

Introduction

THE NEED FOR A NEW PARADIGM IN MANAGEMENT

As you can witness almost daily, we live in tumultuous times. We face an array of global crises, ranging from increasing inequality and poverty, to fundamentalist terrorism and war, to mass migration and environmental destruction, all of them amplified by climate change. These crises require a fundamental rethinking of how we organize at the global political level, the societal level, the economic level, and the organizational level. The economic system has become increasingly dominant, and the current roadblocks toward progress challenge the way we organize, think about, and do “business.”

Einstein famously stated: “We can't solve problems by using the same kind of thinking we used when we created them.”¹ Nevertheless, mainstream business practitioners, as well as business school educators, seem to lack an alternative way of thinking. William Allen, the former chancellor of the Delaware Court of Chancery, notes that “[o]ne of the marks of a truly dominant intellectual paradigm is the difficulty people have in even imagining an alternative view.”²

The Humanistic Management Network has worked on conceptualizing this much-needed alternative paradigm for business – a humanistic paradigm, one based on the protection of dignity and the promotion of well-being rather than mere wealth. This book starts by describing the dominant narrative of the current worldview – an economic paradigm focused on wealth acquisition. The basic argument is that our understanding of “who we are as people” fundamentally influences the way we organize individually, in groups, in organizations, and in society.

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In the following pages, I present both narratives in business: the dominant model representing “homo economicus,” which accurately describes only about 1 percent of the population; and the alternative “homo sapiens” model, which represents the remaining 99 percent of us. While there is scientific evidence to support the latter perspective, the economics and management disciplines have memetically adopted an understanding based on inaccurate, axiomatic assumptions. This homo economicus worldview of human beings as uncaring and narrowly self-interested has influenced the way business structures are set up (limited liability, focus on profit maximization). The homo sapiens perspective allows us to understand the importance of care, the notion of human dignity, and the evolutionary reasons for humans only surviving when organizing for the common good. By adopting this perspective we can envision organizations as caring communities that converge to produce for the benefit of the common good.

In collaboration with the Humanistic Management Network and beyond, scholars have chronicled numerous organizations that follow the humanistic paradigm, which succeed because they focus on the protection of human dignity and the promotion of societal well-being. Some of these organizations are highlighted in Chapter 8. The fact that many such organizations are run successfully, and often more profitably over time, proves that there are alternatives to the current economic understanding of how best to organize human endeavors.

Humanistic management scholars focus on human dignity, described by Kant as that which escapes all price mechanism and which is valued intrinsically (freedom, love, care, responsibility, character, ethics). This, they argue, has superior theoretical accuracy to the current paradigm. In addition, if the end goal of organizing were expanded to include well-being or common good, scholars can demonstrate how business might play an active role in solving current global problems.

In the first part of the book, the basic conceptual foundations of humanistic management are presented.³ In the second part of the

book, the applications of the humanistic management perspective are outlined for research, practice, pedagogy, and policy. In the first chapters, the notion of humanistic management as an organizing principle for the protection of human dignity and the promotion of human flourishing within the carrying capacity of the planet are introduced. This notion is becoming increasingly relevant given the multitude of problems humanity faces. In addition, the dysfunctionality of the existing, dominant paradigm is demonstrated by showing that it violates human dignity and undermines human flourishing, while constantly disregarding the planetary boundaries. A humanistic perspective of human nature is presented, outlining the consequences of this perspective for groups, organizations, and society. The basic pillars of the humanistic management paradigm present a framework for differing organizing archetypes. The book suggests that these archetypes can help guide a transition toward more humanistic management practice, pedagogy, and management-related public policy. It examines the research implications and specific applications by means of selected examples. Moreover, the book suggests that a humanistic paradigm is critical for academic thought leaders, business leaders, civic leaders, political leaders, as well as anybody concerned with the future of humanity.

Chapter 1 outlines the basic concept of humanistic management and contrasts it with the mainstream view of business. Chapter 2 examines the differing assumptions about and insights into human nature. Chapter 3 presents a humanistic understanding of human nature, which can serve as a cornerstone of management research, practice, pedagogy, and policy. Chapter 4 presents the consequences of such a humanistic perspective on organizing, providing examples, among others, for business strategy, governance, leadership, and motivation. In Chapter 5, the basic pillars of humanistic management, human dignity, and human well-being are outlined in greater depth. Based on these pillars, Chapter 6 suggests different archetypes for thinking about management, which inform research, teaching, practice, and policy making.⁴ Chapter 7 explores how these

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archetypes can support a transition toward more humanistic management *research*.⁵ Conversely, Chapter 8 investigates how these archetypes can support a transition toward more humanistic management *practice*. Thereafter, Chapter 9 explores how these archetypes can support a transition toward more humanistic management *pedagogy*, and Chapter 10 how they can support a transition toward more humanistic management *policy*. The concluding chapter presents a summary and outlines pathways toward a collaborative approach to a more human-centered economy.

The book is meant to be a stepping-stone to facilitate further, rich conversation and collaboration.

NOTES

- 1 Albert Einstein. BrainyQuote.com, Xplore Inc, 2016. www.brainyquote.com/quotes/quotes/a/alberteins121993.html, accessed June 27, 2016.
- 2 Allen, W. T. (1993). "Contracts and communities in corporation law." *Washington & Lee Law Review*, 50, 1395–1407. (Cited from Page 1401).
- 3 Readers interested in a more thorough philosophical treatment of the humanistic management paradigm should check out Claus Dierksmeier's book: *Reframing Economic Ethics- Philosophical Foundations of Humanistic Management*. www.springer.com/us/book/9783319322995
- 4 Some readers may want to skim or skip Chapter 6, as it may be too conceptual for them. The following chapters build on the framework presented in Chapter 6 yet present mostly case studies that can be understood without the conceptual framework.
- 5 Friendly reviewers also suggested that those readers who are not members of the Academy of Management might do better skimming the research chapter, as it might distract from the more digestible chapters that follow.

PART I **Foundations of Humanistic
Management**

I Two Narratives for Business

A FAILING NARRATIVE

Meet Elisabeth, my neighbor. Elisabeth did all she was told to succeed in life. After earning an MBA at a reputable school, she chose to work for a hospital. She wanted to stay true to her desire to serve others and thought the health care industry would allow her to do so.

One afternoon, we run into each other as she is walking her dog. I ask her how she likes her work and she confesses, “It is awful – so stressful . . . I never really wanted to be in a competitive, business type of environment, but it seems the hospital is just as corporate and mean-spirited as everything else.”

Meet Richard, formerly a successful Wall Street banker. He joined the world of banking because he admired its service orientation, but quit the industry in what he later described as a midlife crisis. The more he thought about the type of work his bank was doing and the people with whom it was working, the more depressed he became. He had an especially hard time reconciling what he heard in church on Sunday with the values that surrounded him in the financial industry. The banking and service culture that he admired had turned into something of which he wanted no part. He decided to get out.

Meet Tiffany, a former student, who never wanted to be in business, which she believed was an arid field, devoid of human touch and care. She did not feel attracted to the private sector and wanted to be a “good person.” She chose a low-paying public policy career and worked for nongovernmental entities to stay true to her personal philosophy.

Elisabeth, Richard, and Tiffany have the luxury of many choices. In many ways they are privileged. These real-life stories

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highlight a shared unhappiness about business despite privilege. While one could easily dismiss such unhappiness as a minority view, research shows that, despite unprecedented levels of material wealth, people are increasingly alienated from their work¹ and want to redefine the meaning of success.² On the flipside, an increasing number of people wish to engage in more meaningful activities at work and beyond, and long to be part of the solutions to the many problems that humanity faces (climate change, terrorism, social inequality, poverty).³

Mainstream thinking about the business world has become associated with the fictional character Gordon Gekko and his motto: “Greed is good.” Money and power are portrayed as the ultimate motives of human ambition, and disagreeing with this is sheer naivety. The dominant narrative is that people are greedy, money-hungry maximizers, or *homo economicus*.

Nevertheless, there seems to be something wrong with the larger cultural narrative about what human beings value first and foremost. The economist Richard Layard has mentioned that there is something wrong when we have unprecedented material wealth and economic growth but stagnating levels of human well-being.⁴ The famous Easterlin Paradox⁵ states that happiness is not significantly associated with income. As such, the dominant narrative is failing.⁶

At the core of the three life stories above lies a narrative about business that has failed to deliver the “good life,” as many people perceive it. The wish to change the narrative is the crux of a concerted effort to rethink how people have come to understand life and their role within the economic system. The position advocated here is that a change in the narrative can contribute to a better life *and* a better economy.

CRISIS SIGNALS — THREE CHALLENGES TO THE CURRENT SYSTEM

Our current societal setup is largely driven by an understanding of the economic system as the central driver of progress. This notion is

arguably more relevant in developed regions of the world. However, some observers, including Nobel Laureate Joseph Stiglitz, bemoan the increasing spread of the “Washington Consensus” around the globe.⁷ As a consequence, the economic logic, according to which markets provide the ultimate rationale for what is valuable, is increasingly a globally shared cultural narrative. This narrative is, however, increasingly challenged.⁸ We are experiencing what scientific historian Thomas Kuhn called a paradigmatic crisis.⁹

Individual-Level Challenges

On the individual level, scholars observe an interesting anomaly.¹⁰ While the current system is credited with creating more wealth for many, the average life satisfaction level has not increased.¹¹ Gross domestic product (GDP) growth and growth in well-being have decoupled.¹² Factors that contribute to well-being have a relatively low correlation with material wealth once a certain wealth level has been achieved.¹³ From a systemic perspective, a government’s quality in terms of democratic and human rights, the level of corruption, the system’s stability, high social capital, and a strong economy with low rates of unemployment and inflation all contribute to subjective well-being. On an individual level, the quality of social relationships, good physical and mental health, and a generally positive attitude toward life are central drivers of well-being.¹⁴ As an attitude, materialism, for example, is toxic for well-being.¹⁵ Many studies show that a personal quest for more money or consumer goods decreases people’s sense of personal well-being.¹⁶ George Monbiot highlights that:

This is the dreadful mistake we are making: allowing ourselves to believe that having more money and more stuff enhances our wellbeing, a belief possessed not only by those poor deluded people in the pictures, but by almost every member of almost every government. Worldly ambition, material aspiration, perpetual growth: these are a formula for mass unhappiness.¹⁷

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The current system is built on increases in consumption that may lead to economic growth, yet make many people less happy with their lives. The advertising industry, for example, exists to create artificial material wants and is considered successful when more people try to feed their wants with more consumption, which drives up raw material use and creates many related environmental and social problems. For societies that pride themselves on freedom of choice and democratic values, such unreflected practices undermine their very essence.¹⁸

Organizational-Level Challenges

Business practices are increasingly being challenged at the organizational level. The recent collapse of the factory building at Rana Plaza in Bangladesh, which highlighted the working conditions of textile workers; the corruption and cheating at Volkswagen; and the usage of legal loopholes to evade taxes (e.g., Google, Facebook, Pfizer) challenge the legitimacy of business as a societal institution. Over the past decades, corporations have lost their reputations and stakeholder trust has declined.¹⁹ Trust is, however, commonly viewed as the key enabler of cooperation, motivation, and innovation, all of which organizations require for peak performance and success.²⁰ Surveys indicate that stakeholder trust in businesses is decreasing dramatically, specifically trust in large global companies bent on shareholder value maximization. Research finds that the decline in trust is strongly correlated with a lack of value congruency between the stakeholders and the organization.²¹ People perceive profit maximization goals as inherently opportunistic, making it ever more difficult for the business community to reestablish trust.²²

Observers have long noted that many organizations (especially corporations) face a decreasing level of employee commitment, which is indicative of the increasing lack of mutual commitment. The Hay Group, for example, finds that 43 percent of American employees are either neutral or negative toward their workplace.²³ According to several Gallup studies, around 70 percent of US employees are either

not engaged or actively disengaged, showing an alarming inner withdrawal rate.²⁴ Management scholar Michael Jensen argues that the goal of profit maximization is partially responsible. He posits as self-evident that:

Creating value takes more than acceptance of value maximization as the organizational objective. As a statement of corporate purpose or vision, value maximization is not likely to tap into the energy and enthusiasm of employees and managers to create value.²⁵

Hence, shareholder value-maximizing organizations are underutilizing their employees' potential.²⁶

Systemic Challenges

Environmental destruction is one of the most obvious problems of our current economic system. Humanity is using the productive capacity of more than 1.5 planets to satisfy its desires.²⁷ If everybody on this planet were to consume natural resources at the rate of an average American, five planets would be required.²⁸ The current economy uses more resources than can be replenished, leading to unsustainable growth and even more economic bubbles. In financial terms, humanity is living off its planetary capital and not off the interest it generates, which is very poor management of resources. However, the logic of our current system supports this lack of sustainability. Shareholder capitalism is short-term-oriented and, when applied rigorously, rewards plundering rather than preserving.²⁹ According to ecological economist Robert Costanza, economics does not value the future.³⁰

The current levels of poverty and inequality had pricked the conscience of many people long before the publication of Thomas Piketty's *Capital in the Twenty-First Century* in 2015.³¹ The Occupy Wall Street protests and their global spinoffs, together with various political movements (Syriza in Greece, Podemos in Spain, the Brexit movement in the United Kingdom, the electoral campaigns of Bernie Sanders and Donald Trump in the United States), showcase the widespread dissatisfaction with current levels of inequality. Such