1 Two Narratives for Business

A FAILING NARRATIVE

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

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

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

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

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

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highlight a shared unhappiness about business despite privilege. While one could easily dismiss such unhappiness as a minority view, research shows that, despite unprecedented levels of material wealth, people are increasingly alienated from their work[1] and want to redefine the meaning of success.[2] On the flipside, an increasing number of people wish to engage in more meaningful activities at work and beyond, and long to be part of the solutions to the many problems that humanity faces (climate change, terrorism, social inequality, poverty).[3]

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

Nevertheless, there seems to be something wrong with the larger cultural narrative about what human beings value first and foremost. The economist Richard Layard has mentioned that there is something wrong when we have unprecedented material wealth and economic growth but stagnating levels of human well-being.[4] The famous Easterlin Paradox[5] states that happiness is not significantly associated with income. As such, the dominant narrative is failing.[6]

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

CRISIS SIGNALS – THREE CHALLENGES TO THE CURRENT SYSTEM

Our current societal setup is largely driven by an understanding of the economic system as the central driver of progress. This notion is arguably more relevant in developed regions of the world. However, some observers, including Nobel Laureate Joseph Stiglitz, bemoan the increasing spread of the "Washington Consensus" around the globe.[7] As a consequence, the economistic logic, according to which markets provide the ultimate rationale for what is valuable, is increasingly a globally shared cultural narrative. This narrative is, however, increasingly challenged.[8] We are experiencing what scientific historian Thomas Kuhn called a paradigmatic crisis.[9]

Individual-Level Challenges

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

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

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

Organizational-Level Challenges

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

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

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

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

Hence, shareholder value-maximizing organizations are under-utilizing their employees' potential.[26]

Systemic Challenges

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

The current levels of poverty and inequality had pricked the conscience of many people long before the publication of Thomas Piketty's *Capital in the Twenty-First Century* in 2015.[31] The Occupy Wall Street protests and their global spinoffs, together with various political movements (Syriza in Greece, Podemos in Spain, the Brexit movement in the United Kingdom, the electoral campaigns of Bernie Sanders and Donald Trump in the United States), showcase the widespread dissatisfaction with current levels of inequality. Such

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dissatisfaction is a threat to the political system's stability, which the growing fundamentalist terrorism also suggests. One-sixth of the world's population lives in extreme poverty. Current globalization trends have led to a world in which the rich get richer and the poor get disproportionately poorer.[32] Absolute poverty may have decreased in recent years, but relative poverty has increased significantly. Inequalities feed political unrest, collectivization, and terrorism, which in turn require significant investments to preserve the status quo (e.g., through higher defense spending). Research increasingly shows the deleterious effects of inequality on human well-being, especially health.[33] Shareholder capitalism is mostly blind to these consequences and has not yet provided satisfactory answers to deal with these issues.[34] Sustainability scholars Paul Hawken, Amory Lovins, and Hunter Lovins have argued that economics does not value social relationships.[35]

CHALLENGES TO THEORY, PRACTICE, PEDAGOGY, AND POLICY

Economic and business theory is under attack in fundamental ways. The basic assumption that material wealth will lead to better lives is, in many parts of the world, no longer true. A lot of research shows that the assumptions that human beings are greedy and narrowly self-interested are problematic and function like self-fulfilling prophecies.[36] The genesis and development of this narrative are discussed in more detail in Chapter 2.

From a theoretical perspective, these assumptions lead scholars to understand only a very small part of human organizing practice. Just like the drunken man who lost his key in the middle of the street but is searching for them at the end of the street where the streetlight is, many academics misplace their scholarly attention. Despite the richness of the material (discussed in Chapter 2), findings that challenge the assumptions of homo economicus have been assigned to marginal "boxes" and labeled as deviant. The reductionist approach to

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economic and management theory is legitimate to a degree but has become a paradigmatic prison.

Many scholars have suggested that the current paradigm is not only problematic for theoretical and scholarly purposes, but leads to bad management practice.[37] W. Edwards Deming, the father of quality management and a contributor to Japan's postwar resurgence, observed that many successful business owners rarely hire MBAs because they believe they lack the mindset required for successful organizing.[38] Studies on business teaching's current effects reveal that many socially undesired traits are perpetuated when business teaching is based on purely economistic assumptions.[39] Scholars find that the rate of cheating increases, care for others is reduced, and egotistical behavior is rewarded. In fact, during the 2008 crises, leading business schools were singled out as having contributed to the global financial crisis with their teaching.[40]

In addition, the assumption model of homo economicus increases policy support for GDP growth at the societal level, income growth at the individual level, and profit maximization at the organizational level – all measures that aim to deliver material wealth, not well-being. As such, in the US context, the Securities and Exchange Commission (SEC) guidelines make it harder for organizations that propose providing equitable returns and not maximizing shareholder value to enter public financial markets. The founders of AES, a US energy company, recall that their investment bankers had refused to support a "caring approach" toward employees, claiming that this would violate SEC standards.[41]

Scholars argue that we need another Enlightenment to challenge the hegemony of homo economicus. The Enlightenment, a European movement in the late seventeenth and eighteenth centuries, challenged the dominance of religious orthodoxy. It shifted fundamental assumptions about human nature by focusing on reason, not religious dogma, as the primary source of authority and legitimacy. As a result, it empowered people to start thinking for themselves and to advance ideals such as liberty, progress, tolerance, fraternity,

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constitutional government, and the separation of church and state.[42] Currently, the Enlightenment needs to empower people like Elisabeth, Richard, and Tiffany to forge pathways that lead to a better life. Biologist Andreas Weber calls it *Enlivenment*.[43]

THE ECONOMISTIC PARADIGM

The experiences of Elisabeth, Richard, and Tiffany showcase the reality that the background narrative we label "economistic" causes. Because the economistic narrative is based on axiomatic notions of who we are as people, it is worth exploring if those assumptions are correct. In fact, it turns out that this narrative is not based on scientific insights, but on assumptions most often reflected in fictional characters, such as Ebenezer Scrooge or Gordon Gekko, and some real-life characters portrayed by *The Wolf of Wall Street* or villains such as Bernie Madoff. The narrative holds that people are fundamentally self-serving and looking for material wealth as an indicator of success. The narrative is therefore amoral in the sense that any behavior is acceptable as long as it helps create more money. Other people are treated as a means to personal gain, and trickster behavior is considered sly, smart, and legitimate. These assumptions are simple, and therefore very powerful.

In more scientific terms, these assumptions refer to humans as individuals driven by rational interests aimed at maximizing utility (homo economicus). As measurable entities or preferences, wealth and income have, however, gradually supplanted utility as a broad concept of what brings happiness. Rational interests are those that can be negotiated in an exchange setting: More of x utility should therefore trump less of the same. The *quantity* of options supersedes the *quality* of options. There is now a vast literature both criticizing and defending homo economicus, yet the main argument here is that beyond legitimate reductions for theoretical purposes in economics, homo economicus assumptions have become performative in ways beyond mere theoretical prescriptions, especially in the domain of business and management.

The simplicity of homo economicus assumptions follows what is also known as Occam's razor, or the law of parsimony. This law states that the hypothesis with the fewest assumptions should be selected from all the competing hypotheses. Although other, more complicated solutions may ultimately prove correct, in the absence of certainty, the fewer assumptions made, the better.[44] Applied to market-based behavior questions, these assumptions seem to accurately describe common motivations. However, when uncoupled from their original purpose, they become misguided. When studying how most people will behave in a *market* setting where the price mechanism regulates the supply of and demand for a product, the homo economicus model is useful. When human relationships are, however, studied in *organizational* contexts, such a lens will fail to capture human complexity.

Whereas parsimony in itself is valuable for theoretical purposes, it had an additional effect on economics by making it more mathematics-based. Outsiders started viewing economics as scientifically more rigorous. Rakesh Khurana, a former Harvard Business School professor turned Harvard College dean, suggests that, in general, management research and business schools adopted the methodological tool box of economics, along with its underlying assumptions, to turn a practice-based trade school into what would be seen as a science-based university school.[45] This shift was undertaken to enhance the visibility and reputational status of a newly emerging class of businessmen and professional managers, who could not otherwise compete in terms of societal status with doctors, lawyers, and priests.

Khurana argues that in order to acquire a reputational status, business and management had to become a profession that would require a university degree. Until the late 1800s, there was almost no business education, while trade schools would teach accounting, bakery, butchery, etc. Business and management research turned to the axiomatic notion of people as homo economicus to justify itself as scientific and rigorous. This enabled business schools to claim to be legitimate professional schools with affiliation to a "serious, reputable" university. Rather than seeing the irony of its unscientific basis, management theory has used "economic man" as its ticket to become a respected "science."[46]

This argument is not novel: Karl Marx and John Maynard Keynes also used it. Keynes states: "Economists, like other scientists, have chosen the hypothesis from which they set out, and which they offer to beginners because it is the simplest, and not because it is the nearest to the facts."[47]

In his essay on the Church of Economism, Richard Norgaard suggests that leading economists are aware of the quasi-religious nature of economics:

> Economists themselves have acknowledged the ultimately religious nature of their discipline. In 1932, Frank Knight, the most scholarly and broad-thinking of the founders of the influential market-oriented Chicago School of Economics, literally argued that economics, at a fundamental level, had to be a religion, the basic tenets of which must be hidden from all but a few:
>
> The point is that the "principles" – by which a society or a group lives in tolerable harmony are essentially religious. The essential nature of a religious principle is that not merely is it immoral to oppose it, but to ask what it is, is morally identical with denial and attack.
>
> There must be ultimates, and they must be religious, in economics as anywhere else, if one has anything to say touching conduct or social policy in a practical way. Man is a believing animal and to few, if any, is it given to criticize the foundations of belief 'intelligently.' To inquire into the ultimates behind accepted group values is obscene and sacrilegious: objective inquiry is an attempt to uncover the nakedness of man, his soul as well as his body, his deeds, his culture, and his very gods. Certainly the large general [economics] courses should be prevented from raising any question about objectivity, but should assume the objectivity of the slogans they inculcate, as a sacred feature of the system.[48]

The argument is that business theory and management "science" have unconsciously, memetically, uncritically, and unreflectedly adopted the precepts of the Church of Economism (for a number of reasons, including status orientation, "physics envy," or the authentic quest for scientific rigor).[49] One of the core foundations of this quasi-religious business theory is the assumption that profit maximization is a signal of effectiveness, and that the main concern of organizing should be related to efficiency.[50] Such unquestioned concerns for efficiency are mostly presented in the "objective" form. Management scientists, for example, study quantitative decision-making based on utilitarian cost/benefit assessments. Within this framework, people become resources as in "human resources" or "human capital." To be seen as objective, researchers' moral concerns have to be eliminated, and qualitative judgments replaced with fact-based evidence. The evidence, for which management science is looking, is the rational behavior that leads to an organization's greater profitability. Frederic Taylor heralded such a perspective, and Henry Ford most famously adopted it. Their successes practically legitimized what seemed theoretically expedient.

The perceived connection of economics with the theory of all theories, Darwinian evolution, was another cultural force that helped establish economics-based management theory. Many observers have noted that the Herbert Spencer's popularization of Darwin's insights gave scientific backing to an amoral kind of behavior that would favor the strongest over the weak. According to Spencer's *Social* Darwinism, natural selection favored the ruthless over the caring, the competitive over the collaborative, and, as an extension of this, the unethical over the ethical. While a careful reading of Darwin would immediately refute such a perspective, at the time, such Spencerian accounts lent credibility to homo economicus assumptions about human nature. These assumptions resonated with Adam Smith's perspective of humans as driven by self-interest, while ignoring his observations that what people really desire is to be beloved and to belong.[51]

Keynes argues that the confluence of these two perspectives took the individualist perspective of the modern era to a logical extreme:

> The parallelism between economic laissez-faire and Darwinianism, . . . is now seen, as Herbert Spencer was foremost to recognise, to be very close indeed. Darwin invoked sexual love, acting through sexual selection, as an adjutant to natural selection by competition, to direct evolution along lines which should be desirable as well as effective, so the individualist invokes the love of money, acting through the pursuit of profit, as an adjutant to natural selection, to bring about the production on the greatest possible scale of what is most strongly desired as measured by exchange value.

> The beauty and the simplicity of such a theory are so great that it is easy to forget that it follows not from the actual facts, but from an incomplete hypothesis introduced for the sake of simplicity. Apart from other objections to be mentioned later, the conclusion that individuals acting independently for their own advantage will produce the greatest aggregate of wealth, depends on a variety of unreal assumptions to the effect that the processes of production and consumption are in no way organic, that there exists a sufficient foreknowledge of conditions and requirements, and that there are adequate opportunities of obtaining this foreknowledge. For economists generally reserve for a later stage of their argument the complications which arise - (1) when the efficient units of production are large relatively to the units of consumption, (2) when overhead costs or joint costs are present, (3) when internal economies tend to the aggregation of production, (4) when the time required for adjustments is long, (5) when ignorance prevails over knowledge and (6) when monopolies and combinations interfere with equality in bargaining - they reserve, that is to say, for a later stage their analysis of the actual facts. Moreover, many of those who recognise that the simplified hypothesis does not accurately correspond to fact conclude nevertheless that it does represent

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> what is "natural" and therefore ideal. They regard the simplified hypothesis as health, and the further complications as disease.[52]

The economistic narrative has led to problems on multiple levels, because the misrepresentation of individuals has logical consequences for groups, organizations, and society. The current perspective has led to many negative consequences (diseases, as Keynes states above), yet, owing to its dominance, a majority of educated observers consider the "quasi-religious" narrative of economics and management to be scientific and healthy.

The American sociologist Paul Lawrence suggests that the Spencerian version of social Darwinism perverted the meaning of survival of the fittest to mean the survival of the toughest, strongest, and most ruthless species, not the survival of the most adaptive species.[53] Lawrence argues that true Darwinian theory could indeed provide vital insights into human nature. He suggests that an accurate scientific understanding can help overcome quasi-religious assumptions that hinder the quest for better organizing practices. He, along with other researchers, argues that evolutionary theory can provide a truly scientific basis for economics and for management. Researchers such as E.O. Wilson, as well as David Sloan Wilson, claim that evolutionary insights can help bridge cultural divides and provide a deeper understanding of humanities' shared ambitions.[54]

THE HUMANISTIC PARADIGM

E.O. Wilson, the great biologist, argues that a renewed convergence of the humanities and sciences is helping us better understand human beings as social animals endowed with reason, which Aristotle stated so succinctly several thousand years ago. From the philosophical work of Aristotle to Adam Smith to Darwin, to the newly emerging fields of evolutionary psychology, neuroscience, and sociobiology, evidence is mounting that humans are hard-wired for empathy and collaboration, and that that sociality is fundamental to survival. The human tendency to be social, kind, and moral is no longer seen as a deviation and

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a bug, but as a feature. Wilson suggests that the humanities and social sciences can draw on the latest findings in natural science to project a better story for humanity – a humanistic paradigm.

Evolutionary theory concludes that humans are fundamentally caring and social, and that they are fundamentally moral. One can make more sense of this by looking at daily experience in which humans find that they care about each other (in family, work, and friendship circles) and about society at large (reading the news, checking in with "friends" on social media, etc.). A life devoid of care leads to misery in many ways. Humans have long determined that isolation is the most cruel punishment, whether physical isolation on a remote island (exiled like Napoleon), in a solitary confinement cell, or psychologically isolated through feelings of shame. Being alone is considered a tragedy and leads many to depression, dysfunction, or even suicide, rendering isolation crueller than death.

Expanding on the social nature of human beings, Darwin suggests that morality must have developed to manage the manifold social relations.[55] This insight into the relevance of morality, values, and care for our common good is normally buried by a story of business propagating greed, a psychopathic lack of care, and destruction of life. The alternative, humanistic narrative acknowledges human beings as highly social and moral. Humans become humane when they are involved in dynamic, relational communities that supersede the mere coordination of markets.

To capture this insight, the humanistic narrative employs the term *dignity*, which serves as a philosophical category for things that escape the market mechanism: those things and events that do not have a price and cannot be exchanged. To see how relevant dignity-related, non-market concerns are to human life, consider one of the most successful advertising campaigns of the early twenty-first century. For more than seventeen years, MasterCard's slogan was: "There are things in life that are priceless, for everything else there is MasterCard." The campaign was successful because it spoke to an authentic human experience. It demonstrated that while markets are important, the most important things in life transcend the market logic. The humanistic paradigm captures this essential truth about human nature and suggests that human beings require dignity to flourish. Elisabeth, Richard, and Tiffany longed for qualities in life that cannot be bought, such as integrity, love, community, and respect. Such qualities, along with empathy, compassion, and care, are key enablers of human flourishing.

In the humanistic perspective, then, humans not only desire autonomy and independence but crave for affiliation and one-ness. They are thus not independent, but interdependent. While the market is a useful coordination mechanism, it cannot fully meet our human and organizational needs. Social groups and communities are critical elements for a functioning society, and only those communities that help human beings protect their dignity can support human flourishing. Practices that allow for the protection of dignity and the promotion of well-being are part and parcel of humanistic management.

CONCLUDING REMARKS

There is a clear need for a better story of who we are as human beings. Many people experience cognitive dissonance between what they think business is and what life should be about.[56] The stories of Elisabeth, Richard, and Tiffany highlight the intense wish to flourish beyond material wealth. To achieve parsimony, economics-based management "science" has adopted a flawed paradigmatic set of assumptions about human nature. Increasing evidence from across the sciences highlights the downsides of the economistic perspective. The emerging consilience of knowledge is a starting point for more accurate theorizing and better management practice – a humanistic paradigm.

NOTES

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3 www.forbes.com/sites/karlmoore/2014/10/02/millennials-work-for-purpose-not-paycheck/#47348b35a225

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5 The Easterlin Paradox describes that despite GDP growth in developed nations, happiness levels have largely remained constant since World War II.

6 It may be worth noting that more recent empirical research by Nobel Laureates Daniel Kahneman and Angus Deaton have shown a slight correlation of wealth with health and happiness, putting the overall claim of Easterlin in perspective. Nevertheless, the mere focus on GDP growth as political goal is questioned by them as well. See, e.g., Deaton, A. (2013). *The Great Escape: Health, Wealth, and the Origins of Inequality*. Princeton University Press.

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