

# TOWARDS A HUMAN-CENTERED THEORY AND PRACTICE OF THE FIRM

## PRESENTING THE HUMANISTIC PARADIGM OF BUSINESS AND MANAGEMENT

MICHAEL PIRSON  
*(corresponding author)*  
Fordham University  
New York, New York, U.S.A.  
[pirson@fordham.edu](mailto:pirson@fordham.edu)

ERNST VON KIMAKOWITZ  
*Humanistic Management Network*  
St. Gallen, Switzerland  
[ernst.von.kimakowitz@humanisticmanagement.org](mailto:ernst.von.kimakowitz@humanisticmanagement.org)

**Abstract.** In this article, we review the challenges to the current economic system and then proceed by presenting two competing paradigms—the economic and humanistic paradigms of business. We then develop the consequences of the humanistic view for the theory and practice of the firm with regard to global sustainability. We examine paradigmatic differences regarding business strategy, governance structures, leadership styles, and organizational culture, and illustrate them based on global case examples. In this manner, we contribute to the discussion of alternative theories for global sustainability, centering the debate on authentic human needs and the consequences of such for management theory.

**Keywords:** global sustainability; human-centered theory; humanistic management; humanistic paradigm

Management theory and practice are facing unprecedented challenges. The lack of sustainability, increasing inequity, and the continuous decline in societal trust pose a threat to “business as usual” (Jackson & Nelson, 2004: 214). Capitalism is at a crossroads, and scholars, practitioners, and policy makers are called to rethink business strategy in light of major external changes (Arena, 2004; Hart, 2005). Management theory and practice have historically been based on the scientific precepts of economics (Ghoshal, 2005; Mintzberg, Simons, & Basu, 2002). As a result, business is oriented towards shareholder value maximization, individual motivation is explained by income maximization, and economic success is defined by societal-level GDP increases (Pirson & Lawrence, 2010). Utilitarian arguments have been used to legitimize this theoretical orientation as a way to maximize societal benefits (Jensen, 2002). In turn, many scholars have criticized current market capitalism for decreasing the societal legitimacy of business (Scherer, Palazzo, & Seidl, 2013) and ultimately jeopardizing human survival (Hart, 2005; Senge, 2010).

As many scholars suggest, we are currently experiencing a paradigmatic crisis (Anderson, 1998; Dierksmeier, 2011; Mintzberg et al., 2002). In this article, we wish to take a step back and delineate the current economic paradigm more directly. While such an endeavor risks oversimplification, we think that the conceptual clarity it provides outweighs such risks, especially since we can develop an alternative paradigm based on such simplified and theoretical precepts. We label the alternative paradigm the humanistic paradigm, as it factors in the complexity of human nature and emphasizes the human being and its will to protect the species in the long term. We argue that a humanistic paradigm provides a basis for theorizing about sustainable business practice.

Picture a bank that serves those in need, such as Wainwright Bank or Grameen Bank, or a coffee roaster ensuring fair trade, e.g., level trading, or a yogurt company serving malnourished children, such as Grameen Danone, or a company combating desertification with sustainable agriculture, such as SEKEM. These are not charitable organizations, but they aim to provide societal value through their core business models. Such are the realities of business that are often overlooked. As current management theory is largely informed by economics, it draws substantively from neoclassical theories about human beings (Ghoshal, 2005). Accordingly, humans are materialistic utility maximizers that value individual benefit over group and societal benefit. Such a perspective, however, can only poorly explain why individuals would care enough to build businesses such as those mentioned above. A “*homo oeconomicus*” engages with others only in a transactional manner to fulfill his or her interests. He/she is amoral, values short term gratification, and often acts opportunistically to further personal gain. Theories of the firm

and ensuing business strategies as well as of organizational designs have been based largely on economic assumptions, and, in turn, are blamed by others for creating negative externalities (Ghoshal, 2005; Ghoshal & Moran, 1996). Argyris (1973), for example, claims that organizational mechanisms based on principal-agent theory create opportunistic and short-term gain oriented actors in a self-fulfilling prophecy (see also Davis, Schoorman, & Donaldson, 1997). Other critical scholars argue that management theory needs to be rethought based on psychological insights rather than theoretical assumptions (Tyler, 2006; Tyler & Blader, 2003). We therefore suggest that we need a broader way of understanding human beings upon which we can prescribe a renewed theory of sustainable business practice, one that allows us to better understand leadership and management, design our organizations, and formulate business strategy.

In the following sections, we will thus review why we need a new basis for sustainable business practice, and proceed by presenting two competing paradigms—the economic and the humanistic paradigms of business. We will then develop the consequences of the humanistic view for the theory of the firm, business strategy, governance structures, leadership styles, and organizational culture. Afterwards, we will outline the tenets of humanistic management, and illustrate them based on global case examples. In this manner, we hope to contribute to the discussion of alternative theories of the firm by centering the debate on authentic human needs and the consequences of such for management theory.

## **CURRENT CHALLENGES TO SHAREHOLDER CAPITALISM**

With the increasing severity of a multitude of crises, it becomes ever more evident that the dominating Anglo-Saxon model of shareholder-centered capitalism falls short with regard to its sustainability and life-conduciveness on a systemic, organizational, and individual level (Spitzeck, Pirson, Amann, Khan, & Kimakowitz, 2009).

### ***The Systemic Level***

Environmental destruction is one of the most obvious problems of our current system. Overall, humanity is currently using the productive capacity of more than 1.3 planets to satisfy its needs.<sup>1</sup> If everybody on this planet were to consume natural resources at the rate of an average

---

<sup>1</sup>[http://wwf.panda.org/about\\_our\\_earth/all\\_publications/living\\_planet\\_report/](http://wwf.panda.org/about_our_earth/all_publications/living_planet_report/)

American, more than 4 planets would be required.<sup>2</sup> The current economy uses more resources than can be replenished, leading to unsustainable growth and further economic bubbles. In financial terms, we are living off our planetary capital and not the interest generated by it, which is very poor management of resources. 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.

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. The level of poverty and inequality pricks the conscience of many people, and it is also a threat to the stability of the rest of the world. Political unrest, collectivization, and terrorism are fed by such inequality, which requires significant investments in preserving the status quo (see increased security budgets) rather than in innovation. Shareholder capitalism is mostly blind to these consequences and has not yet provided satisfactory answers to deal with these issues.

### ***The Organizational Level***

At the organizational level, businesses face the challenge of low reputation levels and ever decreasing stakeholder trust (e.g., World Economic Forum, 2006). Trust, however, is 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 large and global shareholder value maximizing companies. Research finds that the decline in trust is heavily contingent upon a lack of value congruency between stakeholders and the organization (Pirson, 2007; Pirson & Malhotra, 2008, 2011). Profit maximization goals are perceived as inherently opportunistic, which makes it ever more difficult for the business community to re-establish trust (Child & Rodrigues, 2004; Pirson, 2007; Simons, 2002).

We observe that many corporations are facing a decreasing level of employee commitment which is indicative of the growing lack of mutual commitment. The Hay Group (2002), for example, finds that

---

<sup>2</sup><http://www.personal.psu.edu/afr3/blogs/siowfa12/2012/10/if-everyone-lived-liked-americans-how-many-earths-would-we-need.html>

43% of American employees are either neutral or negative towards their workplace. According to several Gallup studies, more than 70% of U.S. 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.

### ***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 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 & 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 & 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.

## **THE PROBLEM OF AN ECONOMISTIC PARADIGM**

The above problems are created and sustained by the way we think about people, management, and business. The current economic paradigm puts economic motives not alongside but above all other objectives of human action—and in consequence often bars other concerns, e.g., moral and cultural viewpoints, as illegitimate in theory and irrelevant in practice (see Ashley, 1983; Gasper, 2004). While it represents a powerful and simple way to think about life, the economic paradigm is seriously flawed and could prove suicidal (Pirson & Lawrence, 2010).

### ***Origins of Economism***

The discipline of economics originated from Scottish moral philosophy during the European Enlightenment. In contrast to prevailing philosophy that focused on deity, Scottish moral philosophy centered on the human individual (Nida-Ruemelin, 2008). It emphasized the human ability to reason and was therefore hostile to collectivist and naturalistic anthropologies. Classical economic theory was similar in this regard and was also closely bound to utilitarianism (Nida-Ruemelin, 2008). Jeremy Bentham (1879), one of the founding fathers of utilitarianism, tried to create rational normative criteria for good legislation where every single person was considered equal, independent from social status and origin. John Stuart Mill, one of the leading economic theoreticians, was both a utilitarian and an ethicist at the same time. However, while economics and ethics were originally closely linked, they gradually became disconnected. Following Nida-Ruemelin's (2008) analysis, utilitarianism had several flaws that eventually led to the de-ethicalization (or de-moralization) of economics. Despite its liberal, universalist, and rationalist origins, utilitarian principles can, in fact, be used to justify collectivist practices: "To maximize the total sum of happiness efficiently can include the instrumentalization of one person for the sake of one or several others. Under certain conditions even slavery can be justified by utilitarian principles" (p. 10). In addition, utilitarianism does not provide an understanding of inalienable individual rights, and thus enables the instrumentalization of human beings. Integrity and morality are not considered intrinsic to human beings.

### ***The Economistic View of the Individual***

As stated before, economism views the human being as a fixed entity, predetermined by a stable utility function. This economic man (*homo oeconomicus*) is utterly self-serving and interested only in maximizing his immediate utility. The economic man, therefore, engages only in transactional, short-term oriented encounters with others. His engagements are interest-based, and other people are a means to an end. He acts opportunistically and is mainly motivated by the lower level needs in Maslow's hierarchy of needs (physiological and safety needs). His actions are not evaluated for universal applicability, and hence he is amoral (Dierksmeier & Pirson, 2010).<sup>3</sup>

---

<sup>3</sup>We are aware that the notion of economic man has been enlarged and adapted. Most notably, Jensen and Meckling promote the model of REMM as a better fit version of economic man (one who is not only maximizing money). However, the main postulates of limitless needs (wants) and of maximization remain.

### ***The Economistic View of the Firm***

In a purely economistic view, organizations are not needed, as the market would suffice to coordinate individuals in their maximization of fixed utility functions. Utilitarianism fails to explain why and how co-operation is needed, as economic men with similar preconceived utility functions need only coordination (Nida-Ruemelin, 2008). Nevertheless, based on some additional assumptions, namely transaction costs and bounded rationality, humans are thought to engage in cooperation only when the market provides sub-optimally efficient results.

***Business Strategy.*** The organizations that are based on the notions of *homo oeconomicus* are designed to fit the maximization imperative. An optimal way to ensure utility maximization is for organizational leadership to focus only on shareholder interest. In his refutation of stakeholder theory, Jensen (2002) argues that there has to be a single objective function for the firm; otherwise, one could not purposefully manage it. He bases this claim on assumptions of economic theory, which posit that profit maximization strategies are required in situations where there are no externalities. “Two hundred years of work in economics and finance implies [sic] that in the absence of externalities and monopoly (and when all goods are priced), social welfare is maximized when each firm in an economy maximizes its total market value” (p. 2).

Externalities, however, are very real, negative, drastic, and persistent, as can be witnessed in the environmental crisis as well as in the social inequity crisis. Monopolies are also very real without aggressive anti-trust enforcement, and so it is clear that the economistic setup is sub-optimal.

***Governance.*** The governance notions in the economistic setting are largely informed by agency theory. In order to maintain total control in the hands of ownership, agency theory governance mechanisms focus on creating an environment where opportunistic, self-serving managerial agents are in check to not harm the fulfillment of whatever goal the owners intend to fulfill. Top-down control mechanisms are essential to the governance structure of economistic organizations, since otherwise self-interested economistic managers will abuse the firm.

***Structures.*** Structures in the economistic paradigm have to serve the maximization strategy and are efficiency oriented. To reduce transaction costs, the organizational structure is centered on hierarchies and top-down decision-making. In economistic organizations, incentive systems are central. They are an important structural element for aligning diverging interests and the only way to effectively deal with opportunistic agents. These economistic incentives are mainly monetary in nature

(such as financial bonuses) and targeted at the individual. The incentives are also short-term oriented because they are based mostly on annual (oftentimes quarterly) financial results.

**Leadership.** In the economistic view, the organization is generally seen as a nexus of contracts that is continuously negotiated. The role of the leader requires being involved in a constant negotiation process and the task is to clarify goals and desired outcomes with followers. Bass and Avolio (1994) call the economistic type of leader a transactional leader. The transactional leader is primarily involved in ensuring compliance and setting incentives so that followers deliver. Nurturing quality long-term relationships is rather irrelevant and oftentimes hindering (hiring and firing, for example, is a capacity that requires leaders to be emotionally disconnected from followers). Followers are considered mainly as human resources (not human beings), and a skillful transactional leader is one that is efficiency maximizing.

**Culture.** Economistic organizations support cultures and organizational identities that are oriented mostly towards the individual (Brickson, 2007). These cultures are also often described as transactional in nature (Bass & Avolio, 1994). As a consequence, economistic organizations are following rather linear, mechanistic, and closed-loop thought and interaction processes (Dierksmeier & Pirson, 2010). As Collier and Esteban (1999) argue, mechanistic organizations attempt to transform the environment “adversarially and competitively rather than seek to respond to it” (p. 176). Uncontrolled change is viewed as a threat because it interferes with the optimal implementation of the maximization paradigm. There is a need to control the outside and to manage and manipulate the environment, particularly government, in order to support firm profitability (Dierksmeier & Pirson, 2009).

### ***The Economistic View of the Societal System***

In an economistic view, the main function of the corporation is to accumulate wealth, whilst the main function of the state is to provide safety. In this division of labor, the state creates rules to coordinate organizations, and organizational leadership’s main responsibility is to obey those rules while maximizing profits. These rules, however, are based on “laissez-faire” assumptions so that individuals and organizations can follow their respective utility functions. Any further commitment to societal causes is incompatible with individual- and organizational-level utility maximization. Talk of responsibilities is generally viewed as systematic interference with liberty. Calls for corporate responsibility and sustainability are only heeded when they are compulsory and part



of the legal infrastructure. Voluntary engagement for societal issues such as equity and intergenerational justice do not fit with the economic view unless they make strategic sense in terms of increasing material wealth (Dierksmeier & Pirson, 2008).

## **A HUMANISTIC PARADIGM AS ALTERNATIVE**

Despite many popular misconceptions, humanism as a philosophical tradition and utilitarian economism have very similar roots. Humanistic philosophy also takes the human individual as its starting point and emphasizes the human capacity of reasoning. It is therefore equally hostile to any form of collectivism.<sup>4</sup> In contrast to economism, however, humanism assumes that human nature is not entirely a given, that it can be refined through education and learning. In addition, the ethical component remains a cornerstone in humanism in that it attributes inalienable rights and dignity to everyone, independent from ethnicity, nationality, social status, or gender. Humanism addresses everybody and is universal in its outreach.

### ***The Humanistic View of the Individual***

The philosophy of humanism views the individual as a *zoon politikon* (Aristotle), a relational (wo)man who materializes freedom through value-based social interactions (Dierksmeier & Pirson, 2009). People he or she engages with are means but also an end in themselves. Human beings in the humanistic view are guided by universally applicable principles and aim at long-term relationships. They are intrinsically motivated to self-actualize and serve humanity through what they do. They do not have fixed preconceived utility functions, but their interests, needs, and wants take shape through discourse and continuous exchange with the outside world. Human beings as such do not maximize their own utility, but balance their interests and those of people around them in accordance with general moral principles (Dierksmeier & Pirson, 2008).

***Recent scientific developments supporting the humanistic perspective.*** Humanism and economics have their traditions, but so far, no real test of these theoretical assumptions is possible. Lawrence and Nohria (2002), however, took up the task of evaluating recent findings

---

<sup>4</sup>Collectivism here is defined as the theory and practice that makes some sort of group rather than the individual the fundamental unit of political, social, and economic concern. In theory, collectivists insist that the claims of groups, associations, or the state must normally supersede the claims of individuals.

from neuroscience, behavioral economics, and evolutionary psychology and developed a theory that allows for viewing human beings in a more complete fashion. Lawrence (2007b, 2010), in his most recent follow-up works, calls it a renewed Darwinian theory (RD theory) of human beings, referring to Darwin's groundbreaking insights on human behavior that are often overlooked or misunderstood. In essence, RD theory illuminates how the human brain developed via natural selection as well as through sex and group selection mechanisms to make complex decisions regarding all aspects of life (personal, communal, and societal). It posits **four basic and independent drives**, ultimate motives that underlie all human decisions. There are two ancient drives which are shared by all animals that have some capacity to sense and evaluate their surroundings—**the drive to acquire (dA)** life-sustaining resources, and **the drive to defend (dD)** from all life-threatening entities. The two newer drives that evolved into an independent status in humans are **the drive to bond (dB)** in long-term mutually caring relationships with other humans, and **the drive to comprehend (dC)**, to make sense of the world around us in terms of its multifaceted relations to ourselves. The posited independence of these drives contradicts the economist view in which all human motivation could be subsumed under the drive to acquire, with the drives to bond, comprehend, and defend merely playing a supportive role.

***The Drive to Acquire (dA).*** Lawrence (2010) argues that humans, in common with all animals, have a fundamental drive to get what they need to stay alive and have progeny: food, water, warmth, sex, etc. Modern neuroscience provides evidence to support the biological basis of the drive to acquire (Glimcher, Camerer, Fehr, & Poldrack, 2008; Ridley, 2003). Becerra et al. (2001), for example, have identified an area in the brain called the nucleus accumbens which lights up with increased blood flow when people and animals experience pleasurable sensations from objects they acquire, ranging from tasty food to the sight of a beautiful face. This drive is commonly acknowledged by much of economic and management theory (e.g., Jensen & Meckling, 1994) as it is the basis for utility maximization.

***The Drive to Defend (dD).*** Lawrence and Nohria (2002) claim that for most species, the drive to defend is a mirror image of the drive to acquire. What needs defending is what needed acquiring—food, water, warmth, mates, and so on. Carter and Frith (1998) present evidence that the drive to defend seems, like the other drives, to be housed in the limbic area of the brain, specifically in a module called the amygdala. They find that responses to stimuli will be either appeasement, flight, or aggression, depending on what part of the amygdala is stimulated (pp. 90–91). Lawrence and Nohria (2002) further argue that for humans,

with their four drives, the drive to defend covers much more ground—not only concerning the physical necessities of life and procreation, but also relationships, cooperative efforts, and the understanding of the world (see the idea of protected values [Baron & Spranca, 1997]). As with the drive to acquire, humans are able to satisfy their drive to defend in a huge variety of ways and oftentimes in cooperation with others (Lawrence, 2010).

***The Drive to Bond (dB).*** Aristotle already hinted at the drive to bond when he stated that human beings are social animals (Dierksmeier & Pirson, 2009). Darwin (1909) further observed the drive to bond in humans when he wrote that everyone “will admit that man is a social being. We see this in his dislike of solitude and in his wish for society beyond that of his own family. Solitary confinement is one of the severest punishments which can be inflicted” (p. 110), or,

Under circumstances of extreme peril, as during a fire, when a man endeavors to save a fellow-creature without a moment's hesitation, he can hardly feel pleasure; and still less has the time to reflect on the dissatisfaction which he might subsequently experience if he did not make the attempt. Should he afterwards reflect over his own conduct, he would feel that there lies within him an impulsive power widely different from a search after pleasure or happiness; and this seems to be the deeply planted social instinct. (p. 122)

Of course, we all have observed that people tend to form bonds with other people. Lawrence (2010), however, suggests that we need to reevaluate this utterly familiar phenomenon not simply as “the way people are” or as “the innate goodness in people,” but as one of four survival oriented criteria. A number of experiments have offered evidence that there is an independent drive to bond supported by our brain. LeDoux (1996, 2002), for example, found that when certain parts of the limbic area—the hypothalamus and anterior thalamus—are impaired, individuals have a difficult time forming any meaningful or stable social relationships. Similarly, Damasio (1994, 2003) suggests that brain damage in certain parts leaves people without emotions and without the ability to make rational decisions and form new bonds. In experiments that examined group bonding mechanisms, Tajfel (2010) found that a group of strangers, divided into arbitrary subgroups, formed surprisingly strong attachments to members of the same group, even if the group is completely meaningless and has no prior history together. To further support the innate and independent drive to bond, Warneken and Tomasello (2006) found that human infants (between 18 and 24 months old) show a spontaneous, unrewarded impulse to help others even when they seem too young to have emulated this behavior from adults. In these experiments, research-

ers who were strangers to the toddlers accidentally dropped items and pretended to unsuccessfully reach for them. The children retrieved the items for the experimenter 89% of the time. Henrich et al. (2001) found that the value of fairness exists across cultures and that it trumps the drive to acquire in what is called the ultimatum game. Lawrence (2010) also argues that all humans, except the rare psychopath, experience pain at the loss of an important long-term relationship, whether by death, divorce, emigration, downsizing, or many other causes. In many cases, this pain is so deep that a mere reference to the drives to acquire and defend does not seem sufficient. Emigration to the United States from a mother country in which one is not only doomed to poverty but also subject to violent persecution is, rationally speaking, a net gain in terms of maximizing self-interest, yet it will still cause deep and lasting grief (Lawrence, 2010: 34).

***The Drive to Comprehend (dC).*** Aristotle observed the drive to comprehend when he qualified humans as social animals endowed with reason. Many scholars have suggested that humans have a fundamental drive to understand themselves and their environment (Lawrence & Nohria, 2002; Maslow, 1954; Weick, 1995; Weick & Sutcliffe, 2006). Gribbin and Gribbin (1995) refer to it as mankind's insatiable curiosity. Darwin (1909) also referred to the drive to comprehend: "As soon as the important faculties of the imagination, wonder, and curiosity, together with some power of reasoning, had become partially developed, man would naturally crave to understand what was passing around him, and could have vaguely speculated on his own existence" (p. 95). Lawrence (2010) states that the drive to comprehend can be witnessed in the curiosity of children, who ask questions without knowing whether the answers will ever be of any use to them in fulfilling the other drives. Even newborns, once fed and secure, are exploring the world with their eyes and their hands. The popularity of puzzles, sudoku, or trivia quizzes is also a testimony to the independent drive to comprehend, since solving them provides immediate gratification but only remotely serves in other terms. Another supporting argument is the fact that anthropologists seem to have found not a single culture that does not have a creation story and few that do not have an afterlife story (Sproul, 1979). People seem to need these theories to give meaning to their lives (Weick, 1995; Wrzesniewski & Dutton, 2001), regardless of whether or not the stories confer any advantage in acquiring, bonding, and defending. Lawrence (2010) even argues that religions arose in all societies primarily to help fulfill this drive. Pinker (2002) argues that the drive to comprehend has helped humans to survive against stronger and faster animals by devising weaponry, creating tools, and building houses. Moreover, increasing empirical evidence points to the physical existence of the

drive to comprehend in the brain as well. Biederman and Vessel (2006) found that a part of the brain which helps recognize what we see seems to be equipped with its own reward system of opiate receptors, which give a pleasurable “high” when stimulated by a new image (see also the emotional reaction to the eureka effect, or the joy of solving a sudoku puzzle). They also found that this pleasure response diminished when the same image was recognized repeatedly. As Biederman and Vessel see it, these opiate receptors get bored by repetition and need new stimulation, which leads us to curiosity (e.g., Loewenstein, 1994). As Lawrence puts it, we are rewarded directly with pleasure for learning something new. Comprehending is independently rewarding, time and again, and only secondarily does this make us more competitive than species that do not keep learning (Biederman & Vessel, 2006).

***Psychopathy: A Three-Drive Genetic Defect and Source of Bad Leadership.*** Lawrence (2010) argues that some people, over the history of human survival, did not develop the independent drive to bond. These people were asocial and were usually outcasts in society. They had been marginalized throughout evolution but never completely eradicated. In fact, it is estimated that about 1% of the population does lack that independent drive to bond, causing what is otherwise known as psychopathy (Hare, 1999; Neumann & Hare, 2008). Hare describes psychopaths as “social predators who charm, manipulate, and ruthlessly plow their way through life, leaving a broad trail of broken hearts, shattered expectations, and empty wallets. Completely lacking in conscience and in feelings for others, they selfishly take what they want and do as they please, violating social norms and expectations without the slightest sense of guilt or regret” (1999: XI). They have “an insatiable appetite for power and control” (1999: 218) combined with “a deeply disturbing inability to care about the pain and suffering experienced by others—in short, a complete lack of empathy” (p. 6).

Researchers have identified psychopaths (whom biologists and economists call “free-riders” and whom sociologists and some psychologists tend to call “sociopaths”) as people with a genetic defect (Weber, Habel, Amunts, & Schneider, 2008). They are incapable of empathy and have no skill set of conscience or morality (Cleckley, 1982). Their jaw-dropping selfishness and lack of empathy does not come from exaggerated drives to acquire and defend; these drives are normal—which means they are innate, unconscious, independent, and *insatiable*—but are not checked and balanced by a drive to have trusting and caring relationships with others (Buckholtz et al., 2010). Lawrence (2010) describes them as wild animals—motivated mainly by the two universal animal drives—but with all the advantages of a human drive to comprehend.

Hare estimates—conservatively, he insists—that “there are at least 2 million psychopaths in North America; the citizens of New York City have as many as 100,000 psychopaths among them” (1999: 1–2). Babiak and Hare (2006) even argue that many of these psychopaths are able to gain influence and power and that the current corporate environment allows them to do so effectively (see, for a similar argument, Bakan, 2004; Sutton, 2007). In fact, historians have made the argument that many examples of bad leadership over history can be traced to psychopathic personalities, including Hitler, Stalin, and even Napoleon (e.g., Neumayr, 1995).

The concept of economic man resembles the psychopath in that it assumes that humans are exclusively motivated by the *drive to acquire* and the *drive to defend*. In effect, therefore, the drive to bond with fellow humans and the drive to comprehend and make sense of the world only exist as secondary drives to fulfill the former two. In contrast, the RD theory supports a humanistic view in that we have four independent underlying natural drives that need to be continually balanced. While the drives to acquire and to defend still remain viable and important factors in determining human behavior, the drive to bond with fellow humans and the drive to comprehend are also strong independent forces. RD theory thus provides a humanistic understanding of behavior. It is also able to provide higher level insight with regard to organizational principles and decision-making. Furthermore, it can be rigorously tested by natural science. We will examine below what the implications of this humanistic paradigm (based on RD theory) are for organizations and societies (e.g., Bakan, 2004).

### ***The Humanistic View of the Firm***

***Business Strategy.*** The humanistic view of organizations and firms (Mele, 2008: 15), in contrast to the economistic perspective, is that they are much more than mere sets of contracts or mechanisms for profit creation. This is consistent with some of the foundational work in the knowledge-based view of the firm (Kogut & Zander, 1996), where it is argued that firms exist not only for coordination but for learning and identity building purposes. Humanism views organizations as a social phenomenon essential to the relational nature of human beings. Because humans have a need for friendly and cooperative relationships, humanistic organizations embrace a balance of qualitatively desirable outcomes. Firms, therefore, aim to support the individual drives for acquisition, bonding, comprehending, and defending at the same time. In fact, when firms do that, they not only better motivate their employees and other stakeholders, but they also produce more desirable organizational

results (Nohria, Groysberg, & Eling-Lee, 2008). In the humanistic view, we assume ever changing adaptive processes, not stable utility functions. Discourse-based social processes, therefore, are central to the notion of organizing and supporting the creation of mutual goals. The aim of these processes is to achieve a balance, and therefore any imperative for the maximization of one single objective (such as shareholder value) is rejected. In light of RD theory, a corporation aiming to maximize financial value is akin to a psychopathic individual aiming to fulfill only the drive to acquire without needing to fulfill the drive to bond. In the end, it will be unsustainable and unfit for survival, as can be witnessed in the recent financial crisis.

The universal ambition of humanism requires that multiple objectives are integrated and harmonized. Shared value creation processes are theoretically and practically imperative; a balance between multiple stakeholders and between short- and long-term interests is essential. At best, humanistic organizing endorses a satisficing or holistic optimizing strategy (Frederick, Davis, & James, 1988; Simon, 1979, 1982) around goals that benefit humanity at large (e.g., well-being creation).

**Governance.** In contrast to governance theories based on agency theory, humanistic governance theories such as trusteeship or stewardship theory focus on reinforcing the other-regarding positive aspects of human nature (Blair, 1995; Blair & Stout, 1999; Turnbull, 2002). According to Davis, Schoorman, and Donaldson (1997), stewardship theory assumes intrinsically motivated human beings that are driven mainly by higher-order needs such as social and self-actualization needs (Maslow, 1954). Stewards are guided by the intention to serve all stakeholders, and they demonstrate a high level of commitment to total value creation, focus on long-term results, and an equitable distribution of rewards to all stakeholders. As such, governance mechanisms focus more on strategic support for the steward and less on hierarchical control. Economistic types of top-down control (such as time clocks, monitoring systems, etc.) are thus deemed detrimental to the motivation and performance of stakeholders (Donaldson & Davis, 1991; Macus, 2002; Muth & Donaldson, 1998). Checks and balances systems are essential in humanistic organizational structures so that power abuse can be prevented. Lawrence (2007a) argues that checks and balances arrangements, rather than hierarchical control, parallel the function of the prefrontal cortex in the human brain. That is why he argues that checks and balances systems (such as those instituted in the U.S. Constitution) are better able to fulfill the role of representing all major stakeholders in strategic decisions. Akin to democratic institutions, humanistic organizations can use different stakeholder councils (e.g., worker councils) to prevent decisions that favor one group over the other in the long term. These internal checks and



balances will mutually reinforce each other to serve various stakeholder needs in a balanced form (see also Gratton, 2004).

**Structures.** While economistic structures aim to reduce transaction costs, humanistic organizational structures, on the contrary, center on the development of human capabilities and effectiveness. To enable individual growth, humanistic structures reduce authority levels in the organization, allowing employees to enjoy high levels of responsibility. In humanistic organizations, decision rights are spread throughout the entire organization in a way that utilizes the expertise of all employees. To further use the capabilities of employees, humanistic organizations employ integrative mechanisms that cut across the vertical lines of control, e.g., product or project managers, task forces, matrix elements, innovative information management systems. Such structural elements help to keep the focus on over-all organizational goals but also provide opportunities for employees to put meaning into their work and fulfill their drive to comprehend (dC) and extend their bonded network of trust (dB).

In humanistic firms, the use of intrinsic motivational levers is prioritized, especially those aimed at normative and hedonic intrinsic drives (Deci & Ryan, 1985; Gottschalg & Zollo, 2007; Lindenberg, 2001). Incentives are usually tied to holistic organizational goals, reward not only the individual but also the team, and are primarily tied to long-term organizational goals. These methods prevent an over-stimulation of competitive (dA) drives compared to collaborative drives (dB).

**Leadership.** What Bass and Avolio (1994) term transformational leadership fits well with a humanistic view of leadership. Transformational leaders actively balance their four personal drives and also engage their followers to do so. Based on moral values, transformational leaders inspire followers, stimulate them intellectually, and engage them emotionally with organizational tasks. They base their influence on the power of the argument rather than on hierarchy, and demonstrate care for the individual follower and his personal development. Transformational, humanistic, or four-drive leaders are able to create a climate in which people clearly understand cognitively and embrace emotionally the purpose of the organization (drive to comprehend), are able to maintain very positive long-term relationships with each other (drive to bond), create financial value (drive to acquire), and can count on their collective strength to weather the storms of competition (drive to defend). But humanistic leaders do not only stop acting and influencing within their own organization. They act as responsible stewards of the economy and society at large (Hernandez, 2008; Sitkin, Lind, & Siang, 2006),



and are enabled and compelled by their active four drives to contribute to a society that is balancing the four drives as well. Lawrence (2007), therefore, argues for a much more active role of business leaders in the public policy process—not, as is currently seen, in terms of a laser focus on firm profitability (dA), but rather in terms of creating a balance in society among all four drives.

**Culture.** Unsurprisingly, the different paradigm also contributes to the creation of distinctive organizational cultures. Humanistic organizations support cultures that are more transformational in nature, and create organizational identities based on inter-human relations (relational) and which are inclusive of a larger group (communal) (Brickson, 2007). They are driven by all four human drives and they create balanced cultures. The humanistic organizational culture is organic, circular, constantly changing and evolving, and engages with outside forces as parameters of internal action. As it thrives from the exchange with the outside, it fosters constant dialogue with and amongst its stakeholders and is guided by a dialogically generated set of values (Dierksmeier & Pirson, 2010; Pirson & Lawrence, 2010). Not only does it balance the four drives of internal stakeholder groups, but it also aims at contributing to a balance of the four drives for external stakeholders. Google, Nucor, Medtronics, and the Grameen Bank can be seen as typical organizations with four-drive cultures.

### ***View of the Societal System***

In the humanistic perspective, individuals, organizations, and the state all play important roles in balancing the four drives. As there needs to be a balance on each level respectively, there is no real division of labor in terms of fulfilling the four basic drives. Rather, there is cooperation in terms of ensuring that the checks and balances enable an optimal balance of the four drives on all levels. In the humanistic view, personal morality is connected with responsibility for systemic consequences. Business leaders accept and assume responsibility for the consequences of their actions on the systemic, organizational, and individual levels. As such, organizations engage with the outside and view responsibility to stakeholders as elementary for conducting business. Liberty is contingent on morality; individual and organizational freedom materialize through care and concern for the other. Sustainability and corporate responsibility are endorsed parameters in the humanistic view of business; attempts to alleviate social problems through business are imperative. Only in mutual responsibility for individuals, organizations, and the wider system is a balance of the four drives possible (see also Table 1).

Paradigm	Economism	Humanism
<b><i>Individual Level</i></b>		
Model	<i>Homo Oeconomicus</i>	<i>Zoon Politikon</i>
Motivation	Two-drive motivated <ul style="list-style-type: none"> <li>• Drive to acquire</li> <li>• Drive to defend</li> </ul>	Four-drive motivated <ul style="list-style-type: none"> <li>• Drive to acquire</li> <li>• Drive to bond</li> <li>• Drive to comprehend</li> <li>• Drive to defend</li> </ul>
Goal	Maximization of utility	Balance of interests
Disposition	Transactional	Relational
View of other	Means to an end	Means and end
<b><i>Organizational Level</i></b>		
Organization	Nexus of contracts	Social community
Governance	Shareholder oriented	Stakeholder oriented
Model in management theory	Agent	Steward
Leadership style	Transactional	Transformational
Goal setting	Command and control based	Discourse based
Goal	Profit maximization	Financial, social, and environmental sustainability
Motivation incentives	Geared to 1 <sup>st</sup> and 2 <sup>nd</sup> order needs (Maslow) <ul style="list-style-type: none"> <li>• Drive to acquire</li> <li>• Drive to defend</li> </ul>	Geared to 3 <sup>rd</sup> and 4 <sup>th</sup> order needs (Maslow) <ul style="list-style-type: none"> <li>• Drive to acquire</li> <li>• Drive to bond</li> <li>• Drive to comprehend</li> <li>• Drive to defend</li> </ul>
Culture	Mechanistic	Organic
Time frame	Short term	Long term

<i>Systemic Level</i>		
State orientation to business	Laissez faire	Subsidiary actor
State managerial responsibility	Financial value creation	Supporting a balanced society

TABLE 1: Economism and Humanism (adapted from Pirson and Lawrence, 2009)

## THE NOTION OF HUMANISTIC MANAGEMENT

Within the humanistic paradigm, we develop the notion of humanistic management, which we consider the intra- and inter-personal approach to creating and supporting the firm. It is, as such, not a theory of the firm, but a theory about the practice of the firm. We suggest that this theory for the practice of management can be applied to sustainable business management and to all aspects of decision-making that aspire to be more humanistic and ethical. The following perspective has been developed and refined through an iterative process between theory and practice. During that process, we researched a sample of 19 companies that were suggested by experts as “humanistic” organizations, in a global search process with a focus on two elements: social value generation and financial value generation (refer to Table 2). The case studies that were developed were guided by the questions of why and how the selected organizations could be economically successful while contributing to positive social development. Case studies focused on strategies, business philosophy, organizational culture, leadership, and management practices and processes. Such case examples were curated from around the globe and represent a variety of industries. As such, we hope to have a broad base for our conclusions.

	Company	Location	Size	Industry
1	ABN Amro Banco Real	Latin America (Brazil)	Big / National	Financial Services
2	AES Corporation	North America (USA)	Big / Global	Industrial Goods
3	Broad Air Conditioning	Asia (China)	Big / Global	Industrial Goods

4	Brummer and BracNet	Asia (Bangladesh)	Small / National	Services
5	Cascade Pulp and Paper	North America (Canada)	Big / Global	Industrial Goods
6	DM	Europe (Germany)	Big / National	Services
7	Grameen Danone	Asia (Bangladesh)	Small / National	Consumer Goods
8	Hongfei Metal Limited	Asia (China)	Small / National	Industrial Goods
9	Level Trading	North America (Canada)	Small / National	Consumer Goods
10	Micromatic Grinding Technologies	Asia (Based in India)	Big / National	Industrial Goods
11	Mondragon	Europe (Spain)	Big / National	Conglomerate
12	Novo Nordisk	Europe (Denmark)	Big / Global	Consumer Goods
13	Sekem	Afrika (Egypt)	Small / Regional	Consumer Goods
14	Semco	Latin America (Brazil)	Big / National	Conglomerate
15	Sonae Sierra	Europe (Portugal)	Big / Global	Industrial Goods
	<b>Company</b>	<b>Location</b>	<b>Size</b>	<b>Industry</b>
16	Tata Group	Asia (India)	Big / Global	Conglomerate
17	Terracycle	North America (USA)	Small / National	Consumer Goods
18	Wainwright Bank and Trust	North America (USA)	Small / National	Financial Services
19	Zipcar	North America (USA)	Small / National	Services

TABLE 2: Overview of Humanistic Businesses Analyzed (adapted from Kimakowitz et al., 2010)

Based on our analysis, we understand humanistic management as possessing *three* interrelated dimensions. First, humanistic managers exhibit an unconditional respect for the dignity of every person as the foundation for interpersonal interaction. Second, they actively integrate ethical reflection into their business decisions. Third, humanistic managers aim to establish normative legitimacy for corporate activities through stakeholder engagement. Taken together, these three dimensions ultimately promote human flourishing and present a basis for a globally sustainable business practice.

### ***Unconditional Respect Towards Human Dignity***

Managers in the selected sample knowingly or tacitly agreed that part of what makes us human is our shared vulnerability. Humanistic management, therefore, means the fundamental acceptance that the *conditio humana* entails our shared need for the protection of said dignity. Such respect is expressed in the unconditional protection against exploitation and instrumentalization. As Immanuel Kant noted, every human must always be seen as an end in itself, and never as a mere means:

Everything has either a price or a dignity. Whatever has a price can be replaced by something else as its equivalent; on the other hand, whatever is above all price, and therefore admits of no equivalent, has a dignity. But that which constitutes the condition under which alone something can be an end in itself does not have mere relative worth, i.e., price, but an intrinsic worth, i.e., a dignity. (Kant, 1785)

This presents a challenge to the general notion of input-output, economistically oriented management. Such an orientation entails a tendency to objectify human beings (as human resources); managers influence the managed in favor of predefined objectives, thus turning them into a means to achieve an end, and reduce people to little more than the equivalent of a piece of machinery. Managers in humanistically oriented companies aim to see every individual as an end in itself. While they do not dispute that people need to be instrumental in production processes in order for a business to thrive, they provide mechanisms of choice so that people autonomously assume their roles as the result of a self-determined process. Only then are they not *instrumentalized* in their human capacity; instead, they themselves are *assuming an instrumental role* within their job. The utilization of people in humanistic management, therefore, is always limited to the role a person assumes, never to the person itself. Enlightened managers thus understand that people will only become instruments to businesses which they consider aligned to their personal values (i.e., sustainable businesses).

An example of corporate practice that values individual autonomy and allows for a high degree of self-determination is the Brazilian conglomerate Semco, which has roughly \$200 million in annual turnover, about 3,000 employees, and enjoys over a decade of yearly double digit growth. At Semco, employees quite literally choose their jobs within the company. In addition, they form ad-hoc committees and task groups that address specific issues. These groups are formed without managerial supervision and anyone who wants to contribute to the topic in question can join. The founder of Semco, Ricardo Semler, attributes a great deal of the company's success to its humanistic foundations: "our insistence [is] that workers seek personal challenges and satisfaction before trying to meet the company's goal" (Largacha, 2010). They want to give people room for exploration and self-discovery. "Once employees feel challenged, invigorated, and productive, their efforts will naturally translate into profit and growth for the organization." In simpler terms, Semler states that "we don't make our employees ask permission to go to the bathroom ... we get out of their way and let them do their jobs" (Largacha, 2010).

### ***Integrating Ethical Concerns into Managerial Decisions***

Humanistic managers do not think insularly, and they understand that the respect for human dignity is reflected in a business's impact on society at large. In its broader context, humanistic management challenges traditional corporate responsibility as mere rhetoric if it does not integrate ethical concerns. Ethical means examining decisions that impact others in terms of their consequences for all those affected. Humanistic management, therefore, criticizes one-dimensional managerial objectives such as profit maximization because the decisions are evaluated mostly in terms of impact for shareholders. That is when economic rationality becomes incompatible with protecting human dignity. A humanistic convergence exists whenever there is room for the balancing of interests of stakeholders based on the quality of the arguments articulated. In Habermasian words, when factual power overrides argumentative power—as any paradigm that proclaims the maximization of particular interests demands—minority interests are excluded and suppressed from consideration (Habermas, 1998; Scherer & Palazzo, 2007). Humanistic managers, therefore, define economic success criteria as being inclusive of all stakeholders, often around the notion of the common good or well-being creation.

Spain's seventh largest company, a cooperative called Mondragon, provides a rich example of the integration of ethical evaluations and stakeholder concerns into managerial decision making. Employees at

Mondragon are owners of the firm, and believe that they are in business together *with* consumers, suppliers, and the community; they are oriented towards serving society, and derive motivation and joy from serving the common good rather than shareholders. As a consequence, a business that does not serve the common good is not worth pursuing for Mondragon, despite potential profitability. This approach leads to the integration of ethical concerns into managerial decision making as part of the organization's DNA, and not as an afterthought, e.g., under a risk management perspective (Kasimir, 1996). Furthermore, such an approach satisfies all four motivational drives in that it creates a safe (dD) and friendly (dB) environment in which income can be earned and a higher purpose is served (dC) (Moellner, 2010).

### ***The Dialogical Extension of Managerial Ethical Reflection***

The integration alone of ethical reflection into business decisions can be seen as a monological process in which the decision-maker might, in all sincerity, fail to see the concerns of others, leading to what we may call honest mistakes. Humanistic managers, therefore, seek normative legitimacy to ensure that the outcomes of (monological) ethical reflection are tested by entering into a dialogue with those who may challenge any aspect of a business's conduct. This third guiding principle is critical with regard to global sustainability concerns. The lonesome managerial decision about whether a certain action is ethically sound is thereby transferred to the "moral site" of stakeholder dialogue, where the manager shares the responsibility with the stakeholder in embarking on a course of action that is acceptable to both parties. This is how businesses gain normative legitimacy, especially with regard to social and environmental impact.

Legitimacy can be considered the general recognition of an entity's conduct as desirable or apposite within a system of norms and values. Humanistic management bestows legitimacy if the normative evaluation of an organization and its activities results in the perception that it is "doing the right thing with the right intention." This differentiates *normative legitimacy* from *pragmatic legitimacy*, for while the former is based on values and reason, the latter can be based on mere self-interest and strategic business calculus (e.g., the business case). As Max Weber pointed out, seeking legitimacy helps determine the choice of means for an exercise (Weber, 1978: 214). The sincere seeking of legitimacy, therefore, forces a company to continuously assess its conduct, to rationally justify its behavior and compare it to expectations and the desirability of its impact on society, and this is best achieved in a dialogue between all those affected. The world market leader in insulin production, Novo

Nordisk, has radically shifted its business model towards one where shared responsibility and legitimacy seeking through stakeholder dialogues take center stage. Following an initial stakeholder model in the 1990s where Novo Nordisk perceived itself as the center of a stakeholder universe with various predefined stakeholders around it, they changed their perspective towards a reflective stakeholder model. In its current form, Novo Nordisk sees itself as one point of intersection in a dynamic web of stakeholders. Under its reflective model, Novo Nordisk aims to increase transparency so that stakeholders can gain access to the information they are interested in. As a result, the company gains legitimacy and simultaneously learns about the issues that are of interest to its stakeholders while it enables an open dialogue based on mutual learning and the desire to improve the company's performance (Palacios, Pirson, & Bader, 2010).

In short, humanistic management is the pursuit of strategies and practices that seek to create sustainable human well-being. Humanistic management derives its legitimacy from the preservation of human dignity in business through the submission of its practices to societal critique. By engaging in an open dialogue about the values that should serve business as criteria for assessing managerial success, corporate decision-makers realize that the value proposition of business is ultimately to serve people rather than to make money. The shift from one-dimensional profit maximization towards a multidimensional and value-integrative understanding of corporate success is as necessary today as it is imminent.

## **HUMANISTIC MANAGEMENT AS PRACTICE**

The various case examples studied show how businesses can unite social value generation with financial success and become role models for sustainable business. In addition to the three elements of humanistic management, we found additional insights that can help sustainable business practice:

- The companies are steadfastly purpose-based. Their purpose provides the platform needed for the autonomous individual to make decisions for the organization's benefit. The purpose is a universally sharable, legitimacy-inducing goal, providing stakeholders with a reason for wanting the company to succeed. In turn, the company can count on motivated employees, loyal customers,



trusting business partners, and a high degree of goodwill from other stakeholders.

- Humanistic management styles as implemented in these cases aim to promote human development, which includes psychological, physical, social, and financial dimensions.
- Humanistic management is learning oriented. There is no state of perfection, only a constant drive to improve and organically evolve.
- The businesses provide for decentralized structures based on trust, allowing members autonomy while providing a sufficient level of integration to create a sense of community. Humanistic management structures are modeled after democratic systems that create checks and balances, and thus guard against the imbalances of a corporate control and command structure. In general, managers in these businesses assume that trust is reciprocal—one needs to show trust to gain trust—and that at one stage in the firm's development, management made a leap of faith, trusting their employees and business partners and gaining their trust in return. This allowed management to do away with control mechanisms that impede creativity, innovation, productive interpersonal interactions, and that inflict transaction costs.
- Managers in these firms are “servant leaders” and regard themselves as stewards for the greater good. They are often spiritually grounded, self-effacing, and humble. They see their roles as being guardians of a culture of dignity, and serve as co-developers of a learning community. Humanistic leaders do not see the need to dominate others to experience gratification in their career, but derive great satisfaction from being able to share their passions and convictions with their communities. They are grateful for, and excited about, the opportunity that they have been given to contribute in creating a better world.

## CONCLUSION

If we, as management academics, want to help solve the current crises, we need to go back to the fundamentals. We need to question the understanding of how we view ourselves as human beings and how we build organizations based upon that understanding. The proposed

humanistic paradigm for the development of a renewed theory of the firm is only a starting point, but it is firmly rooted in tradition, culture, and in philosophy as well, and is supported by increasing amounts of scientific evidence. However, much of that evidence is scattered, and so much more rigorous, ingenious, and interdisciplinary studies need to be conducted. To that end, we need to work more across disciplinary boundaries to better understand these fundamental issues. Moreover, we also need to cross not only academic boundaries but boundaries in practice and policy as well. We need to work outside of academic purviews and allow research to focus on the problems of practitioners with regard to solving the current crises. When doing so, we need to take seriously the boundaries and logics established by institutional arrangements. Many of the structural setups are a consequence of the current paradigm and we need to be able to propose superior alternatives.

One of the main barriers that needs to be overcome is the depth to which the economic view has penetrated minds and hearts regarding the dark side of business and management. We need not only to propose alternative paradigms but support the creation of an alternative human-centered narrative of business as well. In order to achieve that, we need to find, create, and tell different stories about business. As academics, we might, therefore, need to collaborate more with the media in order to penetrate mainstream opinion more effectively. There are many more businesses adopting sustainable business strategies that serve people and the planet. Teaching such case examples and providing insights into such companies, as well as conducting research with them (i.e., social enterprises), could enhance efforts to protect our species.

A lot of challenges undoubtedly lie ahead for those concerned with solving the current crises. The scope and scale of change involved in re-designing our economic system are so grand that only collaborative efforts can hope to be successful. Under the auspices of the Humanistic Management Network ([www.humanetwork.org](http://www.humanetwork.org)) and its various chapters and centers, we are reaching out to academics, practitioners, and policy makers who are interested to work together. From reconceptualizing management theory to teaching better management theory and practice, from advising and consulting with businesses to employ more enlightened approaches to advising policy makers to set the framework for sustainable business practices, there lies much work ahead, and we are looking forward to collaborating. As such, we want to conclude with an invitation to be in touch with us through [info@humanetwork.org](mailto:info@humanetwork.org).

## REFERENCES

- Anderson, N. 1998. The incubator: the people make the paradigm. *Journal of Organizational Behavior*, 19(4): 323–328.
- Arena, C. 2004. *Cause for success: 10 companies that put profits second and came in first: how solving the world's problems improves corporate health, growth, and competitive edge*. Novato, CA: New World Library.
- Argyris, C. 1973. Some limits of rational man organizational theory. *Public Administration Review*, 33(May/June): 253–267.
- Ashley, R. 1983. Three modes of economism. *International Studies Quarterly*, 27(4): 463–496.
- Babiak, P., & Hare, R. D. 2006. *Snakes in suits: when psychopaths go to work* (1st ed.). New York: Regan Books.
- Bakan, J. 2004. *The corporation: the pathological pursuit of profit and power*. Canada: Penguin Books.
- Baron, J., & Spranca, M. 1997. Protected values. *Organizational Behavior and Human Decision Processes*, 70(1): 1–16.
- Bass, B. M., & Avolio, B. J. 1994. Transformational leadership and organizational culture. *International Journal of Public Administration*, 17(3/4): 541–554.
- Becerra, R. N., Beriter, H., Roky, W., Kgonzalez, R., & Borsook, D. 2001. Circuitry activation by noxious thermal stimuli. *Neuron*, 323: 927–946.
- Bentham, J. 1879. *Introduction to the principles of morals and legislation*. London: Clarendon Press.
- Biederman, I., & Vessel, E. 2006. Perceptual pleasure and the brain. *American Scientist*, 94(3): 247–253.
- Blair, M. M. 1995. *Ownership and control: rethinking corporate governance for the twenty-first century*. Washington, DC: Brookings Institution.
- Blair, M. M., & Stout, L. A. 1999. Team production theory of corporate law. *Virginia Law Review*, 85(247): 247–328.
- Brickson, S. L. 2007. Organizational identity orientation: the genesis of the role of the firm and distinct forms of social value. *Academy of Management Review*, 32(3): 864–888.
- Buckholtz, J. W., Treadway, M. T., Cowan, R. L., Woodward, N. D., Benning, S. D., Li, R., Ansari, M. S., Baldwin, R. M., Schwartzman, A. N., Shelby, E. S., Smith, C. E., Cole, D., Kessler, R. M., & Zald, D. H. 2010. Mesolimbic dopamine reward system hypersensitivity in individuals with psychopathic traits. *Nat Neurosci*, 13(4): 419–421.
- Carter, R., & Frith, C. D. 1998. *Mapping the mind*. Berkeley, CA: University of California Press.
- Child, J., & Rodrigues, S. B. 2004. Repairing the breach of trust in corporate governance. *Corporate Governance: An International Review*, 12(2): 143–153.
- Cleckley, H. M. 1982. *The mask of sanity* (rev. ed.). New York: New American Library / St. Louis: Mosby.

- Collier, J., & Esteban, R. 1999. Governance in the participative organisation: freedom, creativity and ethics. *Journal of Business Ethics*, 21(2–3): 173–188.
- Damasio, A. R. 1994. *Descartes' error: emotion, reason, and the human brain*. New York: Putnam.
- Damasio, A. R. 2003. *Looking for Spinoza: joy, sorrow, and the feeling brain* (1st ed.). Orlando, Fla: Harcourt.
- Darwin, C. 1909. *The descent of man and selection in relation to sex*. New York: Appleton and Company.
- Davis, J. H., Schoorman, F. D., & Donaldson, T. 1997. Toward a stewardship theory of management. *Academy of Management Review*, 22(1): 20–47.
- Deci, E., & Ryan, A. J. 1985. *Intrinsic motivation and self-determination in human behavior*. New York: Plenum.
- Diener, E., & Seligman, M. 2004. Beyond money. *Psychological Science in the Public Interest*, 5(1): 1–31.
- Dierksmeier, C. 2011. The freedom-responsibility nexus in management philosophy and business ethics. *Journal of Business Ethics*, 101(2): 263–283.
- Dierksmeier, C., & Pirson, M. 2008. *Freedom and the modern corporation*. Paper presented at the ISBEE, Capetown, SA.
- Dierksmeier, C., & Pirson, M. 2009. Oikonomia versus chrematistike: learning from Aristotle about the future orientation of business management. *Journal of Business Ethics*, 88(3): 417–430.
- Dierksmeier, C., & Pirson, M. 2010. Freedom and the modern corporation. *Philosophy of Management (formerly Reason in Practice)*, 9(3): 5–25.
- Donaldson, L., & Davis, J. H. 1991. Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*, 16(1): 49–66.
- Easterlin, R. 2001. Income and happiness: towards a unified theory. *Economic Journal*, 111(July): 465–484.
- Elias, M. 2002. Psychologists now know what makes people happy. *USA Today*, Dec. 8, Health & Behavior Section, [http://usatoday30.usatoday.com/news/health/2002-12-08-happy-main\\_x.htm](http://usatoday30.usatoday.com/news/health/2002-12-08-happy-main_x.htm) (accessed June 6, 2014).
- Frederick, W. C., Davis, K., & James, E. 1988. *Business and society: corporate strategy, public policy, ethics*. New York: McGraw-Hill.
- Gaspar, D. 2004. *The ethics of development: from economism to human development*. Edinburgh: Edinburgh University Press.
- Ghoshal, S. 2005. Bad management theories are destroying good management practices. *Academy of Management Learning and Education*, 4(1): 75–91.
- Ghoshal, S., & Moran, P. 1996. Bad for practice: a critique of the transaction cost theory. *Academy of Management Review*, 21(1): 13–48.
- Glimcher, P. W., Camerer, C., Fehr, E., & Poldrack, R. 2008. *Neuroeconomics: decision making and the brain*. Academic Press.
- Gottschalg, O., & Zollo, M. 2007. Interest alignment and competitive advantage. *Academy of Management Review*, 32(2): 418–437.
- Gratton, L. 2004. *The democratic enterprise: liberating your business with freedom, flexibility and commitment*. London: Financial Times.

- Gribbin, M., & Gribbin, J. R. 1995. *Being human—putting people in an evolutionary perspective*. London: Phoenix.
- Habermas, J. 1998. Three normative models of democracy. In C. Cronin & P. De Greif (Eds.), *The inclusion of the other: studies in political theory*: 524–541. Cambridge, MA: MIT Press.
- Hare, R. D. 1999. *Without conscience: the disturbing world of the psychopaths among us*. New York: Guilford Press.
- Hart, S. 2005. *Capitalism at the crossroads: the unlimited business opportunities in solving the world's most difficult problems*. Upper Saddle River, NJ: Wharton School.
- Hay Group. 2002. *Engage employees and boost performance*, [http://www.haygroup.com/downloads/us/engaged\\_performance\\_120401.pdf](http://www.haygroup.com/downloads/us/engaged_performance_120401.pdf) (accessed June 6, 2014).
- Henrich, J., Boyd, R., Bowles, S., Camerer, C., Fehr, E., Gintis, H., & McElreath, R. 2001. In search of homo economicus: behavioral experiments in 15 small-scale societies. *American Economic Review*, 91(2): 73–78.
- Hernandez, M. 2008. Promoting stewardship behavior in organizations: a leadership model. *Journal of Business Ethics*, 80(11): 121–128.
- Jackson, I., & Nelson, J. 2004. *Profits with principles—seven strategies for delivering value with values*. New York: Currency Doubleday.
- Jensen, M. C. 2001. Value maximisation, stakeholder theory, and the corporate objective function. *European Financial Management*, 7(3): 297–317.
- Jensen, M. C. 2002. Value maximization, stakeholder theory and the corporate objective function. *Business Ethics Quarterly*, 12(2): 235–257.
- Jensen, M. C., & Meckling, W. H. 1994. The nature of man. *The Journal of Applied Corporate Finance*, Summer: 4–19.
- Kant, I. 1785. *Groundwork of the metaphysic of morals*. Königsberg.
- Kasmir, J. 1996. *The myth of Mondragon: cooperatives, politics, and working-class life in a Basque town*. New York: State University of New York Press.
- Kogut, B., & Zander, U. 1996. What firms do? coordination, identity, and learning. *Organization Science*, 7(5): 502–518.
- Largacha, C. 2010. Humanistic management at SEMCO. In E. v. Kimakowitz, M. Pirson, H. Spitzeck, C. Dierksmeier, & W. Amann (Eds.), *Humanistic management in practice*: 215–230. London: Palgrave MacMillan.
- Lawrence, P. 2007a. Organizational logic—institutionalizing wisdom in organizations. In E. H. Kessler & J. R. Bailey (Eds.), *Handbook of organizational and managerial wisdom*: Chapter 3. Los Angeles: Sage Publications.
- Lawrence, P. 2007b. *Being human—a renewed Darwinian theory of human behavior*, [www.prlawrence.com](http://www.prlawrence.com). Cambridge, MA.
- Lawrence, P. 2010. *Driven to lead: good, bad, and misguided leadership*. San Francisco: Jossey-Bass.
- Lawrence, P., & Nohria, N. 2002. *Driven: how human nature shapes our choices*. San Francisco: Jossey-Bass.
- LeDoux, J. E. 1996. *The emotional brain: the mysterious underpinnings of emotional life*. New York: Simon & Schuster.

- LeDoux, J. E. 2002. *Synaptic self: how our brains become who we are*. New York: Viking.
- Lindenberg, S. 2001. Intrinsic motivation and self-determination in human behavior. *Kyklos*, 54(2/3): 317–342.
- Loewenstein, G. 1994. The psychology of curiosity: a review and reinterpretation. *Psychological Bulletin*, 116(1): 75–98.
- Macus, M. 2002. *Towards a comprehensive theory of boards: conceptual development and empirical exploration*. Doctoral dissertation, HSG, Universität St. Gallen, Switzerland.
- Maslow, A. H. 1954. *Motivation and personality*. New York: Harper & Brothers.
- Mele, D. 2008. Current trends of humanism in business. In H. Spitzack, M. Pirson, W. Amann, S. Khan, & E. von Kimakowitz (Eds.), *Humanism in business: perspectives on the development of a responsible business society*: 123–140. Cambridge, UK: Cambridge University Press.
- Mintzberg, H., Simons, R., & Basu, K. 2002. Beyond selfishness. *Sloan Management Review*, 44(1): 67–74.
- Moellner, T. 2010. Mondragon—a case of humanistic management in practice. In E. v. Kimakowitz, M. Pirson, H. Spitzack, C. Dierksmeier, & W. Amann (Eds.), *Humanistic management in practice*: 170–184. London: Palgrave MacMillan.
- Muth, M. M., & Donaldson, L. 1998. Stewardship theory and board structure: a contingency approach. *Corporate Governance: An International Review*, 6(1): 5–29.
- Neumann, C. S., & Hare, R. D. 2008. Psychopathic traits in a large community sample: links to violence, alcohol use, and intelligence. *Journal of Consulting and Clinical Psychology*, 76(5): 893–899.
- Neumayr, A. 1995. *Dictators in the mirror of medicine: Napoleon, Hitler, Stalin*. Bloomington, Ill: Medi-Ed Press.
- Nida-Rümelin, J. 2008. Philosophical grounds of humanism in economics. In H. Spitzack, M. Pirson, W. Amann, S. Khan, & E. von Kimakowitz (Eds.), *Humanism in business: perspectives on the development of a responsible business society*: 15–25. Cambridge, UK: Cambridge University Press.
- Nohria, N., Groysberg, B., & Eling-Lee, L. 2008. Employee motivation: a powerful new model. *Harvard Business Review*, 7/8(HBS Centennial Issue): 78–84.
- Palacios, P., Pirson, M., & Bader, B. 2010. Novo Nordisk—making a difference in diabetes treatment. In E. v. Kimakowitz, M. Pirson, H. Spitzack, C. Dierksmeier, & W. Amann (Eds.), *Humanistic management in practice*: 185–203. London: Palgrave MacMillan.
- Pinker, S. 2002. *The blank slate: the modern denial of human nature*. New York: Viking.
- Pirson, M. 2007. *Facing the trust gap: how organizations can measure and manage stakeholder trust*. St. Gallen: University of St. Gallen.
- Pirson, M., & Lawrence, P. 2010. Humanism in business—towards a paradigm shift? *Journal of Business Ethics*, 93(4): 553–565.
- Pirson, M., & Malhotra, D. 2008. Unconventional insights into managing stakeholder trust. *Sloan Management Review*, 49(4): 43–50.

- Pirson, M., & Malhotra, D. 2011. Foundations of organizational trust: what matters to different stakeholders? *Organization Science*, 22(4): 1087–1104.
- Ridley, M. 2003. *Nature via nurture: genes, experience, and what makes us human* (1st ed.). New York: HarperCollins.
- Sachs, J. 2005. *The end of poverty: economic possibilities for our time*. New York: Penguin Press.
- Scherer, A. G., & Palazzo, G. 2007. Toward a political conception of corporate social responsibility: business and society seen from a Habermasian perspective. *Academy of Management Review*, 32(4): 1096–1120.
- Scherer, A. G., Palazzo, G., & Seidl, D. 2013. Managing legitimacy in complex and heterogeneous environments: sustainable development in a globalized world. *Journal of Management Studies*, 50(2): 259–284.
- Senge, P. M. 2010. *The necessary revolution: working together to create a sustainable world* (1st pbk. ed.). New York: Broadway Books.
- Simon, H. A. 1979. Rational decision making in business organizations. *American Economic Review*, 69: 493–513.
- Simon, H. A. 1982. *Models of bounded rationality*. Cambridge, MA: MIT Press.
- Simons, T. 2002. The high cost of lost trust. *Harvard Business Review*, September: 1–3.
- Sitkin, S. B., Lind, A., & Siang, S. 2006. The six domains of leadership. *Leader to Leader*, S1: 27–33.
- Spitzeck, H., Pirson, M., Amann, W., Khan, S., & Kimakowitz, E. (Eds.). 2009. *Humanism in business: perspectives on the development of a responsible business society*. Cambridge: Cambridge University Press.
- Sproul, B. C. 1979. *Primal myths: creation myths around the world*. San Francisco: Harper & Row.
- Sutton, R. I. 2007. *The no asshole rule: building a civilized workplace and surviving one that isn't* (1st ed.). New York: Warner Business Books.
- Tajfel, H. 2010. *Human groups and social categories: studies in social psychology*. Cambridge: Cambridge University Press.
- Turnbull, S. 2002. *A new way to govern—organizations and society after Enron*. London: New Economics Foundation.
- Tyler, T. R. 2006. Review of social justice research. In C. Winship (Ed.), *Seminar for Sociology of Justice*. Cambridge, MA: Sociology Department, Harvard University.
- Tyler, T. R., & Blader, S. 2003. Procedural justice, social identity, and cooperative behavior. *Personality and Social Psychology Review*, 7: 349–361.
- Warneken, F., & Tomasello, M. 2006. Altruistic helping in human infants and young chimpanzees. *Science*, 311(3): 1301.
- Weber, M. 1978. *Economy and society: an outline of interpretive sociology*. Berkeley: University of California Press.
- Weber, S., Habel, U., Amunts, K., & Schneider, F. 2008. Structural brain abnormalities in psychopaths—a review. *Behavioral Sciences & the Law*, 26(1): 7–28.
- Weick, K. E. 1995. *Sensemaking in organizations*. Thousand Oaks, CA: Sage Publications.

- Weick, K. E., & Sutcliffe, K. 2006. Mindfulness and the quality of organizational attention. *Organization Science*, 17(4): 514–524.
- World Economic Forum. 2006. *Decline in Trust*.
- Wrzesniewski, A., & Dutton, J. E. 2001. Crafting a job: revisioning employees as active crafters of their work. *Academy of Management Review*, 26(2): 179–201.