Introduction: humanism in business

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The king is dead, long live the king?

Before and during the Middle Ages many societies were organized around a dominant power such as a king or priest. Serving the central ruler was the raison d'être of the state, its economy, and its inhabitants, which often resulted in human costs. In the era of enlightenment,[1] proponents of Liberalism broke with this tradition and boldly proclaimed individual freedoms as the central tenet of organized society.[2] Consequently, societies transformed, economies experienced an upsurge, wealth was created at unprecedented rates, and a growing number of citizens were able to pursue their life goals more freely. The industrial revolution that followed is often regarded as a direct result of these societal changes, supporting the argument that Liberalism's empowering effects on the individual were at the epicenter of long-lasting and profound progress in human development.

When analyzing the current state of our societies, one could almost conclude that these advances are being partially reversed in a world in which a new king is worshipped: profit.

This new king's main constituents are shareholder-value-maximizing businesses, and one of his strongest allies is GDP growth, which has generally become a central societal goal – an end rather than a means. In other words, we treat the achievement of GDP growth as an objective in its own right and not as a tool that we can use to achieve an objective. This is difficult to grasp: why are even the wealthiest societies looking for, let's say, an extra half percentage point of

[1] For the relationship between enlightenment and religion, see Epstein (chapter 3 of this volume).

[2] For a historical review of humanistic thought, see Nida-Rümelin and Cherry (chapters 1 and 2 of this volume).

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growth without contemplating what that extra income could best be used for? Why is no one asking whether a specific problem requiring attention truly lacks financial resources or whether other factors are responsible for it? Is it possible that the measures taken to achieve that little extra growth might exacerbate the problems that the additional growth earnings are supposed to tackle? Given that between 1995 and 2005 cumulative GDP growth in the OECD countries was close to 30 percent,[3] there seems to be little evidence that growth alone solves societal problems. Would it not seem more sensible to first agree on an objective and then determine the appropriate tool? This may or may not be to nourish GDP growth.

We have accepted our new king and his entourage all too readily, often at the expense of other important aspects of human existence, such as a clean environment, strong social relationships, and self-determination. Just as the Age of Enlightenment "civilized" the state in order to serve its people, we would like to see a renewed liberalization – one that is based on similar notions, but that will allow us to "civilize" the *economic* system.

Don't get us wrong here: we are not advocating some socialist Utopia, nor are we anti-market or anti-globalization sentimentalists. We gratefully acknowledge the tremendous progress that has been brought about by free-market economies in terms of human development. We believe in the power that markets have to unleash individual creativity and to allocate goods and services more efficiently than any centrally planned process could. We also believe that tremendous opportunities arise for humankind from an economy that is inter-connected and inter-dependent on a global scale. However, like early humanists, we are not ready to accept the given order without inquiring into potential variations on this given order.

It sometimes seems astounding that the fall of the Berlin Wall was largely viewed as a victory of capitalism over communism, rather than a liberating event that enabled us to engage in a discourse – unclouded by ideological confrontation – on our economic future. The Western world's victory pose may have been an understandable reaction at the time, but today, nearly twenty years later, it is time to stop patting our

[3] See www.oecd.org/LongAbstract/0,3425,en_2649_201185_36396771_1_1_1_1,00.html for statistical information on the economies of the OECD countries.

own backs and return to work. We should not be exploiting yesterday's conflicts to silence challenges to the status quo.

The debate that we believe needs to be held is not about free markets vs. centrally planned markets, but about the need to decide when and where free market forces should govern an issue and when and where we have other, more appropriate tools to find a life-serving solution. A free market is amoral,[4] indifferently creating great wealth, as well as great hardship. Consequently, moral beings should use it wisely and responsibly, rather than blindly trusting a "one-size-fits-all" approach.

As a starting point, we draw on the Aristotelian concept according to which the character of the economy is a life-conducive, life-serving one. This is a view inspired by Protagoras, according to which the purpose of the economy is to cater to authentic human needs, to enable humans to develop their full capabilities.[5] We believe that the currently dominant form of capitalism, shareholder capitalism, suffers from several shortcomings in this regard.

In the following section, we will briefly elaborate on some of the challenges that we believe lie within our current, shareholder-oriented capitalism. We will also introduce the rationale and the questions that have led to this book being compiled, as well as the outline and the flow of the various contributions.

Challenges to shareholder capitalism

The current economic set-up often fails to meet expectations in respect of its life-conduciveness and respect for humanity. Closely following the structure of this book, our analysis of these shortcomings is based on three levels: a systemic level, an organizational level, and an individual level.

The systemic level

Environmental destruction is one of the most obvious problems of our current system. Industrialized nations use more resources than the

[4] To avoid misunderstandings: amoral means without a moral capacity, it therefore means neutral towards or "unaware" of moral concerns but it does not mean immoral. Immoral would mean markets have a negative moral capacity, which they don't.

[5] For human capabilities, see Sen (chapter 9 of this volume).

planet can provide. As an illustration: if everybody on this planet were to consume natural resources at the rate of an average American, five planets' worth of resources would be required; at the rate of an average European, three planets (Boyle, Cordon ,and Potts 2006). All in all, humanity is currently using the productive capacity of 1.3 planets to satisfy its needs (WWF 2006). The situation is set to exacerbate with continued global growth. In economic terms, this is irresponsible, as we are living off our planetary capital and not the interest generated by it. This lack of sustainability is, however, supported by the logic of our current system. Shareholder capitalism is short-term-oriented and, when applied rigorously, rewards plundering over preserving. Consequences such as external effects are often ignored and, according to neoliberal reasoning, the state should not be involved, as it hampers entrepreneurial freedom.

Increasing inequality is another problem that is likely to have significant repercussions on the stability of our political and economic systems. Current trends in globalization have led to a world in which the rich get richer, and the poor get disproportionately poorer (Sachs 2005). One sixth of the world's population lives in extreme poverty. An additional one and a half billion people live at a subsistence level, leading lives characterized by problems such as a lack of drinking water. The level of poverty and inequality pricks the conscience of many people, but is also a threat to the stability of the overall system. Political unrest, collectivization, and even terrorism are fed by the increased level of inequality, which often leads to a loss of individual and collective dignity. Shareholder capitalism is mostly blind to these consequences and has not yet provided satisfactory ways to deal with these issues.

The organizational level

At the organizational level, businesses face the challenge of decreasing levels of stakeholder trust. A long list of corporate governance scandals since the beginning of the millennium, along with the arguments sometimes presented to justify "downsizing," "rightsizing," or outsourcing activities, has shaken the foundation of trust that citizens once had in "their" companies. Trust is, however, commonly viewed as the key enabler for cooperation, motivation, and innovation, all of which are required to achieve an organization's peak performance and its eventual success. Surveys indicate that stakeholder trust in

businesses is decreasing dramatically, specifically in shareholder-value-maximizing, large, and global companies (World Economic Forum 2006).[6] Research finds that the decline in trust is heavily contingent upon a lack of value congruency between stakeholders and the organization (Pirson and Malhotra 2006). Profit maximization goals are perceived as inherently opportunistic; hence, one of the business community's challenges is to re-establish trust.

We observe that many corporations are facing a decreasing level of employee commitment, indicative of the growing lack of mutual commitment. The Hay Group (2002), for example, finds that 43 percent of American employees are either neutral or negative towards their workplace.[7] According to a Gallup study,[8] 71 percent of US employees are either not engaged or actively disengaged, showing an alarming inner withdrawal rate. Jensen (2001: 278) argues that the goal of profit maximization is partially responsible for this. 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." Hence, shareholder-value-maximizing organizations are under-utilizing their employees' potential.[9]

The individual level

On the individual level, we observe an interesting anomaly. While the current system is credited with creating more wealth for many, the

[6] These findings are based on a global public opinion poll involving a total of 20,791 interviews with citizens across 20 countries (n = 1,000 in most countries), conducted between June and August 2005 by respected research institutes in each participating country, under the leadership of GlobeScan. (A full list of participating institutes, with contact details, is available at: www.weforum.org.) Each country's findings are considered accurate to within three percentage points, nineteen times out of twenty.

[7] Peus and Frey address this challenge, presenting a humanistic organizational culture and humanistic leadership principles (chapter 15 of this volume).

[8] Gallup Study, "Engaged Employees Inspire Company Innovation". The study revealed that 56 percent of US employees are not engaged and 15 percent are actively disengaged at work. http://gmj.gallup.com/content/24880/Gallup-Study-Engaged-Employees-Inspire-Company.aspx

[9] The alternative is labeled social entrepreneurship, which is outlined by Maak and Pless, Drayton, and Yunus (chapters 21, 23, and 24 of this volume).

average level of life satisfaction has not necessarily increased (Easterlin 2001). GDP growth and growth in well-being have decoupled. Factors that contribute to well-being have a relatively low correlation with material wealth once a certain wealth level has been achieved (Diener and Seligman 2004). From a systemic perspective, the quality of a government in terms of democratic and human rights, the level of corruption, the stability of the system, high social capital, 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 towards life are central drivers of well-being. Materialism as an attitude, for example, is considered toxic for well-being (Diener and Seligman 2004; Elias 2002). The current system, however, largely sustains itself by serving material needs that lie beyond those that increase well-being and by an endless attempt to generate new needs, which can in turn only be satisfied by the unsustainable use of available resources.

Why this book?

By highlighting the issues described above, we hope to demonstrate that the current shareholder model of capitalism faces severe functional as well as moral challenges.[10] Current economic endeavors are often short term oriented; we create unsustainable wealth, not sustainable well-being. Furthermore, the pursuit of profit maximization and GDP growth has largely become an end in itself. In short, humans are currently not the measure of all things, nor can this problem be solved by using the same economic logic that created it in the first place.[11] Therefore, we argue that we need to take a step back and ask some very basic questions: what is the purpose of our economic system? What would a more life-serving economy look like and what is the role of business therein?

To start this discussion, we wish to present humanism as a lens through which to view potential alternatives.[12] Humanism is a

[10] Which is why Aktouf and Holford call for a "radical humanism" (chapter 6 of this volume).

[11] As Albert Einstein once observed: "The problems that exist in the world today cannot be solved by the level of thinking that created them."

[12] For the concept of socio-economic rationality, see Dierksmeier and Ulrich (chapters 4 and 8 of this volume).

philosophy, an approach to life, and a movement that focuses on creating a human-centered, value-oriented society.[13] Thus, we believe that humanism has much to offer in the search for answers to the questions raised above.

We wish to make it clear that humanism comes in many different flavors. We do not endorse any one specific strand, be it religious or secular. Rather, we wish to demonstrate humanism's unifying potential and inclusive character, while acknowledging the impossibility of covering it exhaustively within this book. We do, however, believe that a globally inter-linked economy needs a globally accepted framework if we want to fully reap the benefits that can arise from it. To achieve global acceptance, this framework cannot be based on only one people's culture, religion, or regional character. The framework must have an ethical basis rooted in humanity itself to appeal to everyone, everywhere. As we will see later in this book, humanism offers just that because it is based on reason and the universal desire to lead an ethical life. It can therefore accommodate any number of cultures, religions, and regional characters under its roof.

Our objectives in compiling this book are twofold: first, we wish to contribute to the creation of a common research agenda for humanism in business. Second, by looking beyond the research agenda, we wish to help to define and strengthen the common ground to enable practitioners and policymakers to engage in a discourse on a human-centered economy. It will be up to the reader to decide if and to what degree we have succeeded.

In this book, we present humanism and its relevance for business. We have brought together contributions from various research disciplines, such as philosophy, economics, management, and psychology, which all too often operate independently. We will start by examining humanism's philosophical and historical roots in order to create an understanding of what humanism means in today's economic world. Then, we will examine the role of business within society and its potential as an agent for positive change. Finally, we will suggest ways in which current business frameworks and management practices can be enhanced to embrace a more life-serving business conduct in which "humans are the measure of all things." In conclusion, we will illustrate the role of the individual in the economic

[13] For a philosophical grounding, see Nida-Rümelin (chapter 1 of this volume).

system and consider how each of us can contribute to changing the current system to a more life-conducive one.

Part 1. Philosophic-historical grounding of humanism

This book commences with insights from humanist philosophers from throughout history, clarifying the current understanding of the term. Philosophy is, after all, the mother of all sciences. Julian Nida-Rümelin outlines the principles of humanistic thought and demonstrates the need to reconcile and re-integrate business with humanism. These views are complemented in a historical review by Matt Cherry that describes the effects that humanism or humanists have had on politics, business, and social movements over time. Greg Epstein traces humanist traditions in the world's religions and outlines the comparative advantage of humanism, which is its open anthropology, a cultural inclusiveness. Turning to business, Claus Dierksmeier reflects critically on how current business ethics are constrained by economic thought and calls for an economic philosophy based on human freedom. Steven B. Young subsequently looks at the global economy from a moral point of view and points out that the stewardship principle is "humanism at its best" within the economic sphere. Omar Aktouf and W. David Holford argue that the instrumentalization of humans is one of the greatest challenges for humanism in business, and Domènec Melé concludes this section, demonstrating that humanistic elements have always been present in economic thought. These antecedents allow us to envision a more humanistic economy in the future.

Part 2. Towards an integration of humanism and business on a systems level

Following the philosophical grounding, we now direct our attention towards the current state of humanistic values in the global economy, and develop a vision of the role and responsibilities that business has in society. The starting point is Peter Ulrich's depiction of a humane society and the role of businesses within such a society. Amartya Sen's contribution links Dierksmeier's call for human freedom with Ulrich's desire to civilize economic forces, presenting the well-known

capability approach as the way that development should be engendered. Klaus M. Leisinger focuses on core humanistic values and universal human rights, and outlines the role business could and should have in their promotion, presenting a business case for corporate human rights engagement. Lynn Sharp Paine demonstrates in the following contribution that the relationship between social and business objectives is not antagonistic by nature but that managing this duality symbiotically is the crux of business success in the twenty-first century. Part 2 concludes with an assessment of the current state of affairs and a call for action by Ulrich Steger.

Part 3. Humanistic management

Focusing on the organizational level, we ask how organizations can be managed humanistically. Allen White examines the deficiencies of current governance mechanisms and explains what humanistic governance systems could look like. Michael Pirson describes the newly emerging field of social entrepreneurship as a blueprint for humanistic management and draws lessons for corporations. Claudia Peus and Dieter Frey stress the importance of humanistic cultures and present examples of humanistic leadership principles. Miguel Pereira Lopes, Miguel Cunha, Stephan Kaiser, and Gordon Müller-Seitz explain that positive organizational scholarship is the academic backbone of humanistic management. Oliver Salzmann, Ulrich Steger, and Aileen Ionescu-Somers temper our optimism with a current assessment of corporate behavior and managerial incentives. They call for effective stakeholder pressure to spur corporations towards the humanistic mode. Oliver Rapf describes the case of WWF, demonstrating that partnerships between businesses and NGOs can accelerate that process.

Part 4. The individual as a change agent for a humane business society

This part concentrates on the individual's role within business and as a force for change. Adrian Henriques elaborates on how human dignity can be preserved within a business context. He focuses on ethical codes as regulative moments and honesty as a personal lever for

humanistic cultures. Jean-Pierre Lehmann manifests his belief in the power of individuals and holds that through their engagement, a more humane free-market society is possible. Thomas Maak and Nicola Pless argue that there is a new type of leader emerging: one that is less driven to obtain power, but motivated to serve others. Servant leaders focus on the growth of their followers' capabilities. Once they are motivated and have the capacity to take action towards a humane world – in business and beyond – the followers will ideally become leaders and change agents themselves. Joseph L. Badaracco argues that the most effective changemakers are often people you do not notice. He calls these principled, everyday people "quiet leaders," as they contribute to positive change effectively but without fanfare. Bill Drayton focuses on social entrepreneurs as role models for a humanistic business society because they create social value by employing entrepreneurial means. He also elaborates on the societal mechanisms required to support the social entrepreneurial revolution. Finally, Muhammad Yunus presents his experiences as a social entrepreneur and spreads hope that social entrepreneurs are the solution to our current problems. He presents specific steps that businesses can follow to become more life-conducive.

These four parts present a good overview of current academic thought and research on a more humane economy and the role of business therein. We wish to thank John Silva and Ilse Evertse for their tremendous interest and support in the review process. We also gratefully acknowledge the guidance of Paula Parish at Cambridge University Press.

With your interest piqued, we know that you will enjoy reading about the challenges that the authors of this book pose to our current king and his allies.

Isn't it time to crown a new king? One that we can expect to serve us all better: humanity!

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