A challenge to traditional management theory

Ed Wéymes

The author
Ed Weymes is Associate Professor at the University of Waikato Management School, Hamilton, New Zealand.

Keywords
Management theory, Philosophy, Social responsibility

Abstract
This paper challenges the philosophy underlying traditional management thinking. The historic and possibly arcane purpose of business, to maximise shareholder wealth, is no longer a relevant proposition. Academics and managers need to rethink the philosophical framework of management theory. For the past 50 years the management literature has adopted a more “human” approach to the management of organisations yet the importance of systems and process and performance measurers associated with the scientific theory of management prevails. With the growing importance of knowledge creation and the corporate social responsibility movement it is timely to reflect on the purpose of business as adding value to society and rejecting the focus on accumulation of personal wealth. Knowledge-creating enterprises are founded on the development of sustainable relationships within the organisation and with stakeholders and thus require a different philosophical perspective.

Electronic access
The Emerald Research Register for this journal is available at www.emeraldinsight.com/researchregister

The current issue and full text archive of this journal is available at www.emeraldinsight.com/1463-6689.htm

Introduction
Modern management theories are focussed on how individuals contribute to organisation and corporate performance while the performance of the chief executive is dictated by the organisation’s financial returns and share price. While organisations espouse the principles associated with total quality management, learning organisations, high performance organisations and implement balanced score cards, the chief executive’s primary focus is fixated on retaining control of the organisation to meet shareholder expectations.

As we enter the new millennium the corporate world has been rocked by the scandals involving Enron, Worldcom and Adelphia in the USA and in Europe by Parmalat and Mannesmann. These, and a host of other organisations, have been publicly criticised for fraudulent accounting practises or excessive personal gain for the chief executive and senior members of the administration while creating a financial catastrophe for employees and shareholders. The public no longer trusts the corporate world. The World Economic Forum’s (2004) global surveys on trust in 2004 and 2002 indicate that people’s trust levels in global and large domestic companies remain very low with less than 10 per cent of respondents reporting “a lot of trust” in these institutions operating in the best interests of society. (The results for 2004 show some improvement over 2002.)

In Europe, the concept of corporate social responsibility (CSR) is the subject of many boardroom discussions and in the USA the Dow Jones publishes a CSR index on the premise that many investors believe firms who practice social responsibility provide better long term financial returns. The intent of CSR is to add value to society, to leave the world in a better position for our grandchildren by building environmental and social responsibilities into the traditional economic equation. Proponents of CSR claim that this approach will restore public trust and respectability in the corporation, while the “non-believers” state that the concepts of CSR only reflect appropriate standards of corporate governance and there is no need for CSR as a separate movement. Twenty years ago similar sentiments were expressed about “quality” but the quality movement ensured that the concept is now a necessary but not sufficient condition for effective competition.

As we enter the twenty-first century the concept of corporate citizenship has captured the attention not only of corporate leaders but also society. The corporate scandals associated with Enron in the USA and Parmalat in Europe together with the collapse of Arthur Anderson, the respecting accounting, auditing and consulting global giant,
A challenge to traditional management theory

Ed Weymes

has significantly reduced worldwide public trust in
the corporate community. In the recent World
Economic Forum (2004) survey on trust, only 7 per
cent of respondents reported that global companies
operate in the best interests of society. While this
figure is a small improvement over the 2002 survey
public trust in the corporate community is low.
Organisations are seen as profit generating and
wealth enhancing for the select few. The scale of the
public outcry against unethical behaviour has turned
the spotlight towards the importance of corporate
citizenship, ensuring that organisations focus on
social and environmental issues as well as the
economic returns. Public attention appears to be
less focussed on individual wealth creation but on
the manner in which wealth is created. Individuals
who exploit others for personal gain or who exploit
society or the environment for their own advantage
will not be tolerated.

In 2003 a PricewaterhouseCoopers (2003a)
survey found that 75 per cent of chief executive
officers (CEOs) surveyed stated they would forgo
short-term profits in order to implement a
sustainability programme. Yet the highlight of the
business news remains stock market performance
and share price. Despite the move towards a greater
focus on people in the organisation and concern for
the environment, organisations remain numbers
driven and subject to the vagaries of the financial
markets. Chief executives measure their success by
their impact on EPS and not their contribution to
the social or environmental issues.

But today’s CEO also recognises the core
competence of the organisation lies in the
knowledge and skills of its people. Gone are the
days when product design, production process or
customer service could create competitive
advantage. It is the skills and abilities of the
individual staff members that dictate the future of
the organisation. Thus, the organisation must
ensure staff are challenged and suitably rewarded
and today we see organisations offering attractive
remuneration packages including child care and a
host of other benefits. But are such packages
attractive if they are designed to buy the soul of the
employee and not build trust between the
individuals within the organisation?

Today the chief executive is challenged with the
task of building trust and integrity in the
organisation. When trust pervades the organisation
there is commitment from the staff and support from
the external community. Trust is based on shared
values and value systems lie at the heart of human
behaviour, behaviour that cannot be controlled
through systems and processes, the traditional
operating standard for many organisations.

If corporate social responsibility is vested in
the organisation, then the fundamental philosophy
must be based on the organisation’s ability to build
relationships. Relationships are established between
people and cannot be mandated by strict adherence
to systems and processes. The people within the
organisation must subscribe to the values of the
organisation and those outside the organisation
must admire those values. The organisation must be
values driven. Thus the organisation that espouses
corporate social responsibility must develop an
environment where people in the organisation work
together in a harmonious manner and external
stakeholders form an emotional connection with the
organisation while maintaining its commitment to
the financial investors.

Traditionally, the dilemma of the CEO has been
described as “balancing shareholder demands with
achieving longevity or sustainability”. Perhaps the
dilemma should be rewritten; “providing an
environment that espouses individual freedom
while ensuring the financial and non-financial
targets of the organisation are met”. Individual
freedom provides the basis for creativity,
innovation and building trust between individuals
within and outside the organisation. Critics would
argue that in an environment where individual
freedom abounds, anarchy prevails. Organisations
need control, but controls, when imposed from
above, can dictate behaviour and constrain
creativity. Performance criteria will remain key
factors in the life of the organisation and the
longevity of the CEO. However, the organisation
and its senior executives need to shift their focus
from one that is numbers based to one vested in
the establishment of an environment designed to
build trust and to maintain the appropriate
performance measures which are acceptable to its
staff. Thus the dilemma becomes not control or
individual freedom but control with the ability for
individual self-expression. In the East this is seen
as the balance between the yang (bright) and the
yin (dark). This paper explores how such a balance
may be attained in an organisation.

Challenging traditional management theory

While Descartes (Scruton, 2002, p. 3) is often cited
as the father of modern philosophy the roots of
philosophy can be traced back to Plato (Scruton,
2002, p. 3) and his scholar Aristotle (Vanier, 2001,
p. 2). Their writings on human nature, humaneness
and their search for a human identity still bear
relevance today. Human behaviour is vested in the
individual but humaneness, human nature, is
presented as happiness, a virtue that cannot be
attained in isolation. For Plato, the guiding nature of
a relationship is to be found in love and friendship;
through friendship we seek to improve ourselves and help others to improve. Aristotle further developed this point when he described human nature as “the good to which all things aim”. As human beings we strive to do good and good actions promote happiness; a virtue that Aristotle describes as the keystone of human behaviour, the perfect activity. Happiness is the virtue that bestows honour on ourselves and on others.

It was Marx’s (Scruton, 2002, p. 223) vision of the individual being constituted through social activities, defined as labour; language, customs and institutions (specifically economic institutions), that was to move philosophical theory away from relationships and towards individual material gains. Adam Smith (Scruton, 2002, p. 224) attempted to demonstrate that free exchange and accumulation of private property, under the guidance of self-interest, not only preserves justice but also promotes the social wellbeing as a whole, satisfying existing needs and guaranteeing stability.

This subtle, but significant, shift in philosophical focus from human relationships to individual personal gains influenced the development of the theory of bureaucracy, whose purpose was to command and control the behaviour of many for the gain of the few, a philosophy in direct opposition to that of Aristotle and others.

The social landscape of the Western economies in the early 1900s was being transformed as the industrial revolution gained momentum and the capitalist society emerged. Organisations were, and to some extent remain, characterised by; a hierarchy of authority, impersonal rules that define duties, standardised procedures, promotion based on achievement and specialised labour. Those responsible for the operation of these facilities required a system to control behaviour. Weber opined that bureaucracy was capable of attaining the highest degree of efficiency and the most rationally known means of exercising authority over human beings. F.W. Taylor (1911) adopted this philosophy, developing the scientific approach to management, which stated that jobs could be specified, work methods improved and rationalised through careful study and scientific analysis. The driving force of the organisation was efficiency, increasing output and the wealth of the owners. Employees were not to be trusted and required stringent controls to ensure their behaviour was focussed on increased productivity. The era of command and control had arrived and the “robber barons” prospered with personal fortunes being amassed by the select few. Human rights were ignored as were environmental concerns with many factories polluting the land, water and air in their vicinity.

As early as the 1950s the Tavistock Institute in England and the Quality of Working Life in Sweden were challenging this mechanistic approach to organisation structure. Douglas McGregor (1960) challenged the scientific approach to management in his book The Human Side of Enterprise. Theory X postulated that people had to be driven by extrinsic rewards, by punishment or by bureaucratic control. Theory Y opined that individuals could be intrinsically motivated by interesting work and could be directed and managed by their own behaviour. For the next 40 years, theory Y was to be treated as the “soft side” of management while “real” firms, whose motive was to maximise shareholder wealth, sought operational efficiencies through specified procedures and rigid controls.

The period 1945 to early 1970 was one of growth and expansion in the West. Markets were growing and the multinational firm became established. Profits grew, not by gains in market share but by increasing market size. Inefficiencies and poor management practices were hidden. Then in the mid-1970s the first oil shock occurred. Poor management practices were exposed. The good times were over and the West struggled to readjust to the new market conditions.

The “new” approaches to management

The 1980s saw the introduction of the total quality management movement, founded by W.E. Deming (1982), which promoted a participative style of management. Although Deming was a statistician he believed that a new approach to management was required to replace the scientific approach to management with its associated systems and procedures. At the end of WWII, he volunteered to travel to Japan to assist in the reestablishment of Japanese Industry. Here he could implement his new concepts that were willingly adopted by the Japanese firms. In 1979, Deming’s work in Japan was broadcast on American television and overnight TQM became the saviour for American industry. By the early 1980s productivity in the West was abysmal and the US Government introduced the Baldrige Quality Awards in 1987 to promote the importance of quality. These quality awards have since been adopted around the world and are based on the 14 criteria specified by Deming.

In 1990, Peter Senge (1990) published his book The Fifth Discipline which was to challenge the scientific theory of management by introducing the concept of systems theory to organisational design. While the scientific theory was founded on the assumption that an organisation was a closed system, where activities within organizations could be broken down into discrete activities, systems
thinking was suggesting the organization should be considered as an open system and not a series of discrete parts. The writings of Charles Handy, Margaret Wheatley, Peter Drucker and a plethora of others have supported the work of Senge. By the mid-1990s, the concept of the high performance organisation had emerged. Every CEO wanted to be a HPO but there was no universal definition of high performance. Like quality this was something that could be recognised but which escaped definition. However, Edward Lawler (1996) did present six principles that captured the essence of the HPO: 

(1) organisation can be the ultimate competitive advantage;
(2) involvement can be the most efficient form of control;
(3) all employees must add significant value;
(4) lateral processes are the key to organisational efficiency;
(5) organisations should be designed around products and customers (not functions); and
(6) effective leadership is the key to organisational leadership (Lawler, 1996, p. 22).

For over 20 years organisations have espoused the principles of TQM, they have re-engineered the organisation and purported to be high performers. Organisational theory appears to be spurning the scientific approach to management. Cloke and Goldsmith (2002) titled their book *The End of Management and the Rise of Organizational Democracy*:

Autocracy, hierarchy, bureaucracy and management are gradually being replaced by democracy, flat, collaboration and self managing teams. Permanent, stockpiled, one-size-fits-all policies are giving way to innovative, just-in-time, evolving, made to order initiatives. Silos and competitive departments are being deconstructed into living evolving webs of association. Isolated, cynical, immature, apathetic employees are being transformed into connected, motivated, value driven, responsible employee owners (Cloke and Goldsmith, 2002, p. 4).

Today the social evolutionary process appears to be increasingly dominated by values and emotions and less by individual goal-orientated rationality. As the chairman of Phillips (2002, p. 2) states:

Building sustainable development into our business processes is the ultimate opportunity. By its very nature the journey towards sustainability requires the kind of breakthrough thinking that results in true innovation. It calls for partnerships and true cooperation as well as open honest dialogue with stakeholders inside and outside the company.

The command and control environment was designed to modify or control behaviour and not to build trust between individuals through the formation of sustainable relationships. Relationships develop when there is a sharing of values, attitudes and beliefs between the people in the organisation. Those within the organisation subscribe to the values and those outside the organisation admire the values. Thus relationships are established between people and cannot be mandated by systems and processes.

At the turn of the twentieth century, competitive advantage was influenced by an organisations ability to produce goods efficiently: the production era. The production economy was followed by the market economy, the service economy and today competitive advantage is determined by an organisation’s ability to develop intellectual property: the knowledge economy. When knowledge creation becomes the key to competitive advantage an organisation needs to foster an environment where individual creativity and innovation can flourish. Such an environment can be established when; the individuals in the organisation are committed to the purpose of the organisation, when the organisation is driven by common values and shared beliefs, when the fear of failure has been eliminated and the individuals within the organisation do not feel constrained by rules and regulations, systems and processes.

But organisational performance remains vested in key performance indicators. For public companies, shareholder expectation drives performance and the future of the CEO. The financial press remains focussed on stock market performance and corporate financial results remain the highlights of the business news. When an organisation is numbers driven, systems and processes are designed to ensure that targets are achieved. But such measurers influence and constrain individual behaviour, thus limiting the opportunity for creativity and innovation.

If the reader accepts the above three premises; the move to a people focused organisation, the move to encourage creativity and the restoration of public confidence, then the dilemma of the chief executive can be rewritten to, “providing an environment that espouses individual freedom and benefits society while ensuring the financial and non-financial targets of the organisation are met”. If such an approach is adopted the focus of the organisation must be transformed from the traditional concepts associated with bureaucracy, to a philosophy vested in humaneness. A people focused organisation that facilitates the generation of new and innovative approaches, fosters a harmonious working environment and builds trust and integrity for all stakeholders. A new philosophical approach is required to provide the foundation of management theory, one which is not based on the Marxist perspective, that individuals are focussed on materialism and seeking self fulfilment, but one
focussed on a social perspective vested in the norms and values of society.

Thus we appear to be faced with a dilemma. Human nature is vested in individual freedom and the need for the individual to live their life according to their own values but society, in which the individual lives, can only be managed through the adoption of systems and procedures. Since both arguments are correct no one single Western philosophy can be applied to manage today’s society which requires a perspective that balances the need for individual freedom with rules and regulations required to ensure an orderly society.

**Eastern philosophy**

While there is no one dominant Eastern philosophy the region has provided a mosaic of philosophical perspectives on life and the meaning of life. From Hindu to Dao, from Islam to Tao from Buddhism to Confucianism there may be few common themes and while all are religions, Confucianism is considered to be more of a philosophy than a belief.

Master Kung (Confucius) was born into a poor noble family in 552BC in the State of Lu in China. This was a period on China’s history known as the “hundred schools” with teachers wandering from town to town expounding their theories on how the various rulers could improve their fiefdom. Sun Tzu taught the art of warfare and strategy while Kung’s teachings were of a more philosophical nature.

Popular Confucianism emphasises family values, dignity, diligence and education, where there is no disparity between the self-cultivation of the individual and the interests of the community. The individual and the community are part of one harmonious whole represented in Confucian philosophy as *Li* (rituals) and *Ren* (benevolence or humaneness). Chief executives are faced with the balance between individual freedom (*Ren*) and the need to achieve shareholder expectations through the application of systems (*Li*). Traditionally, the focus has been on the development of systems but perhaps it is time to turn our attention to the people in the organisation. The work of Confucius adapted this approach to prescribe an ordered ad sustainable society.

Confucius considered *Ren* (humaneness) to be at the centre of his teaching while many of his scholars, including Mencius, placed equal emphasis on the *Ren* and *Li*. *Ren* is not considered to be a virtue but the fundamental virtue that defines human nature. Translations of *Ren* include benevolence, perfect virtue, human heartedness and humanity. While the concept was never clearly defined by Confucius the following are considered representative definitions (Liu, 1998, p. 17):

- To love men – the equivalent of benevolence.
- Only the man of humanity knows how to love people and to hate people – to hate evil.
- To be respectful in private life, be serious in handling affairs and to be loyal in dealing with others.
- To master oneself and return to propriety is humanity. To overcome the selfish desires within ourselves, to cultivate the mind and heart within ourselves so it can be extended to every aspect of our life allowing good will to flow to others.

Confucius presents a perspective similar to the early Western philosophers, from the writings of Aristotle (Vanier, 2001, p. 7), who encourages us to “look within ourselves to find that inner structure to act correctly and speak the truth”, to Kant (Scruton, 2002, p. 155) who opined that “we are all of equal importance to others around us”.

In Confucianism, “humaneness” can only be depicted inside a relationship, “the humane man, desiring to establish himself, seeks to establish others; desiring himself to succeed, helps others to succeed. To judge others by what one knows of oneself is a method of achieving humanity” (Liu, 1998, p. 18). Similar sentiments are reflected in the work of Plato and Kant who encourage us to improve ourselves by helping others to improve.

Thus *Ren* can be defined as:

- a benevolent attitude towards people;
- the realisation of the intrinsic value of each individual life; and
- a resolute commitment to an ideal principle.

Confucius developed this humanistic approach to how a ruler should lead his people (or how an organisation should manage its staff) arguing that the moral discipline of the self and the well being of the people cannot be separated. He suggested that when the people are governed by law and punishment they will avoid wrongdoing but will have no sense of honour or shame. But when the ruler leads with virtue and governs by the rules of propriety they will have a sense of shame and more over set themselves right. From the organisational perspective while staff may conform to prescribed systems and processes they may lack the commitment to the organisation that is required to allow innovation and creativity to flourish.

Confucius recognised that individuals live within a society governed by the rules of propriety (*Li*). However, these rules should not be imposed from above, as in a bureaucratic organisation, where rules are designed to modify and control behaviour. The rules of society or an organisation should be vested in *Ren* so that the members of society or the organisation accept the rules and laws as those that define acceptable behaviour.
Eastern philosophy provides a perspective where the behaviour of the individual is seen as a harmonistic balance between the individual and how that individual interacts in social relationships. Confucianism provides a philosophy that unites the individual right to choose their own destiny while allowing for the appropriate controls and regulations associated with a complex and technologically driven society.

The framework, associated with the bureaucratic organisation and traditional management theory, was designed to control behaviour. Modern management theory and practice has demonstrated that bureaucracy is no longer an effective model. Similarly the demise of the market economy, posited by Marx has also proved to be invalid. Today we cannot rely on one philosophical model to provide a framework for organisation design, since individual freedom must be tempered with bureaucratic controls. The relationship between Ren and Li possibly provides a model that may resolve the dilemma.

East meets West

Great thinkers from opposite ends of the earth interested in the same question: What constitutes right and wrong and what behaviours contribute to a good society? The similarities in their conclusions are remarkable:
- the value and importance of ideals – dreams and visions;
- the love of learning;
- the need for self improvement;
- out attitude towards and treatment of other people is important;
- to understand others we must understand ourselves – humaneness;
- we improve ourselves by improving others;
- pursuit of wisdom and virtue will lead to the good life; and
- relationships are the key to happiness – goodness;

Confucius and the early Western philosophers including Aristotle, Kant and Shaftsbury perceived the need for a relationship between the family and the state and argued that shared values and ideals were central to all relationships.

The role of education was recognised as the key to self-improvement and living a virtuous life. Both Eastern and Western philosophers believed that individuals seek to do good and that by becoming more virtuous a person could improve their life. Similarly there was an agreement that individuals must seek the courage to do the right thing.

Through education, wisdom is attained and the starting point for attaining wisdom is self knowledge. Recognising not only what we know but also what we do not know is the key to the appropriate use of knowledge and to prevent errors caused by ignorance.

Confucius considered goodness or humaneness to be an individual quality present in, but rarely realised by, the individual. The distractions and temptations of life prevent us from attaining our full potential. We want to be good, to be seen to be good but the temptation to be selfish often overpowers our intentions. Just as the CEO wants to create a socially responsible company but a little creative accounting will just increase the share price and thus make the task so much easier and the personal rewards so much greater.

While there are many similarities in the teachings of Eastern and Western philosophers there is one fundamental difference. Aristotle believed personal behaviour – humaneness – is focussed on the individual with her own responsibility for self-discipline. Personal behaviour did not extend into the social relationships encountered by the individual. This concept remained valid until the writings of Marx when there appears to be a shift from a societal focus to focus on material gains. Recent Western philosophical writings – Taylor (1991) – are returning to the societal focus with an emphasis on the concept of authenticity. Conversely, Confucius opined that the rules for correct behaviour were social controls, which maintained the social graces resulting in the appropriate manners and conduct of the individual.

In the West we value the individual and claim that the individual has control over her behaviour. The net result of the behaviour dictates how social relationships and society behave. Max Weber took this approach to the extreme with his social philosophical writings a century ago that culminated in the rise of bureaucracy and the foundation of management thinking. While modern management thinking has challenged this approach for the past 50 years a philosophical framework has yet to be established to justify the theoretical foundations associated with building an organisation based on values and relationships. The Eastern philosophies provide a perspective where the behaviour of the individual is seen as a harmonistic balance between the individual and how that individual interacts in social relationships. The original writings of Plato and more recent Western philosophers would not disagree with this approach but it is a philosophical framework that contradicts the work of Max Weber and challenges the foundation of traditional management theory.
Building an organisation on values and relationships: the implications (the humane organisation)

The concepts of CSR, together with modern management thinking and particularly the move to a knowledge economy is moving management thinking away from the bureaucratic structured organization, relying on systems and processes towards a management style vested in relationships. Thus, if the key success factor for a successful organization is its ability to build relationships and not primarily to generate (excessive) profits the foundation for management theory should start with the pre-requisites necessary for the development of relationships and emotions lie at the heart of relationships.

Emotions and relationships

The rood definition of “emotion” can be traced back to motion and direction – “to every force there is an equal and opposite force”. Thus emotions can be good and bad, positive and negative, constructive and destructive. Professor Owen Flanagan (Goleman, 2003, p. 59) argued that bad, negative or destructive emotions are those that are harmful to oneself or others; contrary to human nature. He also supports the philosophical view, which goes back to the time of Plato and Confucius, that emotion and temperament are constantly pulling us in different directions. Take, for example, the case of the demise of Barings Bank:

Nick Leeson the Barings Bank futures trader based in Singapore enjoyed the good life and was soon earning a significant bonus on futures trading in Asia. But as the markets changed Leeson needed funds to cover his exposure. By establishing Error Account 88888 he was able to expose the bank to debts of eight hundred million British Pounds. Personal greed and a lack of compassion together with poor systems in the Bank caused one of the greatest banking scandals of all times. Throughout the débâcle Leeson did not see anything wrong with his behaviour. His values and beliefs supported his actions but the only beneficiary was Nick Leeson (Gapper and Denton, 1997).

There is always the temptation to take the easy way out but is it the right way?

Emotional responses drive individual feelings and dictate the nature of relationships in society. Flanagan has classified these positive and negative emotions as constructive and destructive states of mind which have been summarised in Table I.

Table I Constructive and destructive states of mind

<table>
<thead>
<tr>
<th>Constructive states of mind</th>
<th>Destructive states of mind</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build</td>
<td>Create</td>
</tr>
<tr>
<td>Self-respect</td>
<td>Confidence</td>
</tr>
<tr>
<td>Self-esteem</td>
<td>Responsibility</td>
</tr>
<tr>
<td>Integrity</td>
<td>Trust</td>
</tr>
<tr>
<td>Compassion</td>
<td>Passion</td>
</tr>
<tr>
<td>Commitment</td>
<td>Honesty</td>
</tr>
<tr>
<td>Benevolence</td>
<td>Ambition</td>
</tr>
<tr>
<td>Generosity</td>
<td>Motivation</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Love</td>
</tr>
</tbody>
</table>


The converse situation is depicted in William Golding’s (1959) Lord of the Flies with its basic themes being that society holds everyone together, and without these conditions, our ideals, values, and the basics of right and wrong are lost. Without society’s rigid rules, anarchy and savagery can come to light. On the island we observe mistrust, self-ambition, deceit and irresponsibility destroying the social norms that once bonded the group of schoolboys. Jealousy, dislike and meanness destroyed a society.

As human beings we have a choice. We can attempt to work alone in the pursuit of our own personal happiness and success or we can work with others. The easy option is to work alone but we will not inspire confidence or trust in those around us in the long term. We will have joined the schoolboys on their desert island. Building relationships is every individual’s social responsibility.

The foundation for constructive relationships

Emotions are determined by attitudes, beliefs, values and feelings, which are reflected in personality and dictate the individual’s ability to form relationships. Accepting the premise that dreams and goals can best be attained by working with others the first key lesson in developing a sustainable organization is for all staff to be aware of their own strengths and limitations, of how they react in certain situations and understand why they experience particular emotional reactions in particular situations. As part of the self-discovery process individuals are able to define their own personal inspirational dream; to verbalise their purpose in life.

There are many examples of personal dreams: Martin Luther King’s famous speech “I have a dream”, or J.F. Kennedy, “. . . this nation will land a man on the moon before the end of the decade”. Kennedy had no idea of how America was going to put a man on the moon but his challenge provided the impetus for the NASA scientists to exceed their personal best.
The process of identifying and formulating a personal dream (see Figure 1) requires insights into individual values and identifies the strengths to build upon. The dream represents the individual's purpose and destiny in life with its magnitude only limited by ambition, by passion and confidence of that person.

Once the dream is identified it must be shared with others. Rarely can we achieve our dream single-handed. Thus the dream should create purpose and meaning for others. Selfish dreams, dreams that are designed to promote the dream-holder alone are less likely to be adopted by others since there is little in it for them. Dreams that go beyond the individual and represent a challenge for others are more likely to be shared. Albert Schweitzer is credited with the following statement on visions or dreams: “I do not know what your destiny will be, but one thing I do know. The only ones among you who will be truly happy are those who have sought and found how to serve.”

The process of self-discovery provides an understanding of how and why individuals react in certain situations. People with a high level of self-awareness recognise the danger signs associated with disruptive emotions and are more likely to keep these emotions in check. These are the people we turn to in a moment of crisis knowing that they will give a measured and reasoned response to the situation, not an impulsive reaction. They are the people we trust, people of integrity. They do not criticise but ask questions, gather the facts and seek advice before making a measured response. They are reflective thinkers. They are the people we admire and interact with. They may be parents, lovers, mentors or ordinary individuals who we turn to in time of need.

People who possess a clear understanding of their emotions and their impact on others also possess the ability to recognise the emotional state of those around them. They are people who are skilled in reading body language and recognise the impact that particular circumstances and situations can create in those around them. They understand the mood and the pulse of the situation and are able to bring forth the best from those around them.

The characteristics of self-awareness, self worth and social worth provide the drivers for the attainment of high levels of emotional intelligence (see Goleman et al., 2002) and provide the foundation for sustainable relationships. They also provide the basis for establishing a dream and a destiny but more importantly providing the ability to share the dream and have others buy into the dream. Some writers may argue that these characteristics provide the skills to motivate people but motivation is a process that causes people to
act in a particular way. Thus an individual may be
motivated to undertake a particular task by the
promise of a reward or to avoid an unpleasant
consequence. Individuals may be motivated to
obey rules through a system of reward or fear of
punishment (the foundation of theory X). Thus an
individual may be motivated to perform a task to
which they have no commitment. Commitment is
achieved when the individual believes in the task
and is inspired by the potential results (the
foundation for theory Y). Thus inspiration is more
important than motivation.

People are inspired when they believe in the
case they are working towards. To be
inspirational required the individual to share their
dream and the wider the scope of the dream the
greater the potential for people to “buy” into the
dream. Dreams that promote an individual or an
organisation’s stakeholders alone will have little
meaning for many of the people employed in the
organisation. While a profit maximising goal may
inspire the pension funds and individual
stockholders it does little to motivate the individual
on the shop floor who will receive the same
compensation irrespective of share price. But an
organisational dream that seeks to promote a
better society has meaning for all those connected
with the organisation and thus creates a purpose
that can be shared by all in the organisation. An
eexample of such a dream or vision can be found in
Merck and Co.’s organisational vision
(www.merck.com/overview/philosophy.html):

Mission
The mission of Merck is to provide society with
superior products and services – innovations and
solutions that improve the quality of life and satisfy
customer needs – to provide employees with
meaningful work and advancement opportunities
and investors with a superior rate of return.

Our values
(1) Our business is preserving and improving
human life. All of our actions must be
measured by our success in achieving this goal.
We value above all our ability to serve everyone
who can benefit from the appropriate use of
our products and services, thereby providing
lasting consumer satisfaction.

(2) We are committed to the highest standards of
ethics and integrity. We are responsible to our
customers, to Merck employees and their
families, to the environments we inhabit, and
to the societies we serve worldwide. In
discharging our responsibilities, we do not take
professional or ethical shortcuts. Our
interactions with all segments of society must
reflect the high standards we profess.

(3) We are dedicated to the highest level of
scientific excellence and commit our research
to improving human and animal health and
the quality of life. We strive to identify the most
critical needs of consumers and customers, we
devote our resources to meeting those needs.

(4) We expect profits, but only from work that
satisfies customer needs and benefits
humanity. Our ability to meet our
responsibilities depends on maintaining a
financial position that invites investment in
leading-edge research and that makes possible
effective delivery of research results.

(5) We recognize that the ability to excel – to most
competitively meet society’s and customers’
needs – depends on the integrity, knowledge,
imagination, skill, diversity and teamwork of
employees, and we value these qualities most
highly. To this end, we strive to create an
environment of mutual respect,
encouragement and teamwork – a working
environment that rewards commitment and
performance and is responsive to the needs of
employees and their families.

The organisation’s dream or vision creates passion
and pride in those working for and associated with
the organisation.

Collins and Porras (1994, p. 55) suggest that
companies, which only focused on profitability,
did not perform as well as those whose focus
transcended economic considerations: “Profit is a
necessary condition for existence and a means to
more important ends, but it is not the end in itself
for many of the visionary companies. Profit is like
oxygen, food, water and blood; they are not the
point of life, but without them there is no life.”
Profits do not inspire the individuals in the
organisation and they reward only the select few.
Visions or dreams that go beyond the economic
considerations inspire those in the organisation
and those associated with the organisation. Visions
that encompass environmental and social concepts
as well as economic considerations.

A revised philosophical perspective for
management theory

PricewaterhouseCoopers (2003b) defines “a
sustainable business enhances long-term
shareholder value by addressing the needs of all its
relevant stakeholders and adding economic,
environmental and social value through its core
business functions”. A sustainable organisation has:
• a clear purpose beyond profit;
• is driven by shared values; and
• and supported by systems and processes.

Proponents of sustainable organisations argue that
these organisations require “breakthrough
thinking that results in true innovation. It also calls
for partnerships and cooperation as well as open
honest dialogue with stakeholders inside and
outside the company” (Philips, 2002). They argue
that these are not organisations driven by profit
maximisation but are organisations that will forego short-term profit to ensure longer-term shareholder value. They are organisations that build trust and create an aura of authenticity, building a harmonious and family-like work environment. They are organisations driven by a purpose, values and beliefs that can be accepted by a wide range of societal interest groups and they are organisations that encourage innovation.

Such characteristics are not unique to sustainable organisations but are the criteria that have been referenced by many of the writers of modern management theory. There is a danger that the sceptics of “sustainable organisation” will focus on the profitability criteria arguing that an organisation will always be driven by a profit perspective. Return on investment has always been a significant performance criterion and many organisations have found to their detriment that cost reduction increases short-term profitability but does little for long term sustainability. While the concept of the sustainable organisation sharpens the focus of modern management thinking the key issue concerns the relevance of traditional management thinking.

Traditional management theory has been built on the command and control model developed by Frederick Taylor and based on the work of Max Weber. For Weber the purpose of business was to maximise shareholder wealth. This strategy could be achieved by viewing the organisation as a closed system, subdivided into discrete units with each unit focussed only on its own activities. Staff were required to follow specified procedures and innovation was not encouraged. Systems and processes, rules and regulations, dictated the pulse of the organisation.

Return on investment, economic value added and share price are the metrics that dominate discussions relating to corporate performance yet modern management theories have focussed on the human side of the business for the past 50 years. Most authors and corporate leaders agree that the age of the bureaucratic organisation is past. Yet the numbers still dictate performance. The daily business reports focus on share price fluctuations and profit warnings and rarely do they report on an organisations performance on environmental or social issues. In 1999 Dow Jones launched a “sustainability index” to monitor the performance of firms engaged in sustainability projects. The rational behind this move was based on the premise that more investors are seeking to diversify their portfolio to include firms that have long term environmental and social issues as part of their philosophy.

While it is unlikely that financial performance measures will be replaced in the short term, organisations and investors now recognise that while profits are important, how the profits are obtained is a greater concern. A singular focus on profit maximisation is driven by a rigid adherence to prescribed systems and processes, requiring a highly disciplined workforce prepared to follow orders without question. Communication is uni-directional and innovation discouraged. Mistakes and errors are ascribed to individuals and a climate of fear pervades the organisation. Performance targets are specified and the attainment of the targets dictates individual performance. The Kaplan and Norton (1996) “balanced score card” is used to prescribe individual and organisation performance standards. Success is defined as an organisation’s ability “to make the numbers”. But individual and corporate quantitative performance targets focus the organisation, and the individuals in the organisation, on personal, self centred, goal orientated approaches, which do little to foster the development of harmonious relationships in the organisation.

Over the past 25 years management theory and practice has become more “humane” with a focus on people in the organisation and by an increasing focus on the importance of values, emotions and social mores. Organisations are attempting to implement the theories of modern management but appear to be unwilling to give up the controls associated with the bureaucratic organisation.

Yet modern management theorists and the proponents of sustainable organisations are convinced that the key ingredient to organisational success is the development of trust throughout the organisation. But the fundamental premise underlying Weber’s bureaucracy and Taylor’s scientific approach to management is the assertion that the workers are not to be trusted. Tasks must be prescribed and individual performance measured. Thus the basis for performance evaluation lies in the development of effective systems and processes.

Rigid adherence to prescribed systems and processes will no longer guarantee success. Today the organisation must be flexible in order to meet the needs of a rapidly changing environment, a discerning customer and a sceptical public. An organisation is still required to make a profit but society is now concerned with how those profits are attained. The strategies of the “robber barons”, supported by the philosophy of Max Weber, are no longer acceptable. Organisations are expected to adopt an ethical and morally acceptable approach to the creation of profits.

In the 1980s, the TQM movement focussed on the importance of quality, yet quality was not a new concept. However, it was a characteristic that many organisations were either ignoring or failing to concentrate on. The TQM movement focussed on quality so that today it is considered a necessary but not sufficient condition for competing. Likewise the
sustainability movement is focussing on the need for more organisations to focus on the environmental and social impacts of their organisations and strategies. The message is that organisations must pay as much attention to the environmental and social impacts of their business as they do to the economic impact. The traditional approach to management does not focus on these concepts.

Successful – sustainable – organisations are founded on open communication and trust. Thus the basis for performance lies in the ability of the individuals within and those interacting with the organisation to form meaningful relationships. Management teaching and practice must now replace the fundamental assumption of traditional management theory – that the worker cannot be trusted – with a focus on building and developing relationships. The organisation’s focus should now be based on understanding the relationships between individuals and not on the design and development of rigid and complex systems. While systems and processes are still required to support the organisation they no longer drive the organisation. A corporate vision statement or inspirational dream that encompasses the three pillars of sustainability provides a purpose for everyone in the organisation by integrating individual dreams with the dream of the organisation. Through a meaningful purpose or inspirational dream commitment, trust and integrity are built between individuals who work together in a harmonious manner. There is a commitment to exceed one’s personal best and to pay attention to the detail. New ideas can emerge from anywhere. The organisation creates its own future. Quantitative measures are still required to provide information on how the organisation is performing and to provide staff with information that can be used for improvements and innovations but these KPIs should not be used to discipline individuals.

The concept of sustainability has focussed attention on the need for all organisations to demonstrate a commitment to the environment and society as well as their own economic well-being. Yet the concept of sustainability is still considered to be a “fringe movement” in the corporate community. However, the survival of the movement is immaterial because all organisations have recognised that that the key competitive advantage lies in the creation of new knowledge. New knowledge cannot be created in an environment constrained by systems and processes and where there is a fear of failure. Knowledge can only be created in an environment where individuals are committed to the organisation and a high level of trust and integrity pervades the organisation. The concept of sustainability or corporate social responsibility provides a framework for the establishment of such an environment. The framework comes in two parts, the yin and the yang, and it is the role of the CEO to balance the tension between the need to create a focus for the realisation of individual dreams and an environment where innovation and creativity flourish with the necessity for systems and processes to ensure order and the attainment of the financial goals. Traditionally, the CEO has focussed on the design and development of systems and processes while paying some attention to the “people” in the organisation. Today that focus must change so the people in the organisation control the systems and processes and not have the people controlled by the systems.

References


