

Taoism and Strategy Flexibility: Through the Institutional Perspective

Ru Guo ^a, Xiaodong Qiu ^b

School of Management, Beijing Jiaotong University, Beijing 100044, China.

^aritakwok@foxmail.com, ^bqiuxd08@126.com

Abstract. The traditional strategic thinking is based on mechanical worldview, which believed that as long as sufficient information is available, a formula can be used to predict the future development of the enterprise. However, in the era of big data, social development is involved with rapid-changed information and make mechanical thought invalid. By analyzing Taoist philosophy, this paper argues that tolerating the uncertainty is also a way to achieve the strategy, since an ambiguous strategy would be more appropriate in nowadays. Besides, finding the way in Taoism will provide a philosophical foundation for strategic management in the future.

Keywords: *Taoism, strategy flexibility, institutional perspective*

1. Introduction

A strategy used to be regarded with characteristics such as overall, long-term, programmatic, and systematic. However, less than 50% of the formulated strategies get implemented (Miller, 2015). The competitive environment faced by nowadays enterprise can be described as a VUCA world. VUCA stands for Volatility, Uncertainty, Complexity, and Ambiguity. (Mack, Oliver, et al., 2015), which means irregularity and increased levels of complexity and uncertainty, and reduced levels of predictability. To thrive in such an accumulation of changes and increase the corresponding speed of market changes, strategic flexibility has emerged as a crucial organizational requirement in recent years. For example, the king of mobile phones of today is not a traditional overlord such as Nokia or Motorola, but Apple that used to be a computer manufacturer. Similarly, the famous star in the automotive field is not from traditional car companies, such as Mercedes-Benz, BMW, and Audi, but a fantastic company called Tesla that has never made a car. Such kind of phenomenon in the business world leads to increasing academic interest simultaneously.

Strategic flexibility is the ability to handle change, seize the potential, which means a changing situation threatens all the pre-established plans, and make the potential contained in the case unfold (Jullien, 2004), so it focuses on the acquirement and maintenance of enterprise sustainable competitive advantage. As a key to performance, relatively extensive researches have been conducted on strategic flexibility, evolved from definitions (Roberts and Stockport, 2009), forms (Combe and Greenley, 2004; Evans, 1991) and its interaction with different objects. (Hamlin et al. 2012, Escrig-Tena et al. 2011), and quantitative methods were preferred in empirical studies (Brozovic, 2018). In terms of factors affecting strategic flexibility, scholars have also conducted abundant research on environmental uncertainty, executive team, organizational learning and knowledge management, information technology, and corporate culture aspects. However, researches on micro-foundations and enabler of strategic flexibility and from cultural perspective are underexplored.

Culture, as a critical part of the informal structure, contributes to shaping enterprise's ability. Especially in China, traditional culture, Confucianism and Taoism, play an essential role in promoting development. If we take the Chinese government as an institution, we could find its Going Global strategy has been a good story worldwide. As enterprise growth in the emerging market, Chinese enterprises, such as Alibaba and Huawei, creating novel competitive advantages worldwide in the dynamic context of China (Luo & Child, 2015). The culture leverage behind these phenomena worth in-depth investigations. Therefore, this paper takes Taoism as a part of institutional culture, and attempt to answer the question: How does Taoism nurture strategic flexibility in China?

2. Daoism and Strategy Management

This paper subscribes to the Daoism with multiple open-ended connotations and elaborate our argument concerning Daoism embedded in strategic management. In this section, this paper discuss the various meanings of Dao and its relationship to strategic management. Lao Zi's philosophy is "Dao". The Dao is also what unifies all things and is the ideal state of things. The primary task of pursuing "Dao" is to "decrease", which is to cleanse the mind from distracting thoughts, maintain the peace and balance of the soul, and finally reach the realm of "non-action". Research in past decades on Daoism and management mainly focused on Yin and Yang and non-action, while little attention had been paid to the subtle influence of Taoism on China's strategic management. Therefore, we first return to Daoist philosophy to interpret it.

"Dao is nameless simplicity". "Simplicity" contains the possibility of space and flexible utilization in all directions, while cleansing the mind help people "return to simplicity". Such "return" is "the same as carving", that is, return to the true nature of humanity, personality, and authenticity are both the soul of life and the foundation of creation, which are both the soul of life and the foundation of creation, after the baptism of civilization. "Those who follow the Dao will not be full to the brim. Only those who do not go to excess can renew what is worn out." Therefore, the savvy wisdom contained in the cleansing is conducive to cultivate an innovative strategy. In 2009, on the 10th anniversary of Alibaba, Ma Yun announced that the 18 founders of Ali, known as the "18 Arhats", will resign and re-apply for posts. "We don't want to bear the honor of the past. Tomorrow we will re-apply for Alibaba like any ordinary employee, and we will continue to work for the next decade from the beginning," Ma said. "To start again" is to return to zero, and "to continue to create" is about innovation, which is Ma Yun's innovative strategy. The philosophy of "return to zero" has made Alibaba the world's largest IPO after its listing.

Daoism emphasizes the concept of harmony between man and nature, and pursues the overall balance. The key of strategy is clarifying the demand, which is mostly as the result of contradictions caused by the shortage of resources, so the ultimate goal of strategy is to resolve conflicts and achieve a state of balance. Therefore, a strategy is not only to break the old, but to emphasize "purifying the mind" in the process to observe the true nature and adjust the direction of strategy. This is the way to ensure that strategy is valuable based on not violating the natural way, and ultimately promote the overall balance and harmony. Huawei is a communications manufacturer that has risen successfully in the past 20 years. From the very beginning, Huawei has insisted on valuable independent innovation, opposed blind innovation and so-called innovation for "innovation". Especially in the past few years with the internet thinking swept over, the president Ren Zhengfei pursued the "tortoise spirit" and demanded "rejecting opportunism" within the company to seek better ways to innovate strategically.

3. Discussion

3.1 Ambiguity

The ambiguity stems from Taoist thought. Lao Zi describes the Dao in an ambiguous way in Dao De Jing, which creates an association space for the Dao. By this way, a single concept owns multiple levels of connotation. In the context of the "going global" strategy, the impact of "ambiguity" is mainly reflected in the formulation of the central government strategy.

At the national level, taking Going Global strategy as an example, to deepen the understanding of how Daoism philosophy develops strategy management. The implementation of Going Global Strategy can be described as "experimental execution" (Matland, RE, 1995), that is, the central government only gives a macro strategic text without limit on the details. Thus, during the process of implementation, local government could refine and re-plan the strategy in light of their situation. The ambiguity of this Strategy has created a flexible space for its implementation. "Ambiguity" primed local government the possibility of multiple interpretations of ambiguous parts according to specific situations under the overall framework of the strategy. When formulating the Belt and Road

Initiative, the central government also deliberately described the subject of “Going Global” in an abstract, ambitious and undefined way, thus broadening the scope of the relevant subjects. Meanwhile, in the process of strategic advancement, the central government adjusts the macro strategy according to the implementation of the local government. However, the adjustment is still “ambiguous” and is intended to explore specific ways through local government practice.

At the enterprise level, the strategy also applies to ambiguity logic. Ren Zhengfei, a well-known Chinese entrepreneur, mentioned in his public interview that “the direction of doing business should be roughly correct and the organization must be full of vitality”, which means that Huawei sometimes has a correct strategy, sometimes it is roughly correct, and sometimes it is even incorrect. When the strategy is right, Hua Wei can speed up development, and when it is not right, Hua Wei will adjust it in time. Such timely strategic adjustment relies on Huawei's organizational vitality. So in Ren Zhengfei's view, it seems that the underlying logic of how Huawei obtains the right strategy is precise: a roughly correct direction and an organization full of vitality. We can't wholly catch or follow the trend, no matter of the industry or technology. So the most important thing for a strategy is an operational direction. Besides, in the case of a generally reasonable path, it is vital for an organization to be active, which can ensure the implementation of the strategy and the direction as the key to success. Ren Zhengfei's strategic adjustment, in other words, is that the strategy is not planned, but stems from evolutionary.

3.2 Finding the Way

How to make strategic adjustments and iterations? Finding the way may answer this question from a philosophical level. The idea of Finding the way comes from Daoism. “Dao” originally originated from the “what transcends form is called Dao” (The Book of Changes). Laozi further explored the Dao in the Dao De Jing, and each description focused differently.

At the national level, in the first 20 years after China implemented reform and opening up in 1978, China's opening up to the outside world was mainly “bring in.” From the initial import of consumer goods to the introduction of equipment and technology, to the introduction of talent, management and even the introduction of foreign companies to set up wholly-owned enterprises in China. The effective use of a large number of international funds and technology has made up for the massive gap in the capital, technology, and management in China's industrialization process and economical construction. However, behind the achievements of the reform and opening up, the central government has also noticed the potential harm of one-way opening up. So, “going global” strategy was put forward. The first time “going global” was mentioned by Jiang Zemin in 1997: “We must not only actively attract foreign companies to invest and set up factories in China, but also actively guide and organize domestic competitive enterprises to go abroad.” After that, in October 2000, The “Tenth Five-Year Plan” clearly stated that the implementation of the “going global” strategy was formally determined. After the “going global” strategy put forward, the central government gave the direction on the exploration of local government through the “ambiguous” approach, channel, macro-guarantee, and promotion policy of “going global” strategy. On this basis, local governments and enterprises are called upon to carry out specific explorations and promote the implementation of the strategy. At the same time, the central government paid close attention to the new contradictions, new problems and new phenomena that emerged during the implementation.

At the enterprise level, Zeng Ming, a senior executive of Alibaba, has shared Alibaba's strategic innovation experience in this way: maintaining a large pattern and pitching in from a tiny point. Ma Yun said that an effective strategy is like a knife, if one takes a knife to smash a board, he should keep trying on the board until achieving the goal. The enterprise strategy should also try to be clear about its board, what the customers' core values are, and be sure to force themselves to think clearly. Trial and error are the constant experimentation and adjustment based on future assumptions through practice, which needs to have a hypothesis as a premise for trial and error. The assumption here refers to the strategic assumption, which needs to be considered as a “hypothesis” before verification. Ma's philosophy is in line with the “finding the way” of Daoism, which emphasizes the constant experimentation in the case of persistence.

4. Summary

This research makes contributions to identifying Taoism as the cultural micro-foundation of the nascent and vibrant strategic flexibility practice in China. First, we draw flexibility upon traditional Chinese Taoist cultural classics to enrich strategic flexibility connotation from dynamic cognition and subjective initiative dimensions. Second, we integrated strategic flexibility with practical scenarios beyond the business field through broadening the theoretical perspective by combining with institutional theory.

References

- [1]. Brozovic, D. Strategic Flexibility: A Review of the Literature. *International Journal of Management Reviews*. Vol. 20(2018) No. 1, pp. 3-31.
- [2]. Combe, I.A. and Greenley, G.E. Capabilities for strategic flexibility: a cognitive content framework. *European Journal of Marketing*. Vol.38(2004), pp. 1456–1480.
- [3]. Das, T.K. Elango, B. Managing strategic flexibility: Key to effective performance. *Journal of General Management*. Vol. 20(1995) No.3, pp. 60-75.
- [4]. Evans, J.S Strategic flexibility for high technology manoeuvres: a conceptual framework. *Journal of Management Studies*. Vol. 28(1991), pp. 69–89.
- [5]. Escrig-Tena, A.B. Bou-Llusar, J.C. Beltran-Marttin, et al. (2011). Modelling the implications of Quality Management elements on strategic flexibility. *Advances in Decision Sciences*, 2011, <http://dx.doi.org/10.1155/2011/694080>.
- [6]. Jullien, F. A treatise on efficacy: Between western and Chinese thinking. Honolulu:University of Hawaii Press (with J. Lloyd as the translator), 2004.
- [7]. Luo, Y. Child, J. A composition-based view of firm growth. *Management and Organization Review*. Vol.11(2015) No.3, pp. 379–411.
- [8]. Mack, O. Khare, A. Kramer. A. et al. *Managing in a VUCA World*. 2015. Springer International Publishing.
- [9]. Matland, R. E. Synthesizing the implementation literature: the ambiguity-conflict model of policy implementation. *Journal of Public Administration Research & Theory*, Vol. 5(1995) No.2, pp.145-174.
- [10]. Miller, K. D. Lin, S. Analogical reasoning for diagnosing strategic issues in dynamic and complex environments. *Strategic Management Journal*. Vol. 36(2015) No.13, pp.2000-2020.
- [11]. Roberts, N. Stockport, G.J. Defining strategic flexibility. *Global Journal of Flexible Systems Management*, Vol.10(2009), pp. 27–32.