

# A Reputation for Integrity

An Interview with Dr. James S.C. Chao, Founder and Honorary Chairman, Foremost Group

**EDITORS' NOTE** Dr. James S.C. Chao has dedicated his life to the maritime industry and philanthropic activities to help others. He grew up in an educated family in a small farming village. Early in his career, he advanced rapidly through the ranks to become one of the youngest ocean-going captains at the age of 29. He took the national Master Mariner Examination and achieved the highest score ever recorded. This achievement gave him the opportunity to pursue further studies in the United States. After earning his MBA in Management from St. John's University in New York City in 1964, Dr. Chao founded Foremost Maritime Corporation which later expanded to Foremost Group. For his outstanding contributions to the maritime industry, Dr. Chao was inducted into the International Maritime Hall of Fame at the United Nations. Dr. Chao and his late wife, Mrs. Ruth Mulan Chu Chao, have dedicated their lives to promoting education and philanthropy. Scholarships from their foundations have benefited thousands of students. To commemorate Ruth's legacy of faith, family, and philanthropy, generous gifts have been made toward the construction of many institutions including the Ruth Mulan Chu Chao Center at Harvard University, the first building named after an Asian American and the first building named after a woman in Harvard's history. The recipient of innumerable honors and awards, Dr. Chao has been honored with the Ellis Island Medal of Honor as well as the Horatio Alger Award of Distinguished Americans at the United States Supreme Court. The U.S. Department of Homeland Security recognized Dr. Chao as an Outstanding American by Choice. The Museum of Chinese in America honored him with its inaugural Outstanding Lifetime Achievement Award in its over 30-year history. He was also presented the Distinguished Lifetime Achievement Award by the Chinese American Academic and Professional Society. Dr. Chao and his charitable foundations were honored with the International Leadership Foundation's inaugural Organizational Award and the American Legion Post 1291 presented their Outstanding Service Award to him. The U.S.-China Education Trust awarded Dr. Chao with its Leadership and Achievement Award in recognition of an inspirational leader who made a difference for his community, country, and the world. St. John's University, Niagara University,



Dr. James S.C. Chao

Nyack University, Fu Jen Catholic University, National Chiao Tung University, National Taiwan Ocean University, and Massachusetts Maritime Academy bestowed Honorary Doctorate Degrees on Dr. Chao. In recognition of his outstanding leadership in the maritime community, the Seamen's Church Institute conferred upon Dr. Chao its highest honor, the Silver Bell Award. Massachusetts Maritime College awarded Dr. Chao with its inaugural Admiral's Distinguished Service Award for inspiring leadership and contributions to society. The Chinese Institute of Engineers, USA presented its Centennial Medal to Dr. Chao for his leadership in adopting energy-efficient and eco-friendly ship design and technology. The Organization of Chinese Americans awarded Dr. Chao the Dynamic Achiever Award. Columbia University awarded Dr. Chao the inaugural EPIC Achievement Award. SUNY Maritime College awarded Dr. Chao its Admiral's Award for his inspiring leadership. Lloyd's List presented the Lifetime Achievement Award to Dr. Chao. Most recently, for the outstanding mentorship and inspiration he has given to others, International Leadership Foundation and New York Young Entrepreneurs Roundtable awarded Dr. Chao the Distinguished Mentor Award. Dr. Chao is the subject of a recent best-selling biography entitled, *Fearless Against The Wind*, a complement to the best-selling biography on his late wife, Mrs. Ruth Mulan Chu Chao, *Calm Amidst The Storms*.

**COMPANY BRIEF** Foremost Group (foremostgroupusa.com) is an American shipping company with offices in the United States and Asia. Founded in New York in 1964 by Dr. James S.C. Chao and his late wife, Mrs. Ruth Mulan Chu Chao, the company today is a global leader in the dry bulk shipping industry and has earned a worldwide reputation for its commitment to exceptional service and performance while always holding itself to the highest ethical standards. For more than 50 years, Foremost Group has maintained its core values – honor, integrity and performance – as the ingredients for success. It has earned its sterling reputation from partners, including charterers, banks, shipyards and others, for its faithful devotion to Foremost Group's mission statement: "Our mission is to remain a premier provider of ocean transportation services and a model of excellence for our industry."

**What was your vision for founding Foremost Group and how do you define the mission and purpose of the company?**

It's all in the name: when founding the Foremost Group in 1964, our goal was to be the foremost company providing outstanding service to customers by moving freight around the world efficiently, safely and productively. Foremost lives out this mission to this day, but like many enterprises, Foremost started out modestly. It was difficult at first because in the 1960s less than 1 percent of the U.S. population was Asian American, and the Chinese American population was even smaller. So, the challenge was to make myself understood and to find unique ways of standing out so customers could see how hard I would work for them. Despite these challenges, I had confidence because the United States is so beautiful, its potential is unlimited, and people here are so generous. If you have good ideas and a good plan, people will support you. Hard work is rewarded, and you will get results.

International shipping was a good choice for business because of my strong educational background in maritime and engineering at my undergraduate school in China, as well as years of practical experience as a merchant marine officer and master (sea captain). Later on, I went to graduate school and obtained an MBA in Executive Management, which was helpful as well. I knew that shipping had a future. I started with China Merchants, a



Dr. James S.C. Chao working at his desk in his newly established company office in 1965

governmental ocean shipping agency based in Taiwan, where I learned a lot and this experience provided me with a very good foundation. I also learned to think big from business leaders like Mr. C. T. Shen who founded Marine Transport Lines, Inc., one of the pioneer American shipping companies in the 1960s. At that time, most owners had only one or two ships; Marine Transport Lines had scores of ocean-going and also Great Lakes specialized bulk carriers. So when Foremost was created, we started step by step, always building a strong foundation for the future with bigger plans in mind. Things did not always go smoothly, but with the help of the Lord, we persevered through the many ups and downs of the business cycle. Those early experiences taught me that for a business leader, having first-hand knowledge and hands-on experience in your industry is a tremendous advantage.

**How do you describe Foremost Group's culture and how important has it been to maintain culture as the company has grown in size and scale?**

We did not set out to create a corporate culture first, and then follow it. Rather, our culture evolved organically from the ground up. It was built around the spirit of Foremost and the values it practices every day: honesty, integrity and service. Foremost provides a service that is essential for the global economy: shipping the world's major dry bulk commodities like wheat, grain, iron ore and other basic necessities around the world. From a larger point of view, it's not just about us. If we do our jobs well, people can have the food they need to live and grow, and the basic materials they need to build economies, create jobs and generate prosperity for all. At its core, Foremost works for the public good.

Secondly, Foremost's business philosophy is to maximize the value it creates for its customers. We want our customers to grow together with us in size and value, so they will remember us and come back again. Following such, transactions must be mutually beneficial. This is not theoretical. It's a very pragmatic approach which has served the company well for more than 56 years. Even though the survival of the company is now assured, there is much more to do to increase growth and help society. That's the focus of the conversations I am having now with my colleagues and with my daughter, Angela Chao, who is leading the company as Chair and CEO. We need new thinking to face the new world of the 21st century.

**What have been the keys to Foremost Group's strength and leadership in the industry and how do you define the Foremost Group difference?**

To become and remain a leader in such a demanding environment, Foremost Group is committed to providing consistent, exceptional service and performance. In addition, we are known for taking good care of our crews and, as a result, they are always there for us. We are also known for our ability to adapt quickly to unforeseen challenges and global market changes.



*Dr. James S.C. Chao, Mrs. Ruth Mulan Chu Chao, and Foremost Group Chair & CEO Ms. Angela Chao being welcomed by crew onboard a Foremost ship*

Beyond these basics, there are some very important, fundamental differences between Foremost and other companies. First, and most importantly, is our emphasis on integrity – and I really mean that: it's our most precious asset. Foremost would rather not earn a profit, or earn less profit, than lose its integrity. This is not altruism; it's an important

long-term advantage. Money can be earned any time, but a company cannot be profitable permanently or enjoy good relationships with its customers and earn repeat business unless it has integrity. At a time when so many companies and institutions are losing the public's trust, the value of having a reputation for integrity cannot be overstated.

**Foremost Group has a deep commitment to having environmentally friendly designs and technology in its fleet. Will you discuss this commitment and Foremost Group's long history of supporting the environment and sustainability?**

Candidly, these are just new words for something Foremost Group has been doing from the very beginning, which is being a good

corporate citizen that helps protect the marine environment. For example, many years ago – way before other operators – we installed special equipment and features on our fleet to dispose of all the onboard garbage and trash, unlike many others who just toss these items overboard into the ocean. It's one of the reasons why our crews have such long tenure and loyalty – they are proud of our values and want

to work for a company that is serious about its responsibilities.

In carrying forward this tradition, Foremost has embraced many new environmental technologies. For example, our fleet has some of the world's largest and most eco-friendly bulk carriers in the world. That's possible because we exclusively operate ships that are built new and to our own specifications. We do not operate used, second-hand ships. The average age of our fleet has been maintained at less than five years old. This is quite an achievement that is especially challenging to execute for private companies, and it's one more example of Foremost's commitment to keeping up with the latest environmentally friendly designs.

We believe our actions demonstrate that it is both possible and good business to provide exceptional service with technology that protects the marine environment.

**You devote your time and resources to many philanthropic causes. What has made this work so important to you and how do you decide where to focus your philanthropic efforts?**

My family – and this includes our Foremost family – takes great joy in promoting philanthropy, especially with educational opportunities. This is only natural because of the key role education has played in my own life, in the life of my late wife, Ruth Mulan Chu Chao, and in the lives of our six daughters. The goal of our philanthropy is to help cultivate the next generation of global leaders by giving talented young people access to a high-quality education that they could not otherwise afford.

Supporting education is especially meaningful for me, because my father, Mr. Yiren Chao, was a teacher who became a well-known advocate for rural education in China. I came from a very humble, modest family and grew up in a small rural farm village in China. Fortunately for me, my parents were very farsighted, even though life was difficult for them. They endured three wars in their lifetimes, as well as famine and natural disasters. Yet my father persevered, and established schools throughout rural China. He taught village children, and me, to study hard and learn well so that we could have a future and help others. He and my mother saved every penny to send me to school, making it possible for me to attend middle school in Jiading county, and then college in Shanghai. I also earned a fully paid college Fellowship from the government covering all expenses, including tuition, boarding fees, plus some extra living expenses. I really appreciated this assistance which enabled me to be able to associate with my schoolmates who came from much wealthier families. The Fellowships were based not only on need, but on academic excellence. I was not at the very top academically, but I was a good athlete and a good student because my father taught me what to focus on in my lessons. I finished college as part of a very well-known, highly respected Fellowship program. This was not only a professional advantage, but a personal one as well. I believe it's one of the reasons why my late wife, who came



*Dr. James S.C. Chao with his youngest and sixth daughter, Chair & CEO of Foremost Group, Angela Chao*



*The Ruth Mulan Chu Chao Center at Harvard Business School, Harvard University, dedicated on June 6, 2016. L-R: May Chao; U. S. Senator Elizabeth Warren; Harvard Business School Dean Nitin Nohria; President of Harvard University Drew Faust; Dr. James S.C. Chao; Secretary Elaine Chao; U. S. Senate Majority Leader Mitch McConnell; Massachusetts Governor Charlie Baker; Christine Chao; Angela Chao; Grace Chao; and U. S. Senator Ed Markey*

from a much higher social status, liked me and believed in me. She probably thought that if I was part of this prestigious Fellowship program, I was likely to succeed and would be a good prospective husband.

To honor the legacies of my father and late wife, our family and corporate foundations donate generously to education. This includes everything from scholarships, to building kindergartens, maritime training institutions and the Ruth Mulan Chu Chao Center at Harvard University. It is deeply gratifying – and humbling – that this is the first building named after an Asian American, and the first building named after a woman, in Harvard’s history.

**Do the same skills that made you successful in business translate to being effective in philanthropy?**

Regardless of the environment, success follows the same principles. First, have an interest in the industry you are pursuing or the cause you are promoting. For example, I was interested in shipping as a business because of my educational background and expertise. There are investors who tend to underestimate the shipping industry, viewing it as declining or too old fashioned, or requiring too big an investment relative to the smaller profits generated. I knew shipping had a future because it was, and is, so essential to the increasingly globalized world economy. Second, try to think positively in every situation, and view challenges as opportunities. That’s a real plus. And once you have achieved some success, take time

to reflect on how you got there and all the help you have received. Lots of people contributed to my success and I think about them often. Now, it’s my turn to support the next generation of young leaders who will create jobs and help others.

**What do you see as the keys to effective leadership and how do you describe your management style?**

Leadership does not exist in isolation, or in an ideal world. To be a good leader, you must like people. But to get people to follow, you must first believe in yourself and have a clear vision of where you want to go. That takes a lot of work. It means always striving to be better, always learning, always being a good model for others. Hard work is fundamental for success; but it’s not enough. Innovation is also important, which means being open to new technologies and new ideas and learning from others.

I always set aside time during the day to be very quiet, to reflect, and to think about current challenges. Often, I think about and talk to my beloved late wife, Ruth. I look for inspiration in the way she was able to overcome great societal upheaval and turmoil with such grace and dignity, and in the examples of other people who have inspired and helped me. I ask myself, “How did I get here, and what lessons have I learned from others that can be applied to the challenges of today?” I solve a lot of problems that way. Over the years, I have always tried to lead by example. Who better to set an example for others than the leader of the organization?

**You have achieved great success in your life and have made such an impact in business and philanthropy. Do you take moments to reflect and appreciate what you have accomplished or are you always looking to the future?**

I do not think of my life in terms of success, but in terms of being on the right path that was meant for me. I continue to live my life the same way now as I did when starting out, which is understanding that true happiness comes from working with a purpose. My purpose is to help others, improve society, and serve the greater good with whatever capabilities and means are available.

I encourage my children, and the company, to set aside a certain percentage – no matter how small – of their income each year to help others. The goal is to work for a good cause, not to aggrandize ourselves. That’s why I often invoke the name of my late wife, Ruth Mulan Chu Chao – who was my true soulmate – in our charitable giving. She was named after a heroine in Chinese folklore, Hua Mulan. Ruth was a modern version of this legendary heroine – always brave, always optimistic, full of love and devoted to helping others. I hope when people see her name on buildings or scholarships, they will be inspired to learn more about her spirit and her story, and to know that if she could be so brave in the face of so many challenges, so can they. ●