



# The Makings of Humanistic Management

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Three – stepped approach to humanistic management



# Three – Stepped Approach to Humanistic Management

## 1 Unconditional respect towards human dignity

### **Situation:**

Management aims to achieve predefined ends efficiently (utilization of inputs) and effectively (generation of outputs)

This risks the objectification of people, it can lead to treating people as a means to achieve an end

### **Solution:**

Paradigm shift away from the objectification of human beings within economic activities

### **Complication:**

The *conditio humana* entails our shared vulnerability and shared need for protection of our dignity

To safeguard human dignity every person must be treated as an end in itself and never only as means

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## 1 Unconditional respect towards human dignity

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

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## 1

### Paradigm shift away from objectifying human beings

- People need to be instrumental in production processes.
  - Within humanistic management, though, people *autonomously assume their roles* as the result of a self-determined process.
  - Only then are they not *instrumentalized* in their human capacity; instead, they are themselves *assuming an instrumental role* within economic activities.
  - People will only want to *assume an instrumental role* for businesses which they consider *aligned to their personal values* and congruent with what they perceive to be *worthy of being instrumental* to.
- Therefore, humanistic management embraces each and every person as an end in itself.

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1

Paradigm shift away from objectifying human beings

Humanistic management embraces each and every person as an end in itself.

A person will not autonomously choose to become a means to an end that is profoundly inconsistent with his or her values and aims.

Humanistic management lays the foundation that allows for the alignment of business goals and societal aims by respecting each person as an end.

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## 2

### Integration of ethical reflection

#### **Situation:**

The business of business is business

A shareholder value maximizing firm aims to maximize profits within the legal and regulatory framework

#### **Solution:**

Integration of ethical reflection into managerial decision making

#### **Complication:**

Real-life situations do not always have sufficient regulatory answers to safe-guard legitimate interests of society

Maximizing one single dimension does not allow for balancing interests

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## 2

### Integration of ethical reflection

“On the face of it, shareholder value is the dumbest idea in the world, shareholder value is a result, not a strategy ... Your main constituencies are your employees, your customers and your products.” (Jack Welsh in an interview with the Financial Times, 2009)



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## 2

### Integration of ethical reflection

- Claims of assuming corporate responsibility remain rhetoric without integrating ethical evaluation into business decisions.
  - Based on the unconditional respect towards the dignity of all persons one must accept that decisions that impact others must be examined in terms of their consequences for all those affected.
  - Such examination must be carried out by reflecting on the moral rights of those affected rather than reflecting only on their potential to forward or harm profit related business aims.
- Therefore, humanistic management criticizes one-dimensional managerial objectives such as profit maximization as they leave no room for the balancing of interests of different stakeholders.

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## 2

### Integration of ethical reflection

Humanistic management demands the integration of ethical reflection into managerial decision making.

Equally respecting all stakeholders is a necessary precondition of the unconditional respect for the dignity of all persons affected by a company's activities.

A business that maximizes profits cannot integrate ethical considerations into all business decisions as the maximization of the interests of one stakeholder group, superseding all others, excludes their being equally respected.

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## 3

### Dialogical extension of monological decision making

#### **Situation:**

Businesses have, by and large, accepted the need for engaging in stakeholder dialogue based on a business case rather than moral insight

Stakeholder dialogues often disappoint in enhancing public perception of the legitimacy of business conduct

#### **Solution:**

Dialogical extension of ethical reflection through stakeholder dialogue

#### **Complication:**

Business case driven stakeholder engagement is grounded in the instrumental variant of stakeholder theory

Instrumental stakeholder dialogue is not capable of creating legitimacy as it views stakeholders as a means to further profit related business aims

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3

Dialogical extension of monological decision making

“...arguments that create legitimacy are normative in nature. They give reasons why a certain norm should be regarded as binding.” (Steffek, 2003)

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## 3

### Dialogical extension of monological decision making

- Instrumental views on stakeholder dialogue inevitably lead to situations where interests of weaker stakeholders, who cannot enforce their consideration, are disregarded and their vulnerability exploited.
  - Normative dialogues create legitimacy as they allow for the argumentative power of claims to overrule the factual power of claimants.
  - Normative stakeholder dialogue requires principled openness for accepting new stakeholders based on the validity of the stakeholder claim. Just as business activities change over time, so do stakeholders
- Therefore, the managerial task lies in the procedural dimension of initiating and maintaining a dialogue. Not the claimant but the dialogue ought to be managed.

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3

Dialogical extension of monological decision making

Humanistic management leads to stakeholder dialogues where argumentative power overrules factual power

Integrating ethical reflection into managerial decision making (step 2) cannot safeguard managers from making honest mistakes in their examination of how they are affecting the moral rights of others. Normative stakeholder dialogue builds a safety net for managers against making such honest mistakes and allows them to share responsibility with, and gain legitimacy from their stakeholders.

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