources and environment, there is nothing like the principle of conservation — the principle of valuing and using natural resources efficiently and caring for environment. The best way to conserve the resources is to be prudent and well prepared for risk and crisis in an uncertain environment. It is in business leader's responsibility to give up any business activities which can consume too many resources and deteriorate environment as soon as possible. Over-consuming resources and damaging environment can bring risk and crisis to the organization and society as a whole. The sooner business leaders stop wasting resources and energy in environment, the sooner they can start accumulating virtues — social and environmental values — in their organization.

When they accumulate virtues by holding on to social and environmental responsibility, business leaders can become powerful and competitive, and there are no obstacles they cannot overcome. Once they move beyond the limits that hamper most people, business leaders can gain power over themselves, as well as a natural authority that people respond to. They are able to influence them effortlessly because their respect for them flows naturally. This is the mother principle of true authority. Unlike the transient power achieved through force or domination, it is a positive force that lasts. With this lasting power, business leaders will have a firm foundation upon which to build harmonious and enduring society. This positive force takes root deeply in the hearts of people and also in business leaders. It is the Tao of sustainability — a vision of everlasting harmony and leadership: embedding sustainability into the organization's risk management strategy offers an opportunity to increase the effectiveness of risk management practices, improve business performance, and achieve competitive advantage.

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