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Why Humanistic Management

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Why Humanistic Management

Ernst von Kimakowitz

Contents

1

Introduction: The (business) world we live in

2

Terminological clarity for the CSR debate

3

What is humanistic management?

4

Practical dimensions of implementation

5

Conclusion: We need business as *unusual*

Contents

1

Introduction: The (business) world we live in

2

Terminological clarity for the CSR debate

3

What is humanistic management?

4

Practical dimensions of implementation

5

Conclusion: We need business as *unusual*

The (Business) World we Live in

We need to use markets more wisely

Situation:

The combination of democratic government and market economies has had a hugely liberating effect on the individual and has created unprecedented wealth in the rich parts of the world.

Consequence:

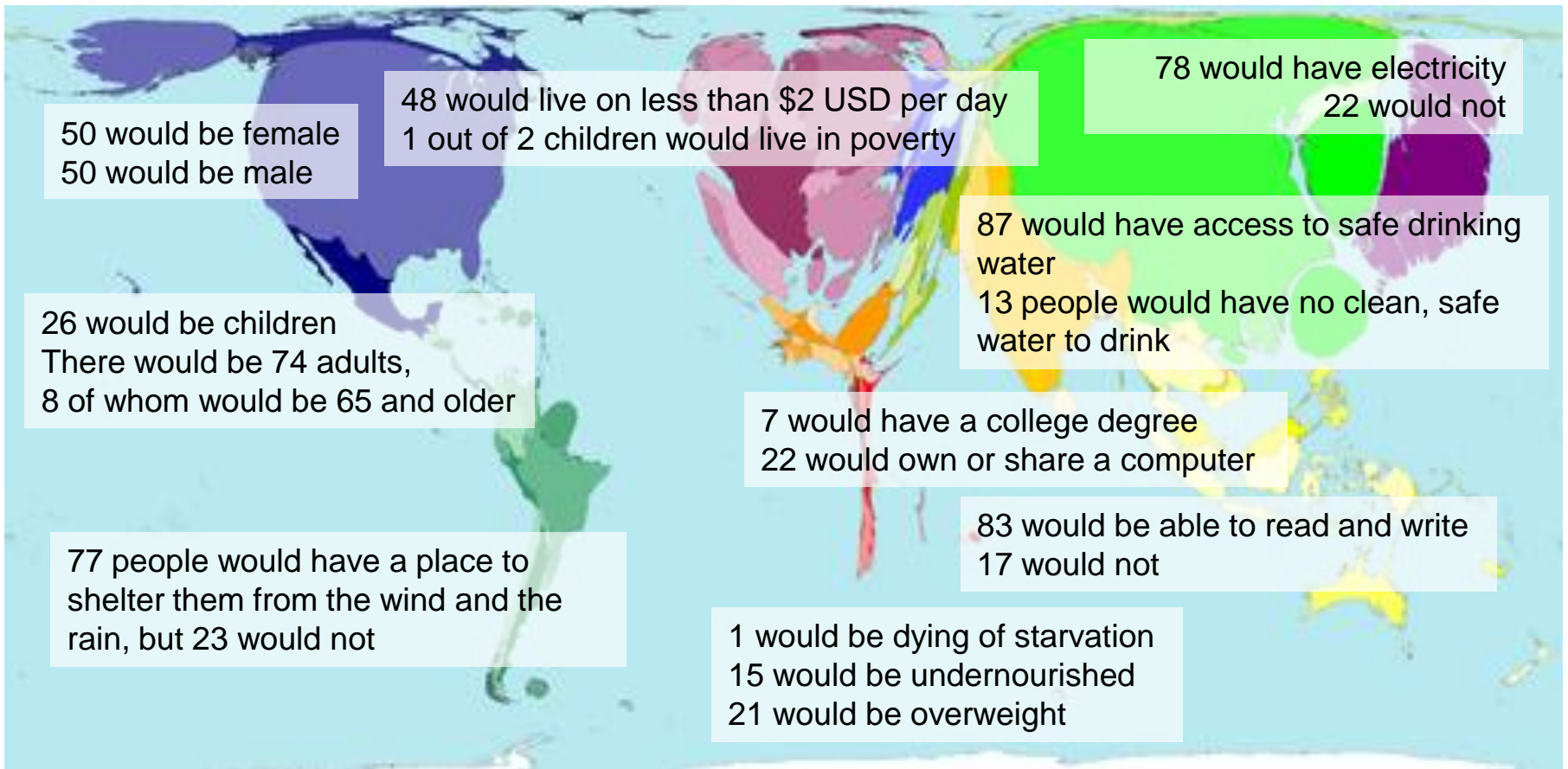
We are talking about the negative side effects of a big success story. However these have become too grave to be ignored.

Complication:

We are facing a situation where the natural capacity of the planet as well as the distributional injustice of wealth is stretched to the point where we are biting the hand that feeds us.

The (Business) World we Live in

If the world were 100 people

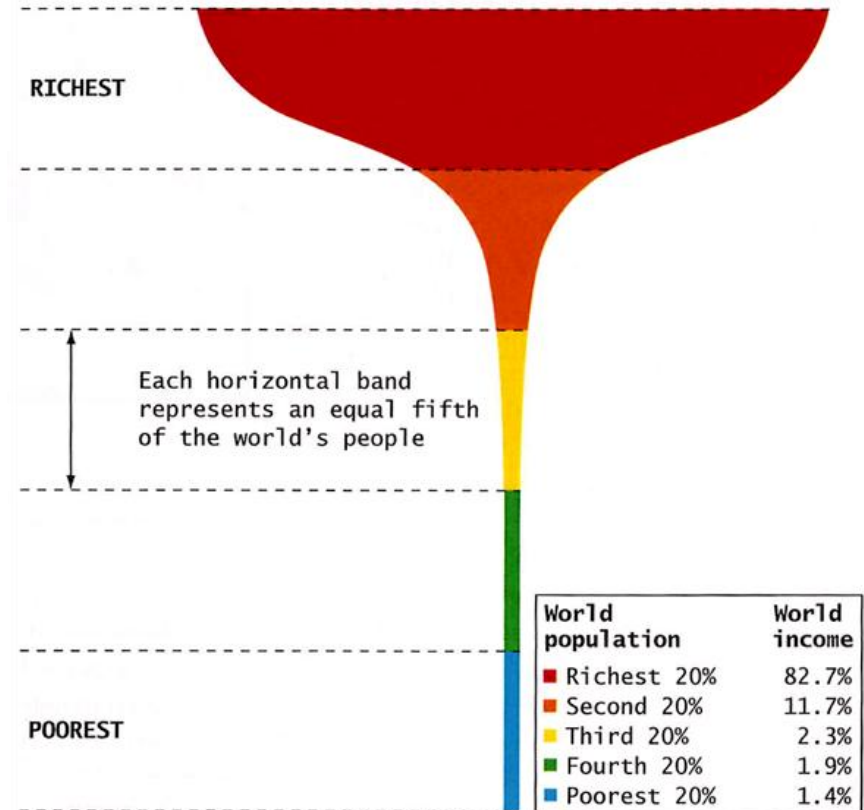


The (Business) World we Live in

Global wealth distribution

Finding solutions to the most pressing challenges we face today will also depend on the positive impact business makes

Business is currently seen as part of the problem by most of the world's population; we need to reverse this and make business part of the solution





“The rich are always going to say that, you know, just give us more money and we'll go out and spend more and then it will all trickle down to the rest of you. But that has not worked the last 10 years, and I hope the public is catching on.”

Warren Buffet: investor

The (Business) World we Live in

Organizational Well being

Three types of employees

1

ENGAGED employees work with passion and feel a profound connection to their company. They drive innovation and move the organization forward.

2

NOT-ENGAGED employees are essentially “checked-out”. They’re sleepwalking through their workday, putting time – but not energy and passion – into their work.

3

ACTIVELY DISENGAGED employees aren’t just unhappy at work; they’re busy acting out their unhappiness. Every day, these workers undermine what their engaged coworkers accomplish.

70% do not like what they do

Around 30%

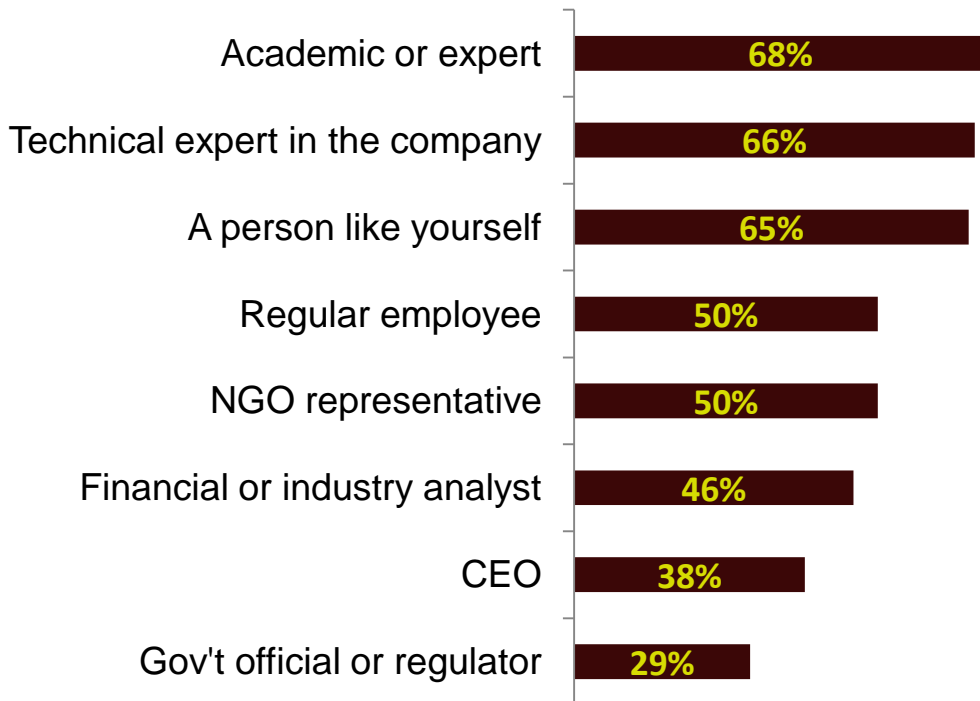
Around 50%

Around 20%

Gallup employee engagement study: <http://www.gallup.com/strategicconsulting/en-us/wellbeing.aspx?ref=f>

The (Business) World we Live in

Credibility of spokespeople: trust in our leaders has reached a historic low



Over 60 % of the global public do not think statements by business leaders are credible and over 70% do not think statements by political leaders are credible

The (Business) World we Live in

"Insanity is doing the same thing over and over again but expecting different results."

Business as usual will not solve the problems we face as a global community.

We need business as *unusual*

Contents

1

Introduction: The (business) world we live in

2

Terminological clarity for the CSR debate

3

What is humanistic management?

4

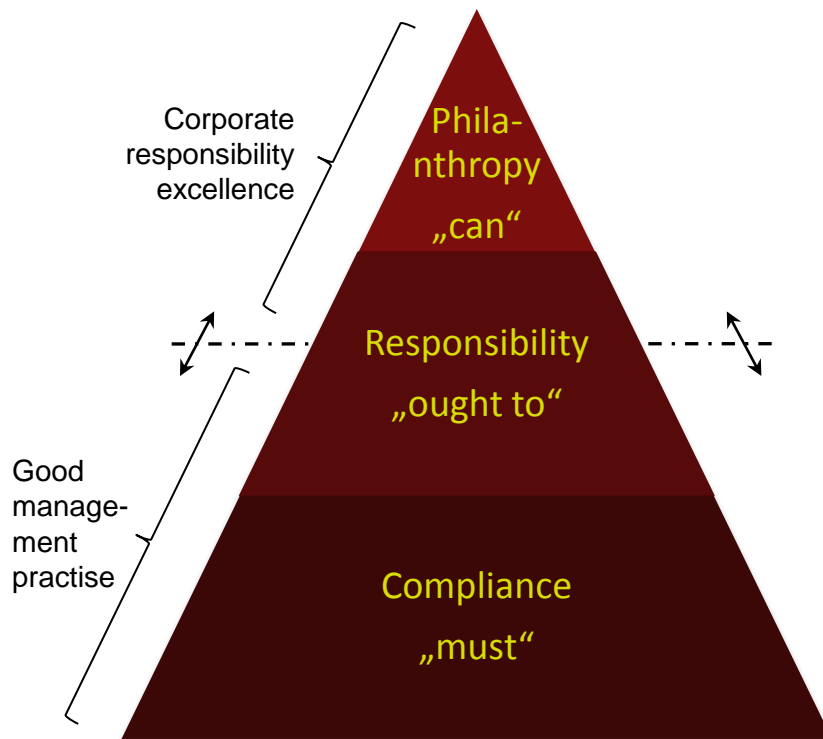
Practical dimensions of implementation

5

Conclusion: We need business as *unusual*

Terminological Clarity

The pyramid of corporate obligations



Terminological clarity is fundamental for making headway in gaining a common understanding of what concepts such as CSR, Corporate Citizenship, Corporate Philanthropy or Compliance actually mean and entail. In this context an approximation is offered by the pyramid of corporate obligations.

- Compliance answers to the question of adherence to the letter of the law and possibly self-set standards and codes.
- Philanthropy answers to the question of how a part of profit is donated to a good cause.
- Responsibility answers to the question how an enterprise earns its profits in the first place.

Terminological Clarity

Myths and misunderstandings in the CSR debate

The raison d'être of businesses is to maximize profits

The raison d'être of businesses is to offer relevant goods and services to the benefit of wider society

Responsible corporate conduct stands in conflict with profitability

Responsible corporate conduct lays the foundation for earning and sustaining long term healthy profits

Corporate responsibility can be assumed by philanthropic expenditure alone

Corporate responsibility is about how profits are earned not only about how they are spent

Terminological Clarity

Myths and misunderstandings in the CSR debate

The *raison d'être* of businesses is to offer relevant goods and services to the benefit of wider society

Responsible corporate conduct lays the foundation for earning and sustaining long term healthy profits

Corporate responsibility is about how profits are earned not only about how they are spent

Terminological Clarity

Myths and misunderstandings in the CSR debate

The raison d'être of businesses is to offer relevant goods and services to the benefit of wider society



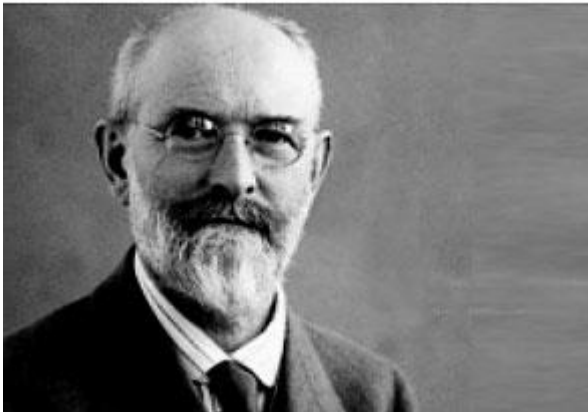
"Too many people think only of their own profit. But business opportunity seldom knocks on the door of self-centered people. No customer ever goes to a store merely to please the storekeeper."

Kazuo Inamori: founder of Kyocera

Terminological Clarity

Myths and misunderstandings in the CSR debate

Responsible corporate conduct lays the foundation for earning and sustaining long term healthy profits



"It is not because I have a lot of money that I pay my workers well but because I pay my workers well I have a lot of money."

Robert Bosch: founder of Bosch

Terminological Clarity

Myths and misunderstandings in the CSR debate

Corporate responsibility is about how profits are earned not only about how they are spent



“Philanthropy is commendable, but it must not cause the philanthropist to overlook the circumstances of economic injustice which make philanthropy necessary.”

Martin Luther King: leader in the African-American Civil Rights Movement

Contents

1

Introduction: The (business) world we live in

2

Terminological clarity for the CSR debate

3

What is humanistic management?

4

Practical dimensions of implementation

5

Conclusion: We need business as *unusual*

What is humanistic management?

Three – stepped approach to humanistic management



What is humanistic management?

Three – stepped approach to humanistic management

1

Unconditional respect towards human dignity

- We rightfully expect our dignity respected under all circumstances, also in business environments
- Managerial tasks are frequently defined in ways that view people as instruments (human *resources* / human *capital*) rather than human *beings*
- Humanistic management embraces each person as an end in itself, as having intrinsic value
- Humanistic management lays a foundation for the alignment of business goals and societal aims by respecting each person as an end in itself

What is humanistic management?

Three – stepped approach to humanistic management

2

Integration
of ethical
reflection in
managerial
decision
making

- We need to move from corrective to integrative business ethics
- Too often can we observe business as usual and only if and when misconduct causes costly public outcry will corrective action be taken
- Humanistic management demands the integration of ethical reflection into managerial decision making
- Integrating ethical considerations in management decisions leads to building fundamentally sustainable businesses from the core

What is humanistic management?

Three – stepped approach to humanistic management

3

Seeking
legitimacy
through
stakeholder
engage-
ment

- Stakeholder engagements often disappoint all parties involved
- Stakeholder claims are not recognized as having intrinsic value but are seen as instrumental to business aims that are unrelated to the actual claim
- In humanistic management stakeholders have a right to be heard and their concerns are genuinely taken serious and viewed as having intrinsic value
- In successful stakeholder engagements the power of the better argument supersedes factual power

What is humanistic management?

Three – stepped approach to humanistic management





“There is nothing so useless as doing efficiently that which should not be done at all.”

Peter Drucker: management guru

Contents

1

Introduction: The (business) world we live in

2

Terminological clarity for the CSR debate

3

What is humanistic management?

4

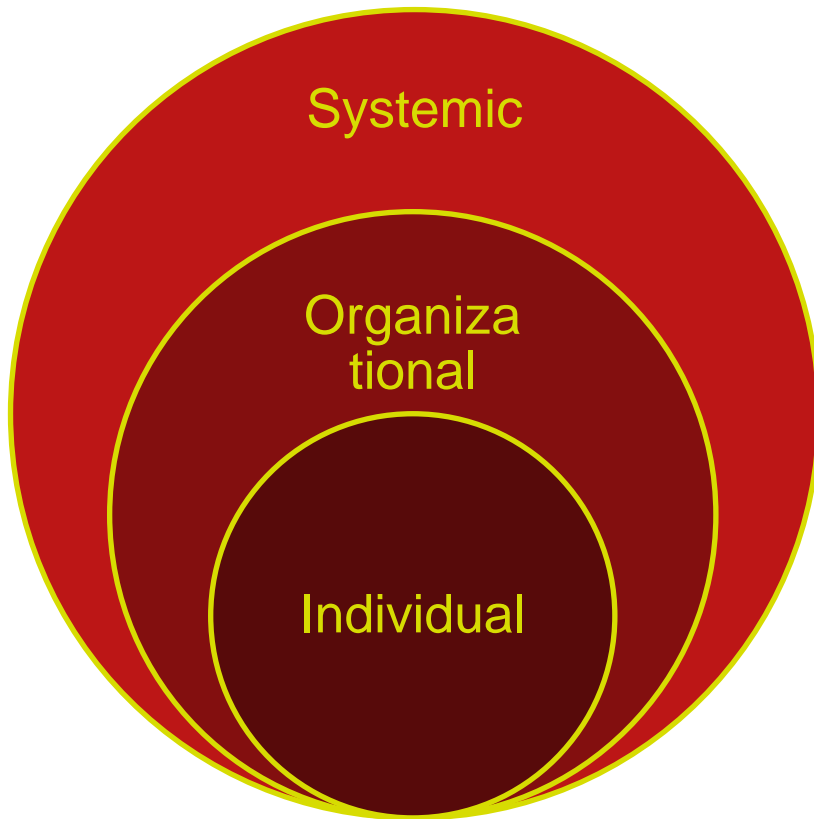
Practical dimensions of implementation

5

Conclusion: We need business as *unusual*

Practical dimensions of implementation

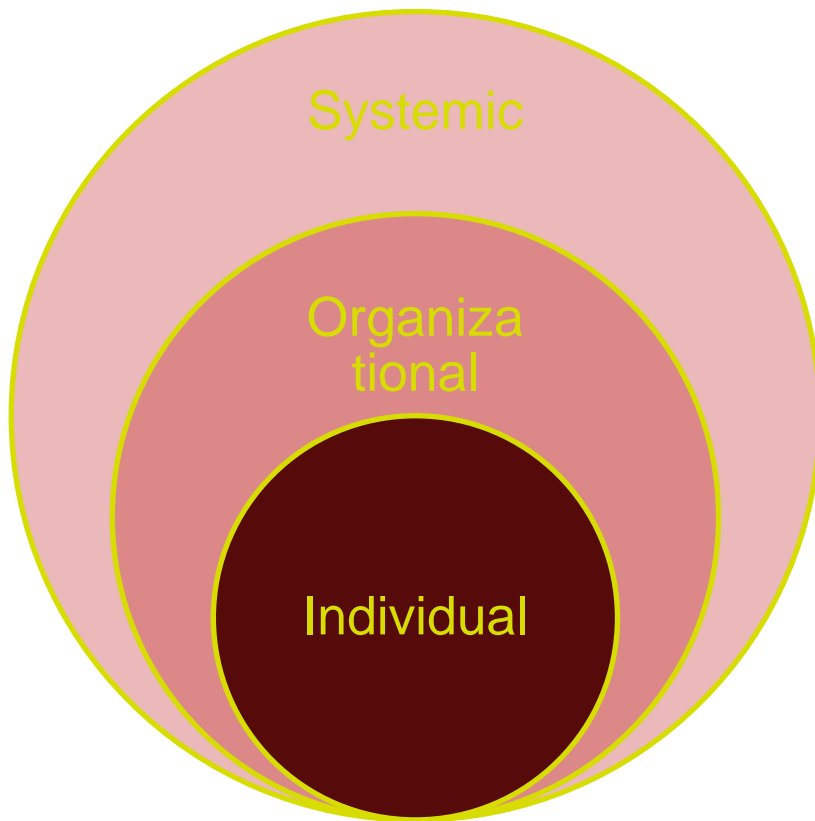
Three domains of activities



- Concrete activities need to emerge from within a business rather than being developed externally
- External guidance, moderation and procedural support can help
- But only if the people in an organization stand behind efforts in humanistic management will they bare fruit

Practical dimensions of implementation

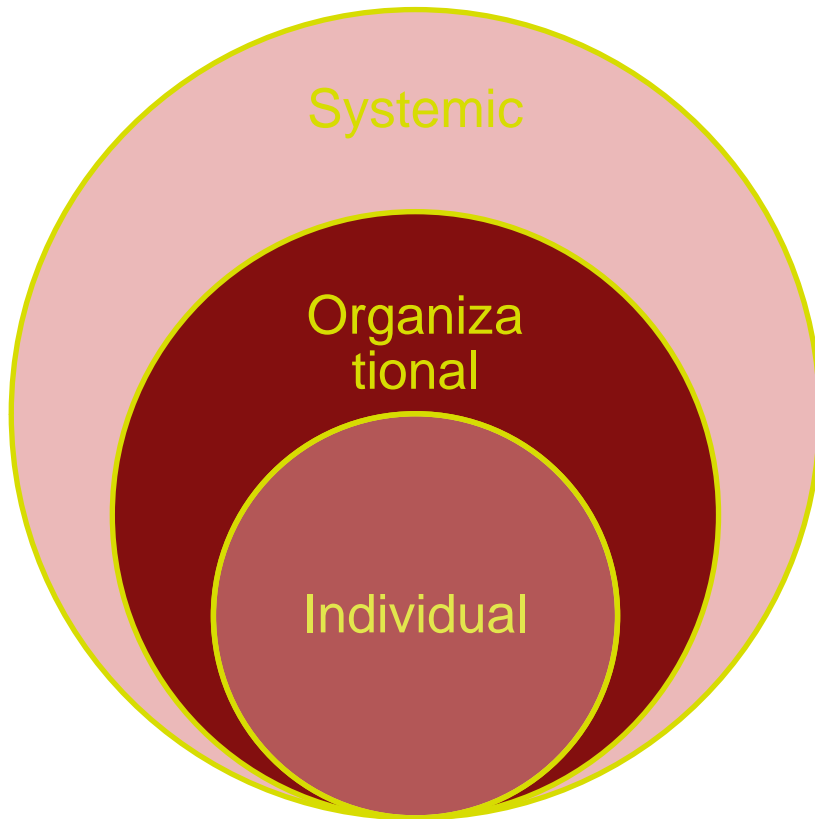
Three domains of activities



- **Personal well being:**
Is the organization and work conducive to its members leading happy lives?
- **Integrity:**
Are the members of the firm encouraged and expected to say what they do and do what they say and do they live up to that aspiration?
- **Caring:**
Do the members of an organization care for and support each other?

Practical dimensions of implementation

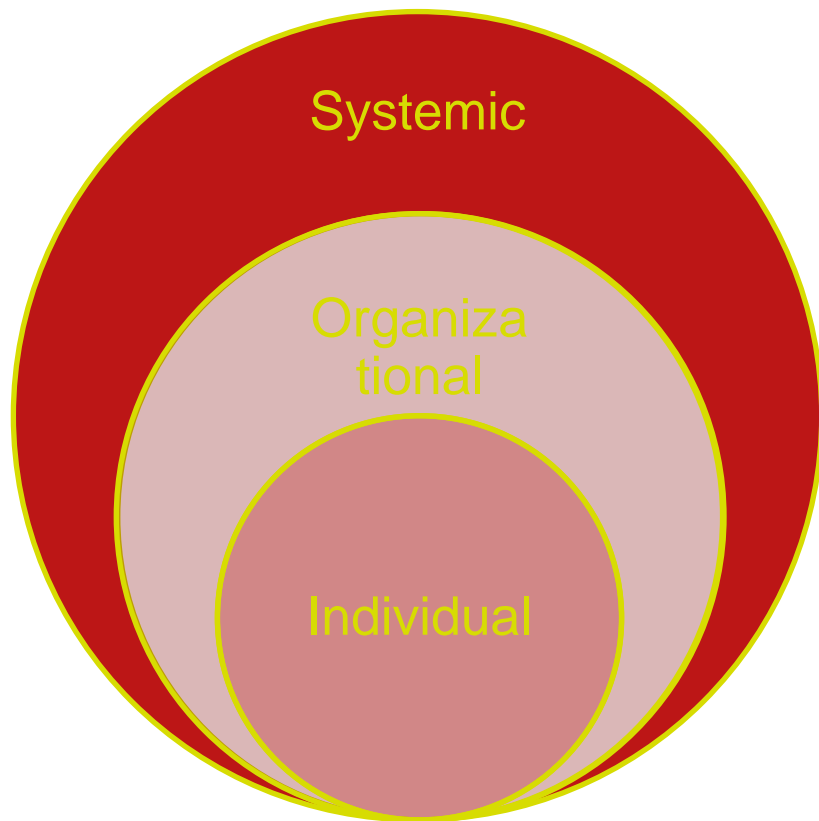
Three domains of activities



- **Cultural alignment:**
Does the business maintain a joint vision and act based on shared values?
- **Purposeful organization:**
Does the organization serve a purpose that relates to society at large and are its members aware and supportive of it?
- **Stakeholder engagement:**
Does the organization know its stakeholders and is it engaging with them?

Practical dimensions of implementation

Three domains of activities



- **Business partners:**
Does the organization assess ethical dimensions in their supplier and client choices?
- **Social intrapreneurship:**
Does the organization allow for initiatives that are based on innovating business models to serve a social and / or environmental mission?
- **Lobbying:**
Does the organization use its influence to make positive impact on (self-)regulatory initiatives?

Contents

1

Introduction: The (business) world we live in

2

Terminological clarity for the CSR debate

3

What is humanistic management?

4

Practical dimensions of implementation

5

Conclusion: We need business as *unusual*

The (Business) World we Live in

Market economies and free enterprise
have a great liberating potential for
mankind but

we need to use them more wisely

Terminological Clarity

The tough questions on corporate responsibility are not if you adhere to the law, nor how you spend part of your earnings but

how you earn your money in the first place

What is humanistic management

Human dignity deserves unconditional respect

and this respect can only be warranted based on

integrative business ethics

in combination with

stakeholder engagement

Practical dimensions of implementation

A business needs to consider activities that impact the individual, the organization and the system.

Concrete activities however need to emerge from within the firm.



“A business that makes nothing but money is a poor business.”

Henry Ford: founder of Ford Motor Company



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