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Humanism in Business – Towards a Paradigm Shift?

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ABSTRACT. Management theory and practice are facing unprecedented challenges. The lack of sustainability, the increasing inequity, and the continuous decline in societal trust pose a threat to 'business as usual' (Jackson and Nelson, 2004). Capitalism is at a crossroad and scholars, practitioners, and policy makers are called to rethink business strategy in light of major external changes (Arena, 2004; Hart, 2005). In the following, we review an alternative view of human beings that is based on a renewed Darwinian theory developed by Lawrence and Nohria (2002). We label this alternative view 'humanistic' and draw distinctions to current 'economistic' conceptions. We then develop the consequences that this humanistic view has for business organizations, examining business strategy, governance structures, leadership forms, and organizational culture. Afterward, we outline the influences of humanism on management in the past and the present, and suggest options for humanism to shape the future of management. In this manner, we will contribute to the discussion of alternative management paradigms that help solve the current crises.

KEY WORDS: humanism, economism, management paradigms, sustainability, management theory, business strategy

Introduction

Management theory and practice are facing unprecedented challenges. The lack of sustainability, the increasing inequity, and the continuous decline in societal trust pose a threat to 'business as usual' (Jackson and Nelson, 2004). Capitalism is at a crossroad and scholars, practitioners, and policy makers are called to rethink business strategy in light of major external changes (Arena, 2004; Hart, 2005). As current management theory is largely informed by economics, it draws substantively from neoclassical theories of human beings (Ghoshal, 2005). Accordingly, humans are materialistic utility maximizers that value individual benefit over group and societal benefit. A 'homo economicus' 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. This theory of human behavior has drawn support from the highly popular interpretation of Darwinian theory of evolution as favoring the survival of the toughest over the weak, as Spencer proposed, instead of the survival of the most adaptive as Darwin intended.

Business strategy and organizational design are largely based on the mistaken assumptions about Darwinism, and, in turn, are blamed by others for creating negative externalities. 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 et al., 1997). Other critical scholars argue that management theory needs to be rethought based on psychological insights rather than theoretical assumptions (Ghoshal, 2005; Tyler, 2006). Tyler (2006) finds overwhelming evidence that people look for respect, acceptance, communion, and shared values instead of short-sighted personal utility increases. Diener and Seligman (2004) find that 'Leading a meaningful life' is more important to most people than money, power, and status. De Cremer and Blader (2005) underline the importance of a sense of belongingness, which is contradictory to the individualization aspects of economic theory. We hence suggest that we need a broader way of understanding humans on which we can prescribe a renewed theory of leadership and management, to design our organizations and to formulate business strategy.

In the following, we will review an alternative view of human beings that is based on a renewed

Darwinian theory developed by Lawrence and Nohria (2002). We label this alternative view of human beings as a 'humanistic' theory and draw distinctions to the current 'economistic' conceptions. We then develop the consequences that this humanistic view has for business organizations, examining business strategy, governance structures, leadership forms, and organizational culture. Afterward, we outline the influences of humanism on management in the past and the present, and suggest options for humanism to shape the future of management. In this manner, we will contribute to the discussion of alternative management paradigms that help solve the current crises.

Economism and humanism – competing paradigms

A common background but then a divergence

Following Nida-Ruemelin (2009), 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. It emphasized the human ability to reason and was therefore hostile to collectivist and naturalistic anthropologies. Classical economic theory was similar in that regard and also closely bound to utilitarianism. Bentham (1789), 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 (Table I).

Following Nida-Ruemelin's (2009) analysis, utilitarianism has several flaws that eventually led to the de-ethicalization (or de-moralization) of economics. Despite being 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 unalienable individual rights and thus enables instrumentalization of human beings. Integrity and morality are not considered intrinsic to human beings. "No project that might be essential for leading an upright and coherent life will survive if the duty to maximize the total sum of happiness has priority in each moment of the agent's life" (p. 10).

Despite many popular misconceptions, humanism as a philosophic 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.[1] 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 unalienable rights to everybody, independent from ethnicity, nationality, social status or gender. Humanism addresses everybody and is universal in its outreach.

The comparative views of the individual

As stated before, economism views the human being as a fixed entity, predetermined by its utility function which is stable. This economic man (homo oeconomicus) is utterly self-serving and only interested in maximizing his immediate utility. Economic man is therefore only engaging 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 and Pirson, 2008).[2]

The philosophy of humanism in contrast views the individual as a zoon politikon, a relational man. Someone, who materializes his freedom through value-based social interactions. 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

TABLE I

Economism and humanism

Paradigm	Economism	Humanism
Individual level		
Model	Homo oeconomicus	Zoon politikon
Motivation	Two drive motivated Drive to acquire Drive to defend	Four drive motivated Drive to acquire Drive to bond Drive to comprehend Drive to defend
Goal	Maximization of utility	Balance of interests
Disposition	Transactional	Relational
View of other	Means to an end	Means and end
Organizational level		
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
Incentives	Geared to 1st and 2nd need (Maslow) Drive to acquire Drive to defend	Geared to 3rd 4th order needs (Maslow) Drive to acquire Drive to bond Drive to comprehend Drive to defend
Culture	Mechanistic	Organic
Time frame	Short term	Long term
System level		
State orientation to business	Laissez faire	Subsidiary actor
State-managerial responsibility	Financial value creation	Supporting a balanced society

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. As such human beings are not maximizing their own utility, but balancing the interests of themselves and people around themselves in accordance with general moral principles (Dierksmeier and Pirson, 2008).

The perspective of the renewed Darwinian theory of human beings

Both views have their traditions, but so far, no real test of these theoretical assumptions was possible. Lawrence and Nohria (2002), however, took up the task of evaluating recent findings from neuroscience, behavioral economics, and evolutionary psychology and developed a theory that allows viewing human beings in a more complete fashion. Lawrence (2007a) in his most recent follow-up work 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 has developed via natural selection and also through sex and group selection mechanisms to make complex decisions regarding all aspects of life (personal, communal, and societal). It posits *four basic drives*, ultimate motives that underlie all human decisions. There are two ancient drives which are shared by all animals with some capacity to sense and evaluate its 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 to an independent status in humans, are t*he 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.

Darwin (1909) observed the drive to bond in humans, when describing: ''Every one 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 he time to reflect on the dissatisfaction which he might subsequently experience if he did not make the attempt. Should he afterward 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).

Similarly, Darwin describes the drive to comprehend in the following words. ''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).

The ''independent status'' of these two drives means that they are treated as ends themselves and rewarded by the brain and nervous system in the same manner as the dA or dD. Unsurprisingly, the four independent drives are frequently in conflict with each other in everyday life as we struggle to decide how to behave, how to adaptively respond to the immediate circumstances we face. This condition of drive-conflict brings the pre-frontal cortex into action. This part of the brain is uniquely complex in humans. This is the part of the brain that, when faced with drive-conflict, has the capacity to call on all the resources of the rest of the cortex (long-term memory, skills, etc.) to search for a response that satisfies all four drives and can be expected to optimize only in a holistic four drive manner.

The concept of economic man however assumes (in RD terms) 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. Thus RD theory 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. Below, we will examine what the implications of this humanistic paradigm (based on RD theory) paradigm are for organizations and societies.

View of the business organization

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 cooperation is needed, as economic men with similar preconceived utility functions only need coordination (Nida-Ruemelin, 2009). Nevertheless, based on some additional assumptions, namely transaction costs and bounded rationality, humans are thought to engage in cooperation only when the market provides suboptimally efficient results.

Business strategy

The organizations that are based on the notions of homo oeconomicus are designed to fit the maximization imperative. Decisions in the economistic paradigm are aiming at maximizing one overarching drive (drive to acquire in RD terms) to fulfill utility needs. Organizations in the economistic mold are hence built to maximize the utility in terms of wealth, and need to profit maximize. An optimal way to ensure utility maximization is for organizational leadership to focus on the shareholder interest only. In his refutation of stakeholder theory, Jensen (2002) argues that there has to be a single objective for the firm otherwise one could not purposefully manage it. He bases this claim on assumptions of economic theory, which posit that maximization strategies are required in situations where there are no externalities. ‘‘Two hundred years of work in economics and finance implies 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 the social inequity crisis. Monopolies are also very real without aggressive anti-trust enforcement, so it is clear that the economistic setup is suboptimal. The humanistic view of organizations (Mele, 2009, p. 15), in contrast, is that they are much more than mere set of contracts or mechanisms for profit creation. Humanism views organizations as a social phenomenon essential for the relational nature of human beings. Since humans, following RD theory, have a drive for friendly and cooperative relationships, humanistic organizations embrace a balance of qualitatively desirable outcomes. Discourse based social processes 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 maximization of one single objective is rejected. 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 satisfying or holistic optimizing strategy (Frederick et al., 1988; Simon, 1979, 1982).

Governance

The different philosophical approaches have consequences for the top-level governance structures in organizations. 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. In contrast, humanistic governance theories such as stewardship theory focus on reinforcing the other-regarding positive aspects of human nature. According to Davis et al. (1997), stewardship theory assumes intrinsically motivated human beings that are mainly driven by higher-order needs such as social and self-actualization needs (Maslow, 1954). Stewards are guided by the intention to serve all stakeholders, demonstrate a high level of commitment to total value creation, to focus on long-term results, and an equitable distribution of rewards to all stakeholders. As such, governance mechanisms focus 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 and Davis, 1991; Macus, 2002; Muth and Donaldson, 1998). While top-down control mechanisms are essential to the governance structure of economistic organizations, (some organizational theorists call them ‘‘remnants of feudalism’’), checks and balance systems are essential in humanistic organizational structures so that power abuse can be prevented. Lawrence (2007a, b) argues that checks and balance arrangements parallel the function of the prefrontal cortex in the human brain rather than the hierarchical control. That is why he argues that checks and balance systems (such as 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

Structures in the economistic paradigm have to serve the maximization strategy and are efficiency oriented. To that end, the organizational structure is centered on hierarchies and top-down decision making. Humanistic organizational structures on the contrary center on human capabilities and effectiveness. While economistic structures rely on a large number of authority levels, humanistic structures reduce authority levels in the organization. In humanistic organizations, decision rights are spread throughout the entire organization in a way that utilizes the expertise of all employees and provides them with the opportunity to fulfill their drive to comprehend at work (dC).

To further use the capabilities of employees humanistic organizations employ integrative mechanisms that cut across the vertical lines of control: i.e., 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 (dD).

In economistic organizations, incentive systems are central. They are an important structural element to align diverging interests and the only way to deal with opportunistic agents effectively. These economistic incentives are mainly monetary in nature (such as financial bonuses), target the individual, and address the drive to acquire (dA). The incentives are also short-term oriented because they are mostly based on yearly financial results. In humanistic organizations, incentive systems include both monetary and symbolic incentives. These incentives are 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

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 the followers deliver. Nurturing quality long-term relationships is rather irrelevant and oftentimes hindering (Hiring and firing, e.g., is a capacity that requires leaders to be emotionally disconnected from followers). Followers are mainly considered as human resources (not human beings), and a skillful transactional leader is one that is efficiency maximizing. The organization is therefore set up in a linear way to support efficiency maximization, which in turn renders the culture rather mechanistic.

What Bass and Avolio (1994) term transformational leadership, fits well with a humanistic view of leadership. Transformational leaders are actively balancing their personal four 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 the organizational tasks. They base their influence on the power of the argument rather than 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 are able and compelled by their active four drives to contribute to a society that is balancing the four drives as well. Lawrence (2007a, b) 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

The different paradigm, unsurprisingly, also contributes to the creation of distinctive organizational cultures. 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 and Avolio, 1994). As a consequence, economistic organizations are following rather linear, mechanistic, and closed-loop thought and interaction processes. 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. In addition, the domination of the drives to acquire (dA) and to defend (dD) translate into a need to control the outside, and to manage and manipulate the environment, particularly government, in order to support firm profitability (Dierksmeier and Pirson, 2008). Economistic cultures are two-drive cultures.

Humanistic organizations, in contrast, support cultures that are more transformational in nature and create organizational identities based on inter-human relations (relational) inclusive of a larger group (communal) (Brickson, 2007). They are driven by all four human drives and are creating balanced cultures. The humanistic organizational culture is organic, circular, constantly changing and evolving, and engages with outside forces as parameters of internal action. Said culture is open, flexible, participative, and value-based. As it thrives from the exchange with the outside, it fosters constant dialog amongst and with its stakeholders and is guided by a dialogically generated set of values (Dierksmeier and Pirson, 2008). It not only balances the four drives of internal stakeholder groups, but also aims at contributing to a balance of the four drives for external stakeholders. Google, Nucor, Medtronics, or the Grameen Bank can be seen as typical organizations with four-drive cultures.

View of the societal system

These different paradigms also influence the view of the systemic environment and the responsibilities towards it. In an economistic view, the main function of the corporation is to accumulate wealth, and heed the drive to acquire, while the main function of the state is to provide safety and cater to the drive to defend. In this division of labor, the state is creating 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 the 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 economistic view unless they make strategic sense in terms of increasing material wealth (Dierksmeier and Pirson, 2008).

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 the systemic consequences. Business leaders accept and assume responsibility for consequences of their actions both on the systemic level and the individual level. 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 an imperative. Only in that mutual responsibility for individuals, organizations and the wider system is a balance of the four drives possible.

Humanism and economism in business – past, present and future

Historical development and current tendencies

As demonstrated, the two paradigms have a long historical background, but they have enjoyed fluctuating support in management thinking. In fairly recent history, economistic thinking has come to dominate the managerial practices. But its persistent catering to the drive to acquire has already created a serious imbalance regarding the satisfaction of the four intrinsic human drives. As a consequence, we witness the social and ecological crises discussed in the introduction.

Historically, economistic thinking has been the most obvious in the development of 'scientific management' in the early 20th century. Frederick Taylor and Henry Ford brought unprecedented productivity with their functional view of management. However, soon after, the shortcomings of their technical management styles became obvious. Elton Mayo and the Hawthorne experiments unveiled the importance of psychological effects and the drive to bond on human productivity. As a result, a more human-centered approach to management was called for. This humanistic management or ''human relations'' movement stressed the importance of human needs and motivations for organizational success (see Maslow, 1954; Mayo, 1933, 1946). Significant contributions by Argyris (1957), McGregor (1960), and Herzberg (1976) pointed at the significance of motivational factors outside of the monetary realm, such as the importance of a meaningful job (drive to comprehend). Overall, they underscored that successful organizations are able to cater to all four drives. But because the early literature held that this humanistic approach could also lead to more efficient and effective organizations (dA), Mele (2009), among others, questioned whether this first wave of humanism in business was not a masked form of economism. Citing examples where psychological techniques were used only to increase productivity, he argued that these ideas were only an extension of an economistic two-drive paradigm. Without the scientific tools to prove their ideas and in the face of a resurgent economistic thinking in the form of Agency theory, the ''human relations'' model faded in importance. However, there have been several very recent developments that reconnect to the long tradition of humanistic thought in business practice. There are several humanistic tendencies in current business that are complementing and challenging economistic approaches, which demonstrate how the paradigms are again shifting in influence (Mele, 2008). Among these tendencies are (1) the focus on the individual for highly specialized business activities, (2) the focus on high performance cultures, and (3) the focus on moral values.

Focus on the individual for highly specialized business activities

During early economistic forms of management (Taylorism, Fordism), individuals were considered as human machines. To better deal with psychological needs, businesses employed job enlargement and job rotation. To increase motivation, many businesses also restructured their work so jobs fit better with employee capabilities, aspirations and values. Job enrichment and a focus on person-job fit put the individual center stage. Today, with increased needs for specialized knowledge workers, many organizations also focus on creating optimal person-organization fits. They hence spend a lot of energy on matching needs, desires, or preferences of employees and employer (Buckingham and Coffman, 1999; Cable and Judge, 1994; Chatman, 1989; Judge and Bretz, 1992). Both, ''job redesign'' and concern for ''person-organization fit'' underline respect for the individual and try to view humans in a more holistic fashion. Management is often guided by the idea that every person is different and therefore should be treated in accordance with his or her qualities and personality (Mele, 2009). Even though these concepts are mainly applied to the elite at this point, it is likely that consideration for individual differences becomes a key to future business success, and thus humanistic approaches are complementing economistic ones.

Focus on high performance cultures

As discussed above, in the economistic view companies are considered as mere sets of contracts. The purpose of the corporation is to enrich their owners and employees are motivated by pay for performance. Management's role is to enforce contracts and coordinate employees using command and control mechanisms. Scholars found that purely economistic cultures are continuously outperformed by organizations with humanistic cultures. Collins and Porras (2002) argue that organizations which pursue a purpose greater than wealth maximization are better able to motivate employees and other stakeholders. Pfeffer and Veiga (1999) point out that high involvement and high commitment practices lead to enormous economic returns. As such there is substantial evidence that humanistic organizational cultures lead to better performance. However, ''trends in actual management practice are, in many instances, moving in a direction exactly opposite to what this growing body of evidence prescribes'' (Pfeffer and Veiga, 1999, p. 37). Mele argues that brutal downsizing, delocalization of plants with scarce consideration for the laid-off employees, and other practices demonstrate the continuing power of the economistic paradigms.

Focus on moral values

A third humanistic tendency in business is the increased discourse about values and ethics. Values-based management approaches are increasingly discussed and many companies have institutionalized ethics by way of ethical codes, ethical offices, and ethical training. However, as Anderson points out, "despite discussion in the popular and academic press, the connection between value judgments and economic success is still unclear in the minds of many executives" (1997, p. 25). Despite these tensions, it is clear that the amoral character of business and the pure focus on increasing wealth are increasingly disputed. The discourse on corporate social responsibility opens doors for humanistic argumentation that was previously unthinkable.

Overall, there are several tendencies towards a more humanistic approach to business. While most of these trends are manifest in public discourse, business behavior remains more often than not unchanged. In the following, we will focus on the obstacles and look at what an organization could look like if it actually follows through with a humanistic approach to business.

Humanistic business concepts for the future

If we start at the very basics and consider Darwin's insights seriously, we need to aim at the creation of organizations that satisfy all four independent human drives in a balanced way. Creating such four-drive business organizations (or what we interchangeably call humanistic organizations) requires different thinking, different objective functions, different incentive structures, as well as a different institutional support system.

Milton Friedman's paradigm of 'the business of business is business', meaning creating the highest shareholder value, can only hold when financial value creation will not create negative externalities. The current sustainability crisis, however, calls for business to actively create positive externalities, what we would call sustainability plus. As such the economistic paradigm needs to be replaced by a business paradigm that includes, a positive concern for the environment and social problems. To reconnect business with its humanistic roots, we need new concepts. Nobel laureate Yunus (2009) claims that the separation of economic and social dimensions has always been nonsensical and even the managing partner of McKinsey & Co, Ian Davis, agrees that the continued separation of the social and the economic is strategically unsustainable for big business (Nicholls, 2006, p. 24). Good businesses understand that a proactive approach to the sustainability, inequity, and trust crises is also a good strategy (Jackson and Nelson, 2004; Porter and Kramer, 2006). Hence, businesses need to increasingly combine financial and social value creation (Sharp Paine, 2003).

Strategic corporate social responsibility

In recent years, initiatives that make profit seekers aware of social responsibilities while maintaining their profit-maximizing objective have gained momentum. These sometimes take the form of self-imposed restrictions on activities and/or of the creation of a philanthropic window with some profit.

Many businesses spin off a foundation to deal with social and environmental value creation. They consciously and carefully keep financial value and social value creation separate. Oftentimes foundations have nothing in common with the funder except for the name, e.g., Ford Foundation, Alcoa foundation, etc. Fewer businesses look at corporate profit responsibility and social responsibility as a joint opportunity for sustainable business success. Porter and Kramer (2006) argue that business should not outsource social or environmental value creation, but instead look at how they can combine their current resources and capabilities to create products and services that create social, environmental, and financial value. They call this approach as strategic corporate social responsibility. It starts with the premise that current social and environmental problems are strategic opportunities. Businesses should evaluate problems strategically to select business situations where they can most effectively contribute on both fronts simultaneously.

In this context, social and environmental problems can be solved in a business context, providing direct financial support. The approaches might well not maximize shareholder value in the short term, but will be able to satisfy shareholders who are focused on more sustainable long-term profits. The current strategy of General Electric seems to be testing this hypothesis (Tichy and Bennis, 2007).

Social entrepreneurship as the solution?

While to a great extent business has been and still is treated as responsible only for financial value creation and NGO's or the government for social value creation, social entrepreneurship allows the conceptualization of blended value models. These shared-value creation concepts escape traditional business logic and represent a further step forward in humanistic business development. Muhammad Yunus, recipient of the 2006 Nobel Peace prize, argues that our current economic system is flawed because it only caters to the limited set of investors/people who only want to enrich themselves: "the market is the exclusive playground of the personal gain seekers, overwhelmingly ignoring the common interest of the people and the planet" (Yunus, 2009, p. 3). He finds, however, that many people want to serve others and enjoy contributing to something larger than mere wealth creation (himself included). He calls these people social entrepreneurs. These people are driven to make a difference in the world and to give people a better chance in life. "They want to achieve their objectives by creating and supporting a special kind of enterprise. Such businesses may or may not earn profit, but like any other business, they must not incur losses. We could describe this new class of businesses as 'non-loss' businesses" (p. 2). He therefore argues that we must reinterpret capitalism to account for those investors/people who are in one way or the other interested in social value creation. "Once we have recognized social entrepreneurs, the supportive institutions, policies, regulations, norms, and rules can be developed to help them enter the mainstream" (p. 2).

Social entrepreneurship is a wider concept than strategic corporate social responsibility, because it allows for all blended value propositions, from profit making plus social value creation to social value creation models where capital requirements are funded through non-earned income strategies.

Models of social entrepreneurship

Social enterprises are defined by their dual objectives – the depth and breadth of social and environmental values to be realized, and the expected amount of money to be earned. In the social enterprise, money and mission are very closely aligned. Even though a wide range of social enterprises have emerged, Alter (2006) suggests that there are three main categories defined by the emphasis and priority given to its financial and social objectives: external, integrated, and embedded social enterprises (cf. Alter, 2006). All of these can be models for the reform of current financially driven businesses.

External social enterprise. In external social enterprises, social programs are distinct from profit-oriented business activities. The business enterprise activities are 'external' from the organization's social operations and programs. Businesses can partner with not-for-profit organizations to create external enterprises that fund respective social programs and/or operating costs. This stage represents an incremental change towards a more humanistic organization. Examples for external social enterprises are partnership programs such as Product Red or licensing partnerships with the WWF. In these partnerships, an organization capitalizes on the motivational benefits of a worthy cause and strengthens it through financial and operational capacities. The relationship between the business activities and social programs is supportive, oftentimes providing financial and non-financial resources to the external program. That way the traditional two-drive culture of business (dA, dD) is complemented with the two drives (dB, dC) the culture of the social value partner is offering. Many businesses already capture the motivational energy such partnerships can create (see the alliance of Timberland and City Year), but there seems to be much more potential.

Integrated social enterprises. In integrated social enterprises, social programs overlap with business activities, but are not synonymous. Social and financial programs often share costs, assets, and program attributes. The social enterprise activities are thus 'integrated' even as they are separate from the organization's profit-oriented operations. This type of social enterprise often leverages organizational assets such as expertise, content, relationships, brand, or infrastructure as the foundation for its business (Alter, 2006). The Aravind Eye Hospital in Madurai, India is an example of an integrated social enterprise. It serves cataract patients in a main hospital, where wealthy patients pay a market fee for their surgery. The profit surplus created by these fees is then used to pay for the surgery of poor patients in the free hospital (Rangan, 1993). The relationship between the business activities and the social programs is hence synergistic, adding financial and social value to one another. These mixed or shared value models have largely been unexplored by traditional businesses, but could serve well as a blueprint for future shared value creation.

Embedded social enterprise. In the embedded social enterprise, business activities and social programs are synonymous. Social programs are self-financed through enterprise revenues and thus, the embedded social enterprise can also be a stand-alone sustainable program. The relationship between business activities and social programs is comprehensive; financial and social benefits are achieved simultaneously. The Grameen Bank model of micro-loans serves as an example for an embedded social enterprise. In this model, micro-loans are paid back by the borrowers with a somewhat high interest rate, but still serve the poorest of the poor who do not have access to normal credit, as they are lacking collateral. Other models that serve the Bottom of the Pyramid (see Prahalad, 2005) such as Grameen Phone or BracNet could also be valid approaches. But even traditional publicly traded businesses can successfully merge social, environmental, and financial value creation. Google and Medtronics serve as interesting examples, even though they are operating within a strong dA driven environment.

Conclusion

If we want to 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. We need to understand the current paradigm and be able to supplant it with a new one. We propose a humanistic paradigm for the sustainable development of business in the future. The Renewed Darwinian theory of human beings brings much needed scientific support for how the brain actually works and shows the way to the future of sustainable organizing. The emergence of blended value models is indicative of a paradigm shift. Blended value models show how the economic system can be reconnected to its humanistic roots. While there are several obstacles, it seems that there are tendencies within and outside of business that support humanistic business development. As such it can be argued that that the humanistic view of the economy is gaining strength, but a lot of groundwork to restructure economistic institutions remains to be done.

Notes

1. 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.
2. 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.

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