



## The triadic governance model of Chinese management: A theoretical integration of legalism, Confucianism and Taoism

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### Abstract

Despite the rapid growth of Asian management research, the dominant theoretical frameworks applied to Chinese organizations remain deeply rooted in Western paradigms. While Confucian values have garnered significant academic attention, the civilization-level governance thinking shaped by Legalist institutionalism and Taoist adaptive philosophy has not been fully theorized. This study integrates three major intellectual traditions—Legalism (institutional control), Confucianism (ethical internalization), and Taoism (dynamic regulation)—to develop an indigenous triadic governance model. Through a systematic literature review and qualitative theory building, we propose six theoretical propositions elucidating how the three mechanisms interact to produce holistic organizational capabilities. This paper responds to scholarly calls for context-embedded theory construction, conceptualizing Chinese governance as a dynamic civilizational system rather than a single cultural variable, thereby contributing to indigenous management theory. The research offers implications for Asia-Pacific management practices: governance effectiveness stems from the synergistic balance of structural order, ethical norms, and dynamic adaptation, rather than an over-reliance on any single mechanism.

**Keywords:** Indigenous management theory, legalist governance, confucian leadership, Taoist adaptation, triadic model, Chinese organizations

### Introduction

The worldwide expansion of management research fields has failed to create equal knowledge frameworks between different academic disciplines. Western theories continue to dominate the discourse on core concepts such as leadership, organizational governance, and organizational capabilities. Research based on Asian contexts has shown substantial growth in empirical studies but Western paradigms continue to serve as the primary foundation for theory development according to Meyer (2006) [14]. The current lack of balance between Western and non-Western management knowledge systems creates obstacles for diverse management theories to enter academic discussions while it prevents non-Western governance knowledge from gaining recognition in contemporary academic studies. Researchers have supported the development of indigenous theories which should arise from specific cultural contexts (Tsui, 2004) [20]. The current body of Chinese management research shows an uneven distribution because scholars focus mainly on Confucian principles through their studies of paternalistic leadership and guanxi networks and collectivism. The academic approach based on Confucian principles hides two essential intellectual systems which formed the foundation of Chinese governance civilization. First, Legalism operates as a governance system which demands organizations to function under strict institutional boundaries while following all rules without exception. The fundamental principles of "clear laws" (ming fa), "adherence to methods" (xun shu), and "wielding situational power" (zhi shi) form an organized system which explains how institutions should function through their particular historical background and their logical consistency that differs from Western institutional theories. Second, Taoism: The wisdom of governance in Taoism teaches leaders to maintain equilibrium through flexible approaches while avoiding

forceful methods of control. The principles of "governing by non-action" (wu wei er zhi), "supreme goodness is like water" (shang shan ruo shui), and "reversal is the movement of the Tao" (fan zhe dao zhi dong) present an active philosophical system which helps people deal with environmental unpredictability while they examine organizational adaptation theories through a deep intellectual dialogue. Throughout history Chinese rulers developed their governance systems by combining practical solutions with real-world implementation instead of following abstract philosophical concepts. The imperial statecraft system combined Legalist "law" (fa) with Confucian "virtue" (de) and Taoist "flexibility" (rou) to create new traditions which included "Confucian in appearance, Legalist in substance" (yang ru yin fa) and "mixing the ways of the overlord and the king" (ba wang dao za zhi). The core organizational structures of modern Chinese businesses show this integrative approach through their combination of official rules with personal values alongside their ability to plan strategically and adapt swiftly to changes. The current body of management research has not yet developed a complete governance system which would combine all three elements into one framework.

### Through literature review, this study identifies three main theoretical gaps

**Theoretical Gap 1:** Over-reliance on Confucian cultural explanations. Asian-based management theories reduce Chinese organizational systems to two main concepts which include relational collectivism and paternalistic leadership but these approaches fail to capture the complex governance system. The model fails to recognize how Legalist institutional methods determine formal organizational systems while it also fails to show how Taoist philosophy enables organizations to adapt.

**Theoretical Gap 2:** Lack of a dynamic integrative perspective. Research on Legalism and Taoism exists but most studies examine these traditions separately without showing how they connect with other organizational systems. The model presents Legalist institutional control and Confucian ethical internalization and Taoist dynamic adaptation as three distinct governance systems which operate independently from each other. The research approach has limited its explanatory power because it investigates these matters through fragmented research methods.

**Theoretical Gap 3:** Methodological imbalance. Research studies primarily use surveys with hypothesis testing to validate current theories instead of creating new theoretical frameworks. The limited availability of qualitative theory-building research prevents Chinese civilizational tradition-based governance concepts from reaching their full potential (Eisenhardt, 1989)<sup>[8]</sup>.

The research study will develop an original governance theory which draws from Chinese management principles to support the evolution of indigenous management theories. The research aims to create a local governance framework which unites Legalist principles with Confucian and Taoist philosophies because of the identified research gaps. The specific research questions are as follows:

1. Which organizational governance systems exist in the present day that draw from the intellectual traditions of Legalism and Confucianism and Taoism?
2. Which organizational governance capabilities emerge through the combined operation of these three mechanisms at the organizational level?
3. What are the implications of the triadic governance model for the construction of Chinese indigenous management theory?

**The research study will generate new academic knowledge through its theoretical findings in the following fields**

The research introduces a civilizational governance framework which views Chinese governance as a multi-layered historical system of ideas instead of treating it as a single cultural element. The research method answers Tsui's (2004)<sup>[20]</sup> demand for theories which should emerge from specific environments through its effort to move indigenous management studies from cultural examinations to structural investigations. The research builds operational organizational governance systems through its second step which uses philosophical traditions to create indigenous theory at the mechanism level. The Chinese governance system functions as a dynamic civilizational system because Legalism represents institutional control and Confucianism represents ethical internalization and Taoism represents dynamic regulation. The research study uses a new approach which combines Legalism with Confucianism and Taoism to study governance systems beyond traditional single-cultural frameworks based on Confucian perspectives. The research field of Chinese management receives its major development through this study because it establishes an innovative framework which analyzes civilizational systems instead of cultural variables. The research presents configurational thinking which studies how the three mechanisms operate together in various organizational environments instead of following traditional cause-and-effect models. The three mechanisms work together to

create governance capabilities which form a complete system that exceeds the individual performance of each separate mechanism (Fiss, 2007)<sup>[10]</sup>. The research fills the gap which exists between the three main governance systems by showing the natural connection between Chinese management principles. The research presents the first triadic governance system which unites Legalism with Confucianism and Taoism through six theoretical propositions that explain how these governance systems work together to solve the problem of separate research approaches and to enhance our knowledge about Chinese organizational governance systems.

**Literature Review**

The development of indigenous management research exists because scholars now doubt Western theories operate as universal solutions. Tsui (2004)<sup>[20]</sup> argued that Asian scholars must go beyond Western theory testing to develop new concepts which emerge from their native environments. Researchers have followed this idea to build their theoretical models which stem from this approach. Researchers can produce more precise theories through contextualized research according to Meyer (2006)<sup>[14]</sup>. Kwok Leung (2007)<sup>[12]</sup> used cross-cultural psychology to show that indigenous concepts should form the basis for developing indigenous management theories. He argued that indigenous constructs, formed based on local cultural contexts and capable of reflecting the essential characteristics of local organizational behavior, are the foundation for constructing indigenous management theories. He developed a four-step approach which combines cultural analysis with concept definition and scale development and empirical validation to create indigenous constructs. The author demonstrated the research value of indigenous constructs through Chinese examples of "guanxi" and "face" (mianzi) in cross-cultural management studies. Management theory development needs contextual information according to Meyer (2006)<sup>[14]</sup> who showed this through his research. He argued that contextualization not only enhances the precision and explanatory power of management theories but also promotes the globalization of management theory development. The author divided context into three levels which include macro-context that contains nation and culture and institution and meso-context that includes industry and organization and micro-context that focuses on team and individual levels. Management theory development requires complete consideration of how different context levels merge together in real-world situations. The research community working on indigenous management has started to make progress but they must address the hidden problem which they refer to as "Confucian-centrism." The current body of research concentrates mainly on Confucian ethics together with guanxi networks and paternalistic leadership because it assumes that Confucianism provides a complete representation of Chinese cultural traits. The current orientation presents three main limitations which affect its functionality.

The system fails to represent the various elements which make up the Chinese system of governance. The historical practice of Legalist institutional thinking and Taoist adaptive philosophy remains hidden because scholars continue to view these subjects as unusual academic fields. The process creates an imbalanced perspective which fails to capture all organizational elements which exist within

Chinese business operations. The empirical data demonstrates that Chinese corporate management systems combine formal operational structures with relationship-based management approaches which cannot be explained through a single Confucian value. The process creates an imbalanced perspective which fails to capture all organizational elements which exist within Chinese business operations. The process creates an imbalanced perspective which fails to capture all organizational elements which exist within Chinese business operations. The process creates an imbalanced perspective which fails to capture all organizational elements which exist within Chinese business operations. The current research method prevents scholars from creating meaningful connections between their theoretical work and the fundamental elements which Western philosophy studies. The theoretical connection between Legalism and institutional theory exists strongly but researchers have not yet investigated it fully. The research community has not yet explored the theoretical connection between Legalism and institutional theory to its full potential. The research community has not yet explored the theoretical connection between Legalism

Institutional theory describes governance as a system which works to establish stability through its operational rules. The three institutional pillars according to Scott (2008) <sup>[17]</sup> include regulative and normative and cultural-cognitive systems which he used to show how formal rules help reduce uncertainty according to DiMaggio and Powell (1983) <sup>[6]</sup>. Agency theory which begins with economic rationality views control as a tool which helps organizations reduce costs through effective monitoring and reward system alignment according to Jensen and Meckling (1976) <sup>[11]</sup>. Research on high-performance work systems shows that formalized HRM practices can enhance organizational performance consistency (Combs *et al.*, 2006) <sup>[5]</sup>. Institutional theory shows that organizations face difficulties when they attempt to establish formal systems. The research by Adler and Borys (1996) <sup>[1]</sup> showed two types of bureaucratic systems which they called "enabling" and "coercive" and they argued that too much control would block innovative thinking and individual work freedom. The research shows that institutional governance functions effectively when organizations develop proper levels of formal rules together with adaptable operational methods. Legalism developed during the Warring States period when society faced intense instability. The thinkers Shang Yang, Shen Dao, Shen Buhai, and Han Fei developed Legalism into a complete system which focused on institutional management. The core elements of this framework contain three fundamental aspects which form its basic structure. The first element of "Ming Fa" (Clarifying Laws) demands organizations to create transparent rules which they need to show to all members. Legalists supported "laws are codified in charts and books, set up in government offices, and promulgated to the people" (Han Feizi, Chapter 54: Difficulties of Persuasion) because they opposed the unpredictable penalties which traditional rites imposed on society. The modern institutional theory shares an identical focus on establishing official rules with this particular rule system. The second practice called "Xun Shu" (Adhering to Methods/Techniques) works to establish administrative systems which include both operational methods and monitoring systems. The concept of "Shu" (method/technique) involves a system which Han Feizi

describes through four components: appointing officials by their abilities, maintaining their position-based accountability, controlling life and death decisions, and testing ministerial competencies (Han Feizi, Chapter 43: Defining Legal Standards). The system requires users to monitor its performance through three vital processes which include employee evaluation and staff recruitment and operational monitoring. The third practice known as "Zhi Shi" (Wielding Situational Power/Authority) focuses on establishing strong leadership systems which maintain distinct power systems. The concept of "Shi" (situational power/authority) functions as the instrument which enables people to defeat their opponents according to Han Feizi in Chapter 48: Eight Canons. The system demands organizations to establish firm power structures which will define each member's specific roles and duties. The historical development of Legalism created an institutional system which awarded people for their achievements while selecting leaders through their actual work results instead of following the traditional family-based ranking system. The quick collapse of the Qin dynasty results from Legalist methods which went beyond normal limits instead of showing that Legalist principles failed to work. The later governance tradition of "Confucian in appearance, Legalist in substance" precisely proves the inherent value of Legalist institutional thinking.

**Translating Legalist thought into modern organizational governance mechanisms can establish the following correspondences:**

1. **"Ming Fa" (Clarifying Laws):** Establishing formal governance systems: Clear organizational rules, standard operating procedures, performance evaluation systems.
2. **"Xun Shu" (Adhering to Methods):** Developing supervisory and management mechanisms: Process monitoring, performance appraisal, talent selection systems.
3. **"Zhi Shi" (Wielding Power):** Defining hierarchical authority structures: Clear responsibility boundaries, chains of command, decision-making authority.

It is important to emphasize that Legalist governance is not purely "rigid" control. Shang Yang stated, "Laws are what love the people," and Han Fei advocated, "The sage rules by examining prohibitions," indicating that Legalist thought contains a pursuit of the righteousness of rules. This dimension forms a potential connection point with Confucian ethics.

The main focus of Western ethical leadership research tries to understand how leaders' moral characteristics affect their relationships with their followers. Brown and Treviño (2006) <sup>[2]</sup> defined ethical leadership as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making." Research shows that ethical leadership enhances employee trust, commitment, and voice behavior. Psychological safety research shows a different approach which helps organizations understand their ethical governance systems. Edmondson (1999) <sup>[7]</sup> demonstrated that organizations which develop psychological safety in their teams enable their members to acquire new knowledge while achieving superior innovative

outcomes. Organizations can learn through their members because ethical workplaces let people work without fear while building strong trust between them. Confucian governance thought studies Western ethical leadership through an intense exchange of ideas while showing distinct features which separate it from Western approaches. The core mechanisms of Confucian governance can be summarized as follows:

The first step in Ethical Internalization (Neihua) requires people to develop their own sense of benevolence (Ren) according to Confucian beliefs which transform moral rules into personal understanding. People follow rules because they understand them through Confucian governance instead of institutional control which depends on reward-based systems and punishment-based systems. People follow rules because they understand them through Confucian governance instead of institutional control which depends on reward-based systems and punishment-based systems.

The "Five Relationships" (wu lun) establish the foundation for Confucian ethics through their system which transforms basic moral ideas into direct social connections between people. The five relationships of ruler-subject and father-son and husband-wife and elder-younger brother and friend-friend have specific duties which create a moral system that depends on each person's role. The Western ethical system contains individualist beliefs which religiously based relational thinking exists to overcome. Third, Moral Exemplification (Shuai); Confucius stated, "Governing (zheng) is being correct (zheng). Leaders who show correct behavior will stop anyone from making mistakes." Leaders influence their followers through moral conduct which works better than depending on their official authority. Research on paternalistic leadership reveals that effective leaders in Chinese organizations often combine authority with benevolence (Farh & Cheng, 2000) <sup>[9]</sup>, an empirical manifestation of the Confucian ideal of being "majestic yet not fierce" and "respectful and at ease." Research studies have demonstrated that Confucian governance produces beneficial results when tested through empirical methods. Chen *et al.* (2014) <sup>[4]</sup> found that paternalistic leadership positively impacts organizational commitment. Confucian governance also faces criticism. Pellegrini and Scandura (2008) <sup>[16]</sup> pointed out that paternalistic leadership can slide into authoritarianism, stifling employee autonomy. Overemphasizing relational obligations can lead to favoritism and factionalism, damaging procedural fairness. Therefore, the Confucian ethical internalization mechanism needs to be counterbalanced by institutional control mechanisms to prevent ethical governance from degenerating into personal loyalty.

The Dynamic Capabilities Theory explores how organizations maintain their operational activities when their surrounding environment undergoes modifications. Teece (2007) <sup>[19]</sup> defined dynamic capabilities as "the firm's ability to integrate, build, and reconfigure internal and external resources to address rapidly changing environments," specifically including three core activities: sensing opportunities and threats, seizing opportunities, and transforming/reconfiguring resources. Organizations must find the right equilibrium between their efforts to discover novel possibilities and their attempts to enhance their existing capabilities according to March (1991) <sup>[13]</sup> who

introduced the exploration-exploitation framework. Research shows that organizations which can adapt will survive for long periods because their ability to change determines their survival success (Sutcliffe & Vogus, 2003) <sup>[18]</sup>.

The dynamic capabilities theory finds its full expression through Taoist principles which bring their individual philosophical perspective into the system. The Taoist philosophy of focusing on "Tao" (the Way) teaches that Heaven and human existence form a single cosmic entity known as "tian ren he yi" while humans exist as part of the natural world system instead of being its dominant force. The organizational adaptation method of Western anthropocentrism faces opposition from this approach. The core mechanisms of Taoist adaptive governance can be summarized as follows:

The first principle of Wu Wei Er Zhi (Governing by Non-Action) establishes a system of non-coercive coordination. "Wu wei" is not passive inaction, but "assisting the myriad things in their natural course and not daring to act artificially" (Laozi, Chapter 64)—i.e., adapting to the inherent patterns of things and avoiding coercive intervention. Organizations today practice wu wei through their strategy of minimal interference which lets teams operate independently after they receive fundamental operational guidelines. The second principle of Shang Shan Ruo Shui (Supreme Goodness is Like Water) demonstrates the need for adaptable behavior. Laozi uses water as a metaphor for the Tao: "The highest good is like water. Water benefits the myriad things and does not contend. It dwells in places that people disdain. Thus, it is near the Tao." (Chapter 8). Water serves as an excellent symbol for adaptive capacity because it demonstrates flexibility and humility and it adapts well while showing persistent behavior. Organizations need to modify their operations through flexible adaptation instead of blocking environmental changes because they should use their current situation to their advantage. The third principle of Fan Zhe Dao Zhi Dong (Reversal is the Movement of the Tao) presents a cyclical method of thinking. Taoism establishes a universal rule which demonstrates that all things will eventually change into their opposite forms. The discovery shows organizations must defend themselves against the success trap because their current advantage will evolve into an upcoming challenge which they must overcome through continuous self-improvement. The core principles of Taoist wisdom which organizations possess have not received any attention from contemporary management scholars. The academic field of management studies now shows increasing interest in Taoism but scholars need to develop a comprehensive theoretical framework which unites these concepts.

The present research field exhibits a fragmented state because institutional theory studies structural control while ethical leadership research investigates moral aspects and dynamic capabilities theory focuses on adaptive mechanisms without any successful integration between these theories. The three philosophical systems of Confucianism and Legalism and Taoism form a unified structure because Confucianism supports both the golden mean and virtuous governance and Legalism operates through defined reward systems and punishment protocols and Taoism supports leadership through non-intervention. The two systems combined to form a distinct system which

based its foundation on "virtuous governance" and used "complementarity of rites and law" to achieve its goals. Management theory development receives important theoretical support from this historical understanding which has become available to researchers. The research addresses the call for an integrative governance model through its work which translates Legalist philosophy together with Confucian and Taoist principles into contemporary organizational governance systems while it shows how these systems interact with each other. The research answers Tsui's (2004) <sup>[20]</sup> call for context-based theory development by moving indigenous management studies beyond cultural variable research toward an advanced stage which analyzes civilizational structures.

### **A Theoretical Framework: The Triadic Governance Model**

Organizations receive their control analysis through existing governance theories because these theories separate functional differentiation into distinct analytical components which include structure and leadership and adaptation. Scott (2008) <sup>[17]</sup> presents three pillars through institutional theory which includes regulative and normative and cultural-cognitive elements yet the theory does not explain how these pillars evolved together across different cultural backgrounds. The research combines three fundamental governance systems which include Legalist institutional control and Confucian ethical internalization and Taoist dynamic regulation to develop a Chinese management theory which I call the Triadic Governance Model. The framework shows Chinese governance as a civilizational system which functions dynamically instead of viewing it as a singular cultural element. The framework shows Chinese governance as a civilizational system which functions dynamically instead of viewing it as a singular cultural element. The framework shows Chinese governance as a civilizational system which functions dynamically instead of viewing it as a singular cultural element. The framework shows Chinese governance as a civilizational system which functions dynamically instead of viewing it as a singular cultural element. The Chinese governance system developed through a unique process which did not follow the usual pattern of separate philosophical schools because it emerged as multiple philosophical systems which existed together as different levels of thought. The Legalist administrative system established clear organizational structures yet Confucian ethics provided moral authority while Taoist philosophy enabled organizations to adapt their operations. The two systems existed together as a natural solution which allowed people to handle their complicated governing problems. This historical insight suggests that organizational governance capability cannot be condensed to a single dominance but arises from the dynamic interaction of multiple elements. Therefore, this study conceptualizes governance capability as a triadic configurational system, comprising three interdependent fundamental dimensions:

1. **Structural-Legal Dimension:** Corresponds to Legalism, manifested as the institutional control mechanism.
2. **Normative-Ethical Dimension:** Corresponds to Confucianism, manifested as the ethical internalization mechanism.

3. **Adaptive-Dynamic Dimension:** Corresponds to Taoism, manifested as the dynamic regulation mechanism.

Legalist governance functions as a system which helps organizations create their expected behaviors and united efforts through their established rules and their hierarchical control systems and their monitoring systems. The triadic governance framework operates its basic structural dimension which functions as the Legalist institutional control mechanism to maintain organizational structural stability. The main principles of Legalist governance focus on three essential elements which include law clarification and method following and power control to create modern management systems through formal governance and supervisory systems and hierarchical structures. The Legalist institutional control mechanism operates as the triadic governance framework base structure which defines specific tasks and behavioral rules and performance evaluation criteria for organizational personnel to reduce their role uncertainty and behavioral unpredictability while standardizing their work processes to improve organizational performance and maintain organizational stability. The structural dimension serves as a basic requirement which organizations need to exist and grow. Organizations would lose all control because their institutional framework would collapse which would destroy the basis for Confucian ethical development and Taoist organizational control systems. However, it must be emphasized that the structural dimension is not necessarily stronger the better; excessive institutional control can lead to organizational rigidity, stifling employee innovation and initiative, thus requiring appropriate moderation by the Taoist dynamic regulation mechanism.

Confucian governance operates as a management system which enables organizations to achieve member compliance through moral examples and social bonds and ethical environments. The normative dimension stands as the basic component of the triadic governance framework because it follows the Confucian method of ethical internalization to create moral unity. Self-cultivation (xiu shen) serves as the fundamental principle of Confucian governance which also includes benevolent governance (ren zheng) and rule by rites (li zhi) to establish moral leadership and ethical organizational environments in contemporary management practices. The triadic governance framework contains the Confucian ethical internalization mechanism which functions as a spiritual connection to support organizational growth. Leaders who demonstrate moral behavior and teach ethical principles and provide emotional support help employees develop their personal moral values and their sense of belonging to the organization. Leaders who demonstrate ethical behavior through their actions teach their followers through their moral conduct which matches ethical guidelines. People who work together maintain ongoing mutual expectations because their work roles require them to uphold responsibilities which extend past their business contracts. Organizations establish psychological safety through their working environment because this climate enables staff members to express themselves without feeling threatened by their colleagues. The system enables organizations to move away from their current institutional control system toward self-regulated organizational systems which will boost employee trust and

commitment while creating stronger organizational ethical standards. The normative dimension serves as a bridge connecting the structural and adaptive dimensions. It can compensate for the deficiencies of Legalist institutional control—Legalism emphasizes external rule constraints, while Confucian ethical internalization emphasizes internal moral self-discipline. The two systems exist in a mutual relationship which allows them to unite the principles of "rule by law" with "rule by virtue." The Taoist dynamic regulation system receives its value foundation through Confucian ethical internalization which protects organizational dynamic adjustments from ethical violations. Institutions operate through a unified system which Confucian governance creates by establishing moral principles that unite organizations under shared values. The governance system depends on ethical internalization because it functions as its core life force which brings warmth and vitality to institutions.

Taoist governance functions as an adaptive system which enables organizations to handle environmental unpredictability through their ability to coordinate without force and their skill to adjust based on circumstances and their mental equilibrium management. The triadic governance framework operates under its regulatory layer which functions as the adaptive dimension and follows the Taoist dynamic regulation system to create adaptive resilience. The main principles of Taoist governance thought include following natural order through Tao and practicing non-intervention to achieve governance and preserving equilibrium which leads to unified harmony. The triadic governance framework incorporates Taoist dynamic regulation because it offers organizations flexible methods to manage their operational development. Organizations can handle their internal structural and normative conflicts through governance strategy changes which need to happen quickly when external and internal conditions shift while also reducing unnecessary administrative control. The organization will develop better environmental adaptation and innovation abilities through this process which also strengthens its capacity to adjust to new situations. The adaptive dimension is key to an organization's sustainable development. Organizations face rising complexity and unpredictable changes in their external business environment because digital economic systems and worldwide market integration have taken over. Environmental shifts require more than institutional stability and ethical unity because the Taoist dynamic regulation mechanism enables organizations to adapt with flexibility. The Taoist dynamic regulation mechanism functions to control Legalist institutional control which produces rigidity while it compensates for the lack of diversity in Confucian ethical internalization to establish a balanced system between the three governance systems. Taoist governance performs a regulatory function, endowing the organization with flexibility and adaptive capacity, preventing institutional rigidity and path dependency. The governance system operates through dynamic regulation which functions as its "breathing" mechanism to maintain organizational vitality during environmental transformations.

The triadic governance system operates through two essential systems which include hierarchical dependency based on foundation-core-regulation and interactive relationships between mutual embedding and mutual

regulation and synergistic integration. The three governance systems operate as a self-contained system which functions through their continuous operational cycle. The system operates through Legalist institutional control which establishes its basic structure while Confucian ethical internalization provides its core values and Taoist dynamic regulation maintains its operational equilibrium. The three systems operate together to generate unified governance systems which become more than their individual components. The structural dimension serves as the base which supports the triadic framework according to hierarchical dependency analysis. Organizations operate without rules and order when Legalist institutional control fails to exist. The implementation system for Confucian ethical internalization disappears when Legalist institutional control fails to exist. The system operates without direction when Taoist dynamic regulation operates without Legalist institutional control. The normative dimension serves as the base which supports the triadic framework. The moral essence of Legalist institutional control becomes accessible through Confucian ethical internalization which stops institutions from evolving into mere power-based systems while Taoist dynamic regulation gains value-based operational limits which make its regulatory actions follow organizational moral standards. The adaptive dimension controls the triadic framework because it functions as its regulatory section. Taoist dynamic regulation functions as a system which addresses the inflexible nature of Legalist institutional control and the uniformity problems found in Confucian ethical internalization to allow the entire governance system to adjust to external environmental shifts which results in a stable yet evolving equilibrium.

The three governance systems demonstrate mutual embedding through their interactive relationships which stem from their operational mechanisms. The Legalist institutional control system operates through Confucian ethical standards which include corporate rules that combine official conduct rules with moral obligations for integrity and responsibility. The Legalist institutional system maintains organizational control through the Confucian ethical principles which people have learned to accept in their personal values. The organization needs to combine their moral education programs with their reward and punishment systems to achieve proper execution of ethical standards. Organizations need to follow their institutional framework and moral standards when they perform their flexible adjustment operations. The three governance systems maintain a system of mutual control which enables each mechanism to regulate the others. The Legalist institutional system establishes boundaries which prevent Taoist dynamic regulation from creating extreme organizational changes that would result in organizational chaos. The organization needs to follow Confucian ethical values to direct its Taoist dynamic regulatory system because these values help the organization achieve its main goals. The Legalist institutional system and Confucian ethical system find their balance through Taoist dynamic regulation which controls their operational intensity to help institutions and ethics evolve with their surroundings. The three governance systems link together through mutual embedding and mutual regulation to create a unified system which produces results that exceed the sum of their individual parts. The organization establishes its integrated governance system through the combined operation of these

three governance systems which generate results that exceed the sum of their individual components. The three governance mechanisms operate through mutual dependence instead of operating as independent systems. The relationship shows these specific characteristics: The system functions through three distinct components which include the skeletal framework from Legalist governance and the legitimacy of order from Confucian governance and the flexible system maintenance of Taoist governance. The three systems focus on essential questions about organizational governance through their respective approaches which include Legalism for coordination management and Confucianism for identification development and Taoism for adaptation maintenance. The three systems exist in a hierarchical structure which starts with Legalist governance as the base layer that creates the fundamental operating system. The organizational structure operates by following its core principles through the Confucian governance system which makes these principles into shared beliefs between members. The regulatory layer consists of Taoist governance which tracks system-environment compatibility and makes necessary adjustments. The three systems need to maintain their dynamic equilibrium state for triadic governance to achieve its intended purpose. The application of Legalism at an extreme level generates bureaucratic systems which block innovative thinking yet the practice of Confucianism at an extreme level leads to relationalism and unfair procedures. The practice of Taoism at an extreme level creates problems with unclear direction and weak implementation. Organizations need to keep their three core elements at suitable tension levels to achieve proper governance.

### Proposition Developments

Based on the theoretical framework above, this section develops six theoretical propositions elucidating the functions of the three governance mechanisms and their interactions.

#### 1. Main Effect of Legalist Governance: Structural Stability

Legalist governance exists to create an organized system which brings order to organizations. The Legalist system achieves its purpose by using established rules and operating procedures together with defined responsibility limits which help employees understand their roles and reduce their workplace uncertainties. According to institutional theory organizations achieve better performance consistency through their established systems which direct employee actions and decrease the expenses of business operations (Combs *et al.*, 2006) [5]. The agency theory shows that organizations can decrease opportunistic conduct by putting in place monitoring systems and incentive alignment which also shields the organization's core interests (Jensen & Meckling, 1976) [11]. Legalist governance shows its uniqueness through the implementation of "Ming Fa" which makes all laws visible and establishes their fixed nature. An institutional framework which defines organizational behavior creates stable member expectations that help reduce conflicts which emerge from information asymmetry. The organization uses two systems for performance evaluation and talent selection which help them find top performers who receive rewards for their work performance and this creates an environment

where employees compete in positive ways. Therefore, we propose:

**Proposition 1 (Structural Stability):** Legalist governance mechanisms positively influence organizational stability by reducing role ambiguity and coordinating behavioral expectations.

#### 2. Main Effect of Confucian Governance

The main purpose of Confucian governance stands to build organizational identification which serves as its main function. The Confucian mechanism enables members to absorb organizational norms through leaders who show moral behavior and members who expect each other to fulfill relational duties and through the establishment of a psychologically safe environment. Research on ethical leadership demonstrates that leaders who show moral behavior develop follower trust and emotional dedication according to Brown and Treviño's 2006 [2] study. The research on psychological safety shows that organizations become ethical when members stop fearing each other and develop trust which enables them to learn new things and create innovative solutions at work (Edmondson, 1999) [7]. The core value of Confucian governance emerges from its ability to make people follow rules through ethical understanding which functions independently from traditional reward and punishment systems. Active member compliance based on norm identification produces organizational cohesion which exceeds what institutional control systems can achieve. Studies about Paternalistic leadership show that leaders who show both care and ethical behavior will produce better organizational commitment and work dedication from their staff members (Farh & Cheng, 2000; Chen *et al.*, 2014) [4, 9]. The system of Confucian governance operates through a different structure when compared to authoritarian paternalism systems. The core of Confucian ethical learning operates through "Ren" (benevolence) because it focuses on showing care and respect to all people while authoritarian control functions through power because it demands people to follow orders without any questions. Therefore, we propose:

**Proposition 2 (Normative Cohesion):** Confucian governance mechanisms positively influence organizational cohesion by fostering ethical internalization and relational commitment.

#### 3. Main Effect of Taoist Governance

The core function of Taoist governance is to enhance organizational adaptive capacity. The Taoist system lets organizations flexibly respond to environmental shifts by combining their ability to sense situations with their non-forceful coordination and their equilibrium-based thinking approach. Organizations develop their ability to adapt through dynamic capabilities because they need to detect new opportunities and threats while they must take advantage of available opportunities and they need to transform their existing resources according to Teece (2007) [19]. The Taoist principle of "Wu Wei" (non-action) engages in profound dialogue with this framework: non-coercive coordination is not passive inaction, but "assisting the myriad things in their natural course," granting teams autonomy for adjustment after establishing the basic direction. The unique contribution of Taoist governance lies in its cyclical thinking and flexible adaptation. The organizational insight of Fan Zhe Dao Zhi Dong (reversal is

the movement of the Tao) shows that businesses need to watch out for the success trap because their current achievements could cause them to miss important changes in their environment. Water serves as a metaphor which shows how people should stay flexible when they respond to situations instead of trying to fight against every change that happens. Therefore, we propose:

**Proposition 3 (Adaptive Resilience):** Taoist governance mechanisms positively influence organizational resilience by allowing flexible adjustments under environmental uncertainty.

#### 4. Mediating Effect of Confucian Governance

The triadic model discovers its main value through the way different mechanisms interact with each other. The Confucian system of governance serves as an essential link which connects Legalist institutional control to the development of permanent organizational loyalty. The system of institutional control enables organizations to achieve brief compliance but it does not provide enough power to build enduring dedication. The governance models which depend on outside reward systems and penalty systems create member attitudes that focus on results because people follow rules only to prevent punishment while seeking benefits yet they abandon their changed behaviors when monitoring systems fail or reward programs stop working. The Confucian ethical internalization system enables institutional compliance to receive moral value because members who understand and accept rule values will follow rules through their own will instead of needing external force. The Chinese governance system has developed its core wisdom through the historical relationship between Legalist "Ming Fa" and Confucian "rule by virtue" (De Zhi). The Qin dynasty collapsed because Legalism demanded absolute legal compliance yet failed to establish moral principles which made their harsh punishment system unsustainable. The later model of "Confucian in appearance, Legalist in substance" used Confucian ethics to create a legitimacy base for Legalist institutions. Modern organizations show this mechanism through Legalism which provides institutional structure and through leaders who interpret moral values and through the spread of ethical values which create personal dedication among team members. Institutions maintain the official standard which shows what is right but ethics help people understand the reasons behind what makes something right. Therefore, we propose:

**Proposition 4 (Ethical Mediation):** The Confucian governance mechanism mediates the relationship between Legalist governance and long-term organizational commitment. Legalist institutional control can produce sustainable organizational commitment only through the transformative effect of Confucian ethical internalization.

#### 5. Moderating Effect of Taoist Governance: Preventing Institutional Rigidity

The Taoist governance system functions as a moderating force which stops Legalist formalization from producing negative effects on innovation through its institutional flexibility maintenance. Institutions show two major effects when they establish formal organizational rules. Organizations experience better performance through rule

clarity at moderate levels but excessive formalization leads to "coercive bureaucracy" (Adler & Borys, 1996) <sup>[1]</sup> which suppresses both employee independence and creative work. Organizations face their most critical governance challenge because they need to maintain their current structure while they attempt to preserve their innovative potential. The system includes a control mechanism which operates through Taoist philosophical principles. The "Wu Wei" principle recommends establishing essential structures before allowing natural processes to develop through minimal external interference. The "Fan Zhe Dao Zhi Dong" cycle shows that rules become effective when they suit their specific situation yet following them without flexibility causes problems. The flexible metaphor of "Shang Shan Ruo Shui" (supreme goodness is like water) inspires a dynamic perspective on rule implementation—maintaining adjustment flexibility while adhering to principles. Therefore, we propose:

**Proposition 5 (Taoist Moderation):** The Taoist governance mechanism moderates the relationship between Legalist formalization and innovation capability. High levels of Taoist governance weaken the negative effect of Legalist formalization on innovation, preventing institutional rigidity.

#### 6. Integrative Effect of Triadic Synergy

The triadic model demonstrates that Legalist and Confucian and Taoist governance systems which operate together at the same time will generate superior governance abilities than each system would achieve when operating independently. The theoretical basis for this assertion is functional complementarity. Organizations require three governance systems to resolve their core operational dilemmas: Legalism provides the institutional base which supports proper behavior through established rules and organizational structure; Confucianism creates the moral base which enables individuals to perform correct actions through self-discipline and dedication; Taoism provides the flexible base which enables organizations to maintain correct actions through their ability to modify and create new solutions. The absence of any mechanism will lead to functional deficiencies in the governance system: The system would encounter challenges with favoritism and execution pauses because Confucianism operates without the institutional frameworks which Legalism provides. The system would encounter problems because Legalism operates through institutional control but lacks any moral basis so it tends to create formalistic behavior and instrumental compliance. The system would experience strategic drift because Taoism operates through flexible adjustment but lacks the order framework which Legalism and Confucianism provide. The traditional Chinese governance system developed its special operational advantage because it naturally combined three essential elements. The triadic system which consists of Confucianism and Legalism and Taoism forms a unified system which bases its core on "virtuous governance" (De Zhi) and operates through "complementarity of rites and law". The ancient knowledge contains valuable insights which help leaders manage their organizations in our current time. The research framework for this study depends on Configurational thinking which Fiss introduced in 2007 <sup>[10]</sup>. Triadic synergy does not require a simple quantitative

balance among the three mechanisms, but emphasizes the configurational relationships they form—in different organizational contexts and developmental stages, the weights and interaction patterns among them may vary, but effective governance necessarily requires their coexistence and coordination. Therefore, we propose:

**Proposition 6 (Triadic Synergy):** The simultaneous coexistence of Legalist, Confucian, and Taoist governance mechanisms produces synergistic governance capability, the overall effect of which exceeds the sum of the isolated effects of any single mechanism.

### Conclusions

The research team created a governance system which combines Legalist principles with Confucian and Taoist beliefs to build an original model which applies their philosophical ideas through three modern organizational governance systems. Our research team constructed six theoretical propositions through thorough literature analysis which explains how the three mechanisms operate and their mutual effects. The core conclusions are as follows. The organization achieves structural stability through Legalist governance which establishes clear rules and standardized procedures and maintains hierarchical authority. The system's governance structure functions as its core framework because it establishes fundamental organizational structure and enables efficient coordination between all system components. The organization achieves normative cohesion through Confucian governance because it demonstrates moral leadership and establishes social duties and creates an environment where people feel safe psychologically. The governance system operates through its core elements which provide institutions with spiritual values and emotional connections. The organization gains adaptive resilience through Taoist governance because it combines situation-based awareness with non-forceful collaboration and mental equilibrium approaches. The system operates as a breathing entity which stops organizations from becoming rigid and following the same ineffective path. The three mechanisms operate through deep connections which show that Confucian ethical values transform Legalist institutional control into enduring organizational dedication and that Taoist dynamic regulation reduces the negative effects which Legalist formalization has on innovation. The three mechanisms work together to create integrated governance capabilities which achieve better results than any single mechanism operating alone.

This study advances indigenous management theory in the following areas. The first section establishes a Civilizational Governance Framework which serves as its main foundation. The Chinese governance system exists as a complex network which developed through multiple historical periods instead of representing a single cultural element. The analysis moves past the restricted view of "Confucian-centrism" because it shows how Legalist institutional systems and Taoist flexible approaches together created the basis for Chinese business operations. The study addresses Tsui's (2004) <sup>[20]</sup> requirement for theories which develop from specific contextual environments through its work to move indigenous management studies from cultural comparison to structural evaluation (OpenAI, 2023) <sup>[15]</sup>. The research study creates Mechanism-Level Indigenous Theory

as its second major achievement. The system converts philosophical traditions into functional governance systems which operate through three main approaches: Legalism enforces institutional control, Confucianism leads to ethical self-regulation, and Taoism uses flexible systems for oversight. The translation maintains theoretical continuity with intellectual traditions while creating an understandable structure which supports empirical research by connecting philosophical concepts to actual research data. The research paper presents Configurational Thinking as its third conceptual framework which includes Interaction Mechanisms. The study moves beyond basic cause-and-effect models because it shows how three different systems interact with each other. The three mechanisms P4 (Confucian mediation), P5 (Taoist moderation), and P6 (triadic synergy) show how systems interact with each other to help us understand Chinese organizational governance complexities. The research method operates through a discussion with Fiss's (2007) <sup>[10]</sup> configurational theory to develop better analytical tools for indigenous research studies. The study presents Asian Management Theory development with new Methodological Pathways as its fourth major achievement. The research shows a method to develop theoretical frameworks which stem from civilizational traditions through four main steps: academic resource organization, essential mechanism detection, theoretical model development, and interaction system mapping. The path serves as a guideline for indigenous theory development which other non-Western contexts can follow to support the growth of diverse management knowledge systems.

The institutional theory by Scott (2008) <sup>[17]</sup> identifies three pillars which include regulative and normative and cultural-cognitive systems yet it does not explore how these pillars evolved together through time within different civilizations. The research demonstrates that Chinese governance tradition unites Legalism with Confucianism through an inseparable institution which forms a single system. The research creates a particular context-based extension to institutional theory which provides new knowledge for the field. The research field of ethical leadership studies how leader morality affects their followers yet it does not focus enough on the connection between ethical leadership and organizational structure. The research places Confucian ethical leadership within a governance system to demonstrate its role as a link which connects institutional control to organizational commitment thus expanding the understanding of ethical leadership studies. The dynamic capabilities theory focuses on how organizations develop adaptive abilities but it fails to explain how these abilities connect with stable institutional frameworks. The regulatory system of Taoist "Wu Wei" shows that organisms evolve through adaptation which exists in harmony with their natural order. The research proposes a new theoretical approach which views adaptive capacity as a regulatory mechanism instead of a strategic resource to study dynamic capabilities.

For management practitioners in the Asia-Pacific region, this study offers the following implications. First, Avoid Over-reliance on a Single Mechanism. Organizations tend to follow one approach in their governance work which divides between institution building that creates bureaucratic structures which block innovation and relational ethics that produces unfair procedures and

favoritism and flexible adaptation which makes it difficult to maintain clear direction and proper execution. The triadic model shows that governance needs all three elements to keep a moving balance between them. Second, Value the Transformative Role of Ethical Internalization. Institutional control systems achieve short-term compliance but they do not succeed at developing employee dedication toward their work. Managers must convert outside rules into member self-regulation through their display of moral conduct and their delivery of ethical messages and their establishment of a secure psychological environment. The system of allowing ethical values to become internalized serves as the fundamental assurance which enables institutions to continue existing through time. Third, Cultivate Organizational Capacity for Dynamic Regulation. Organizations must build two essential abilities which include situation awareness perception systems and voluntary coordination systems to succeed in environments that change rapidly. The process requires organizations to set up environmental monitoring systems which detect change patterns immediately and teams need to receive independent decision-making power for their work after they receive fundamental operational guidelines and organizations must develop employees to handle exploration and exploitation plus stability and change at proper equilibrium levels. Fourth, Pursue Configurational Thinking for Triadic Synergy. Organizations develop their governance systems through a dynamic process which depends on their current state of development and their organizational structure. Start-ups need to follow Taoist principles for direction exploration but growth-stage businesses require Legalist systems to manage their growth and mature organizations need Confucian ethics to build consensus. Managers need to develop configurational thinking, identifying governance priorities and coordination modes at different stages.

Western management theories have dominated globalization since their inception but these Western-based theories fail to explain how Chinese organizations implement their governance systems. The Chinese civilization developed its governance knowledge throughout thousands of years by combining three essential intellectual systems which included Legalist institutional control and Confucian ethical internalization and Taoist dynamic regulation to establish the core principles of Chinese management. The study moves past current research about Confucianism to develop an original Chinese management framework which combines Legalism and Confucianism and Taoism into the Triadic Governance Model. The study presents six theoretical propositions which explain how the three governance mechanisms function independently and work together to show the fundamental structure of Chinese management which follows the pattern of "structural stability - ethical cohesion - dynamic adaptation." The study identifies Chinese organizational governance as a system which operates through three governance elements that stem from Chinese civilization. The organizational structure receives its operational order from Legalist institutional control which functions as the basic foundation. The organization derives its value system from Confucian ethical internalization which strengthens its unity and enables members to identify with the organization. The organization obtains its dynamic equilibrium through Taoist dynamic regulation which strengthens its ability to adjust to

environmental changes and its capacity for innovation. The three systems work together through their mutual embedding and mutual regulation and synergistic integration which creates governance capabilities that no single system can match. Chinese management operates through a core principle which Western management systems do not possess because it enables Chinese companies to succeed in unstable market conditions while maintaining flexibility. The process of building indigenous management theory requires organizations to establish their local base while they should maintain their worldwide connections and their theories need validation through actual work and their continuous upgrade. This research presents a triadic governance system which serves as a contemporary explanation of Chinese traditional governance principles while it expands Western management theories through Asian scholars' requirement for context-based theory development. The triadic governance framework will receive additional development through future empirical research which will include cross-level studies and contingency analysis and case study approaches. The research aims to attract academic interest in traditional Chinese governance wisdom because it supports development of indigenous management theories which emerge from Chinese understanding and enables Chinese management theories to establish stronger connections with international management academic circles. The triadic governance framework should serve as a theoretical model which guides Chinese enterprises in their governance practices to establish equilibrium between institutional structures and ethical standards and adaptive capabilities while building their integrated governance systems for achieving sustainable growth in global markets and digital transformation.

The Chinese civilization possesses deep and permanent governance knowledge yet the theoretical framework for Chinese management requires substantial development. Our research of indigenous management theory depends on four essential steps which include starting from local environments while we develop connections with global knowledge systems and we test our findings through actual work and we keep refining our theories. Our research team applies its four-step method to develop indigenous management theories which produce solutions for worldwide management problems through implementation of Chinese wisdom and Chinese solutions. Our research team develops indigenous management theories through four essential phases which enable us to solve worldwide management problems by applying Chinese wisdom and Chinese solutions. The research team follows four essential steps to create indigenous management theories which produce solutions for worldwide management problems through Chinese wisdom and Chinese solutions.

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