

Gregory P. Prastacos · Fuming Wang
Klas Eric Soderquist *Editors*

Leadership through the Classics

Learning Management and Leadership
from Ancient East and West Philosophy

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Introduction

Corporate scandals, the first truly global economic crisis, natural catastrophes of dramatic dimensions, socio-economically driven political upheaval, and a latent threat from terrorism are challenges of unforeseen complexity that have marked the first decade of the twenty-first century. Alone, each of these economic, environmental, societal, institutional, or business-related threats and problems would be enough to trigger a serious interrogation into the way we lead our lives, manage our organizations, and educate tomorrow's decision-makers. Considering them together, such an interrogation becomes a must for any individual concerned about the heritage of the young and coming generations. A heritage which of course must continue to create wealth, but should do so in radically more sustainable ways and in much more harmony between the humans themselves and between humans and nature. The twenty-first-century challenges must be tackled placing faith in the creativity of mankind and our power to integrate established wisdom and new knowledge, innovate, and collaborate for building a sustainable future where globalization obtains its true meaning.

Bearing all of the above in mind, a group of business school professors at the Athens University of Economics and Business, Greece, headed by the then Rector Professor G.P. Prastacos and Associate Professor K.E. Soderquist, and another group of business school professors at the University of International Business and Economics, Beijing, China, coordinated by Professor Wang Fuming, started brainstorming about ways to revitalize the ethics and sustainability dimensions of leadership and management. One common denominator emerged rapidly. The ancient philosophy heritage of the two countries, which has laid the foundations for our modern societies, could maybe provide a fruitful platform for an alternative perspective on today's complex challenges. From this was born the idea of organizing a pioneering global forum, the June 2011 conference "Leadership and Management in a Changing World: Lessons from Ancient East and West Philosophy", for discussing and debating the role of ancient philosophy in modern management.

The present book represents a major outcome of the intellectual exchanges initiated at the conference. From the very beginning, we were committed to take

the conference papers further and compose a unique and enriched volume. Our aspiration was to blend the multidimensional thinking of the greatest ancient philosophers, focusing on Aristotle and Confucius, but also including Socrates and Plato, and opening up to contributions from Persian, Indian and Southeast Asian philosophers, in order to advance management research, education and practice in the interface between ancient philosophy, modern leadership and management. We hope that the end result does justice to these great philosophers, while it contributes to an increasingly important area in leadership and management.

At this point, we wish to thank all people that made this challenging project possible to realize. First of all, the success of the 2011 Athens Conference was a result of the excellent cooperation between two leading academic institutions in Greece and China, and we wish to thank the organizing committees and the faculty involved from both institutions. We warmly thank Hanban and in particular Dr Xu Lin, Director General of Hanban and Chief Executive of the Confucius Institute Headquarters, who provided the financial support for the Conference, as well as invaluable guidance and support throughout the organizing process. We also want to thank Madam Wang Ling, Chair of the UIBE Council and Co-Chair of the Organizing Committee, for her continuous support of this conference and her excellent collaboration with Rector Prastacos in establishing the Athens Business Confucius Institute. We want to thank the members of the international program committee who were instrumental in putting together an excellent conference program. In the editing of the present book, we first and foremost like to thank all the contributors who not only have contributed their papers and research results, but also participated with so much commitment and devotion in the review and editorial processes. It has been a great experience to collaborate with them all! We also thank the reviewers who spent so much time in reading and re-reading the papers, challenging the authors to make the final result as qualitative and impact-full as possible. Finally we like to thank Mr Christian Rauscher of Springer, who believed strongly in the project from the very start and then supported and guided us through the process with exemplary reactivity and inspiring enthusiasm, and Mrs Lila Despotidou, who, besides being one of the authors in the volume, also ensured all the administrative support in the preparation process.

Professor Gregory P. Prastacos
Professor Fuming Wang
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Essentials of Ancient Philosophy for Leadership and Management

When focusing on Aristotle and Confucius, one realizes that the fundamental source of inspiration for leadership and management is their respective basic principles: Aristotle's character-centered virtues and Confucius' interpersonal values.

For *Aristotle*, *phronesis* is both the key virtue and the key to virtue (Benetatou 2012). It can be defined as the practical wisdom and prudence that takes the shape of a reasoned capacity to act with regard to the things that are good or bad for man (Aristotle 2009). The other most central (cardinal) virtues are *sophrosune* – temperance or self-control in relation to physical pleasures and pains, *andreia* – courage or the appropriate moral and principled response in relation to situations involving fear, and, finally, *dikaiosune* – justice, i.e., rational ethical conduct to take and impose the appropriate responsibility for individual actions and their effects on others.

Emphasizing that human beings are teachable, improvable, and perfectible through personal and communal action and reflection, *Confucianism* comprises five basic values (Ames and Rosemont 1998; Confucius 1992; Rarick 2007): *Ren* – benevolence and obligation of humaneness toward others in a community, *Yi* – righteousness and the moral disposition to do good, *Li* – rules that indicate how to properly act in the community, *Zhi* – wisdom and showing the appropriate respect for wisdom, and *Xin* – trustworthiness as a person and being true to the mission of the community.

Referring, as above, only to some fragments of the wealth of insights and guidelines developed by these great philosophers, an immense well of inspiration opens up for leadership and management in modern times. The contemporary leader and manager, who will be sensible enough to make sense of these virtues and values, and will be cognitively mature to relate them to his or her practice, can gain considerable comparative advantage in the building of effective organizations. Moreover, the importance of combining the two philosophical systems, enabled by their stunningly numerous similar characteristics, can be motivated for several reasons. The most fundamental is that Aristotle focuses his teaching on a character-centered individual morality, while Confucius describes ethics in terms of interpersonal relations (Benetatou 2012). Leadership and management are just

about this: inspiring, motivating, and supporting groups, teams, and organizations by example of character.

Complementarity is also evident when it comes to how leaders and managers perceive time. The simultaneous over-faith in and over-simplification of Aristotelian “justified true belief” has driven many to base their decisions and leadership style on a binary logic of black and white, resulting in what is sometimes referred to as Western “linearity” in contradiction to Eastern “circularity.” Linear thinking is surely required to advance a business project, such as a greenfield investment or the development and launch of a new product. But as any seasoned project manager knows, for every three steps taken further, one is often taken to the side and another one backward. Moving through circular progression will enable to take into account all constraints and challenges so as to produce the optimal result or solution. This approach is supported by the Confucian focus on relationships, where appropriate behavior is dictated through one’s relationship with superiors, peers, elders, and friends. By iteratively and successively “securing” important relationships, the Confucian leader and manager ensures the greatest impact of his or her ideas and actions through sense-making and commitment from all.

Aristotle further emphasizes that skills of any kind must be perfected through good practice. But this good practice is not just related to doing the right things, but, as importantly, to doing things in the right way, i.e., performing actions that are also courageous, honest, generous, and morally correct. Hence, the enlightened business leader, besides being preoccupied by applying the latest and most “true” knowledge and know-how that will maximize the return from the business operation, must also focus on conducting business in such a way that other good things are achieved in parallel. Here, the self-knowledge component that *Socrates* preached (knowing thyself) enters the stage. Considered as a prerequisite for acting in the right way, a deep understanding of one’s ambitions, emotions, strengths, and weaknesses will help leaders and managers to better apprehend their environment and anticipate the actions and reactions of others in response to their own practices. This interactional capability is also directly related to how conflicts are managed in organizations.

In this vein, Confucianism emphasizes and teaches us about the superiority of harmony versus dialectics. Although conflict sometimes might spark creativity, far from all conflicts result in a win-win outcome. If they end up in a lock-in situation, the outcome will rather be a double loss for the parties having engaged in conflict. Sensing when conflict turns bad is an important capability, strongly cultivated in Confucian thinking.

Turning to the papers in this volume, we have selected contributions that embrace the above ways of thinking and give them depth and meaning in various situations and contexts. As presented in more detail in the next section, a number of papers emphasize Aristotle’s character-based virtues and of a virtue-based approach to business ethics and to leadership. The importance of moral integrity and practical wisdom or phronesis, are demonstrated to be key for a contemporary leader, and the use of Aristotle’s theory of virtues is discussed as a possible minimal ethic platform that all could subscribe to. A number of papers discuss the importance of inter-personal values and relations in the Confucian philosophy, and how

these dictate appropriate behavior to superiors, peers, elders, friends, members of the community. The importance of practice in achieving perfection and how good practice implies doing the things right (and not only the right things) according to Aristotle is indicated in several of the papers of this volume. The significance of these concepts in today's crisis is discussed in a number of papers, and it is proposed that a just society is a prerequisite if markets are to function effectively, and that organizations should pursue the creation of shared value, i.e. creation of economic value together with value for society, in order to achieve sustainable economic success. A number of papers touch on the importance of self-knowledge according to Socrates, and how this is important when managing conflicts today, whereas other papers discuss the importance of harmony and how the pursuit of harmony vs dialectics could end up in more desirable situations. Other papers bring forward principles of Persian, Buddhist or other philosophies and how these relate to leadership.

We hope that the papers in this volume cover to a large extent the lessons obtained from the ancient philosophers as these relate to leadership and management, and that this volume will be a useful companion to researchers and students in these areas.

Professor Gregory P. Prastacos
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Professor Klas Eric Soderquist

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Structure and Content of the Book

With ancient East and/or West philosophy as the unifying thread running through all the contributions, the volume is organized in seven parts, comprising a total of 34 individual papers by 45 authors from 16 different countries. Parts I and II focus on leadership; first as inspired by the virtues expressed by ancient philosophers resulting in ethical leadership considerations, and second, as informed by deeper philosophical reasoning resulting in the proposition of novel approaches to leadership for tackling today's complex and crisis-colored reality. Parts III and IV delve into the role that businesses play or could play in society, and how philosophy has shaped and still might shape emerging economic and business systems. Part III focuses on re-shaping the role of business in the wider society, and how, from a philosophical position, the negative effects of business activities can be moderated or eliminated. Part IV takes a macro perspective, focusing on how economic, social and institutional factors co-evolve in the gestation of ancient and modern society. The final three parts of the book connect philosophy to problems and challenges at the organizational level as well as in business education. The papers in Part V are in quest of leadership models from the past that can both enlighten and alert contemporary leaders. In Part VI the question of how ancient philosophy can support and inform management training and development is discussed, while in the final Part VII several examples of how philosophy can provide lessons to specific business challenges, such as software installation or making sense of CSR, are presented.

Part I Ethics and Moral Leadership

In their paper “Values-Based Leadership: Enduring Lessons from the *Aeneid*” Mark Ahn and Larry Ettner explore the *Aeneid*, Virgil's foundation epic of the Latin cannon, from a values-based leadership perspective providing a moral foundation underlying decision-making and actions of leaders. By juxtaposing the leadership elements of Vision, Culture, and Values on the corresponding Roman themes of *Fatum*, *Pietas*, and *Virtus*, they extract leadership lessons from the

Aeneid that end up in three practical and contemporary relevant leadership questions of “Are we doing the right things?” (*Vision-Fatum*), “How do we do things?” (*Culture-Pietas*), and “Are we doing things right?” (*Values-Virtus*).

Wesley Cragg, in his paper “Plato, Business and Moral Leadership,” looks to Plato for guidance on business and business leadership by focusing on (1) “the market” (agora) as an interactive meeting place between economic, political, and social issues; (2) the concept of a “social contract” that dominates Plato’s account in the *Crito* of the life, mission, and responsibilities of Socrates when he was faced with responding to a death penalty; and (3) Plato’s attempt to understand the three functions essential to any organized human society, identified as *political leadership*, the generation of *economic wealth*, and the task of *protecting the state from attack* by external military forces. He shows how Plato provides indirect but persuasive reasons for the view that business and the generation of material wealth must be harmoniously interwoven with the social and political dimensions of society and government if a just society is to be realized. He concludes that although markets have to serve economic interests, if they are detached from a wider range of human values and interests, the economic interests will undermine the social, political, and legal frameworks required for the markets to function effectively.

Starting from the Aristotelian premise that business people become good business people by doing business *well*, Rosa Slegers argues that managers at all levels are no exception to Aristotle’s theory about the importance of good practice. Her paper entitled “A Virtue-Based Approach to Business Ethics: Insights from Aristotle and Sociobiology” develops a virtue-based approach to business ethics that can accommodate the complex and sometimes vague aspects of our moral experience instead of attempting to capture everything with one single rule like the principle of utility. Relating these arguments to modern CSR, she advances the idea that the latter is an endeavor that will become less strategic and more entrenched the more successful it becomes.

Confucius and Plato suggest, with their Sage-king (sheng ren 聖人) and Philosopher-king theory, respectively, a model of political management which dissociates from the old political example and introduces new elements on governance, especially the coupling of power and knowledge through ethics. Leaning on these arguments, Elena Avramidou, in her paper “Sage-king and Philosopher-king: A political and moral approach to Confucius’ and Plato’s Leadership,” discusses how a return to the origins of the Eastern and Western civilization can offer an activation of thought and a new political approach that remains inseparable from ethics.

Andrea Hornett, in her paper “Ancient Ethics and Contemporary Systems: The Yamas, the Niyamas and Forms of Organization,” takes us back to the ancient ethics of yoga, the roots of Hindu and Buddhist philosophies. Matching the ten ethics of Yamas and Niyamas with modern leadership theory, she concludes that their potential seems promising, but has to overcome risks of fragmentation in order to function as an integrated system in organizations.

In his paper “The Christian Notion of *Αγάπη* (agápē): Towards a More Complete View of Business Ethics,” Domènec Melé analyzes the meaning of *agápē* in the Christian Bible and argues that this Greek word can be translated as “love,” in the sense of a self-giving love, and including the sacrificing of one’s own interests for the good of others. Philosophically speaking, *agápē* means “love of benevolence,” a notion which is not too far from the Confucian notion of *ren*, generally translated as “benevolence” or “loving others.” From this, Domènec Melé concludes that benevolence should be taken into consideration in business ethics, making it more human and fostering the generation of trust – very crucial for business in the long-run.

Mar Perezts, in the last paper of Part I, entitled “Ethics as Practice Embedded in Identity: Perspectives on Renewing with a Foundational Link,” explores the link between ethics and identity in the form of a theoretical working proposal that starts from investigating the ambivalent etymological genesis of the word ethics which links it to the notion of being, or ethos. She argues that the ethos of ethics has been split through an organizational separation, where ethics resides either in CSR departments and is expressed by discourses and ethics statements (fundamental ethics), or in Compliance departments where it becomes a normative constraint (applied ethics). Drawing on contemporary philosophers, she proposes that *identity* is the core element that could allow ethics and management science to find common ground for implementation.

Part II Philosophy in Leadership

In the context of the human world presently facing three kinds of global crises (ecological, economic, and ethical) Chung-ying Cheng proposes a novel approach to management and leadership in which the cosmic and the human, self-interest and equity, knowledge and value, and technology and wisdom must be integrated on interrelated levels of global productivity. His paper “Advancing with Time: Yijing Philosophy of Management and Leadership” is founded on and derived from the core insights of the Yijing which identifies creativity on two levels, the cosmic creativity and the human creativity. He explores five forms of change that indicate how we as human beings have to develop our creativity based on the creativity of nature in management and leadership. This leads to a characterization of a comprehensive theory of Management and Leadership (namely, YML) in five important pairs of categories and methodologies: The unity of the macroscopic and microscopic, the unity of the source and the system, the unity of knowledge and orientation, unity of prediction and decision-making, and finally unity of cultivation and harmonization.

In her paper “Confucian and Aristotelian Ethics: A Global Model for Leadership” Marianna Benetatu proposes a recast profile for the contemporary leader that underlines both moral integrity and enhanced ability to act contextually. She addresses descriptive and normative aspects and outlines the necessary training in

order to become such a virtuous leader. The model serves to both criticize existing, supposedly self-evident and “natural” truths, and to envision an alternative way of leading and directing that builds on the ancient wisdom, both in the East and West, that progress is achieved by a sincere and truthful exercise of our best qualities. The model considers the need to revise the Enlightenment-centered humanistic paradigm by a more contextual and comprehensive approach inspired by the Confucian virtues of appropriateness and humaneness. Further, it emphasizes the leader’s taking into consideration of local idiosyncrasies in order to interact constructively with the environment, prospective partners, and the more general reconciliation of corporate and professional practices within society. Focusing on people’s qualities, conduct, and motives is a way, she argues, to revisit the faceless mechanisms of power, which then may give globalization a more human face.

Martha Beck in her paper “Aristotle’s Theory of the Virtues of Temperance, Courage, and Generosity as Part of a Universal Model for Leadership Practices Today” argues for the contemporary applicability of Aristotle’s theory of virtues. She shows how these virtues, although often considered personal, can play a crucial role in the development of every social and political institution, including large and small businesses. Businesses create and reward different kinds of community climate and can be evaluated as better or worse, more just or less just, according to the ultimate goals they pursue and the ways they pursue them. The paper discusses how Aristotle’s theory of the virtues could underpin a universal kind of “minimal” ethic that all could subscribe to. Of course no one standard can be the only model to follow, as Aristotle himself argues. However, a comparative study of universal ethical values would be a great starting point for a dialectical conversation, leading to a commitment to continual self-examination and examination of others in all dimensions of (business) life.

Starting from gaps in leadership development identified from action research, the paper “Blending Greek Philosophy and Oriental Law of Action: Towards a Consciousness-Propelled Leadership Framework” by Vikas Rai Bhatnagar develops a leadership framework that blends Greek philosophy, oriental law of action, and new physics and proposes a model that includes the material, biological, cognitive, and spiritual domains. It attempts to understand leadership from a causative perspective, as compared with the current focus of leadership theories to analyze a myriad of leadership effects. As a universalist model, its coherence depends on the examination of key-concepts within their specific theory and on their integration for the model’s purposes.

Changzheng Dai, in his paper “A Comparison of the Political Thoughts of Confucius and Plato” analyzes the concepts of “Ruler of Saint” of Confucius with “Philosopher King” of Plato as well as Confucius’ ideology of Ratification of Names with Plato’s Justice. It reveals the huge gap between the two thinkers in their seemingly similar political thoughts. The basic duty of the Ruler of Saint is to educate, while the basic duty of the Philosopher King lies in fundamental reform and the process of selecting and cultivating the successors. The concept of Ratification of Names is conservative and reactionary while the idea of justice is revolutionary and radical. Hence the importance lies in an intelligent combination and integration of the two concepts.

Afsaneh Nahavandi, finally, in his paper “Iranian Mystical Leadership: Lessons for Contemporary Leaders” introduces us to the Persian empire of antiquity and its many celebrated leaders and rich tradition of science, philosophy, and literature. From the Zoroastrian teachings 2,500 years ago, to Saadi’s Golestan (The Rose Garden) in the thirteenth century, the theme of a courageous, caring, humble, and moderate leader-hero has remained much the same. He shows how ancient Persian philosophy, which also echoes several other ancient themes, can provide useful alternative approaches to modern challenges.

Part III Role and Meaning of Business in Society

Three arguments leading to the conclusion that the business goal to strive for maximization of self-interest is immoral are presented by Wen-Chin Kan in her paper “Maximization of What? Revisiting the Conception of Wisdom from a Buddhist Perspective.” She first explores the nexus of self- and others’ interest; the second proposes, in the light of Buddhist philosophy, that the maximization of wisdom is the best strategy to maximize authentic self-interest. The third argument provides principles founded on karma theory to cultivate wisdom – that generating one’s own interest in business can come from the interest and well-being of other people, for example, by contributing to sustainable development.

The point of view of the first person as a generator of positive actions is adopted by Javier Aranzadi in his paper “The Social Role of the Firm: The Aristotelian Acting Person Approach.” Good entrepreneurial practice (*eupraxia*) occupies a central place the firm’s role as a social institution, which is configured by means of individual action. The core idea, based on Aristotle, is voluntary and free acts.

Kevin Gibson, in his paper “Stakeholder Management, Sustainability and *Phronesis*,” addresses how business should approach issues of sustainability. To the much accepted elements of applying metrics complementary to only economic, and addressing stakeholders broadly, he adds the importance of leaders adopting the Aristotelian notion of practical wisdom – *phronesis*. By making a systematic comparison of shareholder versus stakeholder management, he shows how *phronesis*, from its integration of goodness of character and action, provides a framework for business leaders to make appropriate choices to assure a sustainable future.

Part IV Philosophy and the Shaping of Economic and Business Systems

Contributing to the debate about the role of Confucianism in the economic miracle achieved in East Asia, the paper by Cuiping Zhang and Xiaoxing Zhu entitled “Confucianism and Market Economy” studies the CEOs of five leading companies

and presents results from a questionnaire survey in Haier. They conclude that Confucianism is still vigorous and influential in the business world in China today. Confucianism asks one to do things beneficial to both oneself and others; it encourages free trade and has already inspired Adam Smith. The downside, they argue, is that its family-centered ethics can provide a hotbed for corruption, and its emphasis on harmony and traditions has sometimes led to a lack of people's innovation spirit and sense of competition. Hence, the most important thing, they conclude, is that we need to rethink and reevaluate the core values of Confucianism and make them serve the socialist market economy with Chinese characteristics.

The paper "Ethics, Economic Organizations, and Human Flourishing: Lessons from Plato and Aristotle" by Benedetta Giovanola and Arianna Fermani seeks to show the importance of the thought of Plato and Aristotle in the context of today's global economic crisis produced by a system based on accumulation of profit as an end to itself. They illustrate the intrinsic connection between ethics and economic processes and organizations, and then describe several specific values and principles highlighted by Greek philosophers that can support the ethical framework in which financial markets must function. In particular, Plato and Aristotle help us to see an economic organization as a community of persons, embedded in the social context and compatible with the fostering of social justice, rather than a mere instrument for profit.

George C. Bitros and Anastassios D. Karayiannis in their paper "The City-State of Ancient Athens as a Prototype for an Entrepreneurial and Managerial Society" argue that the values that Athenians treasured and the political institutions and rules of governance they had put in place encouraged entrepreneurial activities and even rewarded successful entrepreneurs with social and state distinctions. They also show how Xenophon, a "protagonist of management science," explicitly developed the first principles and imperatives of managerial actions.

In times of economic and social crisis, there is an urgent need for companies to take the lead in bringing business and society back together. Iordanis Papadopoulos, in his paper "Virtues, Ethics and Corporate Citizenship: The Exercise of Leadership in Turbulent Times," argues that the solution lies in the principle of shared value, which involves creating economic value in a way that *also* creates value for society by addressing its needs and challenges. Shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success. It is not on the margin of what companies do but at the center. In addition, the concept of creating shared value must be distinguished from any redistribution approach; it is about expanding the *total* pool of economic and social value.

Part V Philosophy and Leadership Styles

Paul Vanderbroeck analyzes Cleopatra's leadership behavior through the lens of modern leadership practice. His paper, entitled "Cleopatra: An Example for Modern Women Leaders?", shows that she was strong in leveraging her difference

as a woman but weak in building and maintaining a network. Cleopatra used an effective combination of leadership competencies to overcome the discrimination against her sex and realize her achievements, but she also had a dark side and was a ruthless and cunning leader which disqualifies her as a role model.

Is there an ideal leader? If yes, do the traits of this ideal leader relate to the ancient Greek thinkers? These questions are addressed by Nancy Papalexandris and Eleanna Galanaki in their paper “Connecting Desired Leadership Styles with Ancient Greek Philosophy: Results from the Globe Research in Greece, 1995–2010.” Using the Globe project methodology in a survey of 1000 Greek middle managers, they conclude that implicit fundamental values are, to a large part, unchangeable across centuries and strongly reflect the ideals formulated by classic Greek philosophers.

Marios Philippides, in his paper “An Ancient Business Success and a Medieval Business Failure: Lessons in Ethics from Old Business Approaches and Practices,” contrasts two historical examples of success versus failure. An early success, the Athenian City State, architected through the foresight of a brilliant individual, Themistokles, created the marriage of private initiative to a state mechanism which led to a new form of state becoming the foundation of western civilization. In this system, the citizens themselves had a private incentive to ensure the success of their own city-state. In the Middle Ages, conversely, we perceive a tired empire, Constantinople, whose finances have been taken over by what could be called a medieval global economy. Constantinople was no longer the master of its own finances, taken over by other Italian states such as Venice and Genoa. Individual greed at the detriment of the state finances could flourish. Philippides asks the intriguing question of whether in the current crises we are closer to Athens or Constantinople.

The philosophy and religious tradition of Southeast Asia has not yet been widely considered in leadership theory. In the paper “The Mandala Model of Power and Leadership: A Southeast Asian Perspective” by Jasmin Mahadevan, the mandala model of power and substitutional harmony between micro- and macro-cosmos is linked to cross-cultural leadership theory, resulting in a model emphasizing syncretism, flexibility, change, process, and fluidity for tackling modern leadership challenges.

Part VI Philosophy in Management Training and Development

In their paper “Integrating Oriental Wisdom in MBA Education: The Case of Confucianism”, Sompop Manarungsan and Zhimin Tang discuss how the mainstream, hitherto Anglo-American-dominated management education propose a thesis of how Confucianism and ancient Greek philosophy may help to counter-balance some of the deviation produced by this dominant model. Building on the

case of the Panyapiwat Institute of Management (PIM), a young corporate university in Thailand, they show how a new form of management education may be initiated through rethinking the ontology, epistemology, and instilled values of the management discipline. Elements of this approach include network learning, professionals trained by professionals, and innovative games with philosophical foundations to enhance critical reflection.

Leaders need ethical competence and can be trained in developing such competence. This is the key argument of Iordanis Kavathatzopoulos in his paper “Assessing and Acquiring Ethical Leadership Competence.” Ethical competence is not the acceptance or application of this or that moral principle, but the ability to use the suitable thought or organizational method during the effort to handle a real-life moral problem. By defining ethical competence as process ability, he proposes tools to assess it and methods to train it.

Silas M. Oliveira, in his paper “Aligning Business Education with Ancient Chinese and Greek Philosophy: The Andrews University’s Leadership Program,” shows how dominant values and principles of ancient Chinese and Greek leadership philosophies can be reflected in a leadership program. The success of the program shows that the divergent Chinese and Greek philosophies of leadership provide both challenges and opportunities for management practitioners, and scholars as well. The result is the development of leaders who are self-conscious of their role in society, without forgetting the dyadic relationship indispensable for the success of any organization.

Leaning on Indian Historical Cases and Traditions, the paper “Reflections from Indian History: Story-Telling for the New Age Mentor” by Lipi Das highlights the development of mentoring as a channel of communication and proposes lessons for the new-age mentor. She develops a communication framework in the shape of the conversation schema which can be used as a “story-telling tool” for effective mentoring. It builds, in particular, on the Indian historical traditions of the Guru-shishya parampara, Krishna Arjuna, Duryodhana / Danveer Karnan, and Theravada Buddhism to develop competencies in the mentee.

Lila Despotidou and Gregory Prastacos in their paper “Professionalism in Business: Insights from Ancient Philosophy” propose a framework for defining professionalism in business management. This framework, largely drawing from the literature, is composed of three characteristics: possession of the knowledge and skills required, commitment to a broader good, and an overall ethical conduct. They demonstrate through empirical research that these are the three characteristics that good companies expect in practice from their professionals. Then they proceed to demonstrate that these characteristics coincide with core values and principles introduced 2,500 years ago in the social and political thought of Aristotle and Confucius, and thus show that ancient philosophy could be used as a means for inspiring professionalism in business managers.

Part VII Concepts from Philosophy in Contemporary Management Challenges

Jonathan P. Marshall, in his paper “Disorder and Management: Approaching Computer Software through Lao Tzu, Heraclitus and Gorgias,” shows how these pre-Platonic philosophers can teach modern managers to not always suppress oppositions and conflicts, and become better aware that attempting to produce one thing will likely produce another. From an analysis of a software installation project, he shows our attempts to create order actually create disorder. What we can then do is to attempt to work with disorder rather than to suppress it. Sensitivity to the moment, to complexity, to the situation and flow can be learned and cultivated as we are taught from Lao Tzu, Heraclitus, and Gorgias.

Louis Klein and Thomas Wong bring together systemic approaches and Chinese philosophy to draft a broader perspective on efficacy, sustainability, and viability of change processes. Their paper “The Yin and Yang of Change: Systemic Efficacy in Change Management” distinguishes between Yin-Change (cold change, continuous improvement, integration) and Yang-Change (hot change, innovation, transformation). They argue that change management needs to distinguish and to balance the two sides of change, innovation, and continuous improvement to realize efficacy, viability, and sustainability.

The problem of aligning business behaviors with expressed CSR commitments – a gap between rhetoric and action – is widely recognized. The paper entitled “How Managers Make Sense of CSR: The Impact of Eastern Philosophy in Japanese Owned Transnational Corporations” by Sharon Jackson draws from a study of two global consumer electronics companies exploring the influence of Japanese business philosophy how managers make sense of their organization’s commitment to CSR. She suggests that organizational culture, underpinned by Japanese philosophy, can impact on how managers make sense of CSR. Managers appear to share similar interpretations of their organization’s CSR when they draw on cues, “words and labels” from the prevailing identity. If, further, that prevailing identity is underpinned by a moral framework, then enactment of CSR appears to be more likely.

Lauri J. Tenhunen and Seppo E. Niittymäki in their paper “Developing Corporate Entrepreneurial Cultures: Inspirations from the Confucian Gentleman” present those corporate entrepreneurial cultural dimensions, which seem to have the greatest importance and relevance in explaining the differences in outcomes of productivity, satisfaction, and motivation of the staff in different types of private and public organizations. They propose that the concept of the “Confucian gentleman” can inspire “motivating” organizations that can best leverage business cultures where the entrepreneurial consequences of innovating, risk managing, and catalyzing are emphasized.

Hugo Graeme, Steve Bakalis, and Therese Joiner, in their paper “Parallels of Diaspora Processes in Ancient Greece with Contemporary Greek Diaspora Centres: The Case of the Greek-Australian Diaspora,” analyze the Greek diaspora and focus

on how, in the Australian multicultural landscape, it mirrors mechanisms that were developed in the ancient Greek states, especially Alexander the Great's *Oath at Opis*. They conclude that there is considerable scope to utilize today's dynamics of the Greek Diaspora more effectively by considering ancient developments and context, especially in the presence of the crisis of values emerging from the financial crisis. They make concrete proposals concerning policy and program interventions which may energize current diaspora networks.

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Part I
Ethics and Moral Leadership

Chapter 1

Values-Based Leadership: Enduring Lessons from the Aeneid

Mark Ahn and Larry Ettner

Abstract This paper explored the *Aeneid*, Virgil’s foundation epic of the Latin cannon, from a values-based leadership perspective, which is defined as the moral foundation underlying stewardship decisions and actions of leaders. Specifically, we juxtaposed the resonant leadership elements of vision, culture and values – and their corresponding equivalent Roman themes of *fatum*, *pietas*, and *virtus*. Using a thematic analysis approach, we coded the following eight values: integrity, good judgment, leadership by example, decision-making, trust, justice/fairness, humility, and sense of urgency. We found that while the *Aeneid* extols prototypical values, the epic instructs that truly effective leadership is not about being a monochromatic prototype. Rather, the epic reveals that the essence and privilege of effective leadership demands reflection on the dynamic relationship between the leader and the led towards a better, envisioned future.

1.1 Introduction

As societies have evolved from tribal communities to nation-states to modern global, multinational enterprises and multilateral institutions, the study of leaders and leadership has been a perennial source of abiding interest and inquiry (Leebaert 2006; MacGregor Burns 1978). The narrative depicting the heroic traits and human flaws of the “good king” have evinced timeless characters in the Western epic tradition – from Sumerian Gilgamesh to Achilles of Homeric fame who displayed immortal heroism and creativity, despite a fatal flaw – and beyond (Bagshaw 1995; Garaventa 1998; Moss Reimers and Barbuto 2002). In these contexts, literature serves as a metronome for the values of society (Moerk 1998). These and countless other narratives fill the pantheon of great literature and biography, and continue to inspire new generations of audiences and aspiring leaders alike.

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This paper focuses on exploring Virgil's (70–19 BCE) Latin epic poem the *Aeneid* from a values-based leadership perspective in its original context as a founding myth, as well as its relevance and implications for the demands of modern leadership.¹ It will juxtapose the resonant leadership elements of vision, culture and values – and their corresponding equivalent Roman themes of *fatum*, *pietas*, and *virtus* – found in the *Aeneid* to the demands of modern leadership.

1.2 Literature

Originally written to enhance the political legitimacy of the Augustan regime (Bell 1999; Cairns 1989; Korfmacher 1956), the *Aeneid* was also aimed to extol and glorify values-based leadership captured in traditional Roman virtues (e.g., *pietas* – reasoned judgment and performance of one's duties towards followers and family) which were deemed critical to the peace, prosperity and effectiveness of the Roman imperium (Earl 1967; Edwards 1960; Galinsky 1996; Hahn 1931; Hammond 1933; Holland 2004). Publius Virgilius Maro, hereafter Virgil, wrote his epic in the wake of a century of turmoil. Rome was weary after three generations of civil war and internal struggle had ravaged Italy and the Mediterranean. A final round of civil wars ended at the Battle of Actium in 31 BCE and the deaths of Antony and Cleopatra in the following year. Augustus now dominated affairs and like others before him had set about reorganization and reconciliation of the war torn world he ruled (Galinsky 1996).

Augustus needed a cohesive Roman world view to remind his countrymen of their past triumphs and traditions, as well as to fortify their manifest destiny or *fatum*, which was ultimately channelled through the vision of Virgil (Galinsky 1996; Hammond 1933). Bloom (2001) noted: “The emperor Augustus needed the poem because it gave his era an idea of order and greatness, an achieved foundation of authority; Aeneas always looked towards the future, to the rise of a new Troy in Rome, which will end exile and inaugurate justice” (p. 76). It was Virgil who would capture this resonating common worldview in the *Aeneid* and whose “success as a panegyrist is partly because he did believe in the value of what Augustus was doing” (West 1994, p. 61).

¹ The *Aeneid*, which chronicles the story of Aeneas and his followers from their exodus after the fall of Troy in the *Iliad* to the founding of Rome, is composed of twelve books written in dactylic hexameter and was first published shortly after Virgil's death in 19 BCE. The hero Aeneas was already known to Greco-Roman legend and myth, having been a minor character in the *Iliad*. Virgil took the disconnected tales of Aeneas' wanderings, his vague association with the establishment of Rome, and shaped a profound national epic which established the founding myth of Rome and tied it to the legends of Troy and manifest destiny, glorified traditional Roman values which became the basis of socio-political reforms, and established unassailable legitimacy for the Julio-Claudian dynasty.

1.2.1 *The Aeneid from a Leadership Lens*

The focus of leadership studies is to explore: “What is good leadership? The use of the word good here has two connotations, morally good or technically good or effective. . . The question of what constitutes a good leader lies at the heart of the public debate on leadership” (Ciulla 1998, p. 13). From a leadership lens, Virgil endows Aeneas with human qualities, portraying him as a heroic yet flawed mortal man who overcomes his doubts and setbacks to ultimately realize his fate. Within the genre of epic poetry, one of the more unique and innovative conventions developed by Virgil was to allow Aeneas to transform from an indecisive, self-doubting victim of circumstance (i.e., literally driven from one thing to another, well illustrated in his diversion to Carthage and his soul-searching emotional decisions as to whether or not he should remain with Dido) into a supremely confident, charismatic leader who selflessly risks single combat with Turnus to spare others suffering (Fuhrer 1989). As MacKay (1963) posited, the *Aeneid* represents:

Virgil's comment on the human condition: that great leaders are necessary, but that they have a bit of the scoundrel in them; he can appreciate their admirable qualities without shutting their eyes to their unlovable qualities, and he is not sentimental enough to make their failings lovable failings. We are meant to be shocked—shocked into opening our eyes (p. 165).

1.2.2 *Values-Based Leadership*

While the *Aeneid* has been explored from many and varied perspectives including poetry, political propaganda, social control, religious conformity, and the arts (e.g., music, opera, theatre) (e.g., Galinsky 1996), this paper explores Virgil's work from a values-based leadership perspective. While leadership theories and definitions proliferate, the following definition is adopted: “leadership over human beings is exercised when persons with certain motives and purposes mobilize, in competition or conflict with others, institutional, political, psychological, and other resources so as to arouse, engage, and satisfy the needs of followers” (MacGregor Burns 1978, p. 69). Building on this construct, values-based leadership is defined as the moral foundation underlying stewardship decisions and actions of leaders (O’Toole 1995).

In leadership terms, values provide rationale towards conceptions of desirable objects and objectives – and influence the degree to which a leader's actions are viewed as legitimate, acceptable and effective. As MacGregor Burns (1995) defined “leadership as leaders inducing followers to act for certain goals that represent the values and the motivations – the wants and needs, the aspirations and expectations – of both leaders and followers” (p. 100). This rationale provides a ‘binding effect’ to draw certain people who have similar aspirations and goals to cooperate together, and form the basis of an organization (Buchko 2006). Without similar or corresponding value sets, starting or managing an organization will be difficult as

transformational leadership is linked to virtue and moral character (Bass and Steidlmeier 1999). As Gardner (1995) noted, “shared values are the bedrock on which leaders build the edifice of group achievement. No examination of leadership would be complete without attention to the decay and possible regeneration of the value framework” (p. 5).

It is the development of Aeneas’ *virtus* or values that is a central tension throughout the narrative that resonates to the challenges of modern leadership. Despite their widely varied contexts throughout time, common bases on which leaders are consistently evaluated, embraced or rejected are their values. Notwithstanding, given the pressure and immediacy of modern demands, there can be a tendency to believe that the “prevailing” challenge or crisis at hand is fundamentally different than all others in the past. From one perspective, some leadership experts have asserted that lessons from the past have little to offer contemporary leaders (Accenture 2001; Khilji et al. 2010; Martin and Ernst 2005) in a modern world of information overload, high-speed communications, and global capital markets driving interdependence:

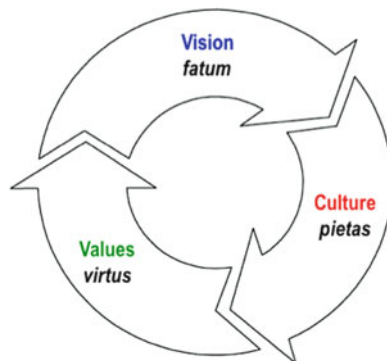
The leadership models of the past provide little guidance for the business context of the future... Many factors are transforming the context of leadership today: globalization and technological change lead to heightened competition, which in turn leads to new organizational models (Accenture 2001, p. 1).

A competing perspective, however, is that the perennial leadership challenge for governing our institutions remains constant from antiquity to today: to build the good society which balances the necessity of tension between liberty, equality, community and efficiency (Bagshaw 1995; O’Toole 1995). In this context, the palette of epic poetry generally, and the *Aeneid* specifically, provides a useful lens to imaginatively examine timeless opportunities and tensions as “poetry asks for accountability to a human community, for rootedness and responsibility even as it changes” (Whyte 1994, p. 10). In this context, we propose that juxtaposing the resonant leadership elements of vision, culture and values – and their corresponding equivalent Roman themes of *fatum*, *pietas*, and *virtus* – found in the *Aeneid* to the demands of modern leadership would provide robust insights and support practical contemporary relevance of the epic (Fig. 1.1).

1.3 Methodology and Values-Based Leadership Themes

Our methodology used the principles of thematic analysis, which is a systematic process for fracturing, reorganizing and categorizing the content of text and identifying relationships among data (Berg 1995; Maxwell 1996) that promotes the collection and use of qualitative information in a manner which facilitates communication with a broad audience (Auerbach and Silverstein 2000; Boyatzis 1998; Braun and Clarke 2006), and is regularly used by scholars and researchers in literature, social sciences, and many other fields (Crabtree and Miller 1999; Denzin

Fig. 1.1 Leadership elements and *Roman Themes* in the Aeneid



and Lincoln 1994; Marshall and Rossman 1989; Silverman 1993). In other words, thematic analysis is a process of encoding qualitative data, which involves developing an explicit code and the identification of patterns within the information (Boyatzis 1998; Crabtree and Miller 1999).

In this case, the deductive thematic analysis (Crabtree and Miller 1999; Braun and Clarke 2006) proceeded in four stages. First, the *Aeneid* was coded to identify manifest and latent themes that emerged from the Virgil's primary (Fitzgerald 1981) and critical reviews of the text (for example, see: Bell 1999; Bowra 1933; Cairns 1989; Hahn 1931; Smiley 1948; Toll 1997; Wilson 1969). Second, insights were coded at a meta-level to identify over-arching themes. Third, the data were coded based on the values-based leadership literature (Conchie 2004; Garg and Krishnan 2003; Majer 2005; O'Toole 1995; Maxwell 1996; Van Lee et al. 2005) to compare the underlying themes of the *Aeneid* to modern leadership literature. Fourth, the identified codes were grouped into the resonant leadership themes of vision, culture, and values, and analyzed for conclusions and implications relative to our model (Fig. 1.1). The theme of culture was further subdivided into symbolism and ritual, while values were coded into the following eight themes: integrity, good judgment, leadership by example, decision-making, trust, justice/fairness, humility, and sense of urgency.

1.4 Results and Key Values-Based Leadership Themes

1.4.1 Vision

A compelling vision, larger than any individual, is necessary for organizational success and sustainability. Virgil uses *fatum* to “justify the ways of God to men” and establish the divine providence through which the mighty Roman imperium “was to be established in the world to show [the] great, foreordained mission of [the] nation” (Miller 1928, p. 29). Aeneas’ steadfast vision to found a new homeland (the future Rome) and opportunity for peace and prosperity for his

displaced people of Troy, while overcoming a series of obstacles and making great personal sacrifices, is an arching theme throughout the epic:

A man apart, devoted to his mission/To undergo so many perilous days/And enter so many trials. . . For years/They wandered as their destiny drove them on/From one sea to the next: so hard and huge/A task that was to found the Roman people (trans. Fitzgerald 1983: Book I, 16–18, 46–49)²

Vision requires imagination, courage and resilience precisely because it is an envisioned future and requires change from the status quo. Aeneas’ “Rome does not exist, but even so he has to show what it is like to be Roman. He needs to display dogged selfless endurance. . . Rome is not a real city of bricks and mortar, but a state of mind” Morwood, J. (1991).

From a modern leadership perspective, establishing a clear and compelling vision is a distinguishing characteristic of successful organizations throughout history from proscribed manifest destiny (Quint 1989) to prosaic modern leadership studies (Collins and Porras 1996; Gouillart and Kelly 1995; Kay 1995). As Senge (1990) noted, “if any one idea about leadership has inspired organizations for thousands of years, it’s the capacity to hold a shared picture of the future we seek to create” (p. 9). An organization’s vision may be characterized as what a firm will become if it successfully and repeatedly completes its mission (Thomas 1993). Collins and Porras (1996) have noted, “to create an effective envisioned future requires a certain level of unreasonable confidence and commitment” (p. 75). As an example, Cisco Systems became the global leader in network computing with \$36 billion in 2009 revenues principally through acquisitions and attendant integration risk, despite overwhelming empirical evidence that 60–80 % of mergers fail (Tetenbaum 1999). Their clear mission has kept the company focused on building on their core strength: “Cisco hardware, software, and service offerings are used to create the Internet solutions that make networks possible – providing easy access to information anywhere, at any time.” Vision statements also work across sectors. NASA (National Aeronautics and Space Administration), for example, provides a succinct and compelling vision statement: “To improve life here, To extend life to there, To find life beyond.” Thus, we posit (P):

P1: A compelling vision, larger than any individual, is necessary for organizational success and sustainability.

1.4.2 Culture

The *Aeneid* may also be interpreted as a conscious attempt to shape the socio-political discourse and cultural norms of Rome. Political power and cultural creativity are not often related, but the age of Augustus was intrinsically different (Galinsky 1996).

² All primary quotes of the *Aeneid* from: Virgil (1983). *The Aeneid*. (R. Fitzgerald, Trans.). New York, NY: Random House. (Original work published c. 20 B.C.). Hereafter, only book and lines numbers will be cited.

[The] poem not only helped to cast Augustus' seemingly inevitable power as heroic but also to make that heroic power comprehensible in the contemporary idioms of communication in the Res Republica. . .[who] would have had little difficulty in understanding the roles of Aeneas and Augustus, the two heroic leaders positioned at the opposite poles of the fated trajectory of the national history (Bell 1999, p. 264).

In other words, from the Fall of Troy to the founding of Rome and the promise of an empire without end as Jupiter ordained their *fatum* to: “. . .call by his own name his people Romans/For these I set no limits, world or time/But make the gift of empire without end” (Book I, Lines 355–375). As Cicero (54 B.C) presaged “. . .our own commonwealth was based on the genius, not of one man, but of many; it was founded, not in one generation, but in a long period of several centuries and many ages of men” (*trans.* Keyes 1928, p. 113).

By comparison, Augustus in the *Res Gestae* emphasized that his political actions were wholly consistent with traditional Roman values which, if adhered to, would provide the basis for sustainable imperial growth and prosperity: “By the passage of new laws I restored many traditions of our ancestors which were then falling into disuse, and I myself set precedents in many things for posterity to imitate” (*trans.* Cooley 2009, p. 66). Indeed, a critical aspect of Augustan policy was shaping culture and behavioral norms, and avoiding dangerous practices that could undermine social stability.

Corporate culture in modern leadership terms refers to norms of behavior and shared values among a group, anchoring distributed decision-making, and allowing the firm to direct behaviors towards a common vision. Corporate culture manifests itself in powerful, shared values that shape group behavior and persists despite changes in group membership. Kotter (1996) found that corporate culture strongly influences performance because culture provides selection criteria for hiring and indoctrination, exerts itself through the actions of nearly all employees continuously, and influences behavior without conscious intent. Most large companies have codified their value systems to align corporate culture and provide a benchmark for behavior. For example, nurturing a values-based corporate culture has been critical to the success and sustainability of Johnson & Johnson (J&J). General Robert Wood Johnson, former chairman from 1932 to 1963 and a member of the Company's founding family, crafted *Our Credo* himself in 1943, just before J&J became a publicly traded company. Long before the term “corporate social responsibility” was popularized, *Our Credo* was created as a one-page document to outline the operating principles that continue to guide the company decades later. Thus, we posit:

P2: A founding story is important to communicating and influencing organizational culture.

1.4.2.1 Symbolism and Ritual

Symbols and rituals, which are important in creating a cohesive organizational culture, are used extensively throughout the *Aeneid* to invoke images such as Augustus as leader, religious piety, symbolic works of art, and the relentless

march of Roman history (Richmond 1976). An evocative and powerful symbol found in the *Aeneid* is the Vulcan shield given to Aeneas by his mother Venus (Gale 1997). Quint (1989) noted that:

...the shield of Aeneas is an ideology of empire that informs the Aeneid...and the advantage of ideology is its capacity to simplify, to make hard and fast distinctions and draw up sides...[and] to project a foreign "otherness" upon the vanquished enemies of Augustus and of a Rome identified exclusively with her new master (pp. 1–3).

Modeled after the Shield of Achilles in the *Iliad* and alluding to the Shield of Heracles by Pseudo-Hesiod (Hardie 1985; Faber 2000), the shield of Aeneas provides great symbolism and purpose by depicting a lengthy ecphrasis of the entire history of Rome from its founding by Romulus through to the future Battle of Actium where Augustus defeated Marc Antony's "unholy alliance" with Cleopatra and her Egyptian forces (Book VIII). The battle on the shield symbolizes the values of Augustan leadership, set against the chaos of Antony and Cleopatra's forces, which "successfully vindicates his claim to be a world-ruler" (Hardie 1985, p. 31). We see the unity of Italians and Romans, households and state all under one man, a vision of order, of virtue and steady leadership. That is, when "Aeneas lifts his shield, he takes upon himself the responsibility for the glory and destiny of his descendants" (Eichholz 1968, p. 105) and evokes: "All these images on Vulcan's shield/His mother's gift, were wonders to Aeneas/Knowing nothing of the events themselves/He felt joy in their pictures, taking up/Upon his shoulder all the destined acts/And fame of his descendants" (Book VIII, Lines 987–992).

In contemporary leadership terms, symbols and rituals can have resonant effects on organizational and cultural development. Symbolic messages are used by individuals to understand their environment and create a social reality (Blumer 1962, 1969; Faules and Alexander 1978; Mills 2002). For example, company logos can communicate across languages and cultures to prospective customers and employees (Aaker 1994). The Coca-Cola, McDonalds or Fedex brand lettering, for example, maintains their identical physical appearance worldwide and provides ubiquitous messaging to customers. Thus, we posit:

P3: Symbols and/or rituals are important to creating a cohesive organizational culture.

1.4.3 Values

1.4.3.1 Integrity

Integrity may be defined as the steadfast adherence to a strict moral or ethical code. Whether through positive reinforcement or negative punishment, the importance of integrity in the form of *pietas* towards the anthropomorphic gods is a central feature of the *Aeneid* (Hahn 1931; Coleman 1982). We know that contemporary Romans valued this kind of integrity. Ovid noted that: "No man can purchase his virtue too

dear. . . Our integrity is never worth so much as when we have parted with our all to keep it” (Ovid 1916, p. 117).

By comparison, Augustus in the *Res Gestae* prominently emphasized his *pietas* by way of adherence to the letter and spirit of collective rule. Of note, he underlines that those who adhere to these traditional values should be admired and rewarded (Earl 1967). For example, he eschewed the offer of absolute power and instead aligned himself with the people and traditional republican values and “in listing these honors he more than once stresses that they were bestowed by the people as well as the senate, and emphasizes that he was unwilling to accept untraditional, i.e. un-republican, honours and powers” (Brunt and Moore 1967, p. 5). As Augustus wrote:

When I had extinguished the flames of civil war, after receiving by universal consent the absolute control of affairs, I transferred the republic from my own control to the will of the senate and the Roman people. . . After that time I took precedence of all in rank, but of power I possessed no more than those who were my colleagues in any magistracy (trans. Cooley 2009, p. 98).

Integrity is likewise central to modern leadership studies, which is viewed as “commitment in action to a morally justifiable set of principles” (Becker 1998, pp. 157–158) and is a prerequisite to transformational leadership. Building on the foundations of transformational leader which takes purposeful action to achieve desirable end-states beyond personal interests and limitations (MacGregor Burns 1978), Parry and Proctor-Thompson (2002) found a positive correlation between perceived integrity and leadership behaviors – or the ability to motivate, encourage and induce people to be aware of how they feel. Similarly, another study of leaders across 62 countries found that integrity-based leadership – defined as just, honest and trustworthy – was a superordinate, universal value (House et al. 2004). That is, beyond a focus on individual behavior and legal compliance, leaders can have a significant effect on organizational performance. As Paine (1994) posits, “an integrity-based approach to ethics management combines a concern for the law with an emphasis on managerial responsibility for ethical behavior. . . and to instill a sense of shared accountability among employees” (p. 106). Thus, we posit:

P4₁ Integrity, defined as the steadfast adherence to a strict moral or ethical code, has a significant impact on a leader’s ability to transform an organization.

1.4.3.2 Good Judgment

Good judgment, tempered by flexibility and situational awareness, may significantly influence performance (Bowers and Seashore 1966; Tetlock 1992; Tichy and Bennis 2007). The development and transformation of Aeneas is a striking example of a leader being forged by tests of character through a series of judgment calls. What makes the character of Aeneas so compelling and timeless is his struggle to be moral despite missteps, challenges and temptations. For example, in Aeneas’ passion for Dido “his sin lies not in his love, but in the abandonment of his god-given mission” (p. 188).

By comparison in the political realm of the *Res Gestae*, Augustus exercises good judgment not to overreach his power and learns from the enmity that his predecessor Julius Caesar injured after becoming *dictator perpetuo* (dictator in perpetuity). For example, Augustus emphasized that while the people and senate bestowed many accolades and titles upon him, he was always unwilling to accept honors and powers that were not in the republican tradition:

The dictatorship offered me by the people and the Roman Senate, in my absence and later when present, in the consulship of Marcus Marcellus and Lucius Arruntius I did not accept. . . I freed the entire people, at my own expense, from the fear and danger in which they were. The consulship, either yearly or for life, then offered me I did not accept (trans. Cooley 2009, p. 62).

In modern leadership, organizational success strongly depends on the quality of judgments made by key decision makers (Tichy and Bennis 2010). Good judgment is illustrated through Procter & Gamble CEO A.G. Lafley's appointment of Deb Henretta to lead the baby care segment of operations. This particular segment was struggling, and Lafley made the tough call of bringing in Henretta to turn the division around. The reaction to Henretta's appointment was "almost a revolt" and Lafley had to quickly adjust his approach. He realized that without support from her new colleagues, Henretta was doomed to fail. Therefore, Lafley met with his team to listen to their complaints and explain the reasoning behind his action. As a result, he soothed the opposition and Henretta was able to successfully transform the baby care division (Tichy and Bennis 2007). Thus, we posit:

P4₂ Good judgment, tempered by flexibility and situational awareness, significantly influences performance.

1.4.3.3 Leadership by Example

Leadership by example may be defined as the collective actions, decisions and general deportment of leaders (e.g., personal sacrifice, servant leadership). After suffering a great loss of men and material in their opening voyage, Aeneas' first action after landing in Libya was to climb a peak to assess their strategic situation and to benefit the welfare of his people, as well as to reassure them of their safety and secure food:

*Aeneas climbed one of the peaks
For a long seaward view. . .
He found no ship in sight, but on the shore
Three wandering stags. Behind them whole herds followed. . .
Next he routed the whole herd. . .
A number equal to his ships. Then back
To port he went and parceled out the game
To his ships' companies (Book I, 256–258; 263–264)*

From a modern leadership perspective, leadership by example plays a powerful role in enhancing the motivation and performance of followers (Bass and Avolio

1993; Hesselbein 2010; Kotter 1990). For example, Gerald Grinstein, former CEO of Delta Airlines, has embodied these principles through selfless dedication to his company. In 2007, he refused over \$10 million in compensation promised to him after guiding the airline through bankruptcy. Instead, he contributed the money to Delta scholarships and hardship assistance for employees and their families. This action “almost singlehandedly defused employee resentment and regained employee trust and confidence in Delta management” (Citrin 2009). In other words, leadership by example creates a multiplier effect throughout the organization that significantly strengthens culture, cohesion, and enhances efficiency. Thus, we posit:

P4₃ Leadership by Example, defined as the collective actions, decisions and general deportment of leaders (e.g., personal sacrifice), substantially impacts the motivations of followers.

1.4.3.4 Decision-Making

Good decision-making involves the steadfast adherence and support of directives that follow the chain of command, unless requested actions are immoral, illegal or unethical (Kotter 1990; Messick and Bazerman 2001; Trevino 1986). The exercise of effective decision-making in uncertainty faces Aeneas throughout his journey. After great sacrifice and heroism, for example, Aeneas could have dictated peace on his own terms, which would have been more costly to enforce and potentially threaten sustainable administration after successful prosecution of military action. Instead, as Drances recognized “in war there is no salvation” (Book XI, 493); and finally in Book XII Aeneas declares: “If on the hand the day is ours/Let both nations, both unconquered, both/Subject to equal laws, commit themselves/To an eternal union. I shall give/Rituals and gods to both” (Book XII, 252–62).

In modern leadership, the capacity to make and commit to decisions with imperfect information becomes paramount, particularly when faced with time and resource constraints. Leaders must not only assess the consequences of their decisions for all stakeholders involved, but they must also strive to avoid internal biases that affect rational decision-making (Messick and Bazerman 1996). Ultimately, executives must confront the reality that the decisions they make will leave some stakeholders unsatisfied. As Larry Bossidy, CEO, of multinational Allied Signal advised: “Decisiveness isn’t useful if it isn’t timely. People should expect me to make decisions as soon as I have the information I need, and not to be careless or impetuous but to give clear, unambiguous answers” (2007, p. 64). Thus, we posit:

P4₄ Decision-Making **involving** the steadfast adherence and support of directives that follow the chain of command, unless requested actions are immoral, illegal or unethical, enables leaders to take action effectively despite time and resource constraints.

1.4.3.5 Trust

Trust is defined as a relationship of reliance between leaders and followers. The presence of trust allows for the full commitment of followers, enables organizational cohesion, and enhances performance. In this case, Aeneas builds trust by showing mercy to those conquered (Book XII, 252–261), as well as his alliance with the Arcadians: “Trust us as we trust you. We have the stamina/For warfare, and have the spirit for it/In difficulties our men have proved themselves” (Book VIII, Lines 201–203). As Cicero (54 BCE) noted:

...citizens must necessarily enjoy the greatest happiness, being freed from all cares and worries, when once they have entrusted the preservation of their tranquility to others, whose duty it is to guard it vigilantly and never to allow the people to think that their interests are being neglected by their rulers (Cicero 1928, p. 204).

In modern leadership, trust is crucial in organizations. Mayer et al. (1995) attributed this trend to the emergence of a largely diversified workforce that prevents workers from relying on interpersonal similarities to form working relationships; and the implementation of self-directed work teams which leads to an increase in worker interaction, and a decrease in control and monitoring mechanisms. According to Dirks and Ferrin (2002), elevated levels of trust in an organization’s leadership enhances (in order of magnitude) work attitudes, citizenship behaviors, and job performance, which is ultimately linked to worker effectiveness and productivity. Thus, we posit:

P4₅ Trust is defined as a relationship of reliance between leaders and followers, and enhances workers attitudes and increases overall organizational productivity.

1.4.3.6 Justice/Fairness

Justice and fairness defined as the perceived level of impartiality and equal treatment is a prerequisite for ensuring maximum effort and sacrifice from followers. The *Aenied* illustrates that committing a nation’s treasure and blood takes much more than issuing orders, as King Evander hailed the justification of fighting to restore peace:

*Saturn came here in flight from Jove in arms
An exile from a kingdom lost; he brought
These unschooled men together from the hills
Where they were scattered, gave them laws
In his reign were the golden centuries
Men tell of still, so peacefully he ruled (Book VIII, Lines 424–428; 430–433)*

Similarly, Augustus in the *Res Gestae* underscores the primary focus of imperial war is peace and security; and that magnanimity and mercy should be extended to conquered peoples whenever possible:

Wars, both civil and foreign, I undertook throughout the world, on sea and land, and when victorious I spared all citizens who sued for pardon. The foreign nations which could with safety be pardoned I preferred to save rather than to destroy (trans. Cooley 2009, p. 60).

From a modern leadership perspective, justice has been linked to work commitment, job satisfaction, and organizational citizenship behaviors (Moorman et al. 1993).

An organization that benefits from elevated employee perceptions of fairness is Costco. With an average wage of \$19 per hour, zero layoffs during the recession, and 86 % of employees receiving healthcare and benefits (though half of the workforce is part-time), there is a strong incentive for employees to reciprocate by remaining productive and loyal to the company. CEO Jim Sinegal explains, “When you hire good people, and you provide good jobs and good wages and a career, good things are going to happen”. These good things have translated into a \$1.3 billion profit for Costco in fiscal 2008 (Ruggeri 2009).

Thus, we posit:

P4₆ Justice/Fairness, defined as the perceived level of fairness in the organization, increases employee job satisfaction and commitment to the organization.

1.4.3.7 Humility

Humility is a lack of arrogance, capacity to listen carefully, and without ego – which strengthens leadership competence and performance (Collins 2001; Tichy and Ulrich 1984). As a leader, Aeneas was “always thoughtful of his men, comforting them when they were downcast, though he is himself steeped in sorrow, or is grieving because of the burning of his boats and the prospective separation of many of his comrades” (Hahn 1931, p. 665). Another illustrative example occurs when Aeneas was sailing from Carthage to Italy to fulfill his destiny. When severe weather threatened their progress, he was warned by Palinurus, a lowly helmsman who called from the high deck that they were in grave danger and needed to change course for Sicily. Instead of fighting the helmsmen’s logic and loyal advice, Aeneas reassures: “Change course/Haul yards and sails around. Could any soil/Be more agreeable to me, or any/Where I would moor these tired ships/Than Sicily, home of my Darden friend/Acestes, and the ashes of my father?” (Book V, Lines 35–42).

In modern leadership, the presence of humility is a key factor in transforming a company from good to great. Jeffrey Immelt, CEO, General Electric exemplified this trait in their stumbles during the recession in 2008. Instead of blaming economic conditions for their poor performance, Immelt reflected that the crisis made the multinational giant:

Humbler and hungrier. . . I needed to be a better listener coming out of the crisis. I should have done more to anticipate the radical changes that occurred. [I] did things I never thought I would have to do. I’m sure that my board and investors frequently wondered what in the heck I was doing (Glader 2009).

Thus, we posit:

P4₇ Humility, defined as the lack of arrogance, capacity to listen carefully, and egolessness, strengthens leadership competence and performance.

1.4.3.8 Sense of Urgency

A sense of urgency is the capacity to instill an immediacy or action-orientation to achieve results (Kotter 1990, 1996; Thomas et al. 2004). As Cicero bluntly observed: “Advice is judged by results, not by intentions” (Cicero 1928, p. 213). A critical theme in the *Aeneid* is that “true courage, not the honors of politics, courage takes by storm that immortality which is denied to me” (McGushin 1964, p. 246): “. . .But by their deeds to make/Their fame last: that is the labor for the brave” (Book X, 653–654).

From a modern leadership lens, establishing a sense of urgency has become an essential component of enacting organizational change in an ever-changing environment. In order for change to occur, employees must be convinced that immediate action is necessary for the benefit of the organization. An example of urgent leadership is shown through the government appointed chief executive of General Motors, Edward Whitacre. Whitacre was charged with the monumental task of returning the company to profitability and repaying billions of dollars in federal bailout money. Zealously, he began cutting and shortening meetings, casting aside stacks of Powerpoint slides, and decentralizing decision-making. He proclaimed, “We need to hurry every chance we get. This is about a turnaround, this is not business as usual. This is about a new GM, a new way of doing business” (Green 2009, p. 1). Thus, we posit:

P4₈ Sense of urgency, defined as the capacity to instill a sense of urgency or action-orientation to achieve results, enables a leader to efficiently enact organizational change.

1.5 Conclusion

In juxtaposition to the assertion by some modern leadership experts that contemporary demands, wrought by forces such as globalization and telecommunication, reduces the value of studying the past, this paper examined and presented the relevance of the *Aeneid* to the demands of modern leadership. This study reviewed the *Aeneid*, the foundation work of the Latin cannon, in its historical context, coded the themes of its key leadership lessons, juxtaposed the leadership lessons identified to the demands of modern leadership, and provided implications for practitioners and researchers. Using a social systems approach within the context of values-based leadership, the *Aeneid* was analyzed to juxtapose the resonant leadership elements of vision, culture and values – and their corresponding equivalent Roman themes of *fatum*, *pietas*, and *virtus* – relative to the demands of modern leadership.

Leadership Element	Vision	Culture	Values
Roman Theme	<i>Fatum</i>	<i>Pietas</i>	<i>Virtus</i>
Leadership Frameworks	A compelling vision, larger than any individual, is necessary for organizational success and sustainability.	<ul style="list-style-type: none"> • A founding story is important to communicating and influencing organizational culture. • Symbols and/or rituals are important to creating a cohesive organizational culture 	Values are the moral foundation underlying stewardship decisions and actions of leaders, comprised of the following eight elements: <ul style="list-style-type: none"> • Integrity, • Good judgment, • Leadership by example, • Decision-making, • Trust, • Justice/fairness, • Humility, and • Sense of urgency
Practical Implications	Are we doing the right things?	How do we do things?	Are we doing things right?

Fig. 1.2 Leadership themes and Roman elements, leadership frameworks and practical management implications from the *Aeneid*

First, a compelling vision, larger than any individual, was found to be necessary for organizational success and sustainability in the *Aeneid*, contemporary first century BCE Rome, and modern organizations. Second, nurturing the culture or the prevailing attitudes, beliefs and preferences through multiple approaches, including symbols and rituals, was affirmed to be a critical aspect of organizational leadership that is likewise shared by ancient and modern leaders. Third, the *Aeneid* was coded into the following eight values (seen in relation to the Roman ideal of *virtus*) in order of importance: integrity, good judgment, leadership by example, decision-making, trust, justice/fairness, humility, and sense of urgency. Of note, integrity appears to be the most important, essential and resonant value by far and superordinate – without which the other values are severely lessened in worth. In practical terms, each of these leadership elements and Roman themes can be reduced to three essential management questions: (1) Are we doing the right things (i.e., Do we have the right strategic vision?), (2) How do we do things (i.e., Are we nurturing a cohesive culture?), and (3) Are we doing things right (i.e., Are we abiding to a steadfast set of values which informs decision-making and actions?) A summary of the leadership themes and Roman elements, leadership frameworks and practical management implications from the *Aeneid* are summarized in Fig. 1.2.

In sum, while the *Aeneid* extols prototypical values, the epic also instructs that truly effective leadership is not about being a monochromatic prototype. Rather, the epic reveals that the essence and privilege of effective leadership demands reflection on the dynamic relationship between the leader and the led towards a better,

envisioned future. After two millennia, the *Aeneid* continues to hold an abiding interest whether viewed through the lens of a classicist seeking the nature of things, the romanticist drawn to the unknown where the truth is to be found, or the determined leader seeking timeless insight into the human condition amidst the relentless storms of turbulent change.

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Chapter 2

Plato, Business and Moral Leadership

Wesley Cragg

Abstract This paper looks to Plato for guidance on business and business leadership in the twenty-first century. It focuses on three themes. The first is the concept of “the market” as an agora, a meeting place where economic, political and social themes, activities and values intersect and are engaged. The second theme revolves around the concept of a “social contract” that dominates Plato’s account in the *Crito* of the life, mission and responsibilities of Socrates faced with responding to a death penalty imposed at the conclusion of a judicial process in which Socrates was on trial for corrupting the youth. The focus of the final theme is Plato’s attempt in *The Republic* to understand the proper relationship between and among what he defines as the three functions essential to any organized human society, functions that today we would identify as government or political leadership, the generation of economic wealth and the task of protecting the state from attack by external military forces, where the goal is the creation of a just and harmonious society. The paper concludes that Plato provides indirect but persuasive reasons for the view that business and the generation of material wealth must be harmoniously interwoven with the social and political dimensions of society and government if a just society is to be realized. What Plato’s insights suggest is that to abstract economic markets from the wider sphere of human activity is bound to result in a misleading account of the nature of business and economic activity more generally, and, if put into practice, is likely to result in social conflict and social and political degeneration.

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2.1 Introduction

To many, the thought that we might turn to Plato for guidance in ordering economic relationships in the complex economic environment of the twenty-first century may well feel fanciful if not positively misguided. However, for reasons whose outlines I propose to set out very briefly, I shall argue that there is much to be learned from Plato and the dialogues that are the vehicles of his thought.

For the purpose of this presentation, I have decided to focus on three themes: the role of the market in Athenian life; the suggestion that human beings and the institutions and activities that structure human activity are woven together by a social contract; and the suggestion that justice requires a harmonious integration of the key elements of individual character and social organization. The first of these themes lays the foundations for what can be seen in Plato's writing as a developing and increasingly probing analysis of the responsibilities and relationships required to create a just society. For Athenians, the market was a public space, a meeting place, an agora where the business of a complex, economically successful democracy was conducted. In the *Crito*, Plato creates a dialogue in which Socrates is pressed to understand and construct a model for understanding the obligations and responsibilities resulting from both the fact that he is an Athenian citizen and the fact that he has benefited from his Athenian citizenship and actively participated in the life of the Athens. Finally, in the *Republic*, Plato seeks to provide an account of structural relationships between and among the core elements of any society if justice is to be achieved and a just society created.

What is intriguing is that two key elements in Plato's thought, "the market" and the concept of "social contract", have emerged as central organizing concepts in contemporary economics and management on the one hand, and ethical reflection on the obligations of business and business leaders on the other. A primary purpose of what follows is to explore what might be learned by comparing and contrasting contemporary accounts with those emerging from Plato's treatment of those themes particularly in the *Crito* and *The Republic*. As we shall discover, Plato's views can be seen to contrast sharply with currently dominant understandings of economic, social and political role of business in a democratic society. The currently dominant view of the role of business in society sees the "the market" as a space best reserved for economic and business interests and activities and the generation of material wealth and best insulated and protected from social and political interests and activities that have their place but not in "the market". On this view, markets should be left to the guidance of Adam Smith's invisible hand not the jaundiced eyes of politicians and social activists whose legitimacy must be established and expressed in other ways.

2.2 Theme One: Markets and the Athenian Agora

The concept of "a market" or markets is a fascinating one that has evolved and changed in significant ways over the centuries. Today, it is a central concept around which economic theory and contemporary explorations of business ethics and moral leadership revolve.

For Athenians, the market was a place to do business in the widest possible sense. It was place in which to buy and sell, plan business ventures, and negotiate business deals. But the market was much more than this. It was a forum for political dialogue, both formal and informal. It was a place where the business of government was discussed and transacted. It was a gathering place for political debate. Many of Socrates interrogations of public figures took place there. The public nature of those interrogations and criticisms and their impact on bystanders and participants was one of the factors leading to his public trial and subsequent execution.

The public market was also a social gathering place where friends met to pass the time, share news about friends and acquaintances and keep up to date on the events of the day.

Finally, it was a forum for the exchange of ideas and for philosophical reflection. It was a class room where teachers, the Sophists for example, attracted and instructed their students. And it was there that Socrates engaged politicians and friends alike in debate on what was to him the fundamental issue of the day, namely the nature and pursuit of justice and the relation of justice to the other virtues. Of course, it was not the only place in which serious ideas were entertained and discussed. However, it was an important arena, one which ensured that business was conducted and public policy debated under conditions of relative transparency and public scrutiny.

The idea that business could be thought of apart from the political, social and religious dimensions of the lives of the Athenian community would therefore have been quite incomprehensible to both Plato and Socrates, and the Athenians with whom they lived and conversed. The market, as a public agora, shaped in fundamental and practical ways Plato's understanding of what we would call today the role of wealth creation and business firms as wealth creators in the shaping of a healthy, viable and just society.

2.3 Theme Two: The Idea of a Social Contract

A central concern for both Socrates and Plato was the nature and pursuit of justice for both the individual and society. Socrates search for an understanding of justice was conducted publically through conversations and confrontations with Athenians and some of their most powerful leaders in the Athenian agora or marketplace. Those inquiries formed the basis of a set of charges, namely that Socrates was corrupting the youth of Athens, a trial, a verdict of guilt and the imposition of the penalty of death. The trial, imprisonment and death of Socrates had a profound impact on Plato. The significance of the trial and the verdict emerge from Plato's account of the conversations of Socrates with his friends while in prison awaiting execution. The *Crito* depicts Socrates first in conversation with his friend Crito reflecting on whether to take the advice of Crito and escape and go into exile to avoid execution. The conversation takes a dramatic shift in direction, however, as Socrates redirects the focus of the conversation from his friend Crito to "The Laws" which are depicted as personifying the state.

2.3.1 Socrates Conversation with “The Laws”

In the dialogue, the Laws confront Socrates with a question. What has “the state” done that would justify an attempt on Socrates part to destroy the state? Socrates is reminded by his interlocutor, the Laws, that it is thanks to the laws and the state that Athenians like Socrates’ parents were able to marry, conceive, give birth, raise children, and ensure their education. Furthermore, the state had given Socrates and “every other citizen a share in every good” the state was in a position to give. The nature of these additional goods is not enumerated in the text. However, they are not difficult to identify: protection of private property, a civic order in which goods and services could be freely exchanged, public facilities for the administration of law and government, an army to provide protection from external enemies, freedom to participate, question and contribute to public life and so on. In the absence of these public goods, the life that Socrates was able to live and the debates and conversations in which he had indulged would have been quite impossible. More important for our purposes, in the absence of these public goods, the conduct of business would be severely truncated and restricted. Athens as a centre of trade and economic activity was heavily dependent on the infrastructure and the quality of life which “the Laws” made possible.

2.3.2 Implications for Business

The dialogue between Socrates and the laws (and government) in the *Crito* does not focus on the role of the state in facilitating the conduct of business. Nonetheless, the argument can be seen not only to have broad application but also to offer quite specific lessons for the contemporary world of business. Let us look at each in turn.

First, in its more general application, the position developed in the *Crito* and later in the *Republic* underscores the intimate relation between the freedom to engage in a meaningful existence and the existence of a complex, structured social order that provides an ordered framework that makes the pursuit of individual goals and objectives possible. What applies to human life generally applies also to the pursuit of business objectives. Business is not a human activity that can be understood isolated from an understanding of the various ways in which the institutions, practices and laws of any given society provide the environment which makes doing business possible and rewarding.

This view of the relation between business and society no longer holds the place today in the thinking of business theorists that it did in Greek thought and particularly Greek philosophy. Economic theory as it has evolved in the modern period builds on a one dimensional view of human motivation quite incompatible in content and structure with its Socratic/Platonic counterpart. What Plato would call the appetitive component of the human psyche (profit maximization and the pursuit of material wealth) is given the central role in understanding economic

behaviour in the contemporary world of business. Self interest, activated by private and personal desires, is understood to drive all rational economic activity (Friedman 1970; Heath 2009; Cragg 2002). The picture of economic man that emerges is one dimensional, devoid of the complex social patterns and structures Plato describes in dialogues like the *Crito* or the *Republic*.

This contemporary picture of economic man is reflected in the theory and practice of management in today's business world. The dominant view of the obligations of managers, particularly the managers of large publicly held multinational corporations and the managers of large investment and pension funds, is that their central moral obligation is to maximize profits for the benefit of their owners, whose interests, it is assumed, are myopically fixed on maximizing financial returns. On this view, a manager's social obligations extend only to an obligation to obey the law, and, as Friedman describes it, local ethical custom or the rules of the game. Here law and ethical custom are seen not as the dynamic framework required for the development of flourishing market activity but rather as largely (though not entirely) unwelcome restraints on the free exchange of goods and services. Law and regulation are to be minimized where possible and ignored where they are not enforced and the benefits of doing so are substantial.

On this view, the market is a zone of activity governed ideally by purely economic values whose intersection and interrelationship with other important human values are irrelevant to understanding its purpose and function.

2.3.3 The Emergence of the Idea of a Social Contract

Contemporary management and economic theory that is grounded on the idea that our understanding of business or economic activity can be abstracted from markets as places for human social, political, religious and economic interaction would not have been conceivable either to Plato or Socrates. To be sure, it is not an idea that either directly addresses. However, Socrates' dialogue with the Laws does hold lessons for management in the twenty-first century as well as understandings of the responsibilities of the contemporary business leader, though what those lessons are will not be immediately obvious.

In the *Crito*, Socrates is described as ruminating on his responsibilities as an individual and as a citizen to the state. The contemporary shareholder owned, for-profit corporation is an organization and not an individual. The decisions of business leaders in this context are not the decisions of people acting in their role as citizens but rather individuals making corporate decisions. The primary responsibilities of business leaders, it could and has been argued, is to the corporations and their owners, namely the shareholders who have delegated leadership responsibilities to them.

There is an interesting link here to the argument of Socrates although the link itself is not immediately obvious. One of the basic and widely assumed obligations of the corporation and its leadership on the contemporary economic model of the

firm is to obey the law. Milton Friedman puts the matter this way. He points out first that only people have responsibilities not business generally. He then goes on to say:

In a free-enterprise, private-property system, the corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible . . . (1970)

It is significant, however, that Friedman does not stop here. He goes on to say that while business leaders have an obligation to make as much money as possible for their owners, they have an obligation to do so “**while conforming to the law**” (my emphasis) (1970). This assertion provides an interesting bridge back to the position Socrates is taking in his dialogue with Crito.

At the heart of the exchange between Socrates and the Laws is the view that as an Athenian, Socrates has a fundamental obligation to obey the law. Why is this the case? The response that Socrates puts in the mouth of the Laws gives us the answer. “And was that our agreement with you . . .” the Laws ask, “or were you to abide by the sentence of the state?” (Jowett 1952, p. 217) What Socrates is suggesting in this passage is that when becoming a citizen of Athens, he entered into an agreement. A key provision of that agreement, Socrates concludes, is an obligation to obey the law. That is why the Laws are personified in the dialogue and why the dialogue is with the Laws. What Plato is recreating is a conversation between two parties to an agreement, what today we would call a contract or a social contract (Cragg 1999).

Can we point to a parallel with the modern shareholder owned corporation? The answer is embedded in a fundamental characteristic of modern business entities. The modern corporation is a legal artifact (Cragg 2002). Its powers and key characteristics can exist only within a framework of laws that are respected and enforced by the state. For example, a key characteristic of the contemporary corporation is limited liability. Limited liability is a provision that allows corporations to amass capital which in turn allows them to build powerful business entities capable of engaging in research and providing goods and services that only access to vast pools of capital make possible. Limited liability has this effect because it limits the legal liability of investors to the sum of money they invest in the corporation. The result is that when someone invests money in a corporation by buying shares, the money risked and therefore the money the investor stands to lose is limited exclusively to the money invested. That being the case, an investor can invest knowing the exact extent of his or her liability and knowing that nothing else that he or she owns will be put at risk by that investment. Without this provision, investors would have to approach investing in a corporation much more cautiously.

Limited liability, however, is possible only if conferred by law. It is something that society through the state can grant or take away. It is not, as some would put it, a “natural right”.

The question then is why a society would confer this important protection on investors? Presumably, it is not with the objective of allowing individuals to become wealthy. It must be because the state believes that creating a legal framework that allows corporations with the characteristics of the modern corporation to

come into existence and engage in business activities will generate benefits more generally for the people for which the government has responsibility and authority. The relationship between the contemporary corporation and the state can then be said to parallel the relationship Socrates claims exists between the state and the individual citizen. It has the characteristics of an agreement or a social contract. It is an implicit not an explicit agreement. However, it is reciprocal; and it is morally binding. Because corporations as legal artifacts owe their existence to laws and a legal system created by the state, they have an obligation to respect the laws and the authority of the state on which their existence as business entities and their capacity to do business depends. In return for the right to exist, operate and generate private wealth for their owners, they also have a moral obligation to meet those conditions implied by their agreement, namely to contribute to the public good.¹

2.4 Theme Three: Plato Harmony and the Pursuit of Justice

The execution of Socrates as well as Socrates' reasons for refusing the entreaties of his friend Crito to accept the assistance of his friends to escape and go into exile had a profound impact on Plato, also a friend and student. Why, Plato wondered, was the incisive interrogation of the power brokers of Athenian society so disturbing as to lead to a public trial and execution? What was required by way of personal and social understanding and the structuring of both individual character and the social order to prevent the commission of injustices of this magnitude? The Republic is Plato's response. The focus is the nature and pursuit of individual and societal justice. In the Republic, Plato seeks to develop an account and a model that reflects the practical lessons of Athenian society and the theoretical insights offered in a preliminary way by his mentor Socrates.

Human society and the individual human character, Plato suggests, is composed of three elements. The first is what he describes as the appetitive element or that aspect of society focused on the material necessities that make life physically possible. Plato speaks here of "husbandmen" and "craftsmen" (Book III: 415). However, it is clear that he has in mind what we would call the economic function of society, the production and producers of economic wealth, the goods and services without which organized societal life is not possible. A second function is fulfilled by what Plato refers to as "auxiliaries" whose responsibility is to protect a city or community from its external enemies. This is a military function to be fulfilled by military personal who have the physical capacity and courage to defend the state. The third function is that of "guardian" or ruler. The function of this role or element is to create the laws that order the relationships and responsibilities of the people who together comprise the city or state. The state will be well ordered, Plato argues, only if each of

¹I explore this idea in much greater detail in "Human Rights and Business Ethics: Fashioning a New Social Contract, and "Business Ethics and Stakeholder Theory".

these roles is responsibly carried out and only if the rulers are properly educated and allowed to do their job. Proper education requires a resolute focus on the public good and protection from the distractions of personal wealth.

The desired outcome is described by Plato in Book IV. The goal in founding the state, he proposes is “the greatest happiness of the whole” (420). For it is in a well ordered and harmonious state that justice is most likely to be found (420). A central characteristic of a harmonious state, however, is one where the rulers are focused on the good of the whole and where the values of those responsible for the production of material wealth are properly ordered and are not allowed to define the purpose or the rules of society. In Plato’s Republic the central responsibility of what we would call the business class is to work harmoniously with government with a view to serving the public good which for Plato was the creation of a just society.

In contrast, the currently dominant economic model of the contemporary corporation builds on the assumption that the primary obligation of business leaders is to their shareholders and to the production of private wealth. The view of the relation of the individual to the state set out by Plato in the Crito and later in the Republic exposes the poverty of that now dominant economic model of the firm and its leadership. Although he believed that human beings flourish best in an environment where there is a division of labour that carefully differentiates the functions and responsibilities required for the creation and maintenance of a fully effective and just society, Plato’s governing insight is the view that justice requires a harmonious integration of the roles and functions required in a complex society. Crucially important, in Plato’s view, is a willingness on the part of those generating wealth to contribute to the social good and to be guided by leaders whose primary obligation is to ensure that all parts of society work together to advance the common good. Achieving harmony requires of leaders wisdom, courage, self discipline but also adherence to fundamental principles that define their responsibilities.

Plato’s analysis also holds out a warning for public policy makers. The single minded pursuit of material wealth, Plato points out, is a recipe for social and personal disintegration, injustice and tyranny. This is one of the fundamental themes of The Republic. Where those responsible for the generation of material wealth dominate the law making function of government, social disharmony and conflict can be expected to result. The rules, Plato argues, should be created by leaders focused on the public good. The pursuit of personal or private material wealth creates a conflict of interest that blinds those caught up by it to the public good and the likely negative impact of the self interested pursuit of private wealth on the creation of a just and harmonious society.

2.5 Conclusions

Plato’s vision of the just society is not one that most of us are likely to embrace today in all its details. The underlying principals and insights, however, are well worth careful evaluation. There would appear to be a good deal of evidence that the

unbridled pursuit of material wealth does lead to social disharmony and tyranny. Markets serve economic values and economic interests. However, detached from a wider range of human values and interests, economic interests undermine the social, political and legal frameworks required if markets are to function effectively. The past two decades provide ample evidence of the harm that results when these fundamental truths are ignored.

In a world in which economic interests, organized in the form of multinational corporations and financial institutions have assumed a kind of power historically available only to states, Plato's proposal that a harmonious integration of all the key social elements required for the creation of a just society is one to which today's business leaders might therefore well give careful consideration.

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Chapter 3

A Virtue-Based Approach to Business Ethics: Insights from Aristotle and Sociobiology

Rosa Slegers

Abstract This paper starts from the Aristotelian premise that business people become good business people by doing business *well*. How do we become good at something, be it a craft, a technical skill, or an intellectual activity? Through practice, habituation, and experience, explains Aristotle in his *Nicomachean Ethics*. It is no different where our character is concerned: we become good people by performing good actions. Managers at all levels are no exception to Aristotle's theory about the importance of practice. Of particular interest here is the fact that business people are called "good" not just because of their amoral, strictly "technical" or managerial skills, but because of a combination of these skills and their moral integrity.

3.1 Introduction

Taking an Aristotelian approach to business ethics, one might argue that business people become good business people by doing business *well*. Though "management" as we know it today was not a discipline recognized in ancient Greece, Aristotle's claim that skills of any kind are perfected through good practice can be applied to contemporary business people and Hellenic builders, lyre players, and ship captains alike. How do we become good at something, be it a craft, a technical skill, or an intellectual activity? Through practice, habituation, and experience, explains Aristotle in his *Nicomachean Ethics*. "It is from playing the lyre that both good and bad lyre players are produced," says Aristotle, and "men will become good or bad builders as result of building well or badly" (Aristotle 1984, p. 1743). And it is no different where our character is concerned: we become good (courageous, honest, kind, generous, etc.) people by performing good (courageous, honest, kind, generous)

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actions. Over time and through action we develop a virtuous or vicious character, just like a builder becomes good or bad at what he or she does by developing good or bad practices respectively: “states arise out of like activities,” as Aristotle puts it. Managers at all levels are no exception to Aristotle’s theory about the importance of practice. Of particular interest here is the fact that business people are called “good” not just because of their amoral, strictly “technical” or managerial skills, but because of a combination of these skills and their moral integrity.

In what follows, it will be argued that traditional utilitarian approaches to business ethics cannot easily accommodate the current call for responsible business leaders because they allow no room for discussions of character or the emotions. As an alternative, this paper proposes an Aristotelian, virtue-based approach to business ethics which does justice to the complexities of moral experience. “Aristotelian” because the proposed approach borrows not only from Aristotle’s work but also from the neo-Aristotelian tradition which has experienced a revival over the last few decades. Specifically, the argument presented here focuses on two intimately linked virtue-based concepts: the phenomenon of “moral remainder” or regret (developed by neo-Aristotelian Rosalind Hursthouse) and the issue of reliability. The importance of these two concepts becomes especially clear when considered against the background of social Darwinism, the easily refuted yet still pervasive misinterpretation of Darwin’s theory of the survival of the fittest. The idea that human beings are naturally selfish, and that it is therefore “normal” for people to pursue their own interests at the expense of others continues to serve as a justification for exploitative business practices. If it is in our nature to be egoistic, the argument goes, who can blame us for merely “acting out” our nature?¹ One can draw on recent findings in evolutionary biology to show that a virtue-based approach to business ethics does not only accommodate a wider range of moral experiences, but also finds its justification in scientific research.

The argument presented here starts from the premise that business ethics, like all applied ethics, can only “work” if it is supported by a solid theoretical framework, and that some form of virtue theory can provide this framework more effectively than can any form of strict utilitarian ethics.² This does not mean utilitarianism

¹ The most prominent example of social Darwinism in the world of business is probably Milton Friedman, whose view is clearly expressed in the famous article “The Social Responsibility of Business is to Increase its Profits” (Friedman 1970). See also Berger et al.: “For decades, the late Milton Friedman served as the icon for those who believed that in a free enterprise, private-property system the only responsibility of business is to maximize wealth for the firms’ stockholders (within the constraints of the law and ethical custom” 2007).

² This paper will not discuss deontological approaches to business ethics as they are rather rare and nowhere near as prevalent as utilitarian forms of business ethics. The possible boundary-crossings between virtue ethics and deontological ethics deserve a separate discussion as deontology and virtue ethics are in many ways a more “natural fit” than are virtue ethics and utilitarianism – both forms of ethical theory draw on the importance of intentions and motivations, and both are, to a degree, concerned with character. Furthermore, every virtue has its equivalent in a “deontological rule:” courage implies the imperative “be courageous,” honesty demands one “be honest,” etc. Since utilitarianism is more common in business ethics, and because it is straightforwardly at odds with virtue ethics, this paper focuses on the flaws of this moral theory rather than on deontological ethics.

should be rejected out of hand – rather, the debate in business ethics should follow the general debate in philosophical ethics where boundary crossings are becoming the norm rather than the exception. However, shifting the emphasis to virtue ethics helps bring to light overlooked yet important issues.

3.2 The Debate About Selfishness

In order to better understand the need for a different approach to business ethics it is important to note that the current calls for better, more effective implementations of moral codes and ethical frameworks in business are often accompanied by a strong skepticism about the attainability of these goals. Though the need for a change could not be clearer, people appear unable to shake the conviction that business and moral integrity are two mutually exclusive phenomena. We are naturally selfish creatures, the reasoning goes, and since running a business is a selfish, profit-oriented enterprise, moral virtue will of necessity be sacrificed to profit. Utilitarianism, the moral theory which, in its simplest form, states that an action is morally good or bad depending on the resulting increase or decrease in overall happiness, has long been regarded as an imperfect but convenient compromise to accommodate the uneasy match between moral good and profit.³ Utilitarianism tells us to look at consequences, and profit is a consequence; therefore, to make a business morally good one merely needs to show that the profit made increases the sum total of happiness in the world.

3.2.1 Utilitarian Business Ethics and Its Problems

Utilitarians such as Bentham and Mill want us to go beyond our “natural” selfish inclinations and use our reason to recognize that other people want happiness as much as we do. This rational consideration should then lead us to recognize that our happiness is just as important as the happiness of anyone else. In other words, it is not important where the happiness or suffering occurs, as long as the sum total of happiness in the world is increasing, the sum total of suffering decreasing. The appeal of this theory for business ethics is clear: the profit-seeking individual is not of necessity immoral as long as he or she is not decreasing overall happiness as a result of his or her pursuits. However, utilitarianism does not have much to offer when questions are raised about the *kind* of people we want to be in charge of small or large corporations, and the character traits we would like these people to possess.

³“The principle of utility,” Bentham states, is “that principle which approves or disapproves of every action whatsoever, according to the tendency which it appears to ave to augment or diminish the happiness of the party whose interest is in question” (Bentham 1948). Compare John Stuart Mill: “The Greatest Happiness Principle holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness” (Mill 2001).

A (neo-)Aristotelian, on the contrary, would argue that a virtuous manager will want to make a profit, but that profit is one consideration among many. The virtuous agent picks out the salient aspects of any situation, knows how to weigh and rank a variety of issues and concerns and makes a decision relying on his or her own experience as well as the input of others. This is in fact what good managers do already, and there is a wide range of business cases used in MBA programs that feature managers at all levels who either obviously lack or obviously embody sound judgment and integrity. To regard these cases from a virtue ethics rather than a purely utilitarian perspective allows us to do justice to a reality: when we evaluate moral issues we do not merely look at outcomes, we also look at the agent and his or her moral character. Our moral evaluations of business cases are no different from our evaluations of social, political, and everyday phenomena: we take into consideration intentions, character traits, feelings, and motivations, as well as outcomes and consequences. Why, then, adopt a strict utilitarian theory that forces us to disregard these very real parts of our moral experience? The preference given to utilitarianism might at least in part be explained by a set of stubborn, pseudo-scientific beliefs about human nature which can be traced back to the late eighteenth century.

In 1798, Thomas Malthus writes his famous “Essay on the Principle of Population” in which he argues that populations that outgrow their natural food supply will automatically be cut back by hunger, disease, and mortality (Malthus 1798). Many regarded Malthus’ text as a justification for ignoring the poor and the hungry because, they argued, in doing so we are just being true to our selfish nature. Recent research in the field of evolutionary biology offers interesting evidence from a different perspective supporting the idea that we are both genuinely selfish and genuinely altruistic creatures – we are, as biologist Frans De Waal puts it, “obligatorily gregarious:” cooperation has never been an option for human beings but has always been primarily a survival strategy (De Waal 2009). We do, however, have decidedly unscientific and rather unflattering motives to believe that we are essentially selfish, as expressed in a recent opinion piece in the New York Times: “denying the possibility of pure altruism provides a convenient excuse for selfish behavior. If ‘everybody is like that’ – if everybody *must* be like that – we need not feel guilty about our own self-interested behavior or try to change it” (Lichtenberg 2010).

3.2.2 Evidence from Primatology to Support Virtue-Based Business Ethics

In his book *The Age of Empathy*, De Waal points out that though certain traits have evolved for a particular reason, these same traits can, once evolved, be used for other reasons. Parental care is an example of this kind of trait: though it evolved as a trait beneficial to one’s own biological offspring, parental care can easily be extended to non-kin. We are, as De Waal puts it, “programmed to reach out” (De Waal 2009, p. 160). We do not decide to be empathic; rather, we cannot help

but be emotionally affected by the suffering of others. Empathy, De Waal argues, might well be neither selfish nor unselfish but simply have its root in the fact that it is unpleasant for group-living mammals to watch others in pain.

This does not, however, mean that we are naturally empathetic to just anyone. It appears that identification of some sort is a requirement for empathy, which is exactly why empathy sometimes falls short. Those beings not included in the “in-group” can be and often are dehumanized through a lack of proximity, similarity, and familiarity. It is the violent side of our nature that has received the most attention from modern philosophers, many of whom promoted the idea that we are a self-invented species, living together because we at some point made a rational decision to do so. From this perspective, ethics is regarded as a radical break with biology and morality is seen as the victory over our essentially cruel and selfish nature. Hobbes famously proposed the idea of a social contract: at a certain, unspecified point in our history, essentially selfish human beings decided to draw up a contract and live together peacefully. We should recognize, Hobbes explains, that the contract is an artificial construct, foreign to our true nature. Contracts like Hobbes’ do not change our nature but remain an external constraint – which explains why a society can only continue to exist if the contract is enforced and if those who violate the covenant are punished (Hobbes 1914).

Considering moral issues in the world of business, one easily sees how the examples found there appear to support the idea that we are selfish creatures who act in pro-social ways only because we think it can benefit us. Business, after all, is first and foremost about profit and anyone who puts personal profit first can be described as a selfish individual. If the business world can be described as a corporate version of the Hobbesian war of all against all, then moral regulation in the form of a covenant appears like the most, perhaps only, sensible way to keep order (Hobbes). Clearly, however, the covenant merely serves as an external constraint on the actions of those who have been forced to sign on; it does not change their essentially selfish nature. Constant vigilance is therefore a necessity: the individuals bound by the artificial covenant cannot help but follow their nature and test the system, looking for ways to promote their own interests at the expense of others. The whole of nature seeks to satisfy its own interests, and human beings are no exception to this rule. What sets us apart from non-human animals is our reason, which allows us to fight our selfish nature and so “be good,” or, more accurately “act good,” despite ourselves. Similarly, authors like Gauthier and Frank argue that business people agree upon a set of moral guidelines because they realize that there are significant advantages to cooperation. However, these guidelines or codes remain external and serve as a constraint on our “natural” inclinations (Frank 1988 and Gauthier 1988).

Contemporary virtue ethicist Alasdair MacIntyre goes a step further and claims that “possession of the virtues may perfectly well hinder us in achieving external goods . . . we should therefore expect that, if in a particular society the pursuit of external goods were to become dominant, the concept of the virtues might suffer at first attrition and then perhaps something near total effacement” (MacIntyre 1984, p. 196). MacIntyre argues that business ethics can never be based in virtue ethics

because the focus on profit leaves no room for the development of virtuous character traits. In his work MacIntyre reflects the common opinion mentioned above: even though the need for a “moral turning” is clearer than ever, the business world is a selfish world and cannot accommodate a moral system that calls for the acquisition of good character.

As explained above, utilitarianism has long been regarded as the theory most obviously and “naturally” suited to business ethics. MacIntyre adds that virtue ethics cannot be regarded as an alternative for utilitarianism in a business context because business dealings run counter to the very essence of virtue ethics: one cannot be equally concerned with both profit and one’s character. Of course MacIntyre has a point: it appears that a lot of the CEOs currently under scrutiny did prioritize profit over moral integrity and this fact can be regarded as evidence for MacIntyre’s claim. Nonetheless, the fact that many top-level executives sacrificed moral integrity for the sake of profit does not imply that it was necessary for them to do so. Or, restating the issue in more general terms: the fact that many people are acting in less than virtuous ways does not imply that they were unable to act virtuously because their selfish nature prevented them from managing their companies well, morally speaking.

To make more concrete the claim that not utilitarianism but virtue ethics is the ethical framework appropriate for business ethics, the next section will focus on two closely related issues commonly encountered in the business context but unacknowledged in utilitarian or consequentialist doctrine: regret and reliability. The purpose of the study of these two issues is to highlight the value of virtue ethics to moral decision-making and evaluation in business.

3.3 Character Traits of the Virtuous Manager

Utilitarian theory encourages the moral agent to regard moral decisions as obviously right or obviously wrong: if the action decreases overall happiness it must be wrong, if it increases overall happiness it must be right. As a result people applying utilitarian theory are often tempted to see only what Hursthouse calls “false dilemmas:” they think that either x or y must be morally right whereas in fact both x and y might be wrong, undesirable, unfortunate, imperfect, etc.. Furthermore, we often find a false sense of security, Hursthouse argues, in the “unconscious assumption that, in any case of moral dilemma or conflict, one side must be unqualifiedly morally right and the other plain wrong” (Hursthouse 1999, p. 45). Aristotle stated long ago that “it is the mark of an educated man to look for precision in each class of things just so far as the nature of the subject admits,” and living in a morally complicated world where the difference between right and wrong is often far from obvious we need a moral theory that does not ignore the vagueness and the grey zones which form an essential part of the context in which we act (Aristotle, p. 1730). Unlike utilitarianism, virtue ethics can discuss these grey zones, and regret (or “moral remainder”) and reliability are two phenomena that illustrate the importance of this feature of virtue ethics.

3.3.1 What It Means to “Do the Right Thing” in Virtue Ethics

Moral remainder or residue and can be described as “the feeling one is left with when making a choice in a moral dilemma, knowing that harm has been done” (Hursthouse, p. 62). This feeling can take the form of remorse or regret or manifest itself as the urge to apologize for what one did, etc. It is the feeling one gets when one feels badly about the harm one has caused or allowed to occur even though one stands by the moral decision that made possible or caused this harm. Hursthouse explains that this feeling is common where one encounters a dilemma that is resolvable only “with remainder:” when none of the options available to a moral agent are appealing because all of them will cause harm in some way, any choice will come with a measure of regret about the fact that no better alternative was available. A second phenomenon, closely related to regret, is reliability, a trait we rather obviously desire and expect from leaders of all kinds, corporate or otherwise. What we want from our top-executives is not just that they manage their companies well; we want them to do so reliably. These two phenomena, regret and reliability, are clearly linked to the moral appeals for “better business” currently dominating the opinion pages. Regret and reliability deserve our attention because they are not *actions* properly speaking; they are *feelings* we expect certain people to feel under certain circumstances. A brief detour will provide some background for the claim that phenomena like regret and reliability should be part of the moral debate in business.

In response to the recent financial crisis and the continued outrage about the callous actions of corporate agents there appears to be a trend to focus on action rather than theory, on doing rather than analysis. In her book *Giving Voice to Values*, Mary Gentile writes: “What we really need now is preparation and practice for action” (Gentile 2010, xi). It has become clear, Gentile argues, that ethical theorizing has gotten us nowhere; if anything the discussion of different theories and how to apply them leads to moral fatigue and relativism. Though good action should of course be the goal of any applied ethics and therefore also of business ethics, this paper contends that, in order to restructure business ethics so that it can handle the current situation, one needs to first consider where good action originates. To simply state that we should empower “the parts of us that already want to do the right thing” is not enough; we should first address *where* this desire to do the right thing comes from, and *how* “the right thing” is defined (Ibid., p. 15).

The question where our desire to do the right things comes from has already been addressed above: to “set the stage” for a virtue-based business ethics, it was argued that virtue ethics is a more natural fit for our obligatorily gregarious nature than is utilitarianism, especially the kind of simplistic utilitarianism inspired by social Darwinistic tendencies. Our desire to do the right thing often springs from the fact that we are affected by the (potential) suffering of (some) others. This does not mean that we are purely altruistic creatures; rather, we are both essentially selfish and essentially other-oriented, to the extent that it is unclear if we could even draw a dividing line to separate the two. The question regarding the definition of “right” has already come up in the context of the discussion of utilitarianism: for a

utilitarian, an action is either right or wrong depending on the consequences it brings. It was also mentioned earlier that this definition of right and wrong leaves unanswered questions about character and the emotions, and that virtue ethics can accommodate these questions in a way that does justice to our moral experience, be it in a business or a personal context. How, then, does virtue ethics define “the right thing to do,” and how does this definition enrich our conception of business ethics?

3.3.2 *Managerial Regret and Reliability*

Virtue ethics describes right action as what a virtuous agent would, characteristically, do in the circumstances. The virtuous agent acts the way he or she does because of his or her character; more specifically, because of his or her character *traits* which incline him or her to choose one course of action over another. These character traits are the virtues, and one commonly agreed upon virtue which will here serve as an example is honesty. It is important to note that here again virtue ethics stays close to our everyday moral experience of the world. As Aristotle puts it: “even if there is some one good which is universally predicable of goods or is capable of separate and independent existence, clearly it could not be achieved or attained by man; but we are now seeking something attainable” (Aristotle, p. 1733). Honesty as understood by the virtue ethicist is not an abstract Platonic Idea or a rigid Kantian duty but a character trait we find in people whom we admire and respect because they possess this trait. As Hursthouse puts it: “We tend to think of honest people as people who tend to avoid the dishonest deeds and do the honest ones in a certain manner – readily, eagerly, unhesitatingly, scrupulously, as appropriate” (Hursthouse, p. 11). Or, as Aristotle puts it: “no-one would call a man just who did not enjoy acting justly, nor any man liberal who did not enjoy liberal actions. . . . Excellent actions must be in themselves pleasant” (Aristotle, p. 1737). Note that the big difference with utilitarian theory resides in the fact that the strict utilitarian marks honesty as “morally right” only when it increases overall happiness, independent of the “manner” in which the subject did his or her honest deed. For the utilitarian, the fact that an agent performed his or her actions readily, eagerly, scrupulously, etc., is irrelevant; what matters are the act’s consequences.⁴ For the virtue ethicist, the manner in which the act is performed matters because in reality we care whether, e.g., somebody delivers a painful but honest bit of information nonchalantly or empathetically, indifferently or thoughtfully. When a manager must fire an employee, it matters to us how she goes about doing this, and how she feels about this necessity. Under certain circumstances, we expect this

⁴ There are, of course, more complex forms of utilitarianism which do take into account matters of character. Mill, for instance, argues that we should act in a way that corresponds to our “innate sense of dignity” and so introduces a non-consequentialist element into his theory. This paper engages only what could be called “straightforward utilitarianism,” the theory that judges an action as right or wrong based on consequences alone. By introducing a “sense of dignity,” Mill arguably moves away from “pure” utilitarian in the direction of either deontology or virtue ethics, or both.

manager to feel regret, not because she did anything wrong, but because she realizes that even though the firing might be necessary, her decision causes harm in some way. With utilitarianism as the unquestioned model, business ethics cannot make sense of the phenomenon of regret, and as a result it leaves out an important feature of our moral landscape.

Furthermore, we don't call somebody honest unless they *reliably* do honest things in a certain manner. Utilitarianism, with its emphasis on consequences, cannot incorporate this notion, so important to us in our day-to-day dealings, corporate or personal. A good manager is a manager who does what managers do *well*, and that includes an aspect of reliability. We do not call honest somebody who is honest only when it suits him or her; rather, we expect a degree of consistency in the actions of an honest person. Hursthouse points out that in business, this would mean that one would "resist sharp practice and argue for honesty as the best policy." And again this has implications for the emotions we expect from these people: we expect them to have a desire to be honest, to regard honesty as an integral part of their professional life, to take honesty as well as a host of other considerations into account when they try to make their business profitable. Hursthouse agrees with Aristotle when she writes that virtues and vices, once acquired, are "strongly entrenched:" they go "all the way down" and are not easily changed (Hursthouse, p. 12). A utilitarian may not care about the character from which the actions he or she evaluates sprang, but the virtue ethicist argues that this is an omission: we do and should care about the manner in which someone is being honest (Ibid., p. 17).

The introduction opened with the claim that business people become good business people by doing business *well*. This claim can now be understood in the context of the above discussion about reliability and regret: to manage well means to act and make decisions in a virtuous way, and what makes actions and decisions virtuous is in part determined by the manner in which the actions were performed and the decisions were made. Hence, to feel regret about certain necessary but harmful managerial decisions is an indicator of (though not a sufficient condition for) virtue, as is the tendency to make the right (i.e. courageous, honest, kind, etc.) decisions reliably. Hursthouse writes: "There is no better way to capture when one should speak out and when one should remain discreetly silent, when one should tell the whole truth and when one should tell only part of it, than by saying, 'when the honest person would'" (Ibid., p. 59). The good manager is honest, and reliably so, but this does not mean that there can never be a time when she decides that it in everybody's best interest that some things remain undisclosed or unsaid. This stance would be a source of discomfort for the Kantian who might argue that certain rules should be followed no matter what the circumstances. However, the virtue ethicist does not take truth lightly; rather, she recognizes that there are grey zones, situations where one has to decide whether honesty is more important than charity, for example, or vice versa. But how do we know when to be honest in business and when to prioritize other virtues? The answer lies in another advantage of virtue ethics, namely the recognition that, as Hursthouse puts it, "we do not always act as 'autonomous,' utterly self-determining agents, but quite often seek moral guidance from people we think are morally better than ourselves" (Ibid., p. 35). We become good business people

through experience, and a large part of this experience consists in learning from other people's decisions, accomplishments, and mistakes. Aristotle cites Hesiod to make his point: "Far best is he who knows all things himself; Good, he that hearkens when men counsel right" (Aristotle, p. 1731). Role models, mentors, and professional friends are invaluable to a virtue-based approach to business ethics because they lead by example and help us understand how to prioritize in any given situation and so become better at what we do.

3.4 Implications for Corporate Social Responsibility (CSR): Integrating Virtue and Profit

In *After Virtue*, virtue ethicist MacIntyre argues that a corporation's focus on profit prevents it from being virtuous. Economic survival trumps moral considerations, he argues, and if any virtues are exercised it is only for the sake of the consequences, i.e. making money: "It is of the character of a virtue that in order that it be effective in producing the internal goods which are the rewards of the virtues it should be exercised without regard to consequences" (MacIntyre 1984, p. 198). Any regulations meant to make corporations moral of necessity impede profits, MacIntyre argues, and hence corporate success cannot be reconciled with virtue. In what follows, MacIntyre's claim will be applied to a few recent attempts to make "corporate and social responsibility" (CSR) an integral part of the business model. Though these examples will be shown to support MacIntyre's claim, it will be contended that this does not mean that a virtue-based approach to business ethics is impossible; it merely has not been tried in earnest as business ethics is still steeped in utilitarian modes of thinking.

3.4.1 Moral Strategy for the Virtuous Manager

As one would suspect, the focus in most business ethics writing is on the strategic advantages of CSR. For example, in an article exploring the relationship between CSR and corporate financial performance it is suggested that CSR should be positioned as "enlightened self-interest" (Peloza 2006). We need to beware of naïve and "dangerous," "do-gooding executives" who will run a firm to ground: instead of justifying "CSR simply on the basis that it is morally defensible," CSR should be regarded as "insurance against negative events that would otherwise harm financial performance." Articles such as this one seem to strengthen MacIntyre's pessimistic assessment: CSR is mere strategy, concerned with appearance rather than a deeply entrenched inclination toward morally sound action. However, since MacIntyre first published his serious doubts about business ethics, different voices have sprung up outside the discipline of philosophy calling for an integration of strategy and virtue.

The Center for Corporate Citizenship at Boston College's Carroll School of Management has published a series of monographs describing the challenges for "corporate citizenship" in the twenty-first century. Rejecting Milton Friedman's exclusive focus on shareholder value, authors like Chris Pinney and Bradley Googins argue that the competitive context has changed since the heyday of both Friedman and MacIntyre. Today, a company needs to take into account not only economic forces and the law, but also society and the environment at large. Because the public's expectations of a company's social and environmental engagement have changed dramatically, businesses have no choice but to integrate "social value" into their strategy. If a company is to survive in this new context, it has to be driven by its corporate citizenship mission – not merely comply with the law (Pinney 2011). The conviction behind the corporate citizenship debate is that companies can be transformed: though it may be easier for some businesses than for others, the argument goes, it is both necessary and possible for companies not only to accept social responsibility but to incorporate it as an essential part of the business (Googins et al. 2011).

Given these trends in corporate citizenship, it comes as no surprise that there is an increased focus on "ethical leadership" in business education. Here, too, the belief has taken hold that strategy need not go at the expense of morally praiseworthy behavior. The business leaders of the twenty-first century – many of whom are completing their MBA degrees today – need to be provided with "the tools to grapple with an increasingly complex world" and build the courage to lead in a moral and principled manner (Danos 2010). AACSB accredited schools list ethics among their learning goals and have to show that students are able not only to identify ethical dilemmas but also to use ethical frameworks to propose resolutions to moral problems (AACSB 2007). Though there may be much cynicism among the general public where it comes to business ethics, the trend in business education is to believe that corporate citizenship is possible, and that business leaders can be both ethical and strategic.

A specific example of the integration of strategy and virtue is "The Virtue Matrix Reloaded: What Can IT Tell Us About CSR Now?" Discussing the state of business ethics in the beginning of the new millennium, the authors proclaim: "What business leaders need is a way of thinking strategically about CSR and an actionable framework for thinking about more than shareholders that leads them to act like human beings rather than self-interested agents" (Martin et al. 2009). MacIntyre would observe that this doesn't solve the problem: if one desires to be virtuous strategically, i.e. because it will result in profit, one cannot actually *be* virtuous since the virtues "should be exercised without regard to consequences." But is this necessarily true? A virtuous agent takes into account all salient aspects of a situation, and one salient aspect might just be profit – even if profit should never be the sole concern of a business person and should always be balanced by other considerations.

Hursthouse defends two interrelated claims about the virtues relevant to this issue: on the one hand, "the virtues benefit their possessor;" on the other, "the virtues make their possessor good qua human being" (Hursthouse, p. 20). In order to

live a good life, she explains, human beings need the virtues, and usually the possession of virtue benefits the person possessing it (though there are exceptions, as in the case of a virtuous person being forced to choose between two evils). It appears that though virtue cannot exist in a person solely concerned with consequences (e.g. a “strict” utilitarian), it can exist in someone who is also concerned with integrity, moral character, etc. According to Aristotle, the virtuous person is often (though not necessarily) happy, and Aristotle recognizes that happiness is aided by (though not dependent upon) certain “external goods” such as social status and wealth. This does not mean that the desire for wealth should at any time trump the desire to be a good person: virtue is necessary (if insufficient) requirement for happiness, whereas a wealthy person can be both immoral and unhappy. But at the very least it could be suggested that an interest in strategy and profit does not make impossible an interest in virtue for virtue’s sake. Virtue, Aristotle confirms, is desired both for its own sake and for the sake of something else, namely happiness.⁵ However, virtue alone is not a guarantee for happiness; external goods such as material possessions, friends, health, etc. are all insufficient yet helpful circumstances on our way to the only thing desired for its own sake: well-being or happiness (Aristotle, p. 1737).

The authors of *The Virtue Matrix* recognize this difference and distinguish between “instrumental” and “intrinsic” forms of CSR. The former “explicitly serve the purpose of enhancing shareholder value,” the latter are undertaken because they are regarded as “morally right, regardless of whether they increase shareholder value.” It is important to point out, the authors observe, that intrinsic forms of CSR can in fact increase shareholder value even though that was not their primary objective. It is possible, this article suggests, to make the world a better place *and* generate returns for shareholders.⁶ Though it is important to pay attention to more optimistic perspectives such as the one proposed by the authors of “*The Virtue Matrix*,” one cannot ignore the more commonly held view that profit and virtue make awkward bedfellows. David Vogel, author of “*The Low Value of Virtue*,” writes: “There is not much basis for the claim that corporate social responsibility (CSR) systematically ‘pays’ . . . There is a market for virtue, but it is a niche market. CSR is best understood as a business strategy that, like any business strategy, makes sense for a subset of companies under specific circumstances” (Vogel 2005). Of course, the remarks that virtue only “makes sense” under certain circumstances and that there is a “market” for virtue indicate that Vogel has a different understanding of the concept of virtue than does Aristotle or Hursthouse. To the latter two authors, virtue is at the center of human life and happiness, not a concept that sometimes makes sense and other times doesn’t.

⁵ As Aristotle puts it: “Every excellence we choose indeed for [itself] . . . but we choose [it] also for the sake of happiness, judging that through [it] we shall be happy” (1734).

⁶ “Companies need to view their commitments to corporate responsibility as one important part of their strategy, but not let the commitment obscure their broad strategic business goals. . . . companies and their leaders can make important contributions to the common good while advancing their broader financial and market objectives” (Pearce and Doh 2005).

Vogel, like many other authors critical of a virtue-based approach to business ethics, appears to start from a rather narrow and incomplete concept of virtue. As mentioned above, the Aristotelian concept of virtue is not an unattainable ideal nor is it like the Christian virtues calling for the repudiation of material and bodily pleasures. Vogel might be right that “the most important constraint on the pursuit of virtue is the market,” but that does not mean that this constraint makes virtue impossible. The market, one’s social standing, (lack of) wealth, citizenship, physical handicaps, etc. can all affect a person’s ability to act virtuously in certain situations, but such, to paraphrase Aristotle, is life. Happiness, Aristotle states, “needs the external goods:” “it is impossible, or not easy, to do noble acts without the proper equipment. In many actions we use friends and riches and political power as instruments” (Aristotle, p. 1737). What marks the morally wise person is the ability to know what the best course of action is under the circumstances, and there is no reason to believe that the same could not be true for the morally good business person.

3.4.2 Business Skills Morally Applied: Innovation and Discernment

As was explained earlier, the morally wise person not only acts in the right way, but does so in the right manner: i.e. with the appropriate emotions, taking into account certain issues, dismissing irrelevant factors. One could now raise the question whether the skills commonly appreciated in a business context run counter to the concept of virtue as it is promoted by both Aristotle and Hursthouse. The answer, rather obviously, is that if in fact there exist business people who have integrity, moral fiber, who are, in short, “good” in the way we commonly use that word to describe people who we admire, then virtue and business know-how can and do go hand in hand. This does not have to mean that these business people are the most successful financially speaking – it merely shows that good business people can also be good people in the virtue ethics sense of the word “good.” This point is easily illustrated by looking at a couple of commonly praised business skills: innovation and discernment.

Innovation is closely linked to creativity: to think of and implement new things, be it management strategies, household appliances, business models, services, or technologies, one has to be able to look at the world from a different perspective and discern opportunities for change and improvement where others don’t. This ability to approach challenges from a different angle and see new possibilities despite the established order is a great skill for a business person, and it also marks the virtuous agent as she is described in virtue ethics. Of course, innovation need not be moral; one can use one’s creative skills to bring about bad, even evil situations. Similarly one can use one’s perceptive skills and eye for detail to find out and exploit the weaknesses of others. But the fact remains that discernment and the ability to innovate are great asset to the moral agent. To illustrate we can look at one

of the common challenges leveraged against virtue ethics, known as the “conflict problem.” As Hursthouse explains it, this is “the problem that requirements of different virtues can point us in conflicting directions” (Hursthouse, p. 43). Honesty may require that I fire Fred, while kindness requires that I don’t (he has a family to feed). Since both honesty and kindness are virtues, the challenge would go, how can virtue ethics provide me with guidance in this situation? We could even hit upon a so-called “irresolvable moral dilemma,” described by Hursthouse as “a situation where doing x and doing y are equally wrong, but one has to do x or y, or one in which two moral requirements conflict but neither overrides the other (roughly).” How can virtue ethics help us in situations like this?

One could reply, of course, that even though virtue ethics might not be of much use here, neither is any other ethical theory: if x and y are equally wrong, no moral theory can give us guidance. The more interesting response is that to the morally wise person, there are very few irresolvable dilemmas; what makes the morally wise person morally wise is that she recognizes that most dilemmas are “false,” i.e. they are not real dilemmas because though there may appear to be only two options, there are in fact other, less obvious options overlooked by most. And even if there are only two options to choose from, the morally wise person can pick out the salient aspects of both options and come to a decision that one is in fact better than the other because there are issues at stake that less experienced or insightful people had not thought of. In short, the morally wise person is an innovator in his or her own right, but an innovator in respect to moral matters.

What would stop a business person from using his or her discernment and innovative skills to detect and act on the moral implications of his or her business? Nothing, it seems, except for perhaps preconceived notions about the way a business should be run, and the idea that morality and business are two separate realms that should be kept separate. The suggestion here is that the possession of these two closely related skills (and one could easily think of others to add to this list) make business people more rather than less suited to “conduct their business well.”

3.4.3 CSR as Part of the Moral Value Proposition of the Company

The previous section discussed the problems that arise when the value of CSR is described in purely strategic terms. However, there is one kind of strategic advantage of CSR that is of particular interest to the argument presented in this paper. Pearce and Doh describe this advantage as follows: “There’s strong evidence to show that CSR activities [help a company to] attract, retain and develop managerial talent” (Pearce et al. 2005). Even if a company initially promotes CSR activities for purely strategic reasons (i.e. to enhance its reputation and so ultimately increase its profit), the result might be that the company will in fact change over time because of the new employees it will attract. If the evidence cited in the article is correct, the influx of “virtue-conscious” employees could help perform the turn from a primarily utilitarian to a primarily virtue-based business model, which integrates a concern for

profit with the desire for the “intrinsic” kind of CSR explained above. If a company does a good job of *appearing* moral, there is a fair chance that that this appearance will help attract the kind of people who expect the company to actually *be* moral and will help make this a reality.

This new phenomenon is described in the article “Using Corporate Social Responsibility to Win the War for Talent:” “CSR initiatives reveal the values of a company and thus can be part of the ‘employee value proposition’ that recent studies indicate is the lens through which managers must view talent management today” (Bhattacharya et al. 2008). Furthermore, it is suggested that CSR “humanizes the company in ways that other facts of the job cannot; it depicts the company as a contributor to society rather than as an entity concerned solely with maximizing profits.” So though CSR remains a strategic tool for many businesses, it attracts the kind of people for whom CSR is more than strategy but rather a requirement for them to feel that they can do their job with integrity. In short, the strategic advantages of CSR create a space within the corporate world for business people aspiring to do business well, i.e. virtuously.

3.5 Conclusion

Recent studies suggest that CSR is a “strategic imperative” for those companies concerned with “job satisfaction, employee retention and productivity.” The argument above meant to show that studies such as these make sense from a virtue ethics point of view: as obligatorily gregarious creatures we expect a degree of altruism from others and ourselves, even if these altruistic tendencies are often overshadowed by selfishness. We can and do evaluate actions not only in terms of consequences but also based on the manner in which the actions were performed and this everyday fact of the moral experience is reflected in a virtue-based approach to business ethics.

The authors of the article “Using Corporate Social Responsibility to Win the War for Talent” points to four fundamental employee needs that employers should try to fulfill through CSR initiatives: a company should create “opportunities for self-enhancement,” improve “work-personal life integration,” build “a bridge to the company,” and create a “reputation shield” against hostile external stakeholders. The last need especially shows that the strategic advantage of CSR remains an essential consideration, but the desire for self-enhancement and work-personal integration clearly indicate a concern with virtue: as was stated in the introduction, good business people become good by doing business *well*. Today’s employees understand that a good character cannot be compartmentalized; one cannot be a virtuous agent outside of work and a ruthless, selfish person while on the job. The virtues are character traits that, as Hursthouse put it, “go all the way down,” are deeply entrenched and manifested in everything one does. Work-personal life integration is therefore not an option but a must for the virtuous business person who through CSR connects to his or her company: “Employees who identify

strongly with the company view its successes as their own, and they incorporate its characteristics into their own self-concepts,” the recent studies suggest, and as a result these employees want to become “co-creators of CSR value.”

A virtue-based approach to business ethics will not make business ethics more transparent or easy. However, this should be seen not as a drawback but as an advantage: because virtue ethics does not attempt to capture everything with one single rule (like the principle of utility), it can accommodate the complex and sometimes vague aspects of our moral experience. CSR may be “an especially complex strategic endeavor,” as many authors writing on the topic appear to agree, but it is an endeavor that will become less strategic and more entrenched the more successful it becomes.

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Chapter 4

Sage-King and Philosopher-King: A Political and Moral Approach to Confucius' and Plato's Leadership

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Abstract Confucius and Plato suggest with their Sage-king (sheng ren 聖人) and Philosopher-king theory, respectively, a model of political management which dissociates from the old political example and introduces new elements on governance. Descent, power and wealth cease to constitute criteria for participating in governance. By introducing virtue, education and value for those who are called to assume leadership positions, they advocate the coupling of power and knowledge through ethics.

Living, today, in an ever changing world where the phenomena of poor financial management, corruption, lack of transparency and ideals, negative moral models and reduced moral resistance are constantly increasing, and the skills of those who are called to assume leadership positions are placed under questioning, the need for a moral reconstruction of our society becomes a de facto dominant issue.

In this context, the return to the origins of the Eastern and Western civilization can offer an activation of thought and a new political approach that always remains inseparable from ethics. Both Confucian and Platonic thoughts could contribute to the renewal of political thought in the West and the East and the commencement of a meaningful dialogue between two distinct worldviews.

4.1 Introduction

The Sage-king (sheng ren 聖人) and the Philosopher-king constitute the capstone of the moral and political theory that Confucius (551–479 BC) and Plato (427–347 BC) suggest, respectively. Due to their virtue and moral knowledge, they are called to govern the just state that both thinkers visualize.

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The circumstances that lead the main representative of Chinese thought towards the Sage-king theory formulation (sheng ren 聖人) and the reasons that contributed to Plato's Philosopher-king theory are found in the social conflicts, the political upheavals, the financial problems, the moral decay, the ideological confusion, the generalized dispute and relativism that the once powerful Zhou kingdom as well as the formerly thriving *polis* of Athens had to encounter.

Thereby, China is led to the period of the Warring States (Zhan Guo, 475–221 BC) and the establishment of the first Chinese Empire in 221 BC by Shi Huangdi, whereas Athens is led to the devastating Peloponnesian War (431–404 BC) and the total defeat of democracy with the end of the political form of the *polis* (*city-state*), when the Macedonian troops, led by Philip II, crushed the coalition of Greek cities in the battle of Chaeronea (338 BC), ensuring Philip II the reign of the Greek world and marking the beginning of a new era, the era of great empires.

Confucius' and Plato's common request is the restoration of peace, order and harmony (he 和), basic features during the age of the Ancient Kings (guwang zhidao 古王之道) and the Platonic golden age in *Timaeus*, by introducing a moral lifestyle which will be imposed on human conscience and will characterize the relationships with others on the basis of moral values that everyone will be committed to.

In Chinese thought, harmony in a man's moral life is a condition for succeeding social harmony which, in turn, is an expression of Heavenly harmony. This harmonious relationship between nature's macrocosm and human's microcosm can be lost because of poor exercise of power, a consequence of moral decay. It brings the wrath of Heaven (Tian 天) which is expressed by unfavorable weather conditions (floods, prolonged draught, earthquakes) and, finally, the loss of power for the one who exercises it. In fact, according to this interpretation, the political, economical, social and moral crisis of the Zhou dynasty (1122–221 BC) is responsible for the loss of their power and determines the aim of restoring peace and harmony (he 和). On the other hand, the socio-political, economical and moral crisis of the *polis* led to the goal of establishing good governance based on peace and morality.

Thus, emerges the need for a moral man endowed with virtue and knowledge that can restore unity and peace and can govern virtuously. Therefore, the figures of the Sage-king (sheng ren 聖人) and the Philosopher-king are being formed and developed in two distinct historical and sociopolitical components. By founding authority and power in knowledge, ethics and education the two thinkers propose a model of political power which introduces new standards on governance as it dissociates from the old political example.

4.2 Sage-King's and Philosopher-King's Features

The Sage-king's (sheng ren 聖人) fundamental features, which also define the basic characteristics of Confucian leadership, as they are pointed out in the *Analects* (*Lun Yu* 论语), a small in size text (just 1.200 Chinese characters) but

fundamental for Chinese spirituality, are: benevolence or goodness (ren 仁),¹ compliance with the rites (li 禮),² virtue (de or te 德),³ justice (yi 義),⁴ respect for the gods and spirits,⁵ filial piety (xiao 孝),⁶ friendship, clemency,⁷ generosity, honesty, intelligence, decency, simplicity, grandeur (“inner wisdom and outer royalty, waiwang 外王”; Fung 1998:10), public care,⁸ good management, proper governance in accordance with the doctrine of the Mean (Zhong Yong, 中庸)⁹ (Cf. Aristotelian view on virtue as a means between excess and deficiency; Nicomachean Ethics, II, 1106b 38. Lypourlis 2000).

In Plato's *Republic*, the Philosopher-king is distinguished for his virtue, his prudence (Republic, 485e 3), his love for learning (ever enamored of the kind of knowledge which reveals to him something of the eternal essence and is not wandering between the two poles of generation and decay: Republic, 485b 5–9), docility, truthfulness (reluctance to admit falsehood in any form, the hatred of it and the love of truth; Republic, 485c 10–d8), sincerity, magnificence,¹⁰ remembrance, decency, propriety, grace, moderation and friendship. But above all, justice is proclaimed by Plato as a basic individual virtue and an important principle for the ideal state, as well as a core subject of the debate in *The Republic*, as the subtitle of it suggests: *A political dialogue about justice*.

Both thinkers are distinguished by the same intense and unswerving attention to virtue, despite their individual differentiations (Plato's focus on what *is* good and

¹ “Jan Jung asked about Goodness. The Master said, (. . .) Do not do to others what you would not like yourself” (Analects, 12.2. Waley 1996).

² “The Master said: So long as the ruler loves ritual, the people will be easy to handle” (Analects, 14.44).

³ “The Master said: He who rules by moral force (te) is like the pole-star, which remains in its place while all the lesser stars do homage to it” (Analects, 2.1).

⁴ “The Master said: A gentleman in his dealings with the world has neither enmities nor affections; but wherever he sees Right he ranges himself beside it” (Analects, 4.10).

⁵ “Fan Ch'ih asked about wisdom. The Master said, He who devotes himself to securing for his subjects what it is right they should have, who by respect for the Spirits keeps them at a distance, may be termed wise” (Analects, 6.20).

⁶ “And surely proper behavior towards parents and elder brothers is the trunk of Goodness” (Analects, 1.2).

⁷ “He who is clement can get service from the people” (Analects, 17.6).

⁸ “When the Master was going to Wei, Jan Ch'iu drove him. The Master said: What a dense population! Jan Ch'iu said: When the people have multiplied, what next should be done for them? The Master said, Enrich them. Jan Ch'iu said, when one has enriched them, what next should be done for them? The Master said: Instruct them” (Analects, 13.9).

⁹ “The Master said: How transcendent is the moral power of the Middle Use! That it is but rarely found among the common people is a fact long admitted” (Analects, 6.27).

¹⁰ “Is there any fault, then, that you can find with a pursuit which a man could not properly practice unless he were by nature of good memory, quick apprehension, magnificent, gracious, friendly and akin to truth, justice, bravery and sobriety?” (Republic, 487a 2–6. Shorey 1969).

Confucius' attention on how someone *becomes* good), a consequence of a deeper difference between Chinese and Greek thought which is placed on terms of to be-to become.

As a result, the Confucian and Platonic leadership focus on the ethos of those who are called to exercise political power in the future, keeping their distance from any utilitarian and other beneficial interests. In order to achieve this task, a long and strenuous preparation is anticipated (“his burden is heavy and he has far to go”, *Analects*, 8.7) which, through consecutive stages of gradual improvement (shi 士 scholar/knight/scholar apprentice – junzi 君子 exemplary person/gentleman/superior man in the *Analects*, guardians auxiliaries and warriors in *The Republic*) leads to wisdom, for Confucius, and “the greatest thing” (*Republic*, 505a 2), the Idea of Good, the source of truth and knowledge, for Plato.

This point marks a fundamental difference between the Greek and Chinese thought and it defines the context in which philosophy (creation of concepts, expression of doubts, wonder and admiration) and wisdom (no concepts, no doubts, wonder or admiration) developed. The wise man constitutes the ultimate ideal which dominates in all Chinese schools of thought, whereas Plato believes that only gods are wise (*Phaedrus*, 278d. Doikos 2000). Furthermore in *The Republic* he distinguishes the philosophers (the ones who are fond of wisdom) from the non-philosophers (the ones who are fond of seeing, fond of hearing discussions, fond of art and other actions; *Republic*, 475d 2- 476b 2).

On the philosopher's word of truth the Chinese thought opposes the wise man's silence, which is neither mystical nor ascetic, but it is due to the absence of prefabricated opinions. The search for truth is not included in his pursuits because truth is just one side of the coin; an expression of the philosopher's partial thinking, whereas the wise man seeks sphericity of the whole. Truth and opinion, as well as the being and the non-being, are concepts that emerged from the conflicts recorded within Greek thought and, as such, remained unknown to the Chinese thought. The wise man's spontaneous arrangement with the world's rhythm is placed in front of the truth (in Greek *aletheia*, “what cannot be hidden”, what is revealed by the philosophers, hence a revelation, an epiphany of reality), because “interrupting someone's speech is obstructing (“what” cannot stop moving on)” (Jullien 2002:65).

Beyond the above mentioned differences, what is more important for Confucius and Plato is that we cannot consider leadership dissociated from moral elements and the innate value of the individual. Morality and knowledge for (moral) practical issues, and not the possession of information and skills, are the only requirements for selecting those who will govern in the future. Heredity, power and wealth cease to be criteria for participating in political governance. Only the best, the truly perfect, are called to govern due to their moral superiority, that is, virtue, cultivation abilities, talent and value.

4.3 The Exemplary Person

This change is expressed, because of Confucius, in the semantic alteration of the word *junzi* 君子 (exemplary person), from its pure social indication (the son of a ruler and therefore a descendant of an aristocratic family¹¹) to an ethical indication, which is proportional to the alteration the term *aristos* (aristocrat) was subjected to in Greek tradition. Although, initially, virtue (a purely aristocratic term and a requirement in order to participate in politics) was connected to descent, later on, since it was associated with the individual's value, it obtained an ethical meaning. So, virtue is no longer related to descent and the one who is chosen to govern is the best amongst all citizens, an aristocrat or a man of the people, wealthy or poor.

The ethical significance of the word *junzi* 君子 implies a radical change that undermines the foundations of the feudal system. The old, based on descent, aristocracy is succeeded by a new group of exemplary persons which derives and exists due to its ethical superiority. The exemplary person (*junzi* 君子) expresses the possibility that every man has, as Confucius believes, to change towards the better, to improve, to become perfect or, at least, to come close to perfection. On the contrary to what occurs in other societies (e.g. castes in India), in the Confucian thought nothing is predetermined, all the odds are open and man can acquire a very distinct role that allows him to improve and enter within an open social stratum.

This dissociation of political power from descent and its coupling with moral virtue and ethical self-cultivation had “revolutionary consequences” (Leys 1997: xxvii) for the evolution of Chinese civilization. It is equal with “social revolution”, according to Wing-Tsit Chan (1973:15). It highlighted the first and decisive step towards the formulation of a social group that, later on, became the “spinal cord” of the Chinese empire. The new social class of the scholar bureaucrats, that was created in such way, was going to govern for 2,000 years and, thus, appointing a new type of officials (the well known in the West as mandarins), who clearly had a political task and moral responsibilities. However, since the Chinese literati, because of their Confucian education, were identified with Confucius' teaching and, because of their political role during the imperial era, with the feudal system, Confucius and Confucianism are wrongly considered, still today, as the foundation of the feudal tyranny and related to anything oppressive and obscurantist there is in Chinese thought.

The figure of the Confucian exemplary person (*junzi* 君子) expresses the deep relation and close interdependence that exists among the ethical and the political, as well as among the public and the private (the public as a continuation and extension

¹¹ The word *junzi* 君子 was inextricably connected with a social status, no one could *become* *junzi*, he *is* the *junzi* by birth. Creel compares the word *junzi* 君子 with the English word gentleman which originally signified the one who belongs to a high social class by birth, whereas later on, as its meaning was detached from any heredity connotation, it was generally used to characterize the one who had good manners and good behavior.

of the private, in the context of a general continuum in the Chinese understanding of the world). His virtues and his moral cultivation, as well as the need for his participation in governance,¹² place the exemplary person (junzi 君子) close to the guardians in Plato's *Republic* and their proportionate moral obligation to participate in government duties.

Both of them have taken a path in which the mythical figures of the Sage-king (sheng ren 聖人) and the Philosopher-king, respectively, can be distinguished far within it, while the common hope that a wise governor will rise from their social class is translucent.

In the Confucian political project, the moral virtue of benevolence (ren 仁) is equivalent to Plato's Good, as to the place it acquires in the proposed system of values and its significance and greatness in the exemplary person's (junzi 君子) path towards moral completion.

4.4 Benevolence and Rites

Ren 仁 (benevolence), according to the *Shuowen* lexicon, consists of the elements 人 ren, "person" (which is also pronounced ren) and 二 er, "two", and it signifies that a human is defined as such through the presence of other humans. Our "humanity" is not given to us innately, but it is acquired through our relationships with other people (Cheng 2000:52). The Confucian assumption, "one cannot become a person by oneself – we are, from our inchoate beginnings, irreducibly social" (Ames and Rosemont 1998:48), reminds us the Aristotelian wording that man "is by nature a political animal" (Politics I, 1253a 3–4. Lekatsas). However the quality of human relationships depends on personal expression and creativity, as they are manifested through participation in the rites (li 禮).

Therefore, ren 仁 can appear in close and creative collaboration with the rites (li 禮), which relate to man's conformity with the ceremonial rules and the rules of social behaviour. The rites (li 禮) essentially adjust all human relationships, by acquiring the validity of social contracts, in a world which is characterized by the absence of written laws and the mistrust for any written form of speech. Confucius did not write anything, the *Analects* have been written by his students or, most probably, by the students of his students, whereas Plato did not write about the highest truths of his teachings, just talked about them during his oral teachings.

Thus, the Empire was governed for centuries without a corpus juris, on the basis of conformation with the rites (li 禮). In addition, Confucius' educational program, which emphasizes on study (xue 學), offered a model for the adoption of an educational system, on the basis of which management was appointed to the scholars. This system, became famous in Europe by the Jesuits, surprised and filled with enthusiasm the Western world and especially the French philosophers of

¹² "The Master said: The knight of the Way who thinks only of sitting quietly at home is not worthy to be called a knight" (*Analects*, 14.3).

Enlightenment, because they discovered that whatever they thought, it was already a subject in Confucian thought about 2,000 years beforehand. Therefore, they used Chinese system in order to attack traditional European institutions and Confucius' teaching as a serious argument, in the context of their dispute with the Catholic Church, concerning the existence of ethics even without the existence of God.

4.5 Education and the State

Virtuous behavior and appropriate education are the objectives for both the moral and the pedagogical system in Plato and an unswerving condition in order for the most appropriate of the guardians to obtain governmental ranks. Virtue's general idea is consisted by the four cardinal virtues of wisdom (prudence), courage, temperance and justice, which characterize the good state and the good man, since, in order to have a good state, it is necessary for the state to consist of good people. In this context, the guardians' education is a basic concern for the state and it includes military exercises, theoretical, practical and ethical knowledge, but above all it advises exercise for a virtuous lifestyle. Consequently, education, besides character formation and intellectual skill developing, recommends a manner to test and choose the morally best for governing in a proper and perfect state.

The philosopher owes his education and his thoughtfulness to the state's institutions. For this reason, when the source of light, the sun, comes in his sight, he is obliged to return into the cave and the world of shadows, in other words, man's petty miseries (Republic, 517b-e, 519c) and he must get involved with politics as a "necessity" (Republic, 540b 5). The conquest of knowledge and virtue is, therefore, the condition for undertaking political responsibilities.

Accounting philosophers responsible for political management is placed in the context of undertaking these duties by anyone whose "nature"¹³ is compatible with them. And it is only the philosopher who has the physical and moral gifts by nature (Republic, 535ab) and the appropriate education¹⁴ based on a system of gradual education and trials that make him surpass the non-philosophers and appoint him appropriate to govern the state morally. As every man is engaged in his own work and acts according to his natural gifts and abilities, the need derives from the definition of justice, that is, "do one's own business" (Republic, 433a) and "the having and doing of one's own and what belongs to oneself" (Republic, 433e-434a). Plato tells us, therefore, that in order for justice to exist it is necessary for every person to get involved with his own work and act according to his natural gifts and abilities.

¹³ ". . .but shall assign to each the status due to his nature" (Republic, 415c), "the other citizens too must be sent to the task for which their natures were fitted, one man to one work" (Republic, 415c).

¹⁴ ". . .but that they possess also the gifts of nature suitable to this type of education", (Republic, 535b).

The concentration of all moral virtues and qualities on one individual, common for both thinkers, on the one hand enables their appearance exceptionally rare, and on the other hand it is the best way to ensure governance on the hands of the most suitable ruler. However, since there is great importance attached on the preparation of the future rulers with the appropriate education, despite their natural gifts, (and) this point caused, in Plato's case, severe criticism, especially by Popper. The Athenian philosopher's harshest accusatory argues that the ruling class has total control of everything, among which is, also, enjoying every level of education, a fact that ensures class governance stability.

4.6 The Relation Between Public and Private

In order to reinsure furthermore the harmonious function of the ideal state and the wise ruler's dedication to his work, as well as to protect him from any selfish and opaque actions, Plato distinguishes the political and the economic power introducing the abolition of private property. Indicating that guardians should not even touch gold, leads us to the thought that he clearly knew about the interference between politics and economics.

In addition, wishing to secure the ideal state from every danger that was generated by the weakening or loss of sentimental unity, the particular financial benefits and the limited family ethics, Plato introduces the abolition of individual family for the guardians and the partial replacement of its function by the "sacred marriages" (Republic, 458e 3).

Thus, a fundamental difference between Confucius and Plato emerges. For the former one, family is the basic social group and its structure is the model for the state's articulation and function; for the latter, on the contrary, family threatens the citizens' mental coherence and generally the state's unity (Republic, 464a-b). However, according to Arendt's interpretation, Plato's request does not aim on the abolishment of family but on its expansion in such a way so that the whole society can take the form of a household, of a family.

Consequently, the parallel reading of both thoughts project interesting aspects and views of two traditions, the carriers of which are Confucius and Plato; the imaginary of two societies that differ emerges. In order to form his political theory (a foundation of Chinese political theory until the twentieth century), Confucius does not commence from the state, the principles that govern it, the relations between the state and the people, the people's participation, as our Greek tradition suggests.

An absolute differentiation between Chinese and Greek thought is being recorded concerning the idea of constituting a state and the relation between public and private. The difference is defined by the Chinese comprehension of public as an extension of the private, the state as an extended family.¹⁵ In its interior the

¹⁵ See also the Aristotelian view: "Thus also the city-state is prior in nature to the household and to each of us individually. For the whole must necessarily be prior to the part;" (Politics, I 1253a 19–21).

fundamental virtue of benevolence (ren 仁) is primarily developed, the person is being educated and his personality is expressed as such. This is the area in which the individual's moral qualities are projected in his relationship with the other members. Further on, the moral virtues are developed and expressed within the state, which is considered as the family's extension.

The relationships between the members of the family are the model on which the relationships between the members of the state are being built, according to the Five Relationships (Wu Lun 五伦). It is about the relationship between the ruler and the subject, the father and the son, the oldest brother and the younger brother, the husband and the wife, the relationship between friends. Each person's behaviour is determined by these relationships and the ceremonial obligations that they involve. It means that a man does not decide independently about his stance towards his fellow men. The meaning of an active subject who decides and acts voluntarily claiming the responsibility of his actions does not exist in Chinese thought. During the 80s a major debate took place in Taiwan concerning the necessity of expanding the Five Relationships (Wu Lun 五伦) by adding a Sixth one which would regulate the relationships between the individual and the society.

In this context the father-son relationship corresponds to the ruler-citizen relationship, projecting the image of a moral ruler as the image of a good father that takes care of his children with affection. Filial piety (xiao 孝) is, consequently, distinguished into a fundamental virtue, not only within the family, but also in guojia (国家 country-home, as is the name for "state" in Chinese). Indeed, as a good father does, similarly a virtuous ruler takes care of his people. His caring and concern for them are primarily expressed by ensuring material goods for their preservation and afterwards by edifying them. Therefore, we can distinguish an "analogy" between the *Analects* and *The Republic*, if we compare the two different stages that determine the people's financial situation and their moral status. Similarly, in the "indispensable" state (Republic, 369d), the aim is simply to satisfy the vital needs of every man, whereas the ideal state, having delivered this request, aims at man's prosperity.

However, Confucius' vision concerning the appearance of a wise ruler (and later on Mencius' for the appointment of the Ideal King), who will lead the country towards the Way (Dao 道), did not come true, as Plato's vision for the ideal state did not also come true. The Confucian world, as it is described in the *Analects*, is a conceptual world, same as the character of the just state that Plato describes in *The Republic*.

Nevertheless, Confucian thought is, until today, the foundation of Chinese thinking, the great reservoir from which Chinese spirituality is derived. On the other side, Platonic thinking has set the context in which, since then, philosophy has been developing, no matter whether it is either platonic or non-platonic or even anti-platonic.

4.7 Conclusion

The different conception of the world in Confucius and Plato sets the conditions and the context for founding the Sage-king (sheng ren 聖人) and the Philosopher-king theory, respectively. As a result, some interesting indications emerge to the

surface: differentiation between wisdom and philosophy, public and private, as well as absence of ontology and absolute immanence in Confucius. It is pointed out that the term immanence is used to describe the overall mainstream of Confucian and other Chinese systems of thought although, according to Zong-qi Cai, it includes philosophical and theological references that are unknown in Chinese tradition.

However the distinct character of Confucian and Platonic thought does not become a restriction for the articulation of a powerful theory that brings both thinkers very close together in the aspect of strong unity between philosophy and ethics, as well as between politics and ethics. This is where their great contribution to human history can be located. Since then, we are following their steps.

The knowledge of the two thoughts and, especially, the conditions in the Confucian and Platonic leadership, as they emerge by studying two works that are located at the beginning of political thought in Greece and in China, can contribute, in our opinion, to an activation of conscience and a new political approach which always remains inseparable from ethics.

The political, financial and social crisis, the question of values and moral decay, all the problems that the societies in the times of Confucius and Plato had to deal with are also our problems today. Despite the immense changes that occur in an ever changing world, the phenomena of misadministration, poor financial management, corruption, lack of transparency and reduced moral resistance keep on dominating and, therefore, enforce the need for a moral social reconstruction.

Thus, in the context of a global society, with immense technological progress and financial, political and cultural unification, a basic request still remains; supply the ones who govern with the qualifications that the two thinkers specified, that is: virtue, justice, courage, prudence, temperance, remembrance, aptitude for learning, magnificence, for Plato, and benevolence (ren 仁), respect towards the rules that involve human relationships and social organisation (rites, li 禮), virtue, justice, filial piety (xiao 孝), for Confucius.

In this point of view, returning to the origins, where the Western and Eastern thought derives from, acquires a constantly greater significance. Resorting to the Confucian and Platonic thought can contribute in understanding the two worlds (Greek, Western and Chinese/Confucian) which, in most cases, are unaware of each other, and in initiating an open and productive dialogue between them. This need is appointed today even more intense due to our own dead ends (death of philosophy, end of ideologies, end of history) and the Chinese ones (identity issues, association of Confucian tradition, Marxist ideas and the Western liberal model). The benefits of such an encounter can indisputably be of great numbers for both traditions. They could contribute to the renewal of the political thought itself, following the demystification of philosophy and its restriction to language type exercises, in the West, and the confinement of thought in old fashioned models and poor neo-liberal transitions, in China.

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Chapter 5

Ancient Ethics and Contemporary Systems: The Yamas, the Niyamas and Forms of Organization

Andrea Hornett

Abstract The ethics of yoga (yamas and niyamas) are ancient ideas, perhaps 5,000 years old, roots of Hindu and Buddhist philosophies, but universal and eternal in sentiment and appeal. This article matches each of these ten ethics with modern management or leadership theory. Then, systems theory is considered, specifically Boulding's (Boulding 1970) three types of organizing systems (Threat, Exchange, and Integrative) to determine which of the yamas and niyamas might function where. Finally, the yamas and the niyamas are reviewed in the context of types of power and organizing systems. The yamas and the niyamas have a place in contemporary management systems. Therefore, this article contributes to the leadership and management literatures' considerations of power by examining the ethics of yoga from an organizing systems perspective.

5.1 Introduction

This article contributes to the scholarly literature on management by integrating discussions of ethics with both theories of power and management systems. By offering an examination of both yamas and niyamas in the context of organizing systems, the role of organizational ethics moves beyond a foundation for workplace spirituality (Corner 2009), to an appreciation of ethics as elements of dynamic and evolving organizational forms.

The key source for the ethics of yoga, the yamas and the niyamas, is the *Sutras of Patanjali*, the literature of a highly sophisticated philosophical tradition that emerged outside of the Greco-Roman world, involving elements of ancient Hindu

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and Buddhist thought. These sutras are ‘sutures,’ ‘stitches,’ threads for meditation and reflection, and involve four books of universal wisdom that transcend time and culture. They derive from ideas that are contained in the Upanishads (400 BCE), the Bhagavad Gita (200 BCE), and Patanjali’s foundational work to organize Raja yoga (150 BCE). Yoga is a system of active striving, mental discipline, and dutiful action (wikipedia.org). With respect to striving, discipline, and action, yoga is assumed to offer some ideas for leadership and organizations that express theories of action (Weber 1947).

5.2 Literature

The ten yamas and the niyamas address issues of power and discipline within oneself and in relation to others. This article marries those issues with concerns for power relations and ethics in management thought (Cummings and Bridgman 2011) and systems theory (Boulding 1962, 1964, 1970, 1989). Dysfunctional power relations create ethical dilemmas which can be better understood within the context of the organizing systems they occupy.

5.2.1 *The Eight Limbs of Yoga*

Some think yoga is system of exercise but that is only one of the eight limbs of yoga, a system that is much deeper and broader than postures and movements. Yoga asserts that man is a spiritual being connected by energy to life force and all other beings. The eight limbs offer a system for man’s integration with spirit and well-being.

In Hindu philosophy, the nature of all beings consists of three qualities, or *gunas*: *sattva*, *rajas* and *tamas*. ‘*Sattva*’ provides the nature of existence, light and harmony. ‘*Rajas*’ provides motion and change. ‘*Tamas*’ provides stability but can also, if too dominant, obstruct or obscure, and create darkness. These *gunas* are in competition for dominance. For example, the person with *sattva* predominating is seeking knowledge; the one with *rajas* is greedy; the one with *tamas* is inactive, hosting darkness; we might say ‘depressed.’ Balance and harmony can be achieved through consistent practice of *asanas*, the yoga postures. Therefore, *Ashtanga Yoga*, the eight limbs (Table 5.1), contains the practices vital to a science of mind for union with the divine, balance, and harmony. In this sense, yoga is both a spiritual practice and a foundation for healthy societal relationships.

Patanjali, scribe of the yamas and the niyamas, would reject any notion that yoga is a religion. Patanjali’s practices are motivated to assist the individual and society and are primarily focused on action to achieve control of the mind and minimization of distractions or misleading thoughts. In this respect, yogic practices are universal and eternal and not wedded to any particular religion.

Table 5.1 Ashtanga Yoga – the eight limbs/eightfold path/eight branches

Limb	Definition/Explanation
1 Yama	Universal morality – offences or bad practices to avoid
2 Niyama	Personal observances – good habits to cultivate
3 Asana	Body postures. (This is the focus of Hatha Yoga in the West)
4 Pranayama	Breath
5 Pratyahara	Control of the senses
6 Dharana	Concentration and cultivation of inner awareness. Learn to be still and attuned to your inner voice. Quakers call this your “still small voice”
7 Dhyana	Devotion. Meditation on the divine
8 Samadhi	Union with the divine

Limbs three through eight consider individual achievement of integration of the mind, body and spirit. Limbs one and two are practices to avoid and practices to cultivate: the yamas and the niyamas. Our focus is on these two, the ethical practices or moral decision making (Kujala 2001). They are just ten of Patanjali’s nearly 200 sutras. As ethics, they involve ways of being in this world, in society, and in relation to others.

5.2.2 *The Yamas and the Niyamas*

The yamas and the niyamas are ethics because they enable integration of human awareness with connection to others and to spirit. The yamas (Table 5.2) are practices, or, more accurately, disciplines, to avoid the pitfalls common to the weaker elements of human nature. The niyamas (Table 5.3) are practices to cultivate, to strengthen one’s character through integration of mind, body and spirit.

The essence of the yamas is to avoid lying, envy, and anger in order to live the good life and achieve balance through a harmony of mind, body and spirit (Chopra and Simon 2004). The yamas are identical to the five major vows of Jainism and, indeed, the two schools of thought recognize each other. Jains believe that to attain enlightenment and ultimately liberation, one must practice the ethical principles (major vows) in thought, speech and action. One can create bad relations and destroy peace through anger, deceit, pride, and compulsions.

As a careful reading of Table 5.2 suggests, the ancient wisdom of the yamas is also similar to many other value systems and universal ideas for living the good life in terms of cultivating good character and solid spiritual development. The organizations that existed at the time these yamas were established were primarily families, clans, monasteries, and simple systems of trade and exchange. However, they do not seem to purport values that are no longer worthwhile, even if they seem quaint to some in a post-modern globalized world of electronic connectivity and acquisitiveness. Indeed, they resonate with Zohar’s appeals to rewire the corporate brain (1997) and recognize spiritual intelligence (Zohar and Marshall 2000).

Table 5.2 The Yamas

Sanskrit/English names	Definition	Comments
1 Ahimsa/Nonviolence	Practice kindness toward all living beings, including yourself. Accordingly, multiple views are accommodated	This is the root of both compassion and vegetarianism. It is also the root of 'mutual respect' a shared value that companies espouse (Edgerly 1998)
2 Satya/Truth	Living truthfulness especially with regard to yourself as well as others	Patanjali (2009) says, "In the presence of one firmly established in nonviolence, all hostilities cease" (p. 130)
	Benefit: helps to keep life simple. However, if truth telling will lead to violence (see first Yama), it is acceptable to say nothing	This is one of the 10 Commandments and a goal of Sarbanes-Oxley accounting reforms in the U.S.
3 Asteya/Non-stealing	Have regard for other people's property and ideas	Patanjali (2009) says, "To one established in truthfulness, actions and their results become subservient" (p. 131)
		Mother Theresa said something similar: 'Do God's will without knowing what it is'
		This is also one of the 10 commandments and a goal of Sarbanes Oxley accounting reforms in the U.S.
4 Bramacharya/Moderation	Do everything in balance. Be moderate in your habits and appetites. For monks and nuns, this means celibacy	Don't be envious or jealous. Earn through honest labor and give fair value. Don't engage in pyramid schemes or other mechanisms where true value is masked
5 Aparagraha/Non-possessiveness	Be able to detach from situations, possessions, relationships Act as a trustee of possessions	Patanjali (2009) says, "to one established in non-stealing, all wealth comes" (p. 133)
		This is similar to Socrates' golden mean
		Patanjali (2009) says that this is the way one gains vigor
		Helps to keep the ego at bay
		This is at the root of the Stewardship theories of leadership (Hackman and Johnson 2003)
		Patanjali says this is the way to learning your true destiny

Table 5.3 The Niyamas

Sanskrit/English names	Definition	Comments
1 Shaucha/Purity	Keep a clean mind in a clean body	“ <i>Mens sana in corpore sano</i> ” according to the ancient Roman poet, Juvenal As the aspirant advances in spiritual awareness, things of this world have less significance
2 Santosha/ Contentment	Be calm; be grateful for what you have; don’t covet In this way, you gain joy	How would capitalism function if we didn’t covet? What would advertising look like? Gratitude, as television star Oprah will attest, is very powerful. She made a practice of keeping a gratitude journal and advised her millions of audience members to do the same
3 Tapas/Austerity	Literally to heat up and burn away. This is not to deny or repress but to face and eradicate. A yogi can burn away negative energy, clearing a path toward spiritual evolution If someone causes us pain, they are helping to purify us	Quakers call it living the simple life and sing the Shaker hymn: “Tis a gift to be simple; ‘tis a gift to be free; ‘tis a gift to come ‘round where we ought to be” This niyama also means to accept suffering – a difficult concept to grasp in the U.S.
4 Swadhyaya/ Life-long learning	Self-education and life-long learning	Study the scriptures and sources of wisdom
5 Ishwar-Pranidhan/ Meditation on the divine	Right attitude makes all action a prayer	Some Westerners recite: “Thy kingdom come; Thy will be done”

The niyamas (Table 5.3) are practices one wants to cultivate, such as contentment and life-long learning. The essential difference between the yamas and the niyamas seems to be one of orientation. While the yamas advise one to avoid or stay away from lying, coveting, or getting angry, the niyamas advise one to embrace or go toward routines of purity, calm, and positive thinking. This dynamic of avoiding (yamas) and cultivating (niyamas) works like an organizing system because an acolyte can start anywhere with her practice and eventually, with constancy and discipline, incorporate all the ethical principles into her life.

The niyama recommending life-long learning, Swadhyaya, resonates with the extensive literature in organization theory about the learning organization and organizational learning. The essential idea here is that openness to learning enables an entity to adapt to changing environmental conditions. This is the essence of sustainability, another focus of the organizational sciences.

One of the more difficult concepts for Westerners to grasp in the *niyamas* is the acceptance of suffering. However, this is not without acknowledgement in the West. William Penn, Quaker leader and founder of the colony that is now the state of Pennsylvania in the U.S. wrote: “*No Cross, No Crown.*”

Practicing any one of these ethics enables the rest to follow in due course. “When even one virtue becomes our nature, the mind becomes clean and tranquil” (Satchidananda in Patanjali 2009, p. 151). So, what would the implications be for employing the *yamas* and *niyamas* in organizing systems?

5.3 Methods

The methods employed here involve examining the *yamas* and *niyamas* for complementary concepts in contemporary management. Accordingly, potential organizational ethics, potential organizational *yamas* and *niyamas*, are paired with corresponding management concepts (Table 5.4). Then, these concepts are considered with respect to Boulding’s theories of systems and their connection to theories of power, leadership, and ethics. Finally, the *yamas* and *niyamas* are examined in the context of different forms of organizing that have evolved over time.

5.3.1 Organizational Ethics

The *yamas* (Table 5.4) would advise organizations to treat all stakeholders as valued members of the organization’s community of interest. Information on performance would be transparent and resources would be utilized with a plan for their renewal and overall sustainability. Non-possessiveness would enable organizations to view resources as ‘rents’ that they must replace. Therefore, renewal and sustainability would provide a focus for operations.

Bramacharya would caution leaders to be moderate in their behavior. The Mark Hurd story is illustrative of the worth of this *yama*. He was CEO at Hewlett Packard and generally considered a fine strategist and organizational leader. However, he befriended someone who was paid with company funds to attend company functions and spend time with him. His behavior caused negative speculation about his credibility and judgment and the financial management of the company. He had to resign.

The *niyamas* would encourage sound environmental practices and a gratitude that would mitigate greed. Organizations would take the long view and be open to change. All systems would necessarily be open to adapt to economic conditions and market opportunities and their employees would value being learners in learning organizations.

Potential organizational sutras (Table 5.4) are viable when examining the organizational equivalent of *yamas* but less obvious when considering the organizational correspondents of *niyamas*. Perhaps this occurs because the *niyamas* are

Table 5.4 Potential organizational ethics and corresponding management initiatives

Avoid (Yamas)	Cultivate (Niyamas)
<ul style="list-style-type: none"> ○ Ahimsa – non-violence – practice kindness toward all living beings • Treat employees, vendors, customers and shareholders as part of your community of interests 	<ul style="list-style-type: none"> ○ Shaucha – purity – keep a clean mind in a clean body • Give a hoot; don’t pollute
<ul style="list-style-type: none"> ○ Satya – truth – living truthfulness • Know your performance <i>vis a vis</i> your benchmarks 	<ul style="list-style-type: none"> ○ Santosha – contentment – be calm; be grateful for what you have • Stick to your core competencies
<ul style="list-style-type: none"> ○ Asteya – non-stealing • Treat resources with respect and awareness of dependency (e.g. Resource Dependency Theory) 	<ul style="list-style-type: none"> ○ Tapas – austerity – literally to heat up and burn away • Employ a long time horizon when making critical decisions
<ul style="list-style-type: none"> ○ Bramacharya – moderation • Give an honest day’s work for an honest day’s pay • Example: Mark Hurd, CEO at Hewlett Packard, dismissed for using company funds for personal purposes 	<ul style="list-style-type: none"> ○ Swadhyaya – self education and life-long learning • Be a learning organization
<ul style="list-style-type: none"> ○ Aparagraha – non-possessiveness – be able to detach from situations, possessions • Cultivate people and problem solving techniques that take a long and broad view 	<ul style="list-style-type: none"> ○ Ishwar-Pranidhan-meditation on the divine • Create sustainability

specific individual practices whereas the yamas serve a purpose of the governing the individual’s life in society. Governing individual behavior is useful in and to the organization (Foucault 1970, 1980). Developing one’s spiritual destiny has historically not been a focus of corporate governance (Zohar 1997). However, none of these organizational yamas and niyamas is foreign to the business world. There are several examples in the literature of companies that do well by doing good. Nevertheless, there is no universal acceptance of these management practices. Indeed, to the extent to which they require resources that reduce short term profits to shareholders, some consider them bad business (Friedman 1970).

If the yamas and niyamas have universality, why do more organizations not display more of these characteristics? Unfortunately, the market’s time horizon for assessing costs is too short to capture the benefits from sustainability, moderation, and transparency. The yamas and the niyamas require acts of will and commitment to spiritual intelligence (Zohar 1997) as well as business intelligence. Therefore, organizational yamas and niyamas seem vulnerable, absent some consideration of organizing systems and power, its nature and use. Boulding offers a perspective on this.

Table 5.5 Hirshhorn's (1990) changing forms of organization

	Forms-of-organization		
	Traditional	Modern	Post-industrial
<i>Source of authority</i>	Office	Role	Person/Role
<i>Organizing method</i>	Coercion	Obligation	Cooperation
<i>Individual response</i>	Obedience	Self-discipline	Negotiation
<i>Sanction and benefits</i>	Punishment and reward	Guilt and relief	Alienation and/or community

5.3.2 Boulding's Perspective on Power

Boulding (1970, 1989) considers systems dynamics that would enable improvement in ethical orientations of organizations. Accordingly, his systems provide an opening for yamas and niyamas because how ethics operate in organizing systems is an aspect of how power is understood and exercised in those systems.

Living in a non-western culture (Japan) in the 1960s, Boulding discerned that progress and change could proceed from dynamics that were more developmental than dialectical. Boulding's systems are at once both power systems and learning systems and they range from high conflict (dialectical) to low conflict (developmental or integrative) systems. Along this range, there are three distinct categories: the Threat System, the Exchange System, and the Integrative System. All three systems comprise what Boulding calls the learning process. Each of the three systems has its own characteristic way of organizing information for learning.

The Threat System organizes information with capability and credibility. In this learning system, power operates to control resources (capability) and beliefs (credibility). Accordingly, dialectical philosophies (Hegel, Marx) tend to concern themselves with manifestations of power that operate to establish resources and beliefs, key properties of threat systems.

In the Exchange System, 'man' operates as *homo economicus*, a being that learns in accordance with capitalist philosophies (Heilbroner 1985). Here, power is an exchange (Parsons 1960), or 'mutual influence' (Luhmann 1995, 1976). This system learns by establishing values and exchanging power or material in accordance with a process of matching values. A few regulations tend to operate in exchange systems to ensure access to information because a certain level of trust is necessary for operations. The philosophies operating in these systems are that markets are the best allocators of scarce resources.

Boulding's third system, the Integrative System, provides a basis for what he labels comparatively 'less rational' manifestations of power such as altruism. Religious and spiritual philosophies tend to concern themselves with manifestations of power in this system. The philosophical bases of these systems are belief in the power of transformation and change. The wisdom of the ancient yogis offers real promise here but the yamas and the niyamas are not absent from the other systems because they were designed to assist humans in achieving integration of mind, body and spirit. Some systems are more permissive of this

integration than others because of the nature of power in these systems. Hirschhorn (1990) depicts these types of systems (Table 5.5) and their differences in use of power as organizing forms evolve. Even though these are depicted as evolutionary, the traditional and modern forms co-exist with the post-industrial forms in contemporary organizations.

5.3.3 *Boulding and Other Theories of Power*

Each of Boulding's systems corresponds with Hirschhorn's forms of organization and so do other theories of power in the literature. For example, Pfeffer (1992) defines power as "the potential ability to influence behavior, to change the course of events, to overcome resistance, and to get people to do things that they would not otherwise do" (p. 45). Pfeffer's definition is consistent with Weber's and with the evidence gathered from the field by McClelland (1955, 1975) in his study of leaders.

This ability to influence or cause change is evident in all three of Boulding's systems, albeit expressed differently in each. For example, coerced participation can be found in Boulding's Threat System. "Not to conform means to be rendered powerless, economically and therefore spiritually – to be self-employed," (Horkheimer and Adorno 1944, p. 133).

In the Exchange System, in contrast to the Threat System, power manifests as an economic metaphor similar to Parsons' (1960) definition of power. Parsons (1949, 1951, 1964; Parsons and Shils 1952; Parsons et al. 1953) sees power as a property of social systems similar to the function that money plays in an economy (Lukes 1974). There is also a connection to exchange theory in organization theory (Blau 1964, 1969), social exchange theory (Homans 1950), and leadership/followership theory (Follett 1987). One form of exchange could be political (Pfeffer 1981, 1992; Weber 1947). Another form of exchange could be transactional (Hollander and Offerman 1990), and would be consistent with Parsons (1960) 'use exchange' theories and his definitions of power.

There is also power in the followers' resistance or approval. If political or economic exchanges are reciprocal and mutually supportive, they achieve Follett's (1987) ideal leader: follower construct. For Follett, McClelland (1955, 1975) and Barnard (1938), leaders and followers create the power construct. Power and leadership are linked. Therefore, constructive use of power is a pre-condition for ethical leadership. Schein's (1993) thesis that the leader is a creator of corporate culture, and Follett (1987, 1949) and Barnard's (1938) appreciation of the interdependence of leaders and followers in development of character, would be examples of organization theories applicable to Boulding's Integrative System.

Boulding's integrative forms of power involve important leadership behaviors including encouraging self-reinforcement, self-observation, and self-evaluation (Manz and Sims 1980). For Boulding's integrative system, a distinction can be made between personal leadership transformation theories (Bass 1985; Sashkin

Table 5.6 The Yamas and the Niyamas and forms of organization

	Forms-of-organization		
	Traditional	Modern	Post-industrial
<i>Source of authority</i>	Office	Role	Person/Role
<i>Organizing method</i>	Coercion	Obligation	Cooperation
<i>Individual response</i>	Obedience	Self-discipline	Negotiation
<i>Sanction and benefits</i>	Punishment and reward	Guilt and relief	Alienation and/or community
<i>Yamas useful in the functioning of this type of system</i>	• <i>Non-violence</i>	• <i>Non-stealing</i> • <i>Moderation</i> • <i>Truth</i>	• <i>Non-possessiveness (rather than alienation)</i>
<i>Niyamas useful in the functioning of this type of system</i>	○ <i>Austerity</i> ○ <i>Meditation on the divine</i>	○ <i>Purity</i> ○ <i>Contentment</i>	○ <i>Life-long Learning</i>
<i>Corresponding Boulding (1970, 1989) System</i>	Threat	Exchange	Integrative
<i>Hollender and Offerman (1990)</i>	Dominance (power over)	Empowerment (power to)	Integrity (power from)
<i>Five Types of Power: French and Raven (1959)</i>	1. Reward 2. Punish	3. Expertise 4. Referent	5. Legitimate
<i>Schein (1985)</i>			Cultural leadership
<i>Follett (1949)</i>		Role of the follower	
<i>Bass (1985); Sashkin (1988)</i>			Transformational
<i>Parsons (1960)</i>		Transactional	
<i>Pfeffer (Machiavelli) (1992)</i>	Political		

1988, 1995; Sashkin et al. 1995) and cultural transformation theories (Schein 1993). Table 5.6 uses the template developed from Hirshhorn (Table 5.5) and shows their linkage to Boulding’s systems of power as well as to the yamas and the niyamas. This compilation indicates where the yamas and the niyamas might be found in contemporary organizing systems.

5.3.4 Power and Leadership

Organization theorists have linked power and leadership (Table 5.6). McClelland’s studies of leadership (1987, 1975, 1955) empirically determined that the need for power was the basis of organizational relationships formed around work. French and Raven (1959) identified five types of power consistent with leadership theories: reward, punishment, legitimate authority, referent power, and expertise. Yukl (1989) combined the first two, reward and punishment, as the functions of leadership. The third, French and Raven’s legitimate authority, is structured, meaning that it comes with a position, a job in the organization. Legitimate power can become muddled when teamwork results in abolishing position and in combining

employees in different configurations (Brooks 1994). The fourth, power of expertise, is an important basis of virtual organizations (Grenier and Metes 1995), technology and innovation. The fifth, referent power, is power a person is accorded by others because the person is liked or respected by his/her followers.

While all yamas and niyamas are important to cultivate for the individual, certain types of organizing systems would find certain yamas and niyamas more pertinent than others, given the nature of authority and use of power. For example: traditional forms rely on non-violence and austerity where members benefit from meditation on the divine; modern forms benefit from non-stealing, moderation and truth, and members benefit from purity and contentment; post-industrial forms benefit from non-possessiveness while individual members benefit from life-long learning to enhance their employability.

5.3.5 *Authority and Response*

Table 5.6 paints a broad picture of authority and response creating the character of power and its corresponding imperative for leadership. Accordingly, authority and response provide an organizing dynamic in systems to mediate coercion to enhance viability. Consistent with Hirschhorn's thesis, both the source of authority and the organizing mechanism for performing work have evolved. For example, Scott (1992) says that "the modern corporation is a shift from an entrepreneurial mode in which a single powerful person dominates the enterprise to a techno-structure in which power is widely diffused" (p. 223). This claim is also congruent with Jacques' (1990, 1994) idea that the authority of a person's position must be sanctioned by others. This sanctioning is in accordance with Barnard's (1938) thesis and fits with Luhmann's (1976) development of positional systems. In accordance with these theories, coercion cannot maintain without cooperation from those in the system and this is the nexus for ethical concerns.

Sanctioning by subordinates cannot necessarily guarantee that leadership is ethical. Hirschhorn (1990) contends that power has different characteristics for two reasons: the follower (employee) has responded differently and the nature of the 'carrot' and the 'stick' has changed.' The postindustrial era relies on cooperation and teamwork (Hirschhorn 1990). We may have teamwork in organizations because we have social values for cooperation. In a similar logic, Clegg and Palmer (1996) characterize a variety of organizational metaphors: "the structuralist or determinist view of an organization is typified as the factory; the people management approach as the family; the political approach as the jungle; and the symbolic approach as theatre" (p. 295).

The yamas and the niyamas might play a moderating role to minimize the harm caused by coercion in these systems. Unlike stewardship theories, the yamas and the niyamas are not an alternative to threat or exchange systems but rather a normative influence to ensure more benign functioning of such systems. Organizational yamas and niyamas could shape the organizing dynamic and the concomitant nature of power and leadership.

5.4 Implications

Examining ancient ethics for their potential as properties of organizing systems builds a bridge connecting studies of ethics with theories of power and of organizing systems. This connection can enhance our appreciation of the nature of ethical leadership in these systems.

5.4.1 *Ethics as System Properties*

Ethical action can be empowered or circumscribed by the system's (Werhane 2002) orientation to both ethics and leadership and the concomitant distribution of and use of power (Milgram 1974). The decision maker and the ethical problem situate in a shared space of problem-solution that provides a system of action/reaction and a continuous dynamic of learning, reflection, action, and re-learning.

Considerable modern and western research on ethical decision making focuses on the cognition of the individual (Kohlberg et al. 1983; Quinn 2004; Rest 1986; Robertson and Crittenden 2003; Stedham et al. 2007; Waters et al. 1986). However, there is substantial evidence that there needs to be some consideration for the situational context (Trevino 1986, 1992), and the effect of group norms and behaviors (Daboub et al. 1995; Donaldson 2007; Donaldson and Dunfee 1994; Donaldson and Werhane 2007; Kreitner and Kinicki 2007; Mele 2005; Sekerka and Bagozzi 2007; Waldmann 2000).

The ethical decision process is influenced by individual, organizational, and social factors that explain variations in ethical reasoning and behavior (Daboub et al. 1995; Granitz 2003; Kreitner and Kinicki 2008). Individual ethical decision making cannot be appreciated removed from the context of the organization within which decisions are being made.

5.4.2 *Significance*

Examining ethical principles with a perspective on organizing systems illuminates both the context for power relationships and decision making and the nature of authority and response to authority. This builds on the primarily psychological view of ethical decision making by including the role of social and power relationships, economies, and the nature of systems properties in organizing systems.

5.5 Conclusions

There are three primary conclusions from this analysis:

1. Considering ethical practices as properties of organizing systems connects the studies of ethics and organizational sciences.
2. The ethics of yoga could occur in whole or in part in any type of organizing system.
3. The ancient ethics of yoga are not out of place in a discussion of values in contemporary organizations.

5.5.1 *The Ideal Is Integrative*

The practice of these ethics of yoga could occur in any type of organizing system. However, their impact will probably be fragmented rather than synergistic in any system except Boulding's Integrative System. While Boulding's Integrative System seems the best match for the eight limbs of yoga and achieving balance among the gunas, there is little evidence in the literature of whole organizations operating in this sphere.

5.5.2 *The Ethics of Yoga Are System Properties*

Ethics are system properties. The cultivation of the yamas and the niyamas as a discipline and practice in accordance with the ancient science of mind-body-spirit connection is motivated by an awareness of inter-connection. The yamas and niyamas require an acceptance of the inter-relationship of all actions and intentions and necessitate multiple perspectives that take the long view. Consequently, the yamas and the niyamas are not conducive to zero-sum situations. In contrast, Friedman's ethic of maximizing shareholder value presupposes a distinction between an organization and its environment, a clear separation of both space and time. The spatial separation allows for the free flow of capital among markets and the separation in time privileges short term profit maximization. Therefore, the integration of ethical ideas in organizations – other than shareholder value – faces formidable hurdles.

5.5.3 *The Ethics of Yoga Are Contemporary*

The sentiments in the yamas and niyamas are similar to some modern leadership and management practices such as sustainability, learning organizations,

stewardship, and resource dependency. So, their potential seems promising, despite formidable hurdles. Further, the education of leaders and managers requires that ethical discernment be informed by larger and longer perspectives (Gosling and Mintzberg 2006), and this seems desirable to counter greed and cycles of boom and bust.

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Chapter 6

The Christian Notion of Ἀγάπη (agápē): Towards a More Complete View of Business Ethics

Domènec Melé

Abstract Business Ethics, significantly developed over the last three decades, generally does not consider the notion of ἀγάπη (*agápē*) which is central in Christian ethics. This article analyses the meaning of *agápē* in the Christian Bible and argues that this Greek word can be translated as “love”, in the sense of a self-giving love, and including the sacrificing of one’s own interests for the good of others. *Agápē* is a virtue which inspires all other virtues in the Christian tradition. Philosophically speaking, *agápē* means “love of benevolence”, a notion which is not too far from the Confucian notion of *ren*, generally translated as “benevolence” or “loving others”. The article moves on to discuss how *agápē* can be introduced in business ethics and argues that a business ethics theory which includes the consideration of “love of benevolence” is more complete than others which ignore it.

6.1 Introduction

Business Ethics is a discipline which has been significantly developed in the last three decades. The first approaches were mainly oriented toward ethical issues and to solving ethical dilemmas in terms of what is ethically acceptable and what is not. Textbooks on business ethics at the beginning of 1980s (e.g., Velasquez 1982 and de George 1982) proposed determining what is right and wrong by reference to some principled ethical theories, such as Kantianism, Utilitarianism, Contractualism and theories of justice or rights. In the 1990s, Virtue Ethics was introduced as an alternative approach which focused on moral character and virtues rather than on principles and rules.

This way of understanding business ethics remains current to a great extent, at least in the USA. The relatively recent *The Oxford Handbook of Business Ethics*

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(Brenkert and Beauchamp 2010) is paradigmatic. As George Enderle (2010) remarks the editors of this handbook suggest that the field of business ethics is clearly defined. First, it consists of the (Western) philosophical analysis of moral problems and case studies of business, including internal and external issues. Second, it is a “practical” matter viewed from “a business orientation,” and dealing with relationships within business. Enderle emphasized that “with this double-pronged definition and 26 contributors from the United States and one from Canada, this handbook represents the typical ‘American’ approach to business ethics” (2010, p. 731). This narrow vision of business ethics, which basically focuses only on Western moral philosophy, excludes religions and wisdom traditions, and so such significant notions as the Christian *agápē* (Αγάπη, in ancient Greek) and the Confucian *ren*.

The aim of this article is to show that the Christian notion of *agápē* not only should have a place in business ethics, but that its inclusion makes business ethics more complete. We will also pay some attention to the related Confucian notion of “ren” to which this argument also applies.

We will proceed as follows. Firstly, we will try to clarify the meaning of the Christian notion of *agápē* in the Bible and in the Christian tradition, and its centrality in Christian ethics. Then we will discuss a philosophical approach of *agápē*, and its possible correspondence with the Confucian concept of *ren*. Secondly, we will argue how *agápē* can be introduced in business ethics and why a business ethics theory which includes love of benevolence is more complete than others which reject it.

6.2 The Christian Notion of *agápē*

Agápē (ἀγάπη) is one of the four words for “love” which we find in classic Greek. The others are: *storge* (στοργή), *philia* (φιλία), and *eros* (ἔρως) (Lewis 1960¹). *Storge* is affection or fondness, with a sense of familiarity; it is found especially between family members or people who have otherwise found themselves together by chance. *Philia* is a sense of friendship and includes loyalty to friends, family, and community. *Éros* refers to love as attraction, with a certain sense of passionate love and sensual desire and longing. *Agápē* is unconditional love, a deeper sense of “true love” rather than the attraction suggested by *éros*.

6.2.1 Meaning of *agápē* in the Christian Bible

In the New Testament (Christian Bible), *agápē* has several meanings, all with some relation to one or more of the others. One is “love-feast”, as an expression denoting

¹ See also Wikipedia, based on Henry George Liddell, Robert Scott, *A Greek-English Lexicon*, on Perseus: http://en.wikipedia.org/wiki/Greek_words_for_love, (accessed September 14, 2011).

the brotherly common meals of the early church.² From here, *agápē* can be understood as “brotherly love” and fraternity. In other contexts of the New Testament, *agápē* means affection (e.g., in Bible, *John* 12:43: “for they loved [*agápē*] the praise of men more than the praise from God.”). But, in a more accurate sense, *agápē* has the meaning of love understood as deep benevolence. This is the case of these two texts: “God is love (*agápē*)”³ (Bible, *1 John* 4:8); and “For God so loved (*agapao*, a verb related to *agápē*) the world that he gave his one and only Son, that whoever believes in him shall not perish but have eternal life.” (*John*, 3:16)

Leaving aside *storge*, among the three Greek words for love, *philia*, *eros* and *agápē*, as Pope Benedict XVI notes, “New Testament writers prefer the last, which occurs rather infrequently in Greek usage. As for the term *philia*, the love of friendship, it is used with added depth of meaning in Saint John’s Gospel in order to express the relationship between Jesus and his disciples. The tendency to avoid the word *eros*, together with the new vision of love expressed through the word *agápē*, clearly point to something new and distinct about the Christian understanding of love.” (2005, n. 3) Thus, in the New Testament, *agápē* adopted a genuine meaning with a particular connotation; the Jesus’ love with is both human and divine.

In *Vulgata* –the Latin version of the Bible written by Saint Jerome in the fifth century– *agápē* is often translated as *charity*, from the Latin *carus* “dear, valued”.⁴ Sometimes the translation is, however, *dilectio*, from the verb *diligere*, meaning “to esteem highly, to love”. Over time however, in English, *charity* lost its original meaning of Christian love to become “benevolence for the poor” instead.⁵ That is why *agápē*, and *charity* in its primitive sense, is often translated as love, although a different meaning of love to *éros*, as will be understandable by the context.

6.2.2 Centrality of *agápē* in Christian Ethics

Agápē is the central virtue and the main precept of Christian ethics. Jesus summarized the Law of Moses and the Prophets in a double commandment of *agápē*: “‘Love (*agápē*) the Lord your God with all your heart and with all your soul and with all your mind.’ This is the first and greatest commandment. And the second is like it: ‘Love (*agápē*) your neighbor as yourself.’ All the Law and the Prophets hang on these two commandments.” (Bible, *Matthew* 22:37–40). In addition, Jesus gave as a “New Commandment” to love one another as He loved

²“Agape” in *International Standard Bible Encyclopedia*: <http://bibleencyclopedia.com/agape.htm>, (accessed September 14, 2011).

³ ὁ θεὸς ἀγάπη ἐστίν.

⁴This translation could have its roots in the Greek word *xaris*, meaning grace, something given with gratuitousness. This makes clear the idea of donation in contrast to *eros*, which as noted, has a meaning of self-possession.

⁵Online Etymologic Dictionary, voice “charity”: <http://www.etymonline.com/index.php?search=charity&searchmode=none>, (accessed September 14, 2011).

his disciples (Bible, *John*, 13:34). *Agápē* is translated into Latin as *caritas*, as noted, and into English as *charity* (let us insist on the sense of brotherly love, and not simply of donations or alms).

St. Paul presents *agápē* (charity) as the most important Christian virtue (Bible, 1 *Corinthians* 13:13), and adds that love binds everything together in perfect harmony (Bible, *Colossians* 3:14). It is worth noting that, according to St. Paul, no true virtue is possible without charity (first Letter to *Corinthians* 13:3). Charity is a virtue in itself but also animates and inspires other virtues: “Love is patient and kind, charity is not jealous or boastful; it is not arrogant or rude. Love does not insist on its own way; it is not irritable or resentful; it does not rejoice at wrong, but rejoices in the right. Love bears all things, believes all things, hopes all things, endures all things.” (first Letter to *Corinthians* 13:4–7).

Christian Ethics includes the Ten Commandments, the great moral Code presented by Moses, with every moral norm of the Old Testament, but emphasizing love, which underlies all of these norms. Thus, Christian Ethics seems more a “virtue ethics” rather than a “deontological ethics”, although these ethics are not in opposition.

Actually, Christian Ethics is much more than a set of norms, or a vague sense of love. For Christians it is Jesus Christ Himself who is the basic norm of morality, and this is related to love (*agápē*). In the Gospel, Jesus invites fellowship with Him: “Come, follow me” (Bible, *Matthew* 19:21). “Learn from me” (*Matthew* 11:29); “I am the way (. . .); no one comes to the Father, but by me” (Bible, *John* 14:6); and, above all, the New Commandment: “love one another as I [Jesus] have loved you” (Bible, *John* 15:12). Jesus’ love is very demanding indeed; it entails an offering of oneself, after his example (Bible, *Mark* 8:34). Following this Biblical teaching, Pope John Paul II wrote, “It is Jesus himself who takes the initiative and calls people to follow him (. . .) *Following Christ is thus the essential and primordial foundation of Christian morality (. . .) Jesus asks us to follow him and to imitate him along the path of love, a love which gives itself completely to the brethren out of love for God*” (1993, nn. 19–20) (italics in original). Ratzinger/Benedict XVI adds that, “the true morality of Christianity is love” (2007, p. 99), in the sense of *agápē*.

In Christian ethics, *agápē* not only animates and inspires other virtues, actually it is at the core of all virtues. St. Thomas Aquinas an outstanding Christian thinker in the thirteenth Century and one of the great masters of the Christian traditions, following St. Ambrose, affirmed that charity is the “form” of the virtues. This means that charity directs the acts of all other virtues to the last end, and which, consequently, also gives the form to all other acts of virtues. Charity is the efficient cause of all virtues (1981[1273], II-II, 23, 8).⁶

⁶ In summary and in this line, the Roman Catholic Church explains that the practice of all the virtues is animated and inspired by charity, and charity binds everything together in perfect harmony; it is the form of the virtues and articulates and orders them. Charity is the source and the goal of Christian practice; and adds that Charity upholds and purifies our human ability to love, and raises it to the supernatural perfection of divine love (cf. *Catechism of the Catholic Church*, nn.1827, 1827).

In a certain sense, Christian *agápē* is a very specific Christian notion, a theological virtue (oriented firstly to God). Christian love is a gift from God which leads to see others as image of God and as image of Christ.⁷ However, *agápē* can also have an ethical content which is accessible through human reason. We will consider this next.

6.2.3 Philosophy of *agápē*

Many Christian theologians recognize that Christian ethics contains a rational base which can be shared with those who do not share the Christian faith. This follows St. Paul, who teaches that there is a moral law that is available to all men and women apart from the special revelation in the Bible.⁸ Thomas Aquinas, developed the idea of a universal natural moral law accessible to every human being (1981 [1273], I-II, q. 94). According to him, “the natural law is something appointed by reason, just as a proposition is a work of reason” (Ibid. a.1)

Inasmuch as *agápē* entails selflessness and concern and care for the others, a philosophical consideration of *agápē* leads to relating this notion with benevolence in its more genuine sense. Benevolence – from Latin *bene*, well, and *volens*, wishing – denotes a disposition to do good, or to act to help others. It is also understood as friendliness and good will toward people, and is very close to neighborly love, and also to care and even kindness. Benevolence is generally considered as a human good, associated with the corresponding virtue—“being benevolent”, or the habit of wishing well to persons –and to human flourishing. It is, therefore, a fundamental ethical value. From benevolence many other ethical values derive.

Very close to this line of thought is Aquinas’ (1981[1273], II-II, 23, 1) argument that charity (*agápē*) is friendship, but a friendship of benevolence. He reminds us that Aristotle (1925), in his book on friendship of *Nichomachean Ethics* (VIII, 2, 3) noted that not every love has the character of friendship, but only that love which is together with *benevolence*, when, to wit, we love someone so as to wish good to him or her. This, for Aquinas *agápē* (charity) is *love of benevolence*.

Pope Benedict XVI, another outstanding Christian thinker and our contemporary, also provides a philosophical approach to benevolence, although without explicitly mentioning this concept. He affirms that “as a spiritual being, the human creature is defined through interpersonal relations. The more authentically he or she lives these relations, the more his or her own personal identity matures.”

⁷ According to Catholic Roman Church *agápē* (charity) is “the theological virtue by which we love God above all things for his own sake, and our neighbour as ourselves for the love of God” (*Catechism of the Catholic Church*, n. 1822).

⁸ St. Paul writes: “when Gentiles, who do not have the law, do by nature things required by the law, they are a law for themselves, even though they do not have the law, since they show that the requirements of the law are written on their hearts” (Bible, Letter to Romans 2:14-15).

(2009, n. 53) This statement has its base in the premise that the category of “relationability” is an essential element of the metaphysical interpretation of what *humanum* is, and “a metaphysical understanding of the relations between persons is therefore of great benefit for their development.” (2009, n. 53) In this development, charity (*agápē*), and therefore benevolence, is crucial. In his own words, *agápē* “expresses the experience of a love which involves a real discovery of the other, moving beyond the selfish character that prevailed earlier. Love now becomes concern and care for the other. No longer is it self-seeking, a sinking in the intoxication of happiness; instead it seeks the good of the beloved: it becomes renunciation and it is ready, and even willing, for sacrifice.” (2005, n. 6) Benevolence is not only a crucial element for human flourishing but also a central element in human relations, including those that business entails, but it has to be correctly understood to avoid mistaken sentimentalism.

In Christian ethics, an aspect of love or benevolence, there is the *Golden Rule*, which is expressed in these words: “In everything, therefore, treat people the same way you want them to treat you, for this is the Law and the Prophets.” (Bible, Matthew 7:12)

As noted, charity, for Christians, requires loving one’s neighbor for the love of God, which is much more than benevolence, but entails being benevolent. However, benevolence is not exclusive to Christianity. With some variations, it is an essential part of most religions. According to Garnett (1956), apart from Christianity, in the great religions of China, India, Persia, Egypt, and Palestine, benevolence occupies a prominent place among virtues and often is recognized as virtue at its highest or best. The conclusion of Garnett is that benevolence is a matter of natural moral law. Consequently, it is not only a matter of a particular religion but a human value which can be intuitively grasped, and thus a starting point for rational ethics.

A possible objection here might be that ancient Greek philosophers emphasized justice rather than benevolence. They stressed that justice is related to rational ethical conduct, and a crucial virtue which promotes harmony in social life. But benevolence can underlie justice. As Garnett noted (1956, p. 118), accepting justice could be motivated by benevolence, at least in some authors, who “loved justice so because they loved their fellow men.” In addition, benevolence is considered by Aristotle (1925), but in the context of friendship: “to a friend . . . we ought to wish what is good for his sake.” (*Nicomachean Ethics*, VIII, 2)

Benevolence therefore must be seen as one of these values which belong to the whole of humanity. As we will see next, this is reinforced by considering the Confucian notion of *ren*, a consideration of which seems particularly appropriate in the context of this book.

6.2.4 *Agápē and Confucian Notion of ren*

Contrasting with Christianity, Confucianism is a non-theistic or at least, does not involve a belief in a personal god. However it shares with Christianity that idea that

human beings are teachable, improvable and perfectible. The Christian notion of *agápē*, in its philosophical understanding, has much in common with Confucian notion of *ren*, which is at the core of Confucian ethics.

According to Confucius, *ren* is based on human relationability and sociability, and represents a sense of concern for others and altruism. Etymologically the Chinese word *ren* is made up of the words “human” or “person” and “two”. Thus, it deals with the relationship between two persons, but also includes the idea of the interconnection of people, and not limited to the number two. *Ren* is actually more than this. It is a key foundational principle in interpersonal relations.

In modern terms, *ren* is often translated as “benevolence”. It is also close to the idea of humanness, human-heartedness and loving others. It is relevant that when asked, Confucius (2011) defined *ren* by the ordinary word for love, *ai* in Chinese, saying that it meant to “love others”. *Ren* “is to love all men.” (*Analects* 12.22). This is closely related to “love of benevolence”, the meaning of *agápē* in a philosophical context, as noted above.

Ren is a human capacity which entails both moral mindset and moral attitudes. In this sense *ren* is also a *de*, this is, *virtue* in the Confucian sense. Thus, *Ren* also has a sense of virtue which is the source of all other virtues, and suggests a universal fraternity. This is, at least, one possible interpretation of this passage from the *Analects* or *Sayings of Confucius* (12.5): “A gentleman is careful and does not trip; he is humble towards others and courteous. All within the four seas are *brethren*; how can a gentleman mourn his lack of them?” (italics added).⁹

Ren entails living by *zhong shu* – the equivalent of the Golden Rule – which in Confucian ethics is expressed as: “not to do to others as you would not wish done to yourself” (*Analects* 12.2), and also, in a positive enunciation as: “the man of perfect virtue, wishing to be established himself, seeks also to establish others; wishing to be enlarged himself, he seeks also to enlarge others. (*Analects* 6.30) In this latter form, *zhong shu* requires that one is obliged to help others to develop morally in the process of developing one’s moral self, which is seen as the major moral goal of a person.” (Ip 2009, p. 465)

Ren is not only about interpersonal relations. According to Confucius, it is also for ruling the community. A ruler should act in accordance with *ren* if his/her desire is that his/her subjects behave in a humane manner. What characterized superior rulership was the possession of *de* (virtue) and therefore *ren*. Thus *ren* is conceived of as “a kind of moral power that allows one to win a following without recourse to physical force, such ‘virtue’ also enabled the ruler to maintain good order in his state without troubling himself and by relying on loyal and effective deputies.”¹⁰ In this sense, Confucius claimed that, “He who exercises government by means of his

⁹ *Analects*, 12, 5.

¹⁰ ‘Confucius’, (2006) Stanford Encyclopedia of Philosophy: <http://plato.stanford.edu/entries/confucius/>, (accessed September 13, 2011).

virtue may be compared to the north polar star, which keeps its place and all the stars turn towards it.” (*Analects* 2.1)

6.3 *Agápē* in Business Ethics

If *agápē*, or love of benevolence, is so important, one might expect that this notion had been taken into consideration within business ethics. However, benevolence is rarely mentioned in economic and business ethics literature. On the contrary, benevolence is even presented negatively by citing the famous quotation from Adam Smith in the *Wealth of Nations* in which he affirmed that “it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves not to their humanity but to their self-love. . .” (1910/1776, vol. I, p. 13) This Smithian remark has been understood in modern economics as a tribute to self-interest, which is seen as the exclusive motivation for conducting business. In addition; the benefit for wealth creation of managing business motivated by self-interest is often emphasized, following Smith’s approach (e.g., Jensen 2001).

Facing the question of whether including benevolence in business makes any sense, a cynic may smirk: Benevolence in business? Are you so naïve as to propose this? Don’t you know that business is based only on contracts? But yes, love of benevolence in business does make sense. First of all, it is worth clarifying what Smith meant in the above-mentioned passage about the butcher, the brewer, or the baker. As the Nobel Laureate Amartya Sen noted, what Smith what argued is “that the pursuit of self-interest would do fine to motivate the exchange of commodities” (1993, p. 46), and nothing more. He added that “the butcher-brewer-baker simplicity does not carry over to problems of production and distribution (and Smith never said that it did), nor the problem as how a system of exchange can flourish institutionally.” (1993, p. 47).

In addition, making money is a motive for selling, but it is not the only motive. Business relations are complex and can entail a great variety of motives. In the second half of the twentieth century many motivation theories were developed and, although there are many different approaches, it is now widely accepted that there are many sources of motivation apart from money (Locke and Latham 2002).

6.3.1 *Benevolence or justice?*

For at least the last two centuries duties of justice, principles and norms have been dominant over benevolence in Western moral philosophy. One reason for this, among others, may be that justice is more concrete than benevolence and open rational debate on what is due; what his or her right is. But benevolence is deeply rooted in the shared experience that it is a real human value and a human virtue.

Another reason may be the importance of contracts in business life. Contracts are indeed crucial in doing business. They are the skeleton of economic activity since a significant part of economic and social life depends on the honoring of contracts between physical and/or moral persons. This is a matter of justice. However, business and business organizations are much more than a set of contracts; people are linked by a variety of relationships and motives (Melé 2011).

As noted above, at the beginning of the business ethics movement principled ethical theories were dominant, but the introduction of “virtue ethics” in business ethics may facilitate the recovery of benevolence in this field. “Virtue ethics” has become increasingly accepted in business ethics, mainly from the 1990s (Solomon 1993, and others), and *agápē* (love of benevolence) is a virtue, and one closely related to the other virtues, as previously explained. Other notions often considered in business ethics, such as ethics of care (e.g., Wicks et al. 1994; Simola 2003), are not too far removed from benevolence either, although their starting point may be quite different. Other proposals for business ethics, not yet so widely accepted, are also related to benevolence. This is the case of facing responsibility from the other, rooted in Levinas’ ethics (Aasland 2007), and the personalistic-virtue ethics perspective, with its Personalist Principle (Melé 2009b), which includes not only respect for people, but also care and benevolence.

To sum up, it seems there are valid reasons to include benevolence within the business ethics field. But, how? This is the question that we will address in the next section.

6.3.2 *How to Introduce Benevolence in Business Ethics?*

We can distinguish four constitutive aspects of business ethics (Melé 2009a, p. 10): (1) individual business ethics, in the sense of individual ethics within the organization, (2) managerial ethics, (3) organizational ethics, and (4) societal business ethics. Here we will follow the latter approach to discuss how benevolence can be considered on these four levels.

Regarding *individual ethics* it should be emphasized that an individual within an organization is not an automaton. Managers and employees have, of course, many constraints coming from organizational structures, legal regulations and social pressures. However, they do not abandon their conscience in crossing the company threshold. Corporate codes of conduct, corporate values and the mission statement of the company may provide guideline and generally do so, at least in terms of justice. These may help managers and employees in some cases of doubt. Above all, they express what companies expect as regards behaviour from those who act within the organization or on behalf of the firm. But they cannot cover every situation. In addition, following a corporate code of conduct is not a full guarantee of excellent ethical behaviour.

Corporate norms cannot substitute or eliminate the need for the moral conscience, this is, the moral judgement of each individual facing particular situations.

In addition, previous to such judgements, there is the recognition of people around one and the interior calling to deal with them showing respect for their human dignity, respecting their rights and avoiding damage to them.

In addition, humans have the shared internal experience that our actions affect people, for good or for bad. Actions can contribute to people's wellbeing and satisfy their desires and real need, or on the contrary, an action can damage them. Similarly, the moral imperative of benevolence may be also perceived as a call in dealing with people beyond the requirements of justice.

In real life within an organization there is evidence that people do not act "mechanically", motivated exclusively by norms and procedures and other formal aspects of the organizational, to avoid punishment and to obtain rewards. Benevolence is shown, for instance, in a mentor who wants to help the protégé, even though the mentor is not required to be helpful and there is no extrinsic reward. Other behaviors which entail benevolence can be found in corporate life. This is the case of people who willingly share knowledge, do favours, deal with others with consideration and kindness, express gratitude, and forgive offences, since all of these fall beyond any strict requirement of justice.

Looking at *managerial ethics* related to managerial activities, which includes planning, organizing, leading and controlling organizations, and also in the day-to-day activity of managers. Managerial ethics, like individual business ethics, includes both justice and benevolence. This has special relevance in managerial decision-making and in leadership.

Managerial decision-making, which is an important aspect of corporate life, should include justice and benevolence. This is seen to be so if one considers that rationality in decision-making is not only an economic or instrumental rationality, but an extended rationality (Pope Benedict 2009, n. 33) which includes ethics; and human rationality is not a mere calculative capacity in terms of profits and losses, but also the capacity of discernment between good and bad. Benevolence, just as with justice, is a part of such rationality.

In addition, leadership requires people who follow the leader and this requires the perception that the leader is honest and concerned with the followers' wellbeing. Although the perception can suffer distortion, a manager who really acts with benevolence toward his or her people seems well-equipped to attract followers.

Considering business organizations as a whole is the object of *organizational ethics*. Ethics inspires and evaluate corporate policies, organizational structures, systems, proceeds, rules and any other formal and informal element which can be considered as constitutive of an organization. Organizational culture, which includes shared ideas, values and common practices within an organization, is also matter for organizational ethics.

Benevolence can inspire and evaluate structural elements and culture of organizations. At this point, key questions might be, for instance, to what extent the organizational structure, the incentive system, the appraisal performance, and the organization of work are really good for personal development and in what way they contribute to the common good.

Business ethics also refers to business and society relationships. This is *societal business ethics*. Benevolence here is acting for the societal common good through stakeholder relationships and contributing to a sustainable development. This is a societal benevolence which leads one to assume social responsibilities by being aware that business is a part of society and should work for the common good of such society. Contrary to societal benevolence is managing business in the manager's own interest or in the interest of a single constituent or stakeholder of the firm (shareholder, for instance) and damaging the legitimate interests or rights of others, including the local community and the society at large.

6.3.3 *Toward a More Complete Business Ethics*

Business ethics is often reduced to moral reasoning by applying principled theories focussed on determining ethical issues and solving dilemmas. The notion of *agápē* opens business ethics to new horizons. An action can be acceptable in terms of right and wrong, or can be qualified as fair or unfair, but when you consider the logic of *agápē* you understand that one action can be better than another. Thus, it makes sense to talk not only about ethical issues and dilemmas but also about improvements (Melé 2009a, pp. 11–12).

Business ethics also becomes more complete if you consider the internal effects on the agent and the generation of virtues through the action. This enriches virtue ethics theory and consequently business ethics too. Beyond moral reasoning and a correct application of principles, virtues ethics emphasized that good action increases the moral quality of the agent. Benevolence, care and the logic of gift are in this line, but while focussing only on justice brings about being a more just person, the logic of gift produces an improvement in terms of capacity for love of benevolence, in addition to justice.

Benevolence makes business ethics more complete by considering its consequences for generating trust and subsequently its contribution to a long-term performance. Mayer et al. (1995; see also Schoorman et al. 2007) in an often-cited study, argued that the formation of trust is strongly influenced by three principal factors, one of which is benevolence. They understood benevolence as the extent to which a trustee is believed to want to do good to the trustor, asides from an egocentric profit motive. The other two are trustworthiness – ability and integrity. Ability refers to technical skills, competencies, and characteristics in some specific domain.¹¹ Integrity refers to the trustor's perception that the trustee adheres to a set

¹¹ Thus, a recognized ability of a surgeon generates trust in patients who need a surgical operation, and a general manager can trust in the experience of a successful marketing manager who is going to be hired. When ability exists in some technical area, a person can trust that tasks related to that area will be carried out with an appropriate competence. Trustworthiness in ability is specific, since one can engender it in one area but not in another.

of principles that the trustor finds acceptable; for instance keeping his or her word, honoring contracts, and not telling lies.

6.4 Conclusion

We tried to show that *agápē* is a rich notion which is at the core of Christian ethics. The philosophical approach to *agápē* is “love of benevolence”, which is closely related the Confucian notion of *ren*, translated as “benevolence” of “loving others”.

Love of benevolence does not exclude justice. On the contrary, benevolence, first of all requires justice, but it goes beyond this. It seeks to serve the other’s needs because one recognizes a shared humanity with all people.

Our conclusion is that benevolence should be taken into consideration in business ethics. This makes sense in individual ethics within the organization, managerial ethics, organizational ethics and societal ethics.

The consideration of benevolence in business and in business ethics can make business more human and foster the generation of trust – so crucial for business in the long-run. The consideration of *agápē* is so important that any business ethics theory which fails to consider it is incomplete because it will ignore an important aspect of the human moral sense, and is consequently not fully human.

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Chapter 7

Ethics as Practice Embedded in Identity: Perspectives on Renewing with a Foundational Link

Mar Pérezts

Abstract This paper explores the link between ethics and identity in the form of a theoretical working proposal. I show that this link, in spite of being at the core of a foundational conception of ethics, has been largely overlooked in business ethics literature. Renewing with it appears as essential both for the thought and particularly for the practice of ethics in organizations. I begin by exploring the genesis of a common misconception of ethics, visible in the contemporary debate on the difference between ethics and morals. The etymology of the word ethics reveals in itself an ambivalence which links it to the notion of being, or ethos. This is explained through the case of organizations, and the link between ethics and organizational identity. In the second section, I show that the ethos of ethics has been split through an organizational separation, where ethics resides either in CSR departments and is expressed by discourses and ethics statements (fundamental ethics), or in Compliance departments where it becomes a normative constraint (applied ethics). I draw on contemporary philosophers' developments to propose a theoretical frame which would allow bridging both perspectives, through what I call the ontological or identity dimension of ethics. In the final section I discuss the implications – philosophical as well as managerial – of renewing with the original link between identity and ethics and dress the outlines of a research agenda to pursue this path.

7.1 Introduction

Is ethics a question of being or acting? Do people act ethically because they are intrinsically ethical or is it ethical action that makes them ethical? This never ending philosophical questioning goes back to the dawn of human reflection and has been

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one of the dialectic approaches that have served to cope with the problem of good and evil within man and larger social-cultural contexts. Today, the anthropomorphic projection on organizations through *Corporate Social Responsibility* and *Business Ethics* transposes this question to the organizational and corporate levels, thus posing the question of organizational and corporate identity and action as well. But while numerous studies have addressed ethical action, good and wrongdoing by organizations or the definition of best practices, in this paper I wish to focus on the other often neglected dimension of ethics: identity. This aspect is essential in classic philosophical developments of ethics as well as in recent perspectives in contemporary thinkers like Lévinas (1969) or Ricoeur (1990, 1996). However, I argue that the link between ethics and identity has been largely overlooked in Business Ethics literature, even though it constitutes an essential aspect both for the thought and particularly for the practice of ethics in organizations.

I begin by exploring in the following section the genesis of a common misconception of ethics, visible in the contemporary debate on the difference between ethics and morals. The etymology of the word ethics reveals in itself an ambivalence which links it to the notion of being, or *ethos*, which is the expression of identity. Afterwards, I show that the *ethos* of ethics has been split through an organizational separation, where ethics resides either in CSR departments and is expressed by discourses and ethics statements (fundamental ethics), or in Compliance departments where it becomes a normative constraint (applied ethics). I draw on contemporary philosophers' developments to propose a theoretical frame which would allow bridging both the fundamental and applied perspectives, through what I call the ontological or identity dimension of ethics. In the final section I discuss the implications – philosophical as well as managerial – of renewing with the original link between identity and ethics and dress the outlines of a research agenda to pursue this path of inquiry and the eminently ethical questions it poses. I explore the shifting of the ethical debate in organizations from a “good intentions” view of ethics on the one hand and the normative Compliance approach on the other and the way identity is not only a matter of being. As the object of control and identification practices, it implies an additional force structuring and reinforcing institutions. There are thus institutional implications which allow the emergence of derived objects of management, which we identify abstractly through the notions of the Same and the Other, sameness and otherness as mirrors of an ethics conceived as practice embedded in identity.

7.2 Genesis of a Misconception

7.2.1 *Ethics or Morals?*

Ethics is often viewed as question of good or evil, right or wrong, white or black. Ethical judgment derives most naturally from the binary and absolutist alternative: one is thus *either* innocent *or* guilty. It also had a binary way of expressing itself, of

materializing in empirical reality in the way organizations conceptualize and express their ethical positioning: best (as opposed to worst) practices, “do’s/don’ts” booklets, value statements, codes of acceptable/unacceptable workplace behavior etc., which in turn become institutionalized forms of ethical organizing. And although theoretically it is possible to think in terms of absolute right and wrong, in Kantian categorical imperatives (1785, 1797), this doesn’t seem to convey the complexity of the empirical and practical aspects of ethical organizing.

One of the main theoretical issues behind this is the problematic conceptual relationship between the notions of ethics and morals. As Ricoeur (1996) justly points out, there is no general consensus as to how each term covers a particular aspect of the issue at hand and how they relate to one another. There only seems to be an agreement on the fact that both terms are needed. A difficulty underlined by most scholars concerns the etymology which in this case is not very helpful, since one term comes from ancient Greek, and the other from Latin. Many questions then arise: are norms the prescriptive materialization or application of ethics or is there a different relationship? How do norms relate to the moral subject and a sense of duty? How to enact an ethical conduct and in accordance to which conception of ethics? Is ethics a matter of principles and values or a matter of action? This debate covers the gap between what is considered the realm of fundamental ethics on the one hand (values, ideals, etc. which are often conveyed implicitly or in an embedded manner) and applied ethics on the other (their explicit translation into practices, norms and their application).

The literature conveys numerous diverging positions on this question. Furthermore, the fact that in our common language we often do not make a difference between the terms “ethics” and “morals” and use them interchangeably does not help to clarify the difference. The common perception and common use we make is often that of interchangeable synonyms. But the ethos of ethics is more complex, as we shall now show: in order to avoid ending in the classic *aporia* around the debate between ethics and morals, we suggest focusing for a moment exclusively on the notion of ethics, which is already in itself ambiguous, and for that reason, also rich.

7.2.2 The Forgotten Ontological Dimension of Ethics

The theoretical confusion inhabits the word ethics itself, since the times of pre-Socratic philosophy and has been the object of an extensive philosophical debate. While today most studies focus on establishing conceptual boundaries and even hierarchies between ethics and morals, an etymological study of the word ethics alone already shows the richness of the concept, often neglected today in favour of the opposition with morals.

As mentioned above, in our common language, ethics is often used as a synonym for morals (in the “moralistic” sense of the word), and corresponds in organisations to the promotion of statements, conduct guidelines and normative regulations

which establish the rules of the game and its limits. We find this meaning of the word in expressions such as “business ethics”, “ethical bank”, “ethic statements” etc. However, there is another meaning of ethics that covers the idea of behaviour, habits that define descriptively what an organization, banks for instance, are and what they do, without any moral consideration or judgment. Thus, in the expression “banking ethics”, we could also refer solely to what the banking activity consists of, in a morally neutral sense.

This hermeneutic confusion comes from a translation difficulty from the words’ Greek etymology, and the difference between *èthos* and *éthos*. The former, (from the ancient Greek word *èthos*, or in plural *èthé*, where the *è* is the transcription of the Greek letter êta) means a disposition which implies moral considerations: *èthos* is what our common language refers to as ethical (‘just’, ‘moral’, ‘legal’ etc.). Aristotle made it an instrument of the art of rhetoric, in order to create a certain emotional and moral disposition in the audience such as empathy for example. Today, the equivalent could be found in the ethic statements. The latter on the other hand, (from the ancient Greek word *éthos*, where the *é* is the transcription of the Greek letter epsilon) is a habit, a custom. In our former example, the banking *éthos* is thus simply the activity of lending and managing money. In this definition, ethics in its moral connotation (*èthos*) didn’t normally come into the equation, at least not in an explicit, official and institutionalized way, but was reserved to the discretion of individuals without concerning the organizational, field or institutional levels. However, the aftermath of the recent crisis and the conflict of value and valuables is transforming the very nature and ontology of banking activity and therefore of the banking industry itself: the banking *éthos* (their business-as-usual) is being modified by the ethical (*èthos*) turn, encountering organizational and ethical problems along the way, being confronted to the coexistence of different *ethea* (Stansbury 2009). What is then a bank? An organization which borrows and lends money or an organization which in doing so in accordance to certain values conveys a certain organizational identity?

An ontological dimension is thus at the core of ethics starting with the etymology of the word, but has much been overlooked in the contemporary use of the word ethics itself, and has been evacuated in favour of the alternative use of the word morals and a debate among morals and ethics which seems aporetic. Yet, since Socrates’ consideration of the Delphi oracle inscription “Know thyself”, the question of the self, the knowledge of the self and of Good have been linked. Ethics was the aspect of Greek philosophy that considered the way of being and acting, the “wisdom of action which ordains practical existence to the representation of Good” (Badiou 1993:15) rather than simply theoretical considerations on values, good and evil. Ethics was experienced, situated and enacted, it ordains one’s existence, hence one’s being and identity. Thus, ethics originally encompassed both dimensions: the representation of Good embedded in the self *and* its’ practice by the self, as inseparable as the two faces of a coin and which together mirror and shape, *in fine*, identity. What you do (or don’t do) reveals who you are.

7.2.3 *On the Banality of the Execution of Good and Bad Practices*

Both the practice and the identity dimensions, together, were nevertheless historically evacuated from the concept, through the scholastic division into fields: business ethics has thus become a field of theoretical knowledge allowing the development of an expertise (Jaffro 1994), today often embodied in groups of experts such as Ethical/Compliance Committees/Officers. But in fact, the notion “ethical expertise” embodied by the *sophos* (expert) is in contradiction with the original meaning of ethics, related to ethical experience of the Aristotelian *phronimos* (prudent man). Yet somehow, the Kantian approach has become dominant, instead considering ethics from the standpoint of normative expertise, and rooting ethics in an abstract universal agent who acts according to categorical imperatives. At the organizational level, this Kantian perspective of ethics translates into a dematerialized notion as well, locating ethics not in the individual but in the anonymous corporation.

However, early perspectives on business ethics did locate responsibility within the business man (and not the business) (Bowen 1953), although most works of the time were limited to philanthropy (Chase et al. 1950). Today, this kind of approach remains marginal and over the years the idea of responsibility was progressively moved to the processes on the one hand and to the corporation itself on the other (Lee 2008). Today, we acknowledge the notion of *Business* ethics and not *business men’s* ethics to have passed from a relatively marginal concern to an institution (Pasquero 2005; Lee 2008), as scholars who have studied the theoretical evolutions of the field of business ethics have shown (De George 2010; Lee 2008; Ma 2009 etc.).

This depersonalization has led, in compensation, to the reinforcement of tools, processes, evaluations and reporting: hence the forming of an evaluable ethical capability embodied by Compliance departments and their staff specialized in laws and their translation into institutionalized norms and standards (Brunsson and Jacobsson 2000). As a consequence, the human moral subject has muted into the agent in charge of executing, without question, a certain corporate ethos through its specific normative frame of what it accepts or does not accept. Recent financial history has given us several exemplary figures which embody this aspect. Within the global issues financial crisis, some scandalous figures stood out which added fuel to the fire, such as the Madoff fraud or the Jérôme Kerviel rogue trading case in France. The latter, had a very simple defense to excuse the record loss of nearly five billion Euros in 2008, qualified as rogue trading by the bank and for which he was ultimately convicted: he was just an average trader who did what every other trader actually does. He argued that he only indulged in practices which were “common practice”, not only within the Société Générale bank, but within investment banking in general (Kerviel 2010). Seminal works such as that of Crozier and Friedberg (1977) have shown how indeed a bureaucratic system, if totalitarian, can lead to such doings both at the individual level of people obeying orders, and the organization and field levels which develop into an entire system. Thus, Kerviel is the

mirror of the Investment banking deviant identity, a mirror of both its *éthos* and its *èthos*, its value system and its cold application. What made it even more disturbing was that it also mirrored the fact that anybody could have become Kerviel, since most traders, according to him but also other insider testimonies, abide by the “not caught, not guilty” principle. They are mere executors or followers, and no specifically horrific human nature is a prerequisite to committing such deviant practices. What we qualify as bad practice, and consequently by the same reasoning, good practice, are not simply the exceptional individual construction one might imagine, but a mirror of a larger *èthos*.

7.3 Identity and Ethics: Proposal of a Theoretical Frame

7.3.1 *The Organizational Split of Ethics*

Today, in corporations, both sides of the ethical coin (fundamental and applied) have been organizationally split: the representation of good and its deeds on a voluntary basis in the Corporate Social Responsibility (CSR) department versus the enforcement of applicable standardized norms in the Compliance department. The former thus remains the illusion of ideals difficult to apply and marginal to the organization’s core activity (e.g. environmental sustainability) and the latter turns into the blind application of norms, in itself unethical because it implies submission (to comply with) norms, as Nietzsche (1881) had predicted would be the death of ethics.

The problem of considering ethics solely from this split perspective which remains exterior, both in structure and in meaning to businesses, is the normative judgment implied. It will either be in accordance with the universal ethics of the abstract Kantian perspective (Badiou 1993), or with its economic utility, with much research dedicated to establish positive (Sustainable Development supporters for example) or negative (separation thesis inherited from common interpretation of Friedman’s dictum (1970): the sole responsibility of business is to increase shareholder profit) correlations between ethical corporate behaviour and financial performance. A recent practice turn in business ethics (Andrews 1989; Van de Ven and Johnson 2006; Clegg et al. 2007; Deslandes 2011) strives to break free from the exteriority where ethics is split, in order to try to effectively embed it into the organization’s moral subjects, instead of agents or executors. In this section I draw on this practice turn and propose a theoretical frame which would allow bridging both perspectives, *éthos* and *èthos*, by bringing what I call the ontological or identity dimension of ethics back into the equation.

Scholars have, for some time now, attempted to bridge both sides of ethics, the form and the content, the descriptive and the prescriptive or the empirical and the normative sides (Singer 1998; Rosenthal and Buchholtz 2000). Increasingly important approaches, such as that of virtue ethics (e.g. MacIntyre 1985; Taylor 2002; Melé 2009; Provis 2010) focus on strength of character and sensitivity of the

context (Solomon 1999), thus embedding ethics in the moral subject. Focused on individual judgment and the Aristotelian notion of ‘practical wisdom’ or ‘*phronesis*’ (e.g. Koehn 1995, 1998; Moore 2002; Fowers 2003; Holt 2006), which also finds echoes in ancient east philosophy (Chan 2008) tries to consider the importance of embeddedness in real-life contexts as a starting point to any consideration of ethics, particularly in business (Arjoon 2000).

Other scholars have recently attempted to map the overlapping of identity and ethics and have identified this as a promising field of inquiry (See the special issue of the Journal of Business Ethics of 2007 dedicated to this question). Since Gray and Balmer’s proposal of the notion of “ethical identity” (2001), this area has progressively captured attention and ethics are today acknowledged as essential and an implicit dimension of organizational identity (Oliver et al. 2010). Corporate identity was traditionally restricted to the graphic elements such as logo and advertising image to enhance corporate communication (Cornelissen 2004) and the notion of organizational identity tried to cover the internal culture in the wide sense of the word (Dutton et al. 1994; Ford and Harding 2004). Gray and Balmer’s framework (2001) suggests that *corporate identity* maps the corporate ethos (or core attributes and values); *organizational identity* reflects the combination of employees’ value systems; and *visual identity* concerns corporate image and communications. Their effective combination creates the ethical identity, or ethical ethos. Borgerson et al. (2009) have recently examined the strengths and weaknesses of this framework in a case study of Benetton and suggested a complementary *operational identity*, in order to effectively implement ethical identity within the organization and its employees. In a parallel manner, Verbos et al. (2007) suggest the implementation of a “living code of ethics”, as the concrete manifestation of ethical organizational identity.

7.3.2 *Repositioning Ethics: A Proposal*

What seems to stand out from all the considerations until now, is the need to somehow embed ethics concretely in practice, that is in individuals who will actualize it in the form of norms, voluntary actions in view of an idea of good. In a short article, Ricoeur (1996) in a way reviews his position initially developed in *Soi-Même comme Autre* (1990). In order to untangle the complex thread of Arianne of this subject, he suggests considering morals at the heart of the issue as a fixed reference point with two main functions: (1) to outline the “area of norms” (1996:689), that is to state what is allowed and what is not, and (2) to outline the sense of duty, the subjective relation of a subject to norms. Ethics is then divided into two : “upstream” and “downstream” in relation to norms. The “upstream” or “fundamental” ethics which are prior to norms regard a meta-conception of ethics, while the “downstream” ethics which derive from norms and embed them concretely in specific situations (1996:689). He then points out that the way to link both conceptions of ethics is through practical wisdom concerning norms while

Fig. 7.1 A missing link

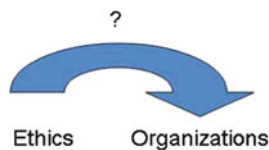


Fig. 7.2 Ethics as practice embedded in identity



embedding them in concrete situations. Two elements thus appear as essential: embedding fundamental ethics into applied ethics through practical wisdom regarding norms, and knowing that this process is conducted by a moral subject who has a subjective relation to norms. Kerviel's indulgence in the system is a choice, and implies a Sartrean freedom and responsibility (Sartre 1944). His subjective relation to norms was explicitly that of mirroring a professional culture, implicitly that of acceptance, even if this implies to indulge in deviant behavior under the collective pressure (an isomorphic attitude analyzed by Venard and Hanafi 2008; Venard 2009). He is a reflection of the investment banking system, of its ethos and identity through its deviations. Retroactively, what he did and what he failed to do not only mirrored it, but reinforced it, created and recreated it.

At the organizational level, this means changing the way we conceive ethical practice and organizing, as having a retroactive effect shaping identity as a subjective relation to norms through a sense of duty and the need to embed ethics into identity through practice. While a dominant line of thought inherited from the separation thesis between ethics and business tends to consider that the business ethos is in its nature independent and that therefore engaging in ethical practice will be done on a utility basis, increasingly scholars have argued that this cannot hold anymore. Hence, there is now a general acceptance that ethical accountability is somehow part of organizations, and that ethical practice is not completely exterior to them. Yet this link remains largely unspecified (cf. Fig. 7.1).

Following Ricoeur, I suggest that the link is, to begin with, twofold and not only one way. Indeed, as we mentioned earlier, organizations' ethos (their being) is being modified by the current ethos (ethical) turn and vice-versa. As they engage in specific practices – either willingly or under constriction – this is slowly but surely changing their ontological nature (cf. Fig. 7.2). The practice of ethics has thus effects on organizations' identity, what they assume to be their essential nature. I argue that this can be a way to understand the complex relation between ethics and organizations which foster it, and how a way to make it meaningful to organizing, is first of all to conceive it as practice (and not only as discourse, as regulations or other artifacts which make it remain exterior), and second, adding to Ricoeur's

developments I suggest conceiving this practice as fundamentally embedded in identity. Indeed identity is what can allow for a meaningful circularity between “fundamental ethics” that exist “prior” to norms and “applied ethics” in practice.

This is particularly visible in the case of banks I have used earlier as an example to illustrate this phenomenon. Regulations, intensified in the aftermath of the financial crisis, are subject not only to the blind execution by Compliance and Ethics officers, but also to their enactment. This implies interpreting the rules to fit the situation at hand and translating their logic in terms which can be understood by other areas of the business which often have difficulty aligning to its priority which they feel as exterior to the business.

We now shall consider what implications may lie behind taking ethics as practice embedded in identity, as having a fundamental ontological dimension, and how this can open the way for interesting perspectives to further explore.

7.4 Ethics as Practice Embedded in Identity: Prospective Objects of Management ?

In this final section I shall discuss some implications – philosophical as well as managerial – of renewing with the original link between identity and ethics. In doing so, I will suggest some directions in which to pursue research along this line.

There is a very specific conceptual tension opened by a reflection on the link between ethics and identity: through the reverse effect on and by ethics in relation to the structuring of identity, there appear to be institutional implications which would require thorough consideration. On the one hand, the well known prescriptive approach to ethics and norms suggests the question of reproduction of these norms, of ensuring their continuity, and perpetuating the values that they stand for. On the other hand, there lies the much less considered question of the reverse problematic: in pursuing *sameness*, there is also the reverse effect of managing *otherness*. The abstract notions of the Same and the Other as objects of management appear as a key dyad to explore, in view of the eminently ethical questions each poses both separately and combined.

7.4.1 Identification Practices, Identity and Sameness

Sustaining the idea of corporate and organizational reputation are the complex processes of identity and identification. Good or bad reputation builds up organizational identity to which consumers might identify themselves. Adopting corporate social responsibilities or engaging in ethical activities has been mostly acknowledged as having a positive effect of reputation and consumer identification with the company (Carras Perez 2009). In banking for example, other practices attempt to

control reputation through screening and identification procedures, such as Know-Your-Customer and Anti-Money Laundering (KYC-AML) verifications. In doing so, identification practices of prospective clients not only convey the normative orientation of banks' practices, but their nature itself, their ontology as well as their teleology.

Furthermore, the question of ethics as a practice embedded in identity challenges the organization at the core: good intentions and words are no longer sufficient to substantiate identity. There is thus a live tension and the need to shift the ethical debate in organizations from a "good intentions" view of ethics on the one hand and the normative Compliance approach on the other. Identity is thus not only a matter of being. As the object of control and identification practices, it implies an additional force structuring and reinforcing institutions: here again action and identity mirror each other: who we accept to deal with reveals who we are as an organization.

In this sense, practices considered to serve a protective reputation purpose (such as KYC-AML checks in the financial sector) act as an *institutant* (Lapassade 1966; Lapassade and Lourau 1974): they become a defense mechanism of the organization itself, of itself against what is not itself. This implies that thinking ethics means thinking or rethinking the institution, through the "sameness" effect that is reinforced by such practices. This leads to reinforcing the idea that markets presuppose normative consensus (Day 2005), thus leading to organizational isomorphism (DiMaggio and Powel 1983) visible also at the field level. Sometimes, this tendency can become so strong it even leads to engaging in unethical practices such as corruption under institutional pressures (Venard and Hanafi 2008; Venard 2009), or is simply viewed as part their quest for legitimacy (Meyer and Rowan 1977) or simply survival, since sometimes even major events (such as crisis) do not constitute transcendent changes (Poole et al. 2000). This contains the risk of reducing everything to a mimic of the Same, and tautologically referring to oneself, or what one takes for granted, negating its radical otherness (Levinas 1969).

7.4.2 The Other: The Reverse Side of Identity as an Emerging Object of Management

Finally, this also engenders the reverse problematic, the negative of identity (as sameness) which constitutes a gap in the literature (Lim 2007): difference, or otherness, that thus becomes, implicitly, an object of management as well (Durand and Calori 2006). Otherness is not only a question of ontological difference, it also translates into otherness in practice. Hence the differentiation between the Same and the Other comes not only from the strict identity perspective, but also from the practical one: "we" and "them" do not conduct the same practices, do not abide by the same rules, do not do the same things and consequently are not the same. Once again, practice is embedded in identity (as sameness or otherness) with considerable ethical stakes.

Already in *The Sophist*, Plato counts the Other as an essential genre of being (*ontos*): each one's identity or sameness relies on its alterity regarding others and others'. In order to avoid the tautological aporia of saying of something only that which defines it ($A = A$), Plato implies that attribution of things which do not constitute the identity of the object is not incompatible with their being the same: one can say of a chair (besides that it is a chair) that it is big, made of wood, or in the kitchen. These attributes (size, quality, location etc.) are alien properties to the object, other than itself as an ideal essence (chair). So the definition of something is made not only in opposition to what it is not but also by the inclusion of properties which it is not. Definition for Plato, contrary to Aristotle's further developments, implies the possibility of internal alterity within being. Breaking with the Parmenidian tradition, this has the ontological implication of admitting the reality or the being of non-being (254d-258b) and allowing the possibility for deceit, error and saying things which are false or attributing false properties to being (262d-264b). This once again stresses its importance from an ethics perspective and its practice. But the Other is also the guarantee for evolution within the static tendency of identity. In Plato's *Timaeus*, the Other also allows for the possibility of becoming, since the demiurge created the world from the indivisible essence of the same and the other on the one hand and the divisible essence of bodies on the other (35a-36d).

The figure of the Other in organizations has mostly been treated through two main approaches. (1) As internal and a human resource challenge: how can firms integrate "different" people into their staff? In spite of their respective critiques, through affirmative action (Blanchard and Crosby 1989; Heilman et al. 1987) and diversity management (Jackson 1992; Gilbert et al. 1999), we are growingly looking to an established organizational paradigm (Smith and Johnson 1991; Gilbert et al. 1999) which is supposed to operate in view of greater fairness and competitive advantage (Pfeffer 1995). (2) As external through stakeholder theory (Freeman 1984; Donaldson and Dunfee 1994; Donaldson and Preston 1995; Friedman and Miles 2002) which brings into consideration other actors (such as the local community or the government) to whom the organization must also be accountable to. However, recent approaches have begun to show its theoretical and managerial importance from a larger perspective linked to business ethics, particularly drawing from Levinas' (1969) philosophy (Durand and Calori 2006; Bevan and Corvellec 2007; Lim 2007) and that of Ricoeur (1990, 1997). The figure of the Other is key to the very foundation of ethics, exogenous to the subject. This calls for a business ethics "conceived not as a corporate commitment but as an individual practice of responsibility by the agents of management towards the Other" (Bevan and Corvellec 2007:208). As a relational (Lim 2007) and ongoing enactment, ethics' practice is then thoroughly embedded in identity.

For business in general, business ethics can be considered as "the necessary (or legally sanctioned) imposition of limits to behavior associated with profit and power and where the Other is organized, even manipulated, to fulfill utilitarian goals" (Lim 2007:251). In the contemporary compliance approach in banking this is very clear: KYC practices strongly connected to a risk perspective aim at controlling the Other, and to avoid doing business with "undesirable counterparties", which simply

are often “not-like-us”, “not-abiding-by-the-same- rules” counterparties in the name of the fight against terrorism and money laundering (AML). In recent years, risk management has become one of the most salient specializations of finance (Fraser and Simkins 2010), crystallizing into normative constraints such as KYC checks. Yet, it has not sufficiently been addressed from an ethics perspective (Boatright 2010; Kolb 2010).

The question of the Other poses the question of identity not only in regards to whom they deal with (risk management and KYC perspective) but also within banks themselves, as they are forced, by law, to integrate into their ethos the function of being “sentinels of dirty money” (Favarel-Garrigues et al. 2009), besides their traditional function of financial intermediaries. This allows for the development of a “relational theory of risk” (Boholm and Corvellec 2011) where the object of risk is constructed within a “situated cognition”, thus highlighting the eminently interpretative nature of risk. I suggest developing this theory to address the question of the figure of the Other as it emerges as an object of risk management can bring new insight into ethics’ practice by re-embedding it into the rich ontological dimension of identity.

7.4.3 Concluding Remarks

This paper develops a working theoretical proposal highlighting why the identity dimension of ethics can significantly contribute to the ethical debate as a notion that is transversal to the individual, organizational and institutional levels and strongly linked to practice, thus bridging the fundamental and applied dimensions of ethics. I argue that identity is the core element that could allow ethics and management science to find common ground, or at least common grounding for effective *mise-en-pratique*. I sustain the idea that “inhabiting” the moral space and modulating it (Jensen et al. 2009) appears like an essential approach to ethical practice and therefore the identity dimension cannot be overlooked. I suggest business ethics theory and its institutional implications can greatly profit from taking this aspect into account.

Furthermore, I have suggested some lines of inquiry around the rich notions of the Same and the Other from an ethical perspective that may bring significant contributions yet to be further explored.

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Part II
Philosophy in Leadership

Chapter 8

Advancing with Time: Yijing Philosophy of Management and Leadership

Chung-ying Cheng

Abstract Given that the human world is presently confronted with three kinds of global crises, the ecological, the economic and the ethical, due to respective aspects of malfunctioning of human society, this article proposes a deep search for a new approach to management and leadership as forces for renovating and innovative re-orientation in which the cosmic and the human, self-interest and equity, knowledge and value, technology and wisdom must be integrated on interrelated levels of global productivity. This new approach is founded and derived from a creative interpretation and presentation of the core insights of the Yijing as an ontogenerative cosmic philosophy which identifies creativity on two levels, the cosmic creativity and the human creativity. I shall show how we come to understand these creativities and their close relationship in light of five senses of change (*yi*) in the philosophy of Yijing: change as identity, change as difference, change as polarity, change as exchange, change as harmonization. It is argued that it is through creative cognition and synthesis of these aspects of change in management and leadership that human creativity will emerge as a power of transformation of the human world and resolving global crises. This new approach to management and leadership will be also shown to have five characteristic unities of substance and function which can find great uses in all areas of human efforts: unity of the macroscopic and microscopic, unity of the source and system, unity of knowledge and orientation, unity of prediction and decision-making, and finally unity of cultivation and harmonization. We shall see how this new approach embodies an integration of ethics and management in an effort to integrate the best of Western insight into the world and the Chinese wisdom of the human self.

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8.1 Introduction: the Need for a New Approach

Twentieth Century has seen two world wars whose cruelties have exceeded all the wars of earlier human history. It also witnessed the great strides of scientific progress in both theoretical and technological areas. One may query what human institution since then has achieved the improvement of human society and human welfare of people in society. It is difficult to answer such a question for it presupposes that the human world must make progress in history and that humankind has learned from history so that it would not repeat those mistakes so that love, justice and harmony must triumph. We can no doubt see the twenty-first century as a new century in which we must reckon with lessons we have learned from twentieth century and yet such reckoning must take time for understanding. What is more needed beyond such learning of lessons is an overall understanding of weakness and strength of humanity in an ever changing complex world in which foresight and determination are equally demanded not simply for prosperity or flourishing but for dignified survival and respectable recovery.

As a matter of fact, such an understanding is ever more urgently needed in light of the problems of twenty-first century which, as one can see, are actually inherited from the twentieth century, as these problems have grown into crises of ecology, economy and ethics which put the human race into great jeopardy. The crisis of ecology has grown from greed-oriented industrialism which now damaged our environment and climate; the crisis of economy has revealed our short-sightedness and bigoted ego in financial capitalism which corrodes our social trust and widens the gap between the rich and the poor. Finally, the crisis of ethics stems from nihilistic attitudes and actions of the Economic Man who sees nothing more important than greedy profits devoid of any vision for common good. With these three crises the situation of humanity becomes worsened than improved. This means that we need a new approach to deal and to overcome these intimidating crises; that is, we need a new wisdom which will preserve insights from history and open new roads for the future. We need a new philosophy which will prove to be both descriptive and normative and yet founded on solid reality and humanity at the large.

In such a new approach to wisdom and philosophy, we should pay equal attention to cosmic changes, human social changes as well as their interacting relations. This is to see the importance of humanity in the cosmos and the intimate relationships between the two. Likewise in this new philosophy we need to see how macroeconomic policies and microeconomic management are equally important as we have to achieve a balance between self-interest and social equity. Last but not the least, in this philosophy we have to give strong attention to the cultivation of

virtues in the human person so that he would maintain and strive from a positive realization of human values in an open and changing society in light of principles of reason. In this philosophy we must recognize the crucial dynamic nature of concepts such as change, wholeness, humanity, constant innovation, self-restraint, mutual trust, personal knowledge and self-cultivation, morality of management, and social responsible action as reflecting both material and spiritual powers of ethics, management, leadership. We have to see these concepts as transformative forces organized in a system of supra-knowledge which uses and utilizes knowledge of science and technology based on invention for social development and human value realization, but not for simply self-serving personal or corporate profits or political power.

Although there may exist many models of thinking which may intend to meet and counter the three main crises we mentioned above, in our retrospect there is no philosophy of management and leadership which at present could qualify itself for excellence than the philosophy of management of Peter Drucker (1918–2005). Drucker has onetime suggested the idea of “planned abandonment” as a way of refreshing our society and community and this idea no doubt applies to both public and private sectors as we have to throw off old habits in order to catch with time. We have to conduct a conscious reflection on what we have to discard or put aside in our overall plan so that our society could experience a more effective process of regeneration, renovation and innovation.

In light of these modern demands emerging in a secular society with its post-secular needs for particularistic cultural forms and value-identity, it is clear that a philosophy of creative change and transformation such as exemplified in the Chinese classic Yijing is highly relevant and necessary, not simply because it meets all the demands of a post-modern society with post-secular and post-capitalist characteristics, but because it is a systematic philosophy which can be said to reflect a reality of comprehensive change and has given thought to the basic relations on nature and humanity, nature of knowledge or wisdom economy, the correlation between management and ethics, the balance and harmonization of values in concrete events of life, and finally, the tension of advancing of time for refreshing institutional innovation and the cultivation of the human individuals, specifically those in crucial leadership positions. It produces a whole and yet open picture of what we need to do in order to change the world by participating, communicating and coordinating for a better community of common sharing of our common good, which we may describe as harmonization and realizing of our own creativity. It thus gives us a philosophy of management and action, leadership for productivity and fair distribution, and a long-term sustainable growth in adaptation to the world we confront and yet could transform.

8.2 Yijing as Philosophy of Change and Cosmology of Creative Forces

Although the book of Yijing is often treated as a book of divination and thus seems difficult to understand in both its form and substance,¹ when we see what it really is, we would achieve a much clearer and more authentic understanding of why and how it should be regarded as a book of management and leadership, and in fact, a book of management and leadership with great import for the changing world today, not just for managing a corporation or a state.²

We need to know first of all what divination is about and how for the need of divination Yijing is developed as an organized system of symbols with insights into a reality which makes divination possible and meaningful. Divination is simply a way of understanding and deciding on what the future looks to us and how we have to act in light of such understanding and decision. As a human person we do not know the future as future is what is yet to happen. We can predict the future events if we study Nature scientifically as we may come to know the laws of nature on the basis of which we can make our predictions. That we can make predictions is due to the insight and belief-knowledge that the laws of nature will hold independent of time and space. On the other hand, Yijing could be said to go a step further in conceiving time and space as framework-making and environment-forming living forces which configure things and shape up events in a changing process of nature. Hence, as such time and space are not separable from the fundamental way in which things are generated and new relations among things evolve. In other words, they are just part and parcel of the whole cosmic process of becoming in which new identities and new differentiations take place in terms of different concrete configurations and situations. In light of this, we may notice that there are four principles at work in the formation of the world, each of which can be clearly understood.

¹For example, Zhu Xi in his *Zhouyi Benyi* has asserted that the book of Yijing is a book of divination without explaining in which sense it is a book of divination. In fact, the Book of Yi through its composition in 64 symbolic forms (called hexagrams) which are ordered in some non-linear fashion suggests a presupposition of cosmic map of natural process of formation and transformation of things in the world. This presupposition in fact induces a use of divination as a way of identifying situations for reflective interpretation in light of reading the cosmic map and its dynamics of formation and transformation. In this analysis the Book of Yi is not simply a matter of recording the results of divination but embodies a way of cosmic thinking which makes divination possible. Confer my article "On Paradigm of Change in the Philosophy of the Yijing", forthcoming in *Journal of Chinese Philosophy*.

²In a sense the book of yi together with its Confucian commentaries (called the *Yizhuan* as composed by Confucian disciples from fifth to fourth centuries BCE) can be seen as a way of understanding the cosmic changes and a way of how a human person can cultivate and transform himself or herself and others in light of such cosmic understanding, which we may regard as a matter of cosmic management of change toward future.

First, there is the principle of actual activity which consists in the interpenetrating activities of *yin* and *yang* or the dark and the bright, the hidden background and the manifest foreground, which have qualities which we can experience as soft and firm, dark and bright and rest and motion and the like. Besides, we can experience them as forces which are interpenetrating, opposing and yet mutually complementing, which would lead to production of new events and objects, each with its own opposing and complementing forces which defines them. These become the *gua* (figure or form). We can in fact combine them in an order of mutual generation so that we can see the indexical and iconic functions of these signs apart from the meanings we may assign to them by interpretation based on experience and imagination.

Second, there is the principle of the source from which *yin-yang* forces however are given rise. This source in so far as its creativity is concerned is undefined, indeterminate and yet inexhaustible in possibilities and powers of contingent realization. Because of this indeterminate nature, this source represents a continuous principle of unlimited creativity which makes change and transformation possible. As the source it also maintains the unity of *yin* and *yang* as polar and continues to enable the productive harmony for any differentiation of *yin* and *yang* in a unity. This would constitute an open process of productive activity in differentiation of unity and unification of the differences.

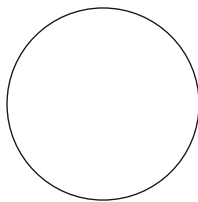
On the basis of these two principles, we can come to see and grasp the identity and difference of the world based on observation and reflection on the changes and transformation of the world in a process of *yin-yang* differentiation and unification which would lead to the productive harmonization of things. We may therefore suggest the following principle of levels of being in a world of change.

Third, there is the principle regarding levels of being in the world of change which consists in existence and transformations of *yin-yang* forces which interpenetrate each other on different levels of complexity and emergence. In this sense the world is not fixed and there is no constancy of things. Zhuangzi as a philosopher of the flowing Dao has described this world of change as “one moment living and the next moment dying” and as “one moment existing and the next moment non-existing”. In general, we can describe four levels of being, the world of quantum, the world of material objects, the world of animate life, and finally the world of human life. In this scale of levels of being, we have to see human beings as riding on the top of the world who are endowed with intelligence and will and having the capacity to make impact of changes in the macroscopic world of environment, and thus creating new objects such as satellites, and inventing systems of economics and politics. This leads to the fourth principle of change and transformation.

The fourth, there is the principle of change and transformation on the level of human beings to the effect that human beings are part of the creativity of the nature but are creative of civilizations and cultures based on their own forms of creativity. We may call the human creativity the second order creativity in distinction from the first-order creativity of nature. Although it is differentiated from the natural creativities, human creativity is still part of

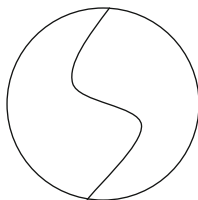
nature and is capable of changing nature in one way or another. Yet, the human being and its creativity are subject to conditions of all levels of being and are vulnerable as they are powerful.

In the following I shall illustrate some important levels of being with which we could identify our world of experience and in which management becomes meaningful and significant. We shall ask which meaning and message we may come to retrieve and receive in our identification as such. Thus we may start with the first level of being as the beginning of the cosmos and nature in which nothing has become determinate. In such a world we see many open possibilities but we have to assure a creative division of labor which would bring fruitful result. In order to see that this is the case one has to make sure that any division of labor must include potential for collaboration. The balance between competition and cooperation from division is thus a crucial factor for management of two factors equally important for the growth of the whole. In such a state we must allow changes as fast coming and fast going like quantum changes, but insist on large configuration of growth and stability as a whole.



The importance of seeing the whole world at the level of zero yin-yang is that we must not lose sight of the whole reality which is a field where new things will take place in both determinate and indeterminate manner. This holistic vision and horizon provides the ever-present background for the interplay of opposite forces which could fulfill functions and purpose of positive value as we may have designed and projected or may bring about destructive results.

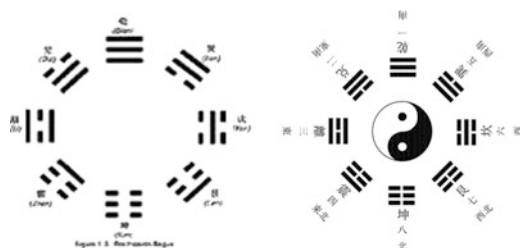
Next, we may represent our world on the first order of yin-yang interaction as the world of constant transformation such as represented as



This is the abstract form of the Diagram of Great Ultimate in which the yin and yang are like two fish embracing each other showing their reciprocal interaction and mutual transformation in opposite and complementing tensions. What this suggests for any management action is to see how two sides of the action may enhance each other to bring about an end result which would contribute to the total good of the

management project. Sometimes when one side of the management action is accentuated to the exclusion of the other side, then there could be unexpected turn-out which may upset the whole plan.

On this basis we may advance to the two interesting diagrams of trigrams: the so called before-heaven diagram of *baqua* and the after-heaven diagram of *baqua*



The first diagram of the two indicates how eight trigrams could be arranged in an order of opposite symmetry in which the creative force and receptive force forms a dynamic balance in terms of which all other forces become generated and have their counterparts in a dynamic balance too. When we come to the second diagram there is no such opposite symmetry except for the fire trigram below and the water trigram above. The intent of the diagram is to show the flow and circulation of forces in a generative order.

One may ask what are the significances for management in these two diagrams of representations? In the first place, we need an understanding of the basic relations of the things in the world as one of mutual balance and reciprocal dependence. Ideally, we can imagine that the world is a better world if all things have their counterpart which balances and harmonizes with other things. On the other hand, we need a principle of action beyond the principle of positions in balance and harmony. We need a world of action which is generative of life, vitality and productivity. This is what the second diagram tells us as it has to be recognized as a dynamical generation which is represented in a cosmogonic order of Five Powers which are derived from observation and re-organization of the eight trigrams.³

³ Formally, how to derive the five powers from *yin* and *yang* forces as indicated in the Discourse of the Diagram of the Taiji of Zhou Dunyi requires a process of elaborate explanation based on the observation and reflective feelings of understanding. Thus observation of earth in respect of *yin* gives to *kun* and in respect of *yang* gives rise to *ken*. Similarly, we may see how observation of metal as natural power in respect of *yin* gives rise to *tui* and in respect of *yang* gives rise to *qian*. Furthermore, we have to see how observation of wood as a power of growth in respect of *yin* gives rise to *xun* and in respect of *yang* gives rise to *zhen*. Thus the binary *yin-yang* not only *a priori* gives rise to eight trigrams, but *a posteriori* give rise to five powers. The intimate relation between bagua and wuxing is most important for applying bagua and consequently 64 zhonggua to real life situations because an interpreter has to take advantage of the deep empirical reference and its analogical suggestiveness in five powers in order to give initial empirical significance and normative evaluations of the hexagrams.

In short, the first diagram embodies the principle of ideal goal for management and pursuit whereas the second diagram embodies the principle of practical strategic action which makes the management toward an ideal state possible. The lesson is also instructive for a management toward future in today's world. If we merely pursue productive results and increasing value without consideration of total and ideal state of balance and harmonization we may end up in instability and mere floating of economic fluctuation. There would be no goal beyond economic activities which would guide us: we would make our profit and wait for losing the profit or to make more which has no value beyond monetary terms. It is by relating and referring to a state of perfected relationships that our economy becomes meaningful and significant. On the other hand, we cannot merely dwell in our contemplation of perfect forms and ideal values without facing the hard reality of life as we see in the first diagram. The real world requires from us efforts, striving and engagement and understanding for continuous creation and production in order to be successful according to our ideal goal. The effort and continuous work are well suggested in the second diagram.

With these understanding, we may now come to a point where we can see how the pre-occupation with divination take on a new meaning in regard to management and leadership. Traditionally, we may say that we have decided on a level of being which defines our world of experience, and thus we then have a way and a ground to make divination. This means that we may regard the world as defined by our choice of level and what is to come have to conform to what we choose in so far as what we choose is what we are able to invest with empirical attributes and intentional references. That is, we have to interpret each level of being as a world of events as indicated by our symbols in forms like trigrams and hexagram. In this manner we may even see time and space not just as transparent forms of things but as expressions of forces of real things and life-situations. It is this concrete reference of the Yijing symbols which are classified and which makes us to see future in terms of one given or divined situation among all possible situations or configurations at a level of being.

To divine therefore is to sort out our world according to a framework of a level of being and according to our knowledge of the world as well as our self-knowledge in relations to the world. What we come to get and see in our symbolic form is a state of reality in formation and transformation which partakes of forces in the world as we see it and which also partakes of forces which belong to our creativity in our ability to identify, to choose a level, to take a suggested representation seriously and to see what we wish to achieve in terms of its immediate consequences and in terms of its overall results of balance and harmonization. It is in this sense management can be seen as a matter of both world-determination and self-determination between the world and myself as participating agent in the world. It is in this sense I have described the divined result and for that matter any result of calculation and observation of the world and self (as an agent such as a political leader or a business CEO) as not simply a matter of prediction nor simply a matter of arbitrary decision making but a balanced combination of prediction and decisional judgment. This is well indicated in my discussion of success line in my book **The C Theory: Chinese**

Philosophy of Management.⁴ In this sense we shall see that divination is a matter of constructing a well-believable line of thought which culminates in the formation of balancing prediction based on what we know and judgment based on what we know about ourselves.⁵

The use of divination is for identification. In so far we have a technique of identification, we must recognize what you have identified requires interpretation. Although interpretation can follow rules to do with the nature of lines in the hexagram, but one can have clues in a real situation and then construct a picture as to what has happened, what the trend of change is and what will happen. The interpretation can be again highly scientific or phenomenological, depending again on how one would approach it.

Eventually, we shall see that the management involved here is a matter of identification, knowledge and interpretation, feeling the values, and then normalization. It is after we have established normalization for a situation or having a norm for a situation, we shall have managed the situation successfully.

8.3 Five Forms of Change and Five Principles of Change in Management and Leadership

The spirit of philosophy of management in the Yijing is not to ask people to follow its established forms in making their decisions and judgments. It is to ask you to understand the changes so that we can make efficient decisions of change and enact the changes. For this purpose we need to inquire into the meaning and types of change we could get from the Yijing. A successful leader and or manager as we can see could have insights in change without even knowing the Yi philosophy. That is, like the founders of the Yi philosophy, he could have been engaged in comprehensive observation and done reflection by himself and come to some kind of practical wisdom, even though he may not arrive at any systematic articulation and understanding of the world.

We may indeed consider the five senses of change in the Yijing so that we may become a leader and manager not only in managing change but in managing ourselves in change in responding to changes of the world in more systematic way.

There are three forms of change that Zheng Xuan (127–200 CE) the famous Confucian scholar and commentator from Han has noted and he has respectively called the **non-change** (*buyi* 不易), **difference-making change** (*bianyi* 变易) and

⁴ See my book *The C Theory: Chinese Philosophy of Management*, Beijing: Renmin University Press, 2006.

⁵ In today's management practice, we still have to combine prediction and decision making based on knowledge and self-knowledge. We may say that the essence of managing and leading is "divinational" in so far we need to consider knowledge of the world and people and our position and participation in such a world.

simple and easeful change (*jianyi* 简易). In 2006 in my book **Yixue Benti Lun** (易学本体论 **On Generative Ontology of the Yi Philosophy**) I add two more forms of change to Zheng Xuan's list and develop a Five-Change System for understanding and applying the Yi in ethics, politics and political economy. The two new forms of change are **exchange** (*jiaoyi* 交易) and **harmonization** (*heyi* 和易). In the following I shall explain each of the forms with regard to their theoretical aspect first and then to their practical application. I shall begin with first form of change, namely the **non-change** as a form of change.

First, in our observation and experience of the world, we experience change as events and even things over an interval of time. In the natural world of vitality (*qi*) and life we see change on yearly, seasonally, monthly, daily and even momentarily. The world is a system of layers of changes or system of system of changes each of which forms a world of beginning, developing, flourishing, declining and ending. But what we see as beginning is not really beginning and ending is not really ending. This ceaseless change all layers of being and it is what Zheng Xuan has described as the *biany* or change of changes. Because change is pervasive we should keep up an eye on both the macroscopic changes and the microscopic changes.

In our comprehensive observation we have to recognize comprehensive large-scale changes as well the minute and barely noticeable changes. For the Yijing, the microscopic changes are the causes for large breakdown. No matter how small a change is, it could bring gradual transformation or sudden collapse. The constancy of the changes also has another implication: Change is basis for innovation and reform. We should therefore look up for possible transformations before a collapse unwarned. Thus to manage change is to manage the beginning of change which is either to be initiated by natural causes or to be initiated by ideas and actions of the human person as a political leader or business manager. It is not that the mind and will can move things in nature, it is rather that what mind has come to see and what will have come to decide on have already an objective foundation in nature. Hence commitment to a goal and strategic decisions could make a difference because we are part of the change and we are free to make changes based on natural conditions which make freedom and freedom possible. We do not determine the world, but our decisions and actions are nevertheless co-determining factors for a world of ceaseless change.

Given this understanding of the **non-change** (*buyi*), we have to explore and understand what Zheng Xuan titles the “non-change” and ask whether it is the permanent base of the world which is not subject to changes. Apparently for Zheng Xuan, the *buyi* is not a transcendent idea or form or some God which guides or controls the changes, but rather the immanent principle or *li* (理) which is internal to vital force (*qi* 气) and which generates changes in *qi* along with time and in this sense it is the non-change of the changes which is to be found in changes.

The question is how do we conceive and justify such a view that the non-change is in the middle of the change and yet not the same as change. The Xi Ci in Yijing says that “The Yi has the great ultimate (*taiji*) . *Taiji* generates the two norms, two norms generate the four forms, and the four forms generate the eight trigrams”.

From this we may see the *taiji* as the source from which all changes may issue. But the *taiji* is not just first cause but the continuing and sustaining source for all later changes. The important thing about the *taiji* is that it cannot separate itself from changes of the world and hence it is part of the world, being the non-change of the changes and which would makes all changes possible in so far as it is inexhaustible in potential energies. That all things change does not hinder some regularities and patterns of order from emerging. Hence the non-change can function as relative constants which have nothing in them resisting changes nor to become separate or transcendent. In dealing with patterns of order one could follow some fixed rules and yet still being subject to change. For meeting changes with changes one need to recognize the inexhaustible source of the change which could be the changes.

In speaking of the non-change as constancy of change and as inexhaustible source of change or as patterns of order emerging in change, we have taken change for granted. Change is precisely revealed in the ceaseless change we observe day and night, it is also shown in the emerging of changes from an inexhaustible source of change and no doubt it is change which enables patters of order to emerge in the process of change. What is the most salient feature which defines change (*yi* 易) by itself? The answer is the difference it makes to the quality and quantity of things which are produced in change. In other words, *bianyì* as the term intuitively suggests is that change has varied and that we may notice this variation of the change. There is one and then there are two. There is the *dao*, and then there are heaven and earth. For individual things difference means that there are new features which are to be found in the old types.⁶

To have *bianyì* is therefore to recognize that change is always difference-making and each change must bring a difference to the thing that is changing. Some differences make a difference but some differences do make a difference. Yet difference will be made no matter whether we like or not. This is the law of change and transformation we have to admit in the first place. This also means that the world is involved in an ever renewing and differentiating process and new things can be always expected. If we wish to explain how new things are possible, we have to say that there are possibilities inherent in any existing object as each other is open to future. We may say that it is future and time which allow our imagination to have new ends and new aspirations so that we may devise new ways to reach for those ends. It is in the concrete situations of a process that new things will be introduced from interactions among things. There is no need to assume a transcendent haven of eternal objects separate from concrete situations of process.

Now for management and leadership, we may see two vital ways in which a manager and leadership may use the phenomenon of *bianyì*. First, he must be able to recognize novel features of changes in a process in order to make use of them. This also implies that an executive has to be perspicuous and perceptive so that he

⁶ We may speak of cloning of the same goat or human person, but the clones are still subject to the differentiating factor of time and space and other environmental factors.

would not miss any subtle changes and their novelties. This affords him a way for making adjustment and coordination for this action. A second way for using the *bianyi*, is to initiate *bianyi* by one's initiative so that one could produce new service or new product which does not exist before and this is certainly a way of advancing with time so that our productivity and distribution will be sustainably maintained. We should also be realistic and meticulous. We should make use of the creative ability in us to make a difference of change.

Now we come to the notion of *jianyi* or *yijian* or simple and easeful change. *Qian* is simply the great principle of **inceptive creation** (*yizhi* 易知) and the *kun* is simply the principle of **capable completion** (*jianneng* 简能). Together they form the creative forces of creation-completion in a process in which creativity of formation of things entails co-creative nourishment and growth presupposes initiation.

The two fundamental principles are in essence two aspects of one great truth which define what there is and in this sense what there is to be generated from what we may call **onto-generative**. We may conceive an indeterminate being which is rooted in *qian* creativity and continued and completed in *kun*-co-creativity. It can be simply known as the ultimate titled *taiji* (the great ultimate in Xici part 1–11). In this sense *taiji* is not just some being in the Aristotelian sense of *on* or *onto* to be studied in ontology, but rather some being which is creatively generative of the world of things in an open order of yin and yang. Hence we may understand this **onto-generative being** (本体 *benti*) **in difference from ontic or existential being on one hand and ontological being on the other**. What we should simply see is the creative and generative nature of being in its ultimate sense. This again means that the world has its root in the great beginning of the *taiji* with its inherent capacity of initiation, continuation and sustainability. This is then the principle of easefulness (or easiness) and simplicity (*yijian zhi li* 易简之理) or simply the **principle of simplicity** from which the onto-generative creation of the world become intrinsically evident.

To recapitulate, the principle of simplicity is an onto-generative principle which defines and provides justification for recognizing a creative cosmos in which the order of symmetry and interaction prevails. In this sense the principle of *yijian* can be seen as the combination of the first two principles we mentioned in the second section of this paper. Based on this principle the onto-generative cosmology of creativity is founded on an onto-generative *yi*-epistemology of creative insight if we open our eyes to comprehensive observation and reflective understanding. Finally, it also suggests a principle of effective virtuous action on the part of the sages. Why? If the sage could make his insight easily seen and his action easily followed, his virtue will lead to the establishment of a great community of human flourishing. This no doubt implies that what constitutes a moral virtue is also a cosmic achievement as such. This again means that a sage becomes a sage because he is able to embody the principle of simplicity in his understanding and action in regard to his interaction with people and the world. On this basis, we can also infer, among other things, that a great leader and manager must act on what is simplest and yet the profoundest truth he must see, namely to act on a creative idea which

can be followed and nourished. This action we also call “sustainable” in all its relevant senses of being extendable and capable of continuation and transformation.

Once we have a clear grasp of the *jianyi* principle, the first two notions of *yi* (change) falls into an order of unity. Namely, it is easy to see that there is change in non-change and there is non-change in change. For the simple way to see the production of all things is to recognize creativity as co-creative which is non-changing truth and yet this non-change truth has to be seen in the creative changes among its work in things. Any human action must also exhibit this subtle combination in order to be successful and meaningful. Such an action should bring in initiation and innovation and any initiation and innovation must also bring in developing continuity and sustainability. A successful leader must learn to use the creative and co-creative principles in his own creatively easy and simple way. In fact, he could conceive himself as the creator so that the people and the world could act as a completing and nourishing force. On the other hand, he could make himself the completing force if he sees the world and people have provided the initiative conditions of a project and his great task therefore become how to define and configure and give articulation of such a task for him to nourish, perfect and complete and then go beyond.⁷

With *jianyi* principle so conceived and applied, we now come to two more inherent principles of the change as we see in the philosophizing about the cosmic change. These two principles are called by me in my work **principle of exchange** (*jiaoyi*) and the **principle of harmonization** (*heyi*).⁸ Why do I see these two principles as equally important for a philosophy of change is revealed in the following understanding and reasoning: Although we see change as innovative in the notion of *bianyi*, this innovative change has to come from exchange between *yin* and *yang* forces. Normally we see *yin* and *yang* goes together, particularly in the realm of natural phenomena. But in the area of human affairs we tend to ignore or forget that there is always the interaction of *yin* and *yang* in life-process and unconscious activities of life and society. For example, the interaction of the male and female is so fundamental that we simply know it by instinct and we act on it by instinct. The question is: Can we make conscious and conscientious use of this relationship of interaction between Male and Female in a productive way? Can we come to see the relationship as one of productive forces for human civilization and other productive activities such as economics and trading. If the answer is positive, then we must come to the principle of exchange (*jiaoyi*) which can be used to create civilization, develop culture, promote economy and enhance trading. These activities are important and essential for the development of human society and the advancement of people’s livelihood.

⁷ This implies the relevance of the two last hexagrams in the Zhouyi text, namely the *jiji* (already-completion) and the *weiji* (the not-yet completion). Once we achieve a completion of a task, it is the beginning of a new task which is yet to be completed because it is not completed.

⁸ See my book **Zhouyi Benti Lun** (Generative Ontology in Philosophy of Change), Beijing: Peking University Press, 2006.

Finally, we come to the **principle of harmonization** (*heyi*). The importance of this principle is to articulate and explicit what is undergoing in the process of change and transformation so that the ends and values of creative change in nature and man become clear to the eyes of man and thus a great use can be made of the principle of change and exchange. The forces which act to bring out the world and humanity are productive forces which have its purposefulness in realizing a world of nature and humanity which we must describe as harmonious.

Even the idea of *he* (和 harmony and harmonization) is not explicitly expounded in the Xici, it is nevertheless exhibited in the use of the words such as stabilized (*ding*), positioning (*wei*), settled (*duan*), gathered (*ju*), divided (*feng*), generated (*sheng*), formed (*cheng*), changed and transformed (*bian hua*). This also indicates that harmony is not a simple matter but a process and achievement which require development, working on, coordinating and adjustment toward a whole reality with structures and contents well arranged in orderly procession. Besides, harmony is not only a natural principle of cosmic development, it is specifically a principle of humanity which is realized in the enlightened understanding of a sage, namely a deeply observing and reflective human person. Here we see how Fu Xi has observed heavens and inspected earth and came to an understanding and action which leads to the wisdom of civilizational creation and technological invention. This means that one has to develop oneself on the model of the heaven and earth interaction so that not only one comes to be more intelligent and more creative but one will become also more virtuous in awareness of principles of action of generating and nourishing life among people which we call moral and ethical.

The purposefulness of this creation of human world with its civilizational creations is also profoundly exhibited in the anxiety and misgiving (*yuhuan*) of a heart-mind in the sagely person. In this sense he would become co-creative like heaven and earth.⁹ In this manner the harmony can be described as the way of heaven and earth residing in the very alternation of *yin* and *yang*. It is equally fitting to see it as good of human action which embodies the principle of *yin* and *yang* and even can be seen in the evolving nature of humanity which can be said to result from the cosmic development of harmony.¹⁰

We can see then harmony and harmonization as a process of self-development for the development of a community and world which eventually can be said to bring out the best creative forces of nature for humanity, and simultaneously bring out the best creative forces of humanity for nature. With this being said, it seems clear that in the modern world a great leader whether in politics or in business must see value of this work as one of bringing himself and others to achieve harmony and thus to realize himself and his work in a process of harmonization which is to produce the optimum goodness and harmony in the world. This of course requires the leader to be one who should have understanding of the cosmic purpose of

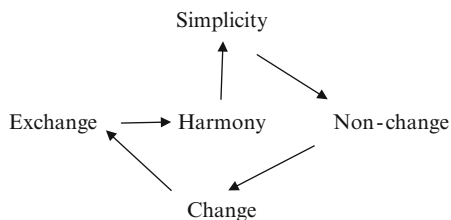
⁹ See Xici part 1–4 and the Zhongyong as a work of the same period.

¹⁰ It is said in Xici- part 1–5 that “To succeed is good, to complete it is nature”. This can be understood as saying that good is what has succeeded from the *dao*, the nature of man is what can complete the *dao*.

human activities in economics and politics and who should design his action toward such a harmonious and productive goal. Harmony implies many values, the least of which is making profit alone. One can see that a leader has to incorporate his profit-making activities in terms of and in light of the overall process of achieving harmony. He has to see that his action must be relevant and useful for achieving harmony and servicing the life of humanity.

We may now bring all the Five Principles of Yi into an integrated system of understanding and action on change which begins with action of transformation amidst all changes. It is in awareness of both constancy in and of changes that one comes to recognize the creative source and root of one's action. One then has to justify one's understanding and action in terms of reflection on the simplicity and the action as creativity or creative creativity which is always targeted at continuation and sustainability. The actual work of change should eventually begin with conscientious use of the principle of exchange so that one may engage in a productive process of balancing need and satisfaction, and even creative competitiveness toward civilizational and technological invention. But the overall goal is to achieve a society of equilibrium of satisfied desires and development of human talents. This requires not only active use of the principle of exchange but a deep commitment to achieve creative harmony among differences so that whatever enterprise we are engaged in doing should have the power of transformation toward realization of human life potential for continuous creation and comprehensive preservation and flourishing of humanity.

We may in fact represent the leadership and managerial actions in light of the understanding of the five principles of change as follows.¹¹



We must see that there is a certain useful ordering by generation (as indicated by the arrow sign in the diagram) of these principles so that implementation and application of them will not only produce the best managerial results, but will conduce to more creative action for oneself and for the people one has a duty to care and concern.

¹¹ For full explication of my five principles of change and their uses, see my book *Generative Ontology in the Philosophy of Change (Yixue Benti Lun)*, Beijing: Peking University Press, 2006, Chap. 1.

8.4 Systematic Characterization of Yijing Management and Leadership (YML)

Given the above description of the essence of philosophy of change in Yijing, it is quite clear that to understand and to know the ways of change is fundamental for effecting changes in oneself and in the world which includes changes in other people, organizations and institutions. In the Xici this understanding and knowledge can be identified as “penetrating the change” (*tongpian*) which is clearly regarded as the basis for acting in change with time.¹² This further suggests that management and leadership must be founded on our awareness and understanding of a cosmic model of change and transformation which requires constant self-warning and continuous cultivation. The cosmic model makes sure that the living cosmos is always our example to look into and reflect on so that we can ever refresh ourselves like the new day or the new season. This is then what it means to say that understanding the significance of time (*shiyi*) is crucial for our own growth and self-transformation. In sum, learning the transformation in cosmic creativity, discovering and nurturing the creativity in our own being and penetrating in the creative potential of given situation, and finally acting in creative consonance of these with a central vision of the time, will be sure to lead to an desirable end which will itself have a refreshing and reinvigorating power.

Against this general statement of the general creative power of a leader we can now characterize the **Philosophy of Yijing Management and Leadership (YML)** in the contemporary contexts in terms of the following five categories of understanding and action in polarities and their unities. We shall first give a general characterization, and then shall move to a theoretical justification of the case, to be further followed by a practical discussion of the case.

8.4.1 YML Is Both Macroscopic and Microscopic

It is clear that there could be two senses of management, macroscopic management, which aims at change of overall structure and level from a total perspective of the

¹² In Xici Part 1–12 it is said that “It is in *bian* (change) that transformation and configuration take place, it is in *tong* (penetration) that change can be pushed and implemented, it is in the human person that creativity and illumination can be shown, and it is in virtuous action that projects will be accomplished in reticence and trust established without words.” One can see the whole logic of the whole thing of transformation and configuration (or for that matter reconfiguration) of the world started with virtuous action of the human person who understands clearly and thoroughly, and consequently, that people will follow him and advance a work or project which will transform the state of civilization and man’s relationship with nature. The point is addressed to the issue of transforming the human world toward a better state, and indirectly, to the issue as to how a state can be said to incorporate the natural creativity into the creativity of the human person. This is a better description of how leadership in politics or any other area could mean.

world as a whole, and microscopic management, which aims at maintaining or sustain a given achieved process of growth and a stabilized state of fulfilled being. This distinction can be further made on two levels of management, namely, the externally-oriented management, and the internally-oriented management. An external-oriented macroscopic management has to concentrate on the world as a market from the external point of view, while an internally-oriented macroscopic management would have to take the broad humankind or human nature into consideration. On the other side, an external-oriented microscopic management has to focus on locality and details which cater to local needs and situations, while an internally-oriented microscopic management would have to take individual needs and particular issues into account.

In our globalizing world it is clear that macroscopic management, whether external or internal, is absolutely necessary. But in respect of all globallocal concerns, we must see that microscopic management, whether external or internal, is equally important, as we see how we must refine our product and cultivate our personal virtues as basis of survival and prosperity. Obviously, we need to achieve a creative balance between the internal and the external on the one hand, and to maintain a productive tension between the macroscopic and the microscopic on the other. Management from the YML point of view has to be seen as involving world and humanity from both observational and reflective points of view.

8.4.2 YML Is Both Originative and Systematic

To say that YML is originative is to say that there is a source and origin as to how a person could transform himself and others so that one can derive value and knowledge in a way which is not splitting or obstructed. The source is where difference comes from and yet must preserve in order for the difference to assume a vital position in the whole world of reality. To say that YML is systematic is to say that the understanding and knowledge constitutes a whole body of ideas and concepts well founded in experience of observation and feeling. Such a whole body of ideas and concepts therefore has its layers and dimensions which apply to different aspects to reality in which our problems of management and leadership are to be located. The system of knowledge and understanding represents a cognitive map of the world in terms of which our valuation will develop. Moreover, there is an onto-generative feedback and feed-in between the origin and the system so that the system can be revised and renovated in the course of refreshing time.

8.4.3 YML Is Both Knowledge-Based and Value-Oriented

To say that PYML is knowledge-based is to say that it has to pursue knowledge as the beginning of action, for we need guidance of knowledge so that our action is

well-warranted. Some action may already embody some knowledge as one finds in instinctive action and habitual action. But these types of action lack the reflective understanding when an action is thwarted. As to what sort of knowledge we need to have we should inquire, but one thing is clear: Our knowledge should justify our motivation to act so that a responsible action will take place. As to how we become motivated, we have to say that it is a matter of value orientation. It is assumed that human beings are action-oriented in the beginning and we develop our consciousness and knowledge for the purpose of better action or for a better mind state in which different forms of action could be contemplated. The mind which contemplates is still an agent for mental action which however should not be separated from our will and desire as based on our body and self-knowledge of the person involved.

As to how YML is value-based, one can see that Yijing takes value to be what the individual or a community of individuals find desirable in satisfying himself as a whole person and which can be used as a standard or criterion and oftentimes ends in view for the conduct of the person. We can see that value comes from our reflection on knowing things in the world and understanding desires and aspirations in ourselves as human beings. Although fact alone does not give rise to value, but with our feelings added, a fact very often results in becoming a value in terms of human likes and dislikes. We may thus come to see what we should do and what we should not do and form a norm which governs our behavior. Through commitment to value and recognizing norms which standardize values, we are set to action. To act is to act toward a value by following a norm. It is how a self becomes enlightened and interacts with other people.

8.4.4 YML Is Both Predictive and Decisional

If we could tell what our future is like with regard to specific questions, we can be said to make a prediction about the future event. We can make prediction about the future event on the basis of our knowledge of laws of nature. In other words, we must study science in order to make scientific prediction. But sometimes we may not have scientific knowledge nor relevant clue on what to predict. Even we cannot always make correct prediction, we are however able to make judgment and decisions which may turn out quite useful and successful. Why could judgment and decisions be correct and to the point? The answer is that we may make efforts to make our judgment and decisions true and fulfilling, since they represent certain circumstances which we may have good reason to see to that they be fulfilled. In other words, there are subjective elements in our judgment and decisions which would complement the objective elements which give rise to predictions.

8.4.5 YML Is Both Transformative and Harmonizing

By being transformative one sees that a situation becomes transformed into another via the agency of time or one's timely action. We have seen how nature or heaven and earth can be transformative because it has naturally or spontaneously caused the seasons to change. But in the case of human society, it takes the deep understanding and timely decision and action to change one state into another, one trend into another and one atmosphere into another. This is possible because our action can be influential among people in so far people can be switched in their emotions and commitments by persuasion and examples of great empowerment. By harmonizing one sees how different conflictual elements become related in collaboration and assortment and reformed into a uniform or unified whole which however does not need to be homogenous. In other words, we can have harmony of differences which could lead to a creative emergence of high level of value creation even though harmony is already a desirable value. In other words, when we speak of harmony, we mean a harmony which stimulate productive power and one which results from a creative power.

8.5 Concluding Remarks

In the above I have indicated that one of the basic problems of modern management theory is lack of a comprehensive theory which is required for relating to natural environment, nature of man across cultures, and insights of philosophy and ethics in both East and West. In order to meet this criterion of comprehensive theory, the Yijing philosophy of change and the **Model of Yijing Management and Leadership (YML)** has been proposed. I have shown that Yijing cosmology opens our minds to a comprehensive understanding of nature and humanity so that we may come to see how we developed values, established norms, make decisions and enacted actions which could change the world. We have expounded Five Forms of Change so that we may see how we as human beings have to develop our creativity based on the creativity of nature in management and leadership. This leads to a characterization of a comprehensive theory of Management and Leadership (namely YML) in five important pairs of categories and methodologies. For a detailed formulation of the YML I have to refer to my article titled *On Yijing as Basis for Business Ethics and Management*, forthcoming in a Springer Handbook of Management, and my book in **Chinese: C 理论:中国管理哲学 (The C Theory: Philosophy of Chinese Philosophy), 2006.**

Chapter 9

Confucian and Aristotelian Ethics: A Global Model for Leadership

Marianna Benetatou

Abstract The paper focuses on a model for leadership inspired by Confucian and Aristotelian theories of the virtuous person. It addresses its descriptive and normative aspects and outlines the necessary training in order to become such a leader. Confucian and Aristotelian ideas of the cardinal virtues outline a recast profile for the contemporary leader that underlines both moral integrity and enhanced ability to act contextually. The leader's conduct aims at creating the proper conditions for global harmony and collective and individual well-being. The training consists of empowering individuals to realize their interconnectedness with collective, even planetary, interests and acquiring the skill to implement their theoretical knowledge into creative works.

9.1 Introduction

José Manuel Barroso, President of the European Commission, has recently stated that the emerging trend in world market economy as well as in international policies requires globalization with a human face. Shifting interest from impersonal institutions to the persons involved, either as policy makers or as potential beneficiaries, seems, at first glance, flimsy. Under duress, the appeal to humanitarian principles has always exonerated the oppressor or the self styled "helpless" bystanders, from serious criticism. If we think that progress needs some decisive and innovative measures that break entirely from established practices, then, we may start by reexamining our assumptions concerning leadership of all kinds and its impact on real society. In this respect, I investigate an alternative model, based on Confucian and Aristotelian moral theories of the virtuous person that contributes to recast in a new perspective our current ideas on the subject.

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The questions of leadership and of the leader's profile have focused the attention of philosophers, moralists, politicians, even theologians from time immemorial. Historical evidence suggests that reflections on good government and proper guidance have been at the root of systematic ethics. For example, the Chinese character *dao*, or "way", originally depicted a path and a human head representing the leader guiding his followers on the (right) path. In historical documents, and later in philosophical speculation, *dao* has been conceived as the ultimate guiding instance, the way the natural world works and hence, provides man with the appropriate patterns of conduct. Understandably, the determination of human *dao* (*ren dao*) has pervaded Chinese moral and political speculation of all schools throughout the ages.

The contemporary Western model of leadership is an offspring of the Enlightenment ideas of law and order and of progress achieved by the implementation of proper structures in any desirable field, be it political, economic, social, cultural, or even interpersonal. The basic tenet advances that if the proper institutions work smoothly, then the goal is attained. Obstacles are considered less as the inevitable interaction of humans with real life and more as intrusions from some alien factor, human or institutional, that must be overcome by defensive mechanisms or aggressive initiatives. The general optimism underpinning the declaration of human rights is rooted in confidence in the individuals' capacity and will to get things right on their own, provided they comply with the norms reflected in the socio-political structures of the modern States. Leadership is entrusted to the three "orders": deliberative, executive and judiciary, which are constitutionally empowered by the electorate to deliberate, implement, supervise and execute national policies emanating directly from the Bill of Rights. On a smaller scale, corporations and all human associations in general tend to reproduce the same pattern. The leader embodies a clearly defined set of prerequisites, for example, capability to inspire, formulate and promote policies, to overcome contrarities and, in general, to dictate the appropriate objectives and means for producing success, profit and benefits of all kinds within the limits circumscribed by the declaration of human rights. In one word, the leader is primarily considered a manager.

In recent years the rational model's shortcomings have been greatly challenged first by the facts and secondly by theoreticians. The two disastrous World Wars in the first half of the twentieth century, the increasing concern of public opinion with regard to worldwide social inequities and the ascending influence of the markets on national policies, in varied degrees, have conditioned a new theoretical trend, known as virtue ethics. Setting aside the Enlightenment assumptions, virtue ethics have tried to define morality in terms of personal excellences, or the virtues. In consequence – and this is crucial for our discussion – the focus is transferred from the impersonal institution of leadership to the leader's person, his/her character, excellences and appropriate training (Nussbaum, 2001). Most of the works involved are essentially inspired by the Aristotelian theory of virtue as it has been handed down to us in the *Nicomacheian Ethics* (Crisp & Slote, 1997). Lately the movement has attracted attention from (Neo) Confucian specialists, particularly in the West. Confucian virtue ethicists argue for the need to go "global" (Angle 2009) by

enriching existing theories with Confucian and Neo-Confucian ideas of virtue as well as the concomitant reflection of the necessary learning in order to become virtuous.

My objective is to outline a model of leadership – based on the above mentioned intellectual background – that advances the debate a few steps further. I argue that classical and Neo-Confucian ethics contribute significantly in its elaboration. In fact, virtue ethicists of all philosophical affiliations, East and West, take great pains in reconciling Confucian values with Aristotelian and contemporary Western moral and political preoccupations. However, I intend to explore a different venue in which Confucian values shape and, by that matter, influence the global theory. The word “global” refers to the integration of ideas and values originating from different intellectual traditions as exemplified by Confucian and Aristotelian virtue theories.

The interaction between values and current practices cannot be unilateral. In order to be meaningful and a key to progress, it must allow ideas to intermingle freely. China, being the most populous country on earth, has a leading role to play, not only in economic or international policies, but equally in the cultural and philosophical field.

The objective is not to describe a humanistic, albeit naïve, utopia. The majority of Confucians have been successful officials having held important offices in government and have influenced Chinese politics by their decisions and initiatives throughout the ages. Their views reflect their civil service experience. Their ideas potentially address all individuals, but most definitely, their fellow and future generations’ colleagues. Furthermore, Aristotle is well known as Alexander the Great’s tutor, a personality steeped in politics either in his homeland or in the vast empire he conquered in Persia. The Confucian and Aristotelian models of the exemplary man, the virtuous person, or the sage provide the ground material for the global model for leadership. Respectively, these ideals may be exceedingly difficult to attain but are facilitated by a wide range of accessible steps throughout the process.

9.2 The Leader’s Profile

A tentative description of the leader would read as follows: He/she embodies virtue and acts in all matters with the unique objective of creating harmony. His/her greatest mistake is to indulge in selfish desires. Selfishness includes not only personal greed, fear, or ambitions, but also those of the represented entities, such as company, market, shareholders, etc. This succinct description, far from being wishful thinking helplessly pleading the case of the ideal moral person, comprises a coercive power, virtue, or the ability to act in ways one thinks is right. In this respect, it diverges from Christian and Enlightenment ideas of virtue considered as an inner disposition, or pure intention, independent of its expression in particular acts. In the model under discussion, a specific and sustained training bridges the gap between inner disposition and moral conduct. Furthermore, the model does not make a

distinction between political, economic, commercial or simply professional type of leader. In varied degrees, all types need to embody the same set of qualifications.

A direct implication of the “strong,” as I call it, idea of virtue is summarized in the following statement: The leader has to be virtuous in order to lead successfully and conversely, the virtuous is able to lead, to govern or, simply to direct. Leadership and virtue are closely related. In the *Republic* Plato advances the idea that until the philosopher rules or the king philosophizes, all public (and private) affairs will continue to be precarious. This overstatement vividly illustrates the interconnectedness of leadership and moral integrity. Confucius stated that if one wants to govern the State, he must first regulate his family and in order to regulate his family, he must first cultivate his person. Inversely, if the person is being cultivated, his family is then regulated. The family being regulated, the State is rightly governed and thus, the kingdom enjoys harmony and peace (*Great Learning, I*).

The first question that comes to mind is: Why abandon the security and predictability of the rule of law for the hazardous endeavors of persons in power? What advantage does a person-centric model offer compared to an impersonal one? After all, the Enlightenment heralded the victory of rationality over theocratic tyranny and of freedom over despotic authoritarianism. Hence, the answer is not an either/or choice, but rather can be summarized in the statement: In order to be just, equitable, etc., institutions and procedures must be implemented by moral persons otherwise disorder, injustice, inequity and unrest is created. This is not an option, but, as current events abundantly make clear, is a strictly necessary condition for social prosperity and individual well-being.

Confucius maintains that the excellent person’s particular virtues are all rooted in *ren*, variously translated as benevolence, goodness, humanity, generosity, etc. I translate it as *humaneness*, meaning what infuses a human being with humanity. The gist of humanity, according to Confucius and his school, is the ability to feel and respond to the desires and needs of our fellow humans (*Analects: 6.30, 15.24*). We cultivate our humaneness while in contact with other humans and thus slowly learn to become human by mirroring and responding to others’ feelings and needs. Humaneness delineates an interactive and open community in which even animals, plants and inorganic matter, like stones and rocks, attract our sincere and whole hearted empathy. Mencius illustrates humaneness in the well known “argument of the well.” If a person, he argues, sees a baby falling in the well, he will spontaneously stretch out his arm to catch it thinking neither of praise, profit nor of annoyance at the child’s cries. If such calculations make him hesitate or refrain from catching the baby, then his humaneness is still immature (*Mencius, II, A.6*).

Now what does it mean for leaders to cultivate humaneness? It is their specific and fundamental excellence to intuitively understand others’ needs and respond accordingly. It also entails that their first priority is to create the appropriate conditions for each and every person to exercise freely, within individual and social boundaries, their potential and to be able to pursue their individual aims. Understandably, leaders are not good natured benefactors; They are supposed to promote their company’s interests and thus, the community’s prosperity and well-being are removed from their intended or contracted responsibilities. Later, we shall see that

the condition of maximizing values motivates a real, constant and meaningful interaction with the wider community by noticeably attenuating the conventional boundaries of limited – at least moral – responsibility. First, the leader may well understand others’ ambitions, but he/she must contemplate the big picture, how these pursuits fit within the general context. If these pursuits clash with basic needs or if they are potentially destructive or disruptive, then the leader will be averse to their promotion. Empathy and humaneness seek to promote a general well-being of harmonious, prosperous and happy living and not just particularized, egotistic pursuits. The cultivation of humaneness enables the leader to perceive things contextually and, by the appropriate coordinated actions, promote social well-being. Contextualization, by that effect, is not limited to a specific group. It broadens the scope of action (perhaps also activities if we consider sponsoring, etc.) to increasingly larger groups and should, at least in principle, envisage activities and their consequences globally, as they eventually impact the planet.

Humaneness does not produce a contextual conduct on its own. Confucius pairs humaneness with appropriateness (*yi*), often translated as “rightness.” Appropriateness dictates what is right or wrong within a well defined context. For Confucians, the context is tradition. Therefore, the leader must adapt his/her strategy to standard norms, such as law and justice, institutions and, last but not least, accepted and prominent examples of personal and corporate conduct. Innovation is encouraged within the limits of adapting to current approved practices or, to put it differently, within the limits of not offending the public perception of what is right and proper. Perhaps it is difficult for us, living in an extreme individualistic society, to realize the intimidating force and the social pressure that appropriateness may exercise on a prominent public figure’s decisions and actions.

Aristotle thought that virtue is the inner disposition to perform actions of goodness. “*The virtue of man also will be the state which makes a man good and which makes him do his own work [ergon] well*” (*Nicomacheian Ethics*, 1106a21-23). If Confucius describes ethics in terms of interpersonal relations, Aristotle focuses on a character-centered morality in which actions are qualified as virtuous if and only if the person is virtuous. The moral person deliberates on the right course of action, evaluates the circumstances, waits for the appropriate occasion and then proceeds to carry out his/her intentions. Therefore, practical wisdom (*phronêsis*) is both the key virtue and the key to virtue. Deliberation (*bouleusis*) involves right judgment rooted in self restraint and discipline. Virtue (*aretê*) is defined as the middle between two opposed and excessive or defective tendencies, known as passions. For example, justice is the middle between afflicting and being afflicted by injustice. In this instance, the virtuous person deliberates in order to find the proper course of action between the two extremes and this deliberation is conditioned by self restraint. The classical cardinal virtues of practical wisdom or prudence (*phronêsis*), temperance (*sophrosunê*), courage (*andreia*) and justice (*dikaïosunê*) are all personal excellences and only justice determines interpersonal relations. These relations, however, are mediated by some kind of wrong doing that requires reparation.

Aristotelian personal excellences, the cultivation of the moral character (*êthos*) as the foundation of ethics, and the Confucian interpersonal virtues together circumscribe a significant and coherent pattern of conduct. Rational deliberation tends to favor analytic thinking over holistic comprehension. More often than not it fragments reality into convenient segments that can be dealt with more thoroughly. Contextual perception, adroitly handled, can correct the excessive fragmentation caused by analytic thinking and realign the vision and subsequent strategies with the complexity and fluidity of real life. These qualities are never sought for their own sake but must constantly refer to some well defined context, be it socially approved examples of conduct, institutions, etc. Contextualization does not limit creativity, imagination, personal initiative and preference. On the contrary, decision making is intertwined with community needs. The leader perceives the trends of the surrounding community and tries to respond creatively. Instead of introducing new needs, as the consuming society model does, he/she advances the existing aspirations one step further. For example, sustained growth advocates and responds to basic human needs, like the quality of natural resources, alternative sources of energy, strategies against global warming, etc. Such activities, on the entrepreneurial scale, reflect the will to cultivate self restraint and to envisage planetary changes globally.

The cultivation of Confucian interpersonal virtues, notably humaneness and appropriateness, enables the leader to transcend the narrow limits of particular interests. As a leader, one's initiative positively promotes one's interests and constantly responds to the aspirations of the community (defined as the constantly changing, albeit real interactive forces any enterprise must contend with). On the other hand, Aristotelian character-centered ethics stress the need for rational deliberation, justice and measure.

Confucian appropriateness acts as much more of a compelling force than Aristotelian justice. Along with humaneness and propriety, it dictates the norms for a socially and individually healthy network of human relations that practically cover much of Aristotelian and Western civil rights based institutions. As such, integration of Confucian interpersonal and Aristotelian character-centered virtues is emblematic of the leader's core qualities: The inner disposition is readily expressed in community oriented conduct and, inversely, social values are rooted in the fulfillment of personal excellences.

9.3 The Leader's Conduct

According to the global model, the leader's efforts tend to create harmony in all situations. The Greek word for virtue, *aretê*, is etymologically related to such key-words as *aristos*, the best or supremely good and *armonia*, harmony. Confucian virtue (*de*) is equally the ability to seek and produce harmony. The Confucian gentleman never competes, which is to say that he avoids conflict and detrimental concurrence. To create harmony means to seek in all situations how things, events

and people fit together in a way that enables them to pursue their desires and ambitions within the socially and individually accepted boundaries. Self realization is not only rewarding but it contributes, by its very nature, to others' development and well being. The interconnectedness of personal pursuits and collective harmony relies on the constant effort to invent efficient methods, to seek unsuspected or unexploited connections and to bring about a state of equilibrium that provides a sound foundation for future endeavors. In this model, competition and concurrence are not necessarily motives of progress, because seeking harmony is not a closed circuit with limited chances of success. Responding to people's real needs and true expectations is the opposite of promoting universal objects of desire.

Harmony is realized by an innovative attitude to values.¹ In Western Christian ethics, persons are usually faced with heart-breaking dilemmas: Shall I close down my enterprise and dismiss all the employees, or shall I dismiss a few in order to save the many? In Christian logic, this is an honest deliberation. The dilemma, in its own phrasing, entails the "correct", moral answer: The socially minded employer dismisses a few in order to save the many. This is the basic premise of the least damage, or of the scapegoat. Possibly, from a strictly logical point of view, Aristotle would agree with the terms of the argument. It is significant, however, that when he defines, for instance, justice, as mentioned above, he avoids presenting it within an either/or paradigm. Justice is not a partial injustice, nor the injustice of least damage. It is an entirely different conduct not to indulge in impulsive proclivities but rather the mean of perfect equilibrium. Furthermore, the four cardinal virtues are complementary. The moral person possesses all of them, because they are different applications of one and the same virtuous disposition. Perhaps Aristotle did not think that the sage perceives situations as conflicting. Armed with rationality and uprightness, he/she perceives things in their intricacy. He/she does not have a preference for some values as evidenced by the solid group of the four cardinal virtues from which interchangeability is excluded.

Confucius and his school have consistently promoted an ideal of harmony based on the concurrent pursuit of all values. There are not some values more valuable than others. Indeed, values are not put on a scale and weighed as if they were commensurable. Consequently, there is no moral dilemma, in the sense of conflicting values from which a choice must be made. Values are all incommensurable due to the fact that the world is made up of non-reducible diversity. Confucians do not attempt to choose the least evil, but instead, to maximally actualize all values. What we usually perceive as conflicting moral choices, Confucians have perceived as an opportunity to create harmony. It may be of interest to investigate at this point how a sincere and well trained Confucian would respond to the current economic crisis. The structure of a Confucian minded enterprise would diverge in many ways from a Western one. The hierarchical

¹ S. Angle gives an account of the subject in the virtue ethics perspective. However, he addresses the issue of the Confucian response to dilemmas in terms of emotional reaction rather than in terms of structural organization (Angle 2009, pp. 93–111).

relation of the manager(s) to the subordinates would entail reciprocal personal attention. I avoid saying obligations or duties and rights because such vocabulary is conspicuously absent from Confucian philosophy.

However, we must not jump to the conclusion that reciprocity does not induce two parties to conform and respect their bond. Appropriateness, as discussed above, exercises a real compelling force to reckon with. The leader ensures secure and stable conditions of work, promotes personal ambitions within the limits of his/her humane all-encompassing vision and in return, the employee reciprocates with loyalty and obedience. Although it appears moralizing and rather vague, it may better resist adversity than a rational duty-right contractual relation would.

When crisis strikes, the Confucian manager feels responsible for saving all the jobs. Let us imagine that first he/she sets an example by not only significantly reducing his/her own salary and profit, but also rescuing the business. The second step is also quite significant. The personal relation between manager and subordinate does not end when the contract expires. Confucian minded businessmen may create a kind of network for providing their employees with new professional opportunities. Training is an important component of Confucian culture, which means an employee will not be abandoned and left to seek a new job. He/she is properly trained in new skills in order to face any hardship. The initial dilemma of either dismissing a few in order to save the many or closing down the enterprise is mitigated in a series of intermediary steps conditioned by the personal engagement of everybody involved, manager and employees alike. Actually, the manager's reputation, credibility and professionalism are at stake and how such situations are handled reflects directly on his/her person. The perception of the irreducible diversity of the employees, not as characters but as indispensable parts, each in his/her particular post, entails a total solution to the crisis. The appropriate training of new skills ensures that all the employees are prepared to face new challenges. The business network, designed to facilitate the job search, does not consider employees to be simply social security numbers, left to the unemployment office after their term, but as persons seeking assistance from their company to find a new job. Personal relations, even if they lack the objectivity and professionalism of modern business, are more likely to reduce the difficulty involved in transitioning to a new job.

Confucian and Aristotelian ethics perceive harmony as a state of equilibrium brought about by resolute and committed efforts of the leader(s). In both philosophies, the leader does not perceive conflict as a dilemma but as an opportunity to search for new issues. However, Aristotelian ethics, well grounded in democratic institutions, might give rise to different interpretations of civil rights, for example, by equating legal obligation with moral duty. This, in turn, may lead to, for example, a lack of compassion towards the plight of unemployed workers and employees. The Confucian-minded leader is not restrained by rigorously defined limits of responsibility; therefore he/she can embrace unexpected and salutary courses of action beyond the scope of strict (legal) duty.

9.4 The Leader's Goal

Reality, made up of irreducible diversity, entails the maximization of values. Unity is not identified with uniformity and the divergent components of any given situation are all essential parts of the future. The leader must respect and comply with seemingly contradictory options and find a way to reconcile them. He/she must imagine the appropriate means to give voice to all without creating a cacophony, but rather a harmonious symphony.

Humans have never been notable for their generosity or devotion. Although our forefathers hammered virtue and honor into their contemporaries' (and our) minds, humanity, with remarkable consistency, has invariably opted for profit, wealth, power and fame. Unlike Christian moralists, the ancients have never despised or undermined the importance of material goods in living a productive and happy life. Virtue cannot be properly cultivated, argues Aristotle with common sense, without a decent material standard of living, like health, wealth, family, friends and, of course, a rich social life in the *polis*. Virtue, either in Confucian or Aristotelian ethics, is not an end in itself, but the necessary condition for attaining happiness. In the Christian context, happiness is understood as an inner disposition to feel well on a constant basis. It is often confounded with a vague feeling of well-being independent of external circumstances. Aristotle, following in the steps of ancient Greek philosophy, maintains that happiness is unobstructed living. The Greek word for happiness, *eutuchia*, means good luck, or the luck bestowed by the gods. A happy person favored by the gods lives according to his/her wishes without contrarities. Happiness is less an inner disposition and more a way of living, the life stream flowing easily and smoothly. In order to live happily, Aristotle emphasizes, we need to cultivate the inner disposition to goodness and virtue.

In this sense, harmony sought by the leader has a very positive meaning, the well-being for all. Well-being is to be understood in the Aristotelian sense of prosperity, peace and a positive satisfaction resulting from the unimpeded exercise of various activities. It is both individual and collective.

Confucianism has emphasized social coherence and political stability as the goal of all human activity. Starting from the family and integrating broader social units, individuals learn to consider the socio-political reality as their "natural," therefore correct, milieu. Their activities and ambitions align with existing socio-political structures by complying with pre-existent exemplary patterns of conduct as they are handed down by tradition. Confucian values of humaneness and appropriateness smoothly integrate their adherents into the mold of customary practices. Furthermore, these values provide strong incentive to substantiate and actively pursue the ideals rooted in these socio-political structures. Recent Western interpretations of Confucian virtue ethics often confuse traditional theories with contemporary Chinese politics, the tendency being to explain the latter by the former and understand the former by the latter. Confucian and Neo-Confucian philosophers have been a realistic and practical people. If we investigate their ideas contextually, we arrive at the conclusion that their insistence on socio-political unity and stability

is meant to counterbalance the shortcomings of selfish interests embedded in the exercise of public service. Individuals are well established in the socio-political reality, but not so completely as to be dissolved in it. It is necessary to realize the boundaries of their activities in all circumstances, private and public.

In the global model, the leader seeks to promote prosperous and favorable conditions for all. Profit is essential, sought to the extent of general and individual well-being. It may even be possible to measure and integrate the factors that characterize well-being when creating new policies, products, services, etc. The impact of entrepreneurial and/or industrial activity, properly quantified, on the well-being of the population as a whole and of individual citizens, may prove to be a valid foundation from which to progress -not in a wild and unpredictable manner-but rather holistically and harmoniously. Profit and well-being must be evaluated on a new scale. Profit is not only a means to happiness, but also a very real end in itself. Its impact on human behavior, collectively and individually, must be properly acknowledged. On the other hand, the factor of well-being can be measured when some of its aspects, like positive emotions resulting from precise events, creative activities, imaginative initiatives, etc. are duly taken into account. Other instances, as for example freedom, can provide useful guidelines concerning the method of objectification.

Differences between Confucian and Aristotelian philosophies can be easily attributed to their respective interpretations of happiness. Both advocate the common good as the ultimate standard of personal fulfillment and well-being but with a pronounced divergence in perspective. Confucius claims that if the State prospers, the people are content. Aristotle affirms the individual right to happiness by the inverse argument: If the citizens are happy, the *polis* prospers. In the global model, the leader constantly bridges the gap between these perspectives. Sometimes, the sensitive balance needed is akin to that of a high wire act.

9.5 The Leader's Training

The global model for leadership must be realistic in order to be sustained. Adequate training bridges the gap between ideal and reality. Perhaps the weakness of Aristotelian ethics is to be found in the entirely theoretical nature of the idea of virtue. Aristotle distinguishes between the basic education of children consisting of acquiring varied and extensive knowledge of different skills and the moral knowledge of the supreme good. In basic education, different kinds of knowledge are sought for their results, like medicine is sought for restoring health, whilst the supreme knowledge is an end in itself. The acquisition of this supreme knowledge is not particularly exploited in Aristotelian ethics. Therefore, the issue of the supremely good person, *kalos kagathos*, remains somewhat of a theoretical ideal.

From the fourth century B.C. the Stoics have elaborated a more systematic educative program of moral character (*éthos*). They have stressed the need for introspection, mindfulness and uprightness in order to curb and even extirpate

excessive and harmful impulses, the passions. Stoic cultivation aims at strict self discipline and self restraint. The means to attain the state of absence of passion, *apatheia*, consist of advice from trusted and cool minded friends or teachers, maxims and general truths abundant in ancient Greek lore, and the example of mythical or real persons that provides inspiration by illustrating the benefits of particular virtues. The overall impression is that the Stoics have not taken great pains in detailing the moral education that leads to their ideal of sagehood. The oral teaching has played a considerable role in that matter and perhaps teachers as much as disciples did not think it necessary to write down more than vague exhortations.

Confucians and particularly Neo-Confucians have, on the contrary, outlined with precision and finesse the necessary steps required in order to attain virtue and sagehood (Ivanhoe, 2002). The discourse is not destined for some happy recluses but, as I have pointed out from the beginning, for potential or actual magistrates and, in general, all public minded persons. It is an efficient instrument used to educate the public elite by instilling important values that will serve as guideposts during their careers. Philosophers have expressed various approaches but they all agree on some basic principles. In the broader sense, they provide useful landmarks for a contemporary actualized training oriented towards forging a contextual conscience for professional leaders.

The difference between moral cultivation and basic education is to be found in the disciple's living experience and moral transformation. For both ancient Greek and Chinese moralists, ethics belong to the field of realization, of redressing the character and thinking in a totally new, holistic perspective. It is not about learning a standard knowledge and hence cannot be properly conveyed in a conventional school setting. The teacher acts as more of a guide who has realized virtue in his/her own person, or at least has made significant steps in this direction. The method of teaching is accordingly adapted to the student's temperament and personality.

Neo-Confucian learning begins with the cultivation of a refined perception that enables the student to grasp the context as well as the hidden dynamics of a given situation. It is a pre-rational stage situated at the level of sensory perception. The starting point is ordinary perception. Constant exercise refines and enlarges the sensory scope to include normally imperceptible data of a particular kind. This is a seminal point. According to the Chinese worldview, reality does not only consist of visible things but also their invisible, hidden dynamics. Events, facts and what we call data are the perceived convergence of multiple tendencies in temporary equilibrium. The invisible drives have already configured the future. Whoever, says Chinese wisdom, knows how to read the hidden dynamics of any situation is the master of transformations and possesses the key to unending and everlasting success. The *Book of Changes (Yi Jing)* explains in detail how prognostication, in this case obtained by divination, is the indispensable instrument of the magistrates. Neo-Confucian ethicists have striven to assimilate lessons of the *Changes* into their educational program. Under proper guidance, students explore the potential that conditions and sustains sensory data. They come to understand how the past conditions the present and the present is harbinger of the future. The expanded perception of time is cultivated simultaneously with an all-encompassing

awareness of the interconnectedness of things in space. Gradually, contextualization reports events, the people involved and the perceiver in more comprehensive contexts. Significantly, contextual perception is traditionally paired with the invention of writing, the arts and other important cultural achievements. It is a mental state that favors creativity, invention and discovery.

Students cultivate a clear, focused and unwavering attention. They must concentrate fully on the matter at hand. The average individual's concentration and attention is extremely weak. Attention flickers and jumps constantly from one thing to another. Multitasking, considered an advantage in contemporary society, is also a good way to lose focus. Obviously, without good concentration, contextual perception is unattainable.

Awareness is conditioned by constant and uninterrupted effort. If students suspend their practice even for a short while, their effort will be fruitless. They follow the exemplary actions and lives of the antique sages or, again, of famous virtuous persons. At the beginning, they strive to imitate their model in their everyday conduct. For example, they first learn filial piety (*xiao*), considered the root of civic virtues, as a set of standardized actions, such as providing for the parents, obeying their wishes, continuing their legacy, etc. Progressively, the imitation becomes easier until intentional effort and purposeful conscience are attenuated and even eliminated. At that point, filial piety is second nature and spontaneous. As filial sons or daughters, they pursue and thus transmit to posterity, the spirit that infused their parents' actions, values, ideas, customary practices and aspirations.

Moral cultivation consists of practice and knowledge. Knowledge of right and wrong is obtained through reading, observing and studying. Students study the past in order to understand the meaning of their forbears' exemplary actions. They must realize why the actions were right or wrong, great and memorable or petty and despicable. They seize upon the motivating principle (*li*) and the way such actions promote or disrupt harmony and collective well-being. Additionally, they observe people and events around them. Eagerness to learn and understand the hidden meaning and organizing principles of life abounds. It becomes difficult to manage public or private affairs constructively if they have not grasped the ruling principles of their surroundings and of the way events run their course. They must not only sharpen their psychological intuition but also exercise common sense and dare to approach life honestly. The investigation of things is the foundation upon which to broaden and deepen moral knowledge. It is an everlasting process. In that sense, the leader must become a permanent student of truth and goodness.

Psychology is a key point in the training. Students must reduce, and in the final stage, eliminate all selfish desires. Selfishness obstructs clear perception, unwavering attention and constant practice. Wang Yangming (1472–1529), a famous Neo-Confucian philosopher and pedagogue with a successful civil service career, goes a step further. He states that individuals should never let personal ambitions or desires interfere in the management of professional affairs. Selfishness extends far beyond strict individual boundaries to embrace all partial and unilateral motives and practices, political, economic, commercial, corporeal, etc. that actually or potentially disrupt collective unity. The Neo-Confucian philosopher believes that

ambition, greed, fear and selfish calculation lead to mistakes and failure. The training is meant to produce success because it is instrumental in harmonizing different and, at times, conflicting tendencies. Leaders and their representatives eventually gain credibility and varied long-lasting benefits.

The goal of this brief outline of a suitable training for all managers or people occupying posts of responsibility is to unite theory and practice. As it is often observed, ethics have never really been applied to real life because they have never been adequately cultivated. We have seen that Aristotle, the Stoics and the Confucians of all ages have distinguished between basic and moral education. However, in order for moral education to be successful, it must become a concrete and constant way of life under the guidance of a suitable and qualified teacher. Who would be willing to undergo constant check, submit to criticism and forego some cherished weaknesses? Leaders not only need managerial experience and expert knowledge, but also personal commitment.

Theory and practice conjoined in harmonious and unobstructed conduct is the end of all moral training. Neo-Confucians perceive it as an intimate conviction that spontaneously triggers the right reflexes. For example, advances the argument, someone with knowledge of poisonous herbs will abstain from eating them even if he/she is starving to death. His/her knowledge has created an automatic response that neither deliberation nor circumstances can alter. Such practical knowledge is the model for moral conduct. Cultivation is meant to create the right reflexes so theoretical lessons may gradually mature in spontaneous practice. In this respect, we must keep in mind that contextual perception, investigation of things, unwavering attention and extension of knowledge, as mentioned above, are the necessary steps towards self-realization and not just a set of rules. Indeed, Neo-Confucian training avoids maxims and rules that may bring about intellectual and emotional confusion, sloth and mental doubt. Proceeding case by case and meticulous investigation is the best way to awaken an all-embracing consciousness.

9.6 Conclusions

The global model for leadership points to some well known but usually forgotten prerequisites of all managerial practices. It serves to both criticize existing, supposedly self-evident and “natural” truths, like the blind faith in institutions as vehicle and guarantee of progress – or the convenient equation of legal right with moral truth – and to envision an alternative way of doing business or, perhaps more importantly, of leading and directing within any circumstances.

Foremost, the model stresses the need for personal commitment. Constrained by formalities, contractual subtleties and superficial professionalism, the leader may easily lose sight of the real forces that determine the future of his/her enterprise as well his/her personal career. Credibility, loyalty and trust, as well as efficiency are not sufficient in order to transcend challenges. The ancients, both in the East and West, have realized that progress is achieved by a sincere and truthful exercise of

our best qualities. It is not only limited to material acquisitions or technological development, but also includes universal consensus, harmony and peace.

A realistic approach to such sublime aims lies in training the right persons, those who are instrumental in guiding – by their decisions and actions – humanity’s destiny. Managers and businessmen belong to this group inasmuch as they influence national and global economies, markets and ultimately, politics.

A direct consequence of the model is the need to revise the Enlightenment centered humanistic paradigm – based on the rational correspondence of duty and rights – by a more contextual and comprehensive approach inspired by the Confucian virtues of appropriateness and humaneness. The social, in addition to legal, consequences of individual actions are a real force to reckon with and, duly observed and measured, may counterbalance arbitrary or authoritarian practices by focusing decisions on their social impact. Reproof and disapproval, as well as general consensus, may therefore serve to bend, even slightly, managerial politics and practices to social advantage.

Additionally, the global model guarantees national, cultural, religious and political diversity. The leader takes into consideration local idiosyncrasies in order to interact constructively with his/her environment, prospective clients and/or partners. Thus, these features play a crucial role in planning and creating services and products and in providing a source of inspiration. Once again, we can see that contextual conduct, as has been emphasized repeatedly in this study, keeps pace with local practices whilst it transcends their isolationist tendencies.

Another aspect that must be taken into account is the reconciliation of corporate and professional practices within society. Currently, society worldwide pleads urgently for humaneness not only in the specific Confucian sense but also in the sense of humanizing market activities and practices. The rule of law, justice and equity are not enough. To their dismay, people and countries often discover the noble Enlightenment values do not coincide with morality in the way that common sense and millennia of human sociability have engraved in the collective consciousness. They watch as international policies become more impersonal. Focusing on people’s qualities, conduct and motives is a way to check the faceless mechanisms of power. It is desirable that such accounts are subject to an objective scale of measurement that operates as an international standard of globally evaluating progress, prosperity and well-being, interacting with micro and macro surroundings. Perhaps then, globalization may earn a human face.

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Chapter 10

Aristotle's Theory of the Virtues of Temperance, Courage, and Generosity as Part of a Universal Model for Leadership Practices Today

Martha C. Beck

Abstract Aristotle's theory of the virtues of self-control, courage, and generosity are still applicable to good leadership practices today. These virtues are crucial in this context because they are connected to the most basic human drives: self-control in relation to eating, drinking, and sex; courage in relation to situations involving various fears; and generosity, the virtue in relation to sharing valuable things with others. Although these virtues tend to be considered personal, they play a crucial role in the development of every social and political institution, including large and small businesses. Aristotle's model of human excellence is one good starting point for developing a universal model of good leadership.

10.1 Introduction

10.1.1 Moderation in All Things: A Way of Life and a Legacy

According to Aristotle, the wise person understands the underlying, unchanging principles and causes behind both natural and cultural dimensions of reality. Aristotle's work is still worth reading and applying to our lives today, because Aristotle had the ability to recognize and articulate the most basic principles of the natural world, human nature, and the relation between them. Aristotle shows that human beings are by nature social and political animals, and he shows why our need for good leaders and good managers arises from the human condition. Our extreme dependence on each other, beginning with our vulnerability at birth, leads to relationships based on power.

Good leaders demonstrate their strength of character most vividly, perhaps, in the way they raise their children. If they truly believe in moderation as a virtue, they

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will choose to live in moderate homes in middle-class neighborhoods. If at all possible, they will send their children to good public schools, because they know how important it is that children grow up able to relate to their fellow citizens, regardless of race, sex, creed, or income. Good leaders will know the importance of having a good, well-structured public school system and will work with government and civic leaders to create and maintain high quality public education. High quality schools have a profound impact on community life. In a healthy community, people from all walks of life become educated, find good jobs, do their jobs well, and contribute to an overall *ethos* of good will and trust between citizens.

Leaders who are committed to virtue will encourage their children to choose careers based on what they find meaningful to themselves and their society, not on the basis of the amount of money made or power exercised. Wealth and power are not appropriate goals in themselves, but only things that follow from finding a sense of purpose in one's work, being motivated to do it well, and being rewarded with wealth, power, or public honor because of the quality of the effort made. If a family has a long tradition of success in the business sector, the family can leave behind a legacy of generous giving to other valuable activities. Leaders who encourage their children to go into education, ministry, the arts, or politics, even though they will have lower salaries, demonstrate to everyone around them the value they place on a well-functioning society as a whole. They do not use the social and political system to make as much money as possible.

One of the most important legacies a human being can leave behind is a well-organized society that rewards moderation in its citizens. Every citizen exercises leadership roles, as a parent, trusted friend, co-worker, employer, government official, or member of any organization, to promote the well-being of those who depend on them. Aristotle's understanding of ethics as the exercise of the virtues makes it clear that private, public, and professional life cannot be separated. The character traits citizens develop as children must be reexamined and refined as adults, and then exercised in all aspects of community life. Each social role places citizens in different kinds of situations, but the virtues they exercise while in those situations are the same.

Aristotle describes and defines a number of personal and interpersonal virtues: (1) temperance, or self-control in relation to physical pleasures and pains; (2) rational courage, the appropriate response in relation to situations involving fear; (3) rational generosity; (4) rational anger; (5) rational humor; (6) rational friendships; (7) sociability; (8) rational pride; (9) rational ambition; (10) high-mindedness; and (11) self-knowledge. Aristotle's view is comprehensive and systematic without being overly complicated. Readers who reflect on Aristotle's discussion of the personal virtues will be struck by the fact that they are simply a careful classification of what is usually called common sense. Human beings continually run into situations that demand the exercise of these virtues. They can use Aristotle's descriptions of both the mean and the extremes when they are evaluating the relative success or failure of themselves or others in their common pursuit of human excellence, their desire to live well.

Aristotle also emphasizes the fact that human beings are political creatures by nature. The political virtues grow out of the personal virtues and are exercised in relation to people one does not necessarily know personally, but who are fellow-citizens. These virtues are exercised when human beings create, apply, and enforce a body of laws that regulate: (1) the accumulation of wealth; (2) the distribution of social goods, including wealth, education, power, and status; (3) the punishment of citizens who undermine political life; and (4) equity, the ability to apply the laws in particular situations.

The virtues connected to political life require greater emotional and intellectual maturity than the personal virtues, because it is more difficult to know how to act in relation to people one doesn't know than in relation to people one does know. Further, fellow citizens make claims on our behavior that sometimes conflict with our personal and social relationships. Although becoming a just person takes effort, the rewards are obvious. Living in a just community gives more people more motivation and leisure time to pursue the highest human activities of soul: curiosity about the natural world, the desire to create works of art, and the desire to relate to others for the sake of the good life rather than merely for the sake of meeting necessary needs or gratifying unnecessary desires.

Human beings cannot develop their full human potential without organizing and managing many different types of social institutions, including those that meet economic, educational, political, medical, religious/philosophical, and aesthetic needs. The process of specialization to meet more and more complex needs has gradually increased over time and will continue to do so. The degree of complexity in human societies today means that each individual must develop a higher level of expertise in a specific subject than ever before in order to get a good job and do it well. Consequently, everyone depends on experts to be competent and to exercise their authority in a way that promotes others' well-being rather than simply to use their skills to exploit and oppress others. A failure to do what is best in a given situation could have many possible causes, including: (1) ignorance about the important facts in a given situation; (2) incompetence; (3) cynicism, the belief that everyone who has power will use it for their own benefit.

If there is any substantive distinction between leaders and managers, a leader could be understood as someone who has a vision of the highest good an organization can achieve in all aspects of its existence. A manager could be defined as someone who is excellent at figuring out what policies, procedures, and particular decisions are necessary to actually achieve that goal. Both skills are necessary to run an organization well. Some leaders have both skills; others are better at one or the other.

Every organization also has a spirit – an *ethos*, a cultural climate – within which people exercise their professional expertise. The cultural climate of an organization is determined by the character traits of its members, particularly the most powerful ones. Good leaders and managers are role models for others to follow in forming a positive company climate. Although Aristotle's theory of the virtues sets a very high standard for human excellence, the ancient Greeks were consummate realists. They understood the need for all adults to dedicate themselves to the love of wisdom, not as a detached ideal, but as the only way to be able to make the best choices in the many situations in which they would inevitably find themselves.

The virtues of temperance, courage, and generosity – as well as their associated vices – which can greatly influence the effects of the most basic human drives, have a prodigious impact on the well-being of any society. Aristotle argues in the *Politics* that the desire for more than one's share of the goods and services a society has to offer has a more negative impact on social and political well-being than any other vice. Temperance, courage, and generosity are the virtues that inhibit this desire most. Citizens who are self-indulgent, fearful, and stingy are obsessed with personal gain and personal security at the expense of everyone else.

10.1.2 Temperance: Self-Control in Relation to Pleasure and Pain

Aristotle defines temperance as the ability to act rationally in relation to pleasure and pain. “Temperance is a mean with regard to pleasures” [1117b25-26] (Barnes, 1995, 1764). In particular, this virtue is exercised in relation to “the kind of pleasures that the other animals share in, which therefore appear slavish and brutish; these are touch and taste” [1118a23-26] (Barnes, 1995, 1765). The self-indulgent man “is led by his appetite to choose [pleasant things] at the cost of everything else” [1119a4] (Barnes, 1995, 1766). The temperate person “neither enjoys the things that the self-indulgent man enjoys most – but rather dislikes them – nor in general the things that he should not, nor anything of this sort to excess” [1119a12-14] (Barnes, 1995, 1766). The wise person chooses the mean for the same reason he or she makes every choice: because that is what the highest power of the human soul, the power of reason, requires. “The appetitive element in a temperate man should harmonize with reason; for the noble is the mark at which both aim, and the temperate man craves for the things he ought, as he ought, and when he ought; and this is what reason directs” [1119b 14–16] (Barnes, 1995, 1767).

To take one example, even though self-control in relation to sexual desires might seem to be a strictly personal virtue, Aristotle points out that the sexual relationship between spouses depends on mutual trust. Leaders who betray their spouses destroy that trust. Similarly, relationships between good leaders and the people they lead require the led to have trust in their leaders and the leaders to have good will for their people. The betrayal of a spouse, then, exposes a character that cannot be trusted in any relationship, private or public. A good leader would not even be tempted to be unfaithful, because such behavior is irrational, hence inhuman.

Unfortunately, as the free market system becomes ever more interconnected and people depend on each other more and more, markets increasingly focus on creating and selling unnecessary goods and services. Human vices are cultivated and increased. Pleasure, pain, and fear are used to sell all sorts of goods and services. To help counteract this tendency, good leaders in every sector of society must model living in harmony with reason. Business leaders should find ways to develop products that improve the quality of people's lives, in spite of the trend toward excesses. The business sector has the power to direct consumption habits toward more rational or less rational ways of living.

Although Aristotle would agree that a free market aggravates the problem of the desire for more, he does not advocate abolishing private property as a solution. Most importantly, any authoritarian way to solve a social problem assumes that the rulers will not be corrupted by their power. Further, authoritarian solutions assume people do not have the power of choice and that they can be molded to conform blindly to what rulers dictate. These assumptions are based on a false view of human nature. On the one hand, Aristotle recognizes the deep impact of childhood habits in the formation of character. However, on the other hand, Aristotle also argues that the transition from childhood to adulthood requires an intellectual change from living according to imitation and habit to living according to the power of one's reason. Adults are not human until and unless they recognize their powers of choice and reason – their natural capacity to know how to choose correctly.

Aristotle says, "Men are themselves responsible for being unjust or self-indulgent" [1119b 14–16] (Barnes, 1995, 1767). Certainly, children raised in households where the power of reason is exercised and valued will be better judges of what to do in a given situation. "For each state of character has its own ideas of the noble and the pleasant, and perhaps the good man differs from others most by seeing the truth in each class of things" [1113a31-34] (Barnes, 1995, 1758). Those who are not as well-raised might have more difficulty developing the power of rational choice. They might even argue that they are not responsible for the irrational goals they seek. "Now some one may say that all men aim at the apparent good, but have no control over how things appear to them; but the end appears to each man in a form answering to his character" [1114a32-1114b2] (Barnes, 1995 1758–59). Children who grow up cared for by irrational adults might not develop any understanding of the nature of a rational life and why they are expected to live rationally when they become legal adults.

However, when children grow up and attain legal independence from their guardians, they have to be held responsible for what they choose even if their idea of the good is irrational. "If each man is somehow responsible for the state he is in, he will also be himself somehow responsible for how things appear" (For each state of character has its own ideas of the noble and the pleasant, and perhaps the good man differs from others most by seeing the truth in each class of things) [1114b3] (Barnes, 1995, 1759). The alternative is to deny human responsibility: "If not, no one is responsible for his own evildoing" [1114b4] (Barnes, 1995, 1759). Thus we are responsible for the choices we make even when we do not understand the most important goals in life or how our actions relate to them. "In the case of the bad man there is equally present that which depends on himself in his actions even if not in his end" [1114b20-21] (Barnes, 1995, 1760).

The purpose of teaching ethics is to give human beings the tools to live well by helping us understand both the rational goals in life and the choices most likely to achieve those goals. It reduces the gap between what we understand and what we are responsible for. Ethics defines the intellectual and moral powers of the human soul and how they must be exercised in a complete rational life. With those definitions in mind, adults can examine their lives in the light of reason and can teach others through example and dialogue.

Leaders in every organization can and ought to offer employees rational choices that foster a climate in which everyone is acting rationally. A company that values self-control in relation to food and drink will offer employees healthy foods in appropriate amounts. The company will encourage self-control rather than undermine it. Within the company, workers should not be inundated with sexually suggestive music, television, or other media while they are focused on their work. Maintaining an atmosphere of temperance goes beyond mere legal issues, such as punishing sexual harassment. A company can show it is proactively preventing a sexually intimidating climate. In a world where so much advertising and so many public spaces are saturated with sexual innuendo, a work environment without such media input will be noticed. Employees who care about temperance will appreciate being able to work in such an environment.

Businesses that respect sexual fidelity will not pay advertising companies to use sex to sell their products, particularly when the product has nothing to do with sex. Companies that use sex to sell their products are sending a signal to employees and to the public in general that they will do anything to make an extra dollar. Instead, a company can deliberately hire advertising firms that work with them on advertising campaigns that link their products to a meaningful life, to ultimate values. Employees and consumers will then associate the company with positive, community-centered values. If the company presents itself consistently with this kind of image, consumers might spend more money on their products over time.

The value of temperance can also affect the direction a company takes in the research and development of new products. Companies can choose to create and successfully market products that meet consumers' basic needs. This may seem to lead to bankruptcy, since so many products on the market today, all over the world, are unnecessary and purchased on impulse. But limiting a company's dependence on such products can lead to overall stability. At best, business leaders who make products that meet more basic human needs are more likely to have a stable market niche over time. The demand for superficial and unnecessary goods and services fluctuates more, leading to less stability in the company.

If the company has a policy of trying to sell necessary products or products that focus on the quality of life, people looking for work might choose to work in such a company because of their policy. The company might receive applications from more highly qualified workers who are seeking this type of environment. Workers who value moderation are more likely to be more reliable workers. Those who work in companies that sell products that appeal to irrational desires and harmful ways of living would more likely attract employees who live this way. Company morale can be undermined by the common knowledge that the company has no meaningful purpose. When workers do not believe in what they make, they are less likely to be motivated and to do their jobs well. Leaders then have to use threats and external force to get workers to do their jobs. This creates a greater gap between workers and leaders, which undermines trust and good will. Creating products employees are proud to be producing, therefore, is at least as likely in the long run to lead to the overall health and well-being of a company as to undermine it.

Temperance is also important in humanity's relationship to the natural world. Aristotle's model of natural reason is based on the assumption that the universe is fundamentally ordered and that human beings can understand the basic foundations of reality, natural and human, by exercising the power of reasoning in the study of nature and culture. The power of human choice also gives human beings the power to deliberately deny or even defy that order. Excess desires are the motive behind such arrogance. A company that values temperance will model a respect for the natural world. Company policies will focus on avoiding unnecessary use of natural resources. "Reduce, reuse, restore, recycle" will be incorporated into every facet of company life. Conservation of resources should lead to saving money. Using "green" products leads to more companies that make such products, leading to lower prices because of competition and economy of scale. The economic system can be redirected toward conservation of natural resources. Aristotle would consider this approach obvious.

10.1.3 Courage: The Virtue in Relation to Situations Involving Fear

The human condition of ignorance and vulnerability leads to the virtues and vices connected to fear. We experience fear in response to situations of harm, either physical or psychological. We fear pain, sickness, and death. We also fear being humiliated by other people, being ostracized from society, the betrayal of friends, violence and abuse from friends and strangers, and all the ways our relationships with others can break down. As citizens, we fear the animosity of other nations and seek security from attack. The virtue in relation to the experience of fear is courage; the vices are cowardice and rashness. Cowards run away from fearful situations when they should not; those who are rash seek out situations of danger unnecessarily, to prove themselves in some way. Courage is the capacity to face situations of fear and respond appropriately simply because it is the noble and dignified thing to do.

Aristotle says, "We fear all evils, e.g. disgrace, poverty, disease, friendlessness, death" [1115a10-11] (Barnes, 1995, 1760). He describes a courageous person as one "who faces and who fears the right things and with the right aim, in the right way and at the right time, and who feels confidence under the corresponding conditions . . . for the brave man feels and acts according to the merits of the case and in whatever way reason directs" [1115b17-22] (Barnes, 1995, 1761). Because courageous people make choices based on reason alone, they are choosing to do what is best simply because it is noblest and best and for no other ulterior motive. "It is for a noble end that the brave man endures and acts as courage directs" [1115b23] (Barnes, 1995, 1761).

Leadership requires courage in many senses. Leaders continually have to take calculated risks, knowing they might not work out. Knowing when to take a chance and when to hold back is difficult. Sometimes the choices made within a few weeks can have long-term consequences. Leaders can fail to act or can overreact in any given situation. Leaders also have to overcome the fear of a loss of reputation or

respect among followers. A leader might believe the best choice is not the most popular one, but do it anyway. The choices leaders make are usually made public. The people affected almost always disagree among themselves about whether any given decision was best. Some people have difficulty accepting any decisions made, simply because they do not like being reminded that they are so dependent on another human being. In such cases, unjustified criticism undermines the organizational climate. At the other extreme, some people blindly accept the choices leaders make, assuming they have power simply because they have proven in the past that they can exercise it well. In such cases, an organization can be run into the ground because the leaders are not given any meaningful feedback. The best leaders have the courage to admit they don't know, to admit when they make mistakes. They will explain to employees what they have done to correct a mistake and to prevent future similar mistakes. The best leaders do not find scapegoats to blame, but take as much responsibility as they can for mistakes. The best leaders seek out and listen to feedback from all members of their organizations.

In their efforts to motivate employees to do their jobs well, courage and fear can be used productively or destructively. If a company is, indeed, in danger of closing or of losing a large profit, good leaders will be honest and engender appropriate fear, so that everyone will work harder and make sacrifices for the sake of the preservation and well-being of the company. Bad leaders are always using threats and intimidation to motivate workers. They might intimidate each individual employee. They might send messages that claim the company is in danger when it is not in order to justify making employees work harder, not giving them pay increases or promotions, or firing more employees than necessary. Since employees often depend on employers to make the right decisions, it is important to maintain trust between leaders and employees. Once trust and good will have been destroyed, the best employees will leave, those who tend to be lazy will continue to drag their feet, and employees will use passive-aggressive techniques to get what they want with no concern for the company as a whole.

Good leaders also need to understand the outside threats to the well-being of their organizations. Within their own sphere, leaders need to understand the competition. At one extreme, they can try and fight head-to-head against a company producing a similar product with the goal of destroying the competition. On the other hand, they can create a market niche of their own by developing a product that is unique and thus more desirable. By doing so, they create an economic climate that motivates companies to focus on inventing better and better products at more reasonable prices. Companies can be a creative or a destructive influence in the social subcultures they belong to.

10.1.4 Generosity: The Virtue in Relation to Giving

Another very important social virtue is generosity or liberality, the virtue "with regard to the giving and taking of wealth, and especially in respect of giving" [1119b23-24] (Barnes, 1995, 1767). A temperate, self-controlled life makes

possible the existence of dispensable income. A virtuous person takes pleasure in giving extra money away. Generosity is a concrete way of showing others and reminding oneself how much human beings depend on each other. The liberal person "will give for the sake of the noble, and rightly; for he will give to the right people, the right amounts, and at the right time, with all the other qualifications that accompany right giving; and that too with pleasure or without pain" [1120a23-27] (Barnes, 1995, 1768). This character trait belongs to people who care more about others even than about themselves. "It is highly characteristic of a liberal man also to go to excess in giving, so that he leaves too little for himself; for it is the nature of a liberal man not to look to himself" [1120b5-7] (Barnes, 1995, 1768). The goal of generosity should always be the development of virtue in others, leading everyone to a higher quality of life. Generosity creates trust and good will much more than good opinions or other public displays aimed at creating the impression of virtue. It is possible to make a mistake in the giving of money. "If [the liberal man] happens to spend in a manner contrary to what is right and noble, he will be pained. . . for it is the mark of excellence both to be pleased and to be pained at the right objects and in the right way" [1121a1-4] (Barnes, 1995, 1769).

When the richest citizens give huge sums to public projects, the virtue they exercise is what Aristotle calls magnificence. Magnificence is "fitting expenditure involving largeness of scale" [1122a23] (Barnes, 1995, 1771). Public well-being is improved or harmed when those with the most wealth make public displays of their generosity. "The magnificent man is like an artist; for he can see what is fitting and spend large sums tastefully . . . The magnificent man will spend such sums for the sake of the noble; for this is common to the excellences" [1122a35-1122b7] (Barnes, 1995, 1771). When the wealthiest exercise this virtue, citizens are led toward appreciating the arts, education, the sciences, community-building, and all the activities people engage in for the sake of a high quality of life, not mere survival. One of the great debates in modern society is the quarrel over whether the virtues related to the distribution of wealth ought to be understood as collective, through a system of taxes and legally established social and political institutions or, instead, strictly voluntary, leading to the formation of privately funded institutions. This debate will not go away and has taken on new forms with the development of science and technology.

In relation to the issue of funding for health care, debates about private or public funding are closely connected with the virtue of temperance and the vices associated with intemperance. Science and technology have led to more sophisticated and expensive ways of distorting natural experiences of pleasure and pain, both physical and psychological. Nations and citizens around the world debate whether justice requires tax-supported health care or whether health care ought to be paid from citizens' salaries. Technology leads to products and services that go beyond the need to be healthy. People cannot agree on whether to fund seemingly "cosmetic" kinds of care through taxes or not. The desire for excess wealth can undermine health, even within the health-care industry. When the system is corrupt, everyone involved in the corruption is using the power they have to gratify their own excess desires at the expense of others and of the society as a whole. Those who provide health-care products and services can be blinded by greed rather than the desire to figure out what is just and best. Doctors and pharmaceutical companies

can make huge amounts of money pandering to citizens' irrational desires. Overeating, smoking, drinking excessively, a failure to exercise, and other bad habits increase corporate profits and health care costs.

Corporations also make huge profits by selling mood-altering drugs. Advertising tries to convince citizens that they deserve a psychologically pain-free life. The nurturing of impulsive behavior leads people to hurt everyone around them. Broken relationships lead, in turn, to serious emotional problems. Profits made from emotional problems leads away from an investment in finding out and fixing the root causes of such problems. Less money is invested in publicly funded services that prevent such problems, because prevention would reduce corporate profits.

Health care is also profoundly affected by fear of pain, old age, and death. Cowardice leads to excessive fear in situations involving pain, aging, or death, which leads in turn to excessive and expensive health care. Science and technology have distorted and corrupted debates about facing the fact of human mortality and death. An excessive and unnatural fear of death has led to expensive and sophisticated products that delay the natural dying process. Providers who make huge profits pander to citizens' irrational desire to stay alive at any cost. Corporate advertising claims that people 'deserve' to stay alive as long as possible. A combination of fear and manipulation leads to enormous health care costs that are unnatural and unnecessary. The cost of health care, whether privately or publicly funded, lowers the quality of life in other sectors of society. Spending more money on health care leaves less money for high-quality schools, parks, environmental protection, roads, and all the other needs human beings share.

Leaders show concern for the well-being of their communities by setting up a program of corporate philanthropy within their companies. They can find out from employees which organizations have the best goals and the most cost-effective ways of implementing them. Research about the network of philanthropic organizations in their area can be one small part of one employee's job description. This person can become knowledgeable about the history of corporate philanthropy in the places where they do business so they know what has worked in the past and what has failed. This person can also research government-funded programs and set up ways for private and public funds to be invested in well-designed and well-run programs.

Good leaders are savvy about corporate philanthropy. They use it to improve their company's public image and to improve the social climate within which they do business, and this, in turn, improves efficiency and profitability. Within a company, wellness programs have been shown to lead to less illness, less absenteeism, and hence greater profitability for a company. Supporting public parks and recreation promotes community health for young and old, decreasing the cost of health care. Supporting the public schools means companies do not have to pay for remedial education when employees are hired. Supporting high quality day care programs for the underclass has been shown to reduce crime and all of the public costs associated with it.

Good leaders will let their employees know that they link the success of their companies to the quality of life in the community. They might hold meetings with employees who want to gather to debate current issues, in the company and in the

community. They provide opportunities for workers to form opinions and to listen to the opinions of others, a necessary precondition for cultivating practical wisdom. They might provide time off from work for volunteerism at times when the community is in particular need. They could encourage employees to set up discussion groups to meet before or after work or during lunch hours. People with young children might want to discuss a book or invite a speaker to talk to them about child-raising. People who are caring for aging parents might want to meet to discuss a book or hear a speaker. Over time, employees who meet in such groups develop practical wisdom not only about their lives, but about human life in general and about the lives of people around them.

Good rulers rule so well that their authority is least needed. They create a body of employees who can solve the problems that arise within the many sub-divisions of their organizations. Workers who are encouraged to be thoughtful about their communities and their places of work can provide good recommendations for what those with power ought to do. Political life, community life, and life-at-work are all improved greatly when everyone has the opportunity and desire to develop the virtues. Good leaders know that employees who are virtuous are the most valuable asset of their company. As the Greeks would say, in a healthy society, leaders and led are 'of one mind' about what is best. Although members of every kind of social group have different areas of expertise and different levels of power and responsibility, in the best societies they work together for the well-being of everyone.

The business world is primarily dedicated to providing goods and services that provide value. Every social sector includes an exchange that is usually mediated by money. Education, the arts, medicine, and most human activities involve money. Every sector of society can become corrupted when the desire to become wealthy becomes excessive. Citizens should value doing their jobs well and exercising their skills in a way that promotes the well-being of those who seek out their services more than exercising their skills for the sake of gaining power or wealth. Good business leaders should be able to lead their societies in establishing company policies and laws that maintain a healthy balance between nurturing the pleasure that comes from making money and inhibiting it. Good business leaders understand their place in society and their particular skill at making money within the context of the nature and purpose of all sectors of a flourishing society. The business community and the political community have to work together, because they represent the two most powerful sectors of a society. Too much legal interference in the economic sector of society leads to a lack of motivation. Too little redistribution of wealth leads to greed and all the harm caused by the desire for excesses of all kinds. There is an art to the creation and distribution of wealth. Good business leaders want to establish a political community and a body of laws that help all sectors of society to flourish and to reinforce each other.

Good leaders create and enforce company policies for punishing employees who violate the conditions of their employment. Well-run companies operate in the same way as well-run legal systems in the political sector of society. Those at the top should be punished as severely, or even more severely, than those with less

status, power, and wealth, because the violations of those at the top have a more profound negative impact on everyone else, especially those lower down. Making sure those with the most power are punished, and punished severely, is the only way to develop trust.

10.1.5 The Universality of Aristotle's Virtues

On the one hand, a case can be made for the plasticity of human nature. Human choice lends itself to many, many different ways of living and of understanding good and evil, virtue and vice. On the other hand, Aristotle's virtues present an outline for what could be developed into an international and universal ethic. When observing human behavior, we are at first struck by the many differences between people and the power of cultures to mold individuals. If we go beyond the world of appearances – mere behavior – and focus instead on the underlying principles and causes of human action, it is possible to describe the human condition in a way that applies to all human beings, past, present, and future.

Aristotle's theory of the virtues claims to be such a universal ethic. It starts with the human condition, its situation of ignorance and vulnerability, and the many obstacles human beings encounter in their effort to develop the natural powers of the human soul. Every society has some standards for excess and defect in relation to all these virtues, even though there are clearly cultural differences between how each society addresses each virtue or vice. The plasticity of human nature, however, does not prove that morality is entirely relative. Aristotle argues that an entire society can be excessively dedicated to pleasure, to war, or to empire-building, and can nurture animosity between citizens or a cooperative spirit. There are natural standards according to which every society can be evaluated as better or worse.

Businesses create and reward different kinds of community climate and can be evaluated as better or worse, more just or less just, according to the ultimate goals they pursue and the ways they pursue them. A company can have a reputation for being authoritarian or egalitarian, for encouraging employees to develop themselves and contribute to company life in many way – or for intimidating employees and expecting them to do what they are told. A company can nurture intemperance, fear, and greed – or moderation, courage, and self-sufficiency. People who can rule themselves in their private lives create communities of individuals who will work together for the sake of the good of the whole. This is true all over the world. Cultural differences might lead to disagreements at first, but rational adults will be able to work out those disagreements and irrational adults will not.

Given the continually increasing communication and contact between human beings all over the world, it is now more important than ever to reflect on which ways of living are better and or worse from the point of view of natural and international standards of virtue and justice, without favoring or condemning one entire society's traditions over another. One way to begin a comparative study of the mores of different cultures is to compare Aristotle's list with the behavior and

teachings of other leaders who have been considered outstanding models of virtue and justice. Jesus, Muhammad, Buddha, Confucius, and Lao-tzu are a few examples of leaders who history has thought of as living excellent lives. History has also honored various leaders in business, politics, and every sector of human life. Scholars could do a comparative study of how each leader exhibits Aristotle's virtues, as well as those aspects of their lives that seem incompatible with the biases of the ancient Greeks in general or Aristotle in particular. Certainly Aristotle's bias in relation to women must be rejected and his description of 'natural slaves' must be changed.

No one standard can be the only model to follow. Aristotle himself argues that the best social and political system for a particular nation at any particular time varies, depending on the history, climate, culture, and many other factors. A comparative study would be a great starting point for a dialectical conversation, leading to a commitment to continual self-examination and examination of others throughout one's life and in all dimensions of life. Both study and experience should enable leaders, or those with authority in all sectors of society, to take the situations they find themselves in and promote human excellence in whatever ways they can.

Further Reading

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Chapter 11

Blending Greek Philosophy and Oriental Law of Action: Towards a Consciousness-Propelled Leadership Framework

Vikas Rai Bhatnagar

Abstract This paper uses action research methodology for systemically developing leadership in an automotive component manufacturing organization. Identifying gaps in leadership development that emerged from practice, and subsequently also realizing that grey areas existed in literature related to leadership and philosophy, the paper proposes a consciousness-propelled leadership framework that is derived from developing a model titled Integrated, Unified and Systemic Model of Consciousness, which is proposed to be fundamental to cosmology. The model reconceptualizes the paradigm of cosmos by incorporating the Pythagorean concept of kosmos, which includes the material, biological, cognitive and spiritual domains; and proposes a multi-dimensional fused field titled S^2P^2 field instead of a four-dimensional physical spacetime field. The S^2P^2 field holds the promise of broadening the scope of science and propelling global development that is socially enriching, ecologically sustainable, and spiritually emancipative. The proposed consciousness-propelled leadership framework blends Greek philosophy, oriental law of action and new physics. It attempts to understand leadership from a causative perspective, as compared with the current focus of leadership theories to analyze a myriad of leadership effects.

11.1 Introduction

With the competition in business becoming fiercer by the day, the concept of warfare has shifted from defence to the industry (Kotter 1988). Along with this shift, the need and importance of leaders in the industry has also gained significance and urgency. The dearth of leaders in organizations is nearing a crisis and can be

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dubbed as the leader-succession crisis (Groves 2010). Leadership continues to be a highly researched yet elusive topic. Umpteen facets of leadership have been researched, with each study laying emphasis on a particular dimension or attribute of it. However, none of the current theories, if applied in isolation, will solve the current crisis of leadership that organizations are facing. Leadership remains a highly contextual construct that emerges as a complex outcome of dynamic interaction among the leader, followers and situation.

The distinction between developing leaders and developing leadership is of great relevance. While the traditional focus on leader-development regarded leadership as an exclusive property of an individual, the new expanded perspective views leadership as a property of the organization, and includes elements other than the leader, like interconnections among members and organizational practices and systems that make people work together (Bal 2001). The ideal strategy for developing leadership would be developing the human, social and systems capital of an organization (Kegan 1994).

There is a growing wedge between management pursuits by academicians and those by practitioners. Management scholars are criticized for not putting their abstract knowledge into practice (Beyer 1997), while practicing managers are accused of not contributing to theory-building emerging from their practice (Weick 2001). Action research, as a methodology, balances the rigor of research with its relevance to the members of an organization.

In this paper, a model for developing leadership is developed and action-researched by addressing the human, social and systems capital. A reflection on the basic premise of the first cycle of action research indicated certain gaps in developing leaders and this led to a next cycle of research questions, literature review and propositions. An indepth literature review of Greek philosophy, oriental law of action and new physics led to the development of an integrated model of cosmology and a sub-model that promises to enlarge the scope of science and reconceptualizes the field wherein events take place. The consciousness-propelled leadership framework developed views leadership from a causative perspective, as compared to current focus of study on the umpteen effects that leadership produces. Since the key focus of this paper is the second cycle of action research, the first cycle will be only be briefly touched upon.

11.2 Literature Overview

Leadership remains an elusive topic, despite being highly researched. A review of scholarly work on leadership reveals wide approaches being taken towards leadership by different scholars, including traits, information processing and relational standpoint (Northouse 2010). There are around 65 different classification systems for defining various dimensions of leadership (Fleishman et al. 1991). Umpteen facets of leadership have been researched, such as traits (Stogdill 1948), skills (Katz 1955), style (Blake 1964), situation (Hersey and Blanchard, 1969), contingency (Fiedler 1987), path-goal (Evans 1970), leader-member exchange (Graen 1995),

transformational leadership (Burns 1978), authentic leadership (Shamir & Eilam, 2005), team leadership (Mankin 1996), and psychodynamic approach to leadership (Zaleznik 1977, May-June). However, scientific literature on *how* the human, social and systems dimensions have been integrated to effectively succeed in leadership development hardly exists. If the method of studying leadership development was action research, newer insights may possibly be gained into this elusive concept.

With the above perspective, an action research study was carried out in an organization by developing a multidimensional model for leadership development that was grounded in and emerged from the study. The model also utilized the research findings for making leadership development effective (Kegan 1994). In the first cycle of action research, a leadership development model has been evolved. Besides, initiatives related to human or leader dimension, and few aspects related to social and systems dimensions have also been addressed.

11.3 Research Approach

11.3.1 Action Research Methodology

The approach of this study is action research and hence, it is important to understand a few nuances of this research methodology. Action research is an orientation to creation of knowledge that arises in the real time context of an organization and requires the researcher to work with the practitioners in the subject's system. The aim of action research is not only to understand the subject's system but also to effect desirable changes in it while generating knowledge and enhancing capabilities in the stakeholders (Huang 2010). The underlying premise of action researchers is that only through actions and making changes is real understanding possible.

It is important to note that the dominant mode of inference in positivist science is deduction and induction while in the case of action research it is abduction (Barton et al. 2009) As per Haack, "the method of science requires abduction. Scientific inquiry is creative; it requires imagination to cope up with abductive hypotheses."

11.3.2 Context of Action Research

The action research took place in the Ashok Minda Group, a 50-year-old leading automotive components manufacturer, with products related to safety and security, driver information and telematics and plastic interiors. The turnover of the group was \$555 million in the financial year 2010–2011 and the compounded annual growth rate of the group is around 30 %. Some of the cultural nuances of the Ashok Minda Group that have implications for the development of leadership were identified qualitatively by methods of participant observation, and focused group

discussions with a cross-section of employees and in-depth interviewing of consultants who have worked with the group. These may be stated as: strong process orientation, high intentions and lukewarm execution, focus on operations and finance with a neglect of people processes, lack of embeddedness of human resources function and quick turnover of colleagues recruited at the senior levels.

11.3.3 First Cycle of Research Questions

At this stage of action research, I began with the following primary research question: What should be the integrated (human, social and system) leadership development model, embedded within the organizational context and diagnosis, such that, upon testing in field, the development of leadership pipeline becomes a success?

11.3.4 The Integrated Leadership Development Model

The integrated leadership development model, addressing the human, social and systems dimensions, was arrived at by discussions with the Group CEO, members of the supervisory board and other business heads. The development of model was evolutionary in nature and took around 10 months to take shape and is depicted in Fig. 11.1.

Since the focus of this paper is the second cycle of action research, I shall briefly touch upon only the leader dimension of the leadership development model before moving on to the next cycle of research questions, literature review and knowledge generated.

11.3.5 Leader Development

Leader development is the human dimension as per Kegan's three-pronged approach (human, social and systems) to leadership development. The leader development component includes the development of strategy and process, the development of Minda competency model and testing and simplifying it, deciding the career paths of talents, and development of the leadership competencies in them. The method adopted for evaluating the potential and finding the strength profile of the employees was through development centres. The model of leadership competencies is shown in Fig. 11.2.

11.4 Reflections at the End of First Cycle and Meta Learning

The leader development initiative was lauded by the CEOs of various businesses during the December 2010 Long Term Strategy meeting, wherein the Group CEO and all his direct reports participated. A majority of the talents being developed

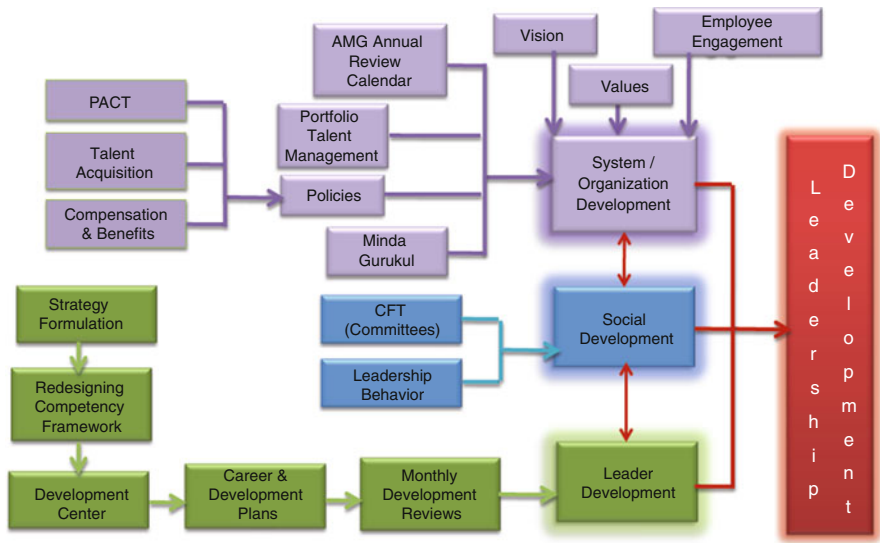


Fig. 11.1 The Integrated Leadership Development Model

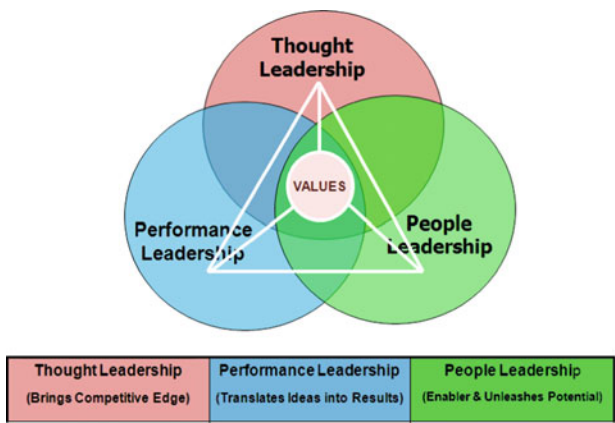


Fig. 11.2 Leadership Competency Model

took keen interest in the leadership development process. However, I noticed an interesting phenomenon. An employee scored very high on the competencies and his scores are shown in Fig. 11.3.

This employee, however, had a track record of demonstrating behavior that would antagonize other people. He seemed to have rigid views and came across as an extremely arrogant person. I clearly discerned some shortcomings and gaps in the leadership development emerging from practice. In order to make the subjective process of assessing human potential as objective as possible, adequate rigor was exercised on a few important dimensions. Apart from carrying out behavioral event

	Entrepreneurship	Strategic Thinking	Business Acumen	Enabling Change	Passion & Execution	Employee Engagement
Competency Scores	3.33	3.08	3.00	3.00	3.17	3.00
Threshold Level	2.33	2.33	2.50	3.00	3.00	3.00

Fig. 11.3 Development Center Score

interviewing for developing the competency framework, the development centre exercises were redesigned such that they proved effective in eliciting the behaviors as per the defined competency proficiency levels. Finally, the assessors were selected and briefed thoroughly on the competency framework and the exercises such that they were well trained for their task.

The gap that emerged from the practice was disturbing. We took the competency approach towards leader development and followed the process steps to ensure objectivity of results. Moreover, we had to deal with the instance of an employee scoring high on the competencies but remaining unfit for leadership roles, unless a few other behavioral issues were addressed. The exercises of the development centre were designed to elicit and assess the positive competencies. An employee may have ‘negative’ competencies that were not assessed in a development centre, which could interfere with leadership competencies and render the person ineffective as a leader.

With this gap in the practice of leadership, it was becoming evident that competencies are not fundamental to leadership, and might be just an effect of some attribute that is far more basic and fundamental. My focus remained on the critical attribute that may be regarded as fundamental to leadership.

I viewed the concept of leadership from the perspective of hyperspace or the science of higher dimensions (Kaku 1995), wherein the higher dimensions unify, simplify and explain the phenomenon. I was preoccupied with the root question of what was *fundamental* to leadership. This question got reframed as: What is fundamental to *existence*? I realized that I was venturing into the domain of meta-physics and philosophy. The quest for what was fundamental, when put in the backdrop of a context, finally meant “What is fundamental to cosmology?” I was hopeful of gaining insights into leadership, and particularly into what was fundamental and causative to leadership by finding out what was fundamental to cosmology.

11.5 Second Action Research Cycle

11.5.1 Research Questions

Action research follows a cyclic nature of research and the research questions for the next cycle were:

1. What is fundamental to cosmology?
2. What implications will the answer to the preceding question have on the study of leadership?

11.5.2 Literature Review

The quest for what is fundamental seems to be an innate human urge. Albert Einstein spent the last 30 years of his life trying to find a unifying equation that would explain the electromagnetic, weak nuclear, strong nuclear and gravitational forces. An attempt to theorize what is fundamental to cosmology might be an epistemological impossibility. However, in the words of Wilber, “a bit of wholeness is better than none at all.” To that extent, any contribution towards providing an integral, ecological and systemic worldview will contribute to make the world less fragmented and less alienated (Wilber 2001).

The literature review is focused on Greek philosophy, the oriental law of action and new physics. It is assumed that these three dimensions will provide deep and significant insights for the research questions posed. I summarize the literature review in the form of the table below.

Serial no.	Key insight	Literature review
1.	Holism and interconnectedness of variables, things and events	<p>Greek philosophy</p> <ol style="list-style-type: none"> <li data-bbox="569 728 1033 860">1. The Pythagorean concept of kosmos is a holistic concept and includes cosmos meaning the physical universe, biosphere or the living world, the psyche or mind or the noosphere and the spirit or the theosphere (Wilber 2004a) <li data-bbox="569 866 1033 913">2. Heraclitus believed that all things are interrelated (Russell 1946) <p>Oriental philosophy</p> <ol style="list-style-type: none"> <li data-bbox="569 949 1033 1054">1. The Vedic term <i>karma</i> means ‘action’ and denotes the dynamic interrelations of all phenomena. <i>Karma</i> signifies the never-ending chain of cause and effect in human life (Capra 1975) <li data-bbox="569 1060 1033 1213">2. The essential element of oriental mysticism is to experience all phenomena as manifestations of the same ultimate reality. It is called <i>Brahman</i> by Hindus, <i>Dharmakaya</i> or Body of Being by Buddhists and <i>Tathata</i> or Suchness by Taoists (Capra 1975) <p>New physics</p> <ol style="list-style-type: none"> <li data-bbox="569 1248 1033 1407">1. Werner Heisenberg, one of the founding father of quantum physics says “The world thus appears as a complicated tissue of events, in which connections of different kinds alternate or overlap or combine and thereby determine the context of the whole” (Heisenberg 1962) <li data-bbox="569 1412 1033 1592">2. Quantum theory reveals a basic oneness of universe, wherein the material objects cannot be decomposed into independently existing smaller units but what is revealed is a complicated web of relations among various parts of the whole that also includes the observer (Capra 1975)

(continued)

Serial no.	Key insight	Literature review
2.	Quest for what is the fundamental source of all causation	<p>3. As per Niels Bohr, “Isolated material particles are abstractions, their properties being definable and observable only through interactions with other systems” (Bohr 1934)</p> <p>4. Taking a systems view of the quantum phenomena of nonlocality and entanglements, Bhatnagar mused if a similar entanglement of all entities having consciousness exists. He further argued that due to energy-matter equivalence, all entities may be hypothesized to be systemically interconnected on a single scale of consciousness (Bhatnagar 2009)</p> <p>Greek philosophy</p> <p>1. Heraclitus (535–475 B.C.E) believed fire to be fundamental out of which all else emerged and hence everything is ever-changing (Russell 1946)</p> <p>2. Aristotle believed in the “potential function” or final cause behind everything. He argued that if we move back in time, there would be a prime cause or the first cause for the evolution to take place. This was something akin to the divine creator (Groves 2007)</p> <p>Oriental philosophy</p> <p>1. In <i>Bhagavad Gita</i> or the Celestial Song, multiple manifestations of things and events are due to the same ultimate reality called <i>Brahma</i> (Capra 1975)</p> <p>New physics</p> <p>1. The superstring theory attempts to present a unified field theory, providing a comprehensive and mathematical framework and promising to unify all the four physical forces of nature, namely the electromagnetic, gravitational, weak nuclear and strong nuclear forces (Kaku and Thompson 2007)</p> <p>2. Cosmological diversity and the ultimate cause of causation may be understood as the ‘hyperspace of consciousness’ wherein the higher dimensions of consciousness simplify and unify the manifestations of multiple forces and those emanating from the lower levels of consciousness (Bhatnagar 2009)</p>
3.	Objective reality is a myth	<p>Greek philosophy</p> <p>1. Heraclitus believed that our interpretation of reality and beliefs are “observer-related” (Russell 1946)</p> <p>2. Permenides of Elea (515–450 B.C.E) expounded his doctrine in the poem <i>On Nature</i> and considered sense objects to be deceptive and the multitude of sensible things as mere illusion (Russell 1946)</p>

(continued)

Serial no.	Key insight	Literature review
		<p>3. Plato believed in Forms or the ideal state of everything, which is eternal, perfect and pure. The visible things that we perceive with our sense organs are but a replica of the Form. According to Plato, a few people can also perceive the Form along with the thing (Russell 1946)</p> <p>Oriental philosophy</p> <p>1. In the words of Prof. Satsangi, “Absolute Truth occurs in the Supreme Creational place and is the cause of the creation. Reality is perceived truth. It is a subjective impression or realization, that is, the effect produced by the truth as the cause in the creational plane, that we perceive by sentient entities” (Satsangi 2010)</p> <p>2. In the Buddhist tradition, analysis of reality reveals nothing but emptiness and reality is a series of momentary phenomenal events (Zajonc 2004)</p> <p>3. Prof. Satsangi avers the visible universe or the microcosm to be a replica of the macrocosm and maintains that by studying the microcosm, insights into the macrocosm can be gained (Satsangi 2010)</p> <p>New physics</p> <p>1. Quantum theory has shown that the particles are not isolated grains of matter but probability patterns and interconnections in an inseparable cosmic web (Capra 1975)</p> <p>2. As per the superstring theory, the ultimate building blocks of nature consist of point-like strings that are 100 billion billion times smaller than a proton (Kaku and Thompson 2007)</p>
4.	Immortality, transmigration of the soul and the law of <i>karma</i> or action	<p>Greek philosophy</p> <p>Socrates discusses the nature of afterlife in <i>Phaedo</i> and, while putting forth the cyclical argument, expresses his belief in the immortality and transmigration of the soul and rebirth. In the argument of affinity, he argues how the soul of someone who has not led a virtuous life would be dragged back to the corporeal life and one who has led a virtuous life would experience an afterlife full of goodness (Fowler 1966)</p> <p>Oriental philosophy</p> <p>1. The immortality of the soul and its transmigration from one body to another till such time as one attains <i>Moksha</i> or spiritual redemption is an accepted belief in oriental philosophy (Radhakrishnan 1948)</p>

(continued)

Serial no.	Key insight	Literature review
2.		The Law of <i>Karma</i> is a divine code of conduct that had been ordained for the spiritual redemption by the medium of rewards and punishment due to actions performed by individuals and expounds a rationale for rebirth and the diversity that we experience (Satsangi 2010)
		<p>New physics</p> <p>New physics is silent on such subjects and the study of soul seems to be beyond its present scope (Satsangi 2010)</p>

11.6 Propositions for Two New Models

I propose two emergent conceptual frameworks: the Integrated, Unified and Systemic Model of Consciousness, and the Spiritual-Socio-Psycho-Physical (S^2P^2) field, which is an essential part of the first model. The Integrated, Unified and Systemic Model of Consciousness is the paradigm that has emerged from a blending of Greek and oriental philosophies and the new physics. While grand unified theory attempts to unify the four physical forces of nature, the model being proposed here attempts to unify not only the physical forces of nature, but all the forces of the Pythagorean kosmos. The proposed multidimensional fused field holds the twin-fold promise of firstly broadening the scope of science; and secondly, by utilizing this paradigm, enabling global development that proves holistic, harmonious and sustainable.

Proposition 1. Fused Multi-dimensional Spiritual-Socio-Psycho-Physical (S^2P^2) Field

The Integrated, Unified and Systemic Model of Consciousness makes use of a field that is multidimensional and fused, named the S^2P^2 field. The spirit-matter duality propounded by Rene Descartes in the seventeenth century separated mind (*res cogitans*) and matter (*res extensa*) into two different and independent realms (Capra 1975). The environment in which we operate is conceived to be primarily physical, having the dimension of spacetime. The sentient entities, however, have dimensions that are physical, psychological, social and spiritual (consciousness). Unless the environmental field is enlarged to include all experiences, a holistic view of science and development will remain impossibility; and the efforts to keep subjective and mystical experiences of psychology and theology out of the domain of science will continue.

The environmental field, which is primarily conceived as physical, also has discrete isolated fields of other disciplines. The current state of disconnect between the multidimensional sentient entities and the physically-defined environment is diagrammatically shown in Fig. 11.4.

As seen in the diagram, the field or environment where sentient beings operate is primarily conceptualized to be the four-dimensional physical spacetime field. There are discrete and isolated pockets of disciplines – such as psychology and theology –

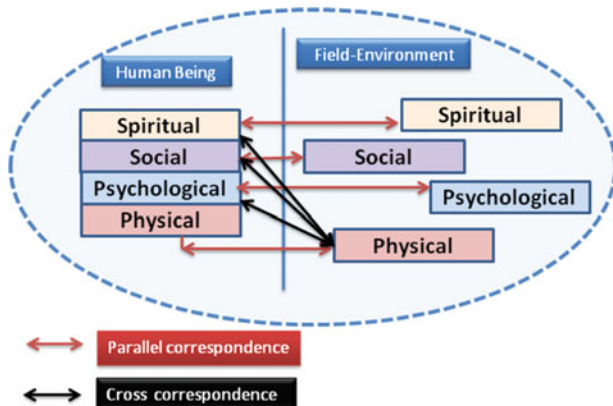
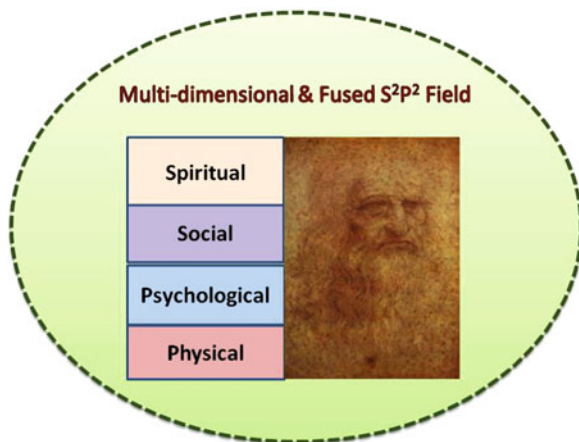


Fig. 11.4 Silos of Science in a 4 Dimensional Space-Time Field

Fig. 11.5 Expanded Realm of Science in a S²P² Field



in the environmental field wherein parallel correspondence does take place. However, due to our overwhelming bias for physicalism, quantification and measurability, there is a parallel evaluation with the physical laws to test the validity of a phenomenon of a different domain, such as sociological, psychological or spiritual. The actual multidimensional field may be termed as a Spiritual-Socio-Pscho-Physical field or S²P² field and the conceptualization has promise for expanding the realm of science to include emergent as well as mystical phenomenon. The S²P² field reconstructs the Pythagorean concept of kosmos and promises to reintegrate the wedge among various disciplines of the sciences and the silos that we experience today.

The manner in which a sentient entity will interact with such a field is diagrammatically represented in Fig. 11.5.

Before I further develop my arguments and present the Integrated, Unified and Systemic Model of Consciousness that utilizes the S^2P^2 field, it is important that I present a few operational definitions of key constructs used.

11.6.1 Key Operational Definitions

1. Consciousness: It refers to the highest holon (whole-part) that transcends all its parts and hence includes all that is. Consciousness is the depth in the holon, which in turn is the measure of the number of levels in any holarchy. It is the sum total of all energies and includes spiritual, psychological, biological and physical energies, whether in the form of potentiality or actuality.

Since consciousness is a complex construct and is fundamental to this paper, let me attempt to explain it at relative length. Consciousness is the property that has always been in the universe and is all that exists (Kant 1998). It has properties of intention, free will, and tendencies in potential or kinetic form due to *karmas* or actions. All manifestations can be assumed to be differing grades of consciousness (Bhatnagar 2009).

In the words of Wilber, it is “utterly beyond this world but embraces every single holon in this world. It is the highest level in the holarchy but is also the paper on which the entire holarchy is written”. It is prime energy that includes the energies of physical, biological, cognitive and spiritual domains. In the physical domain, consciousness will manifest itself as energy in the form of electromagnetic, weak nuclear, strong nuclear and gravitational forces. In the spiritual domain, consciousness will find expression in Love, Truth, Bliss, Oneness, Deep Ecology and Refulgence. Similarly, the consciousness operating at biological or cognitive levels will find manifestations in fulfilling biological and cognitive needs.

2. Cosmology: It is the study of kosmos, which includes the cosmos, biosphere, noosphere and theosphere.
3. Energy: This refers to energies included in the spiritual, social, psychological and also physical domain. Hence, it has been at times used interchangeably with consciousness in this paper.
4. Matter: Denotes anything that has weight and occupies space.
5. Spacetime field: Refers to the four-dimensional spacetime field that forms the backdrop in which events take place.
6. S^2P^2 field: Refers to the multidimensional and fused spiritual, social, psychological and physical field that constitutes the backdrop in which events take place.
7. Emergence: The spontaneous arising of novel and coherent structures, patterns and properties during the self-organization of complex systems.
8. Unfolding: Refers to becoming aware of the meaning and purpose of the emergence.
9. Holons: These are whole-parts and have the properties of agency, communion, self-transcendence, dissolution and exist in holarchy (Wilber 2004a).

With regard to my thoughts on the primacy of consciousness and a synthetic worldview, as opposed to a reductionist one, I had conjectured in the book review of *Quantum Self* authored by Danah Zohar (1990) and published in the journal *Literary Paritantra (Systems)*, that there probably exists a web of interconnectedness of consciousness of all entities, similar to the non-locality and quantum entanglement experienced in sub-atomic particles. Extending this logic further, all manifestations, animate as well as inanimate, can be assumed to be on differing levels of consciousness and due to the energy-mass equivalence, all manifestations can be assumed to be on a single scale but possessing different levels of consciousness. I had further observed that this single scale of consciousness can be visualized to be extending till infinity on both ends. One end would witness the purest, most refulgent and radiant consciousness and the other end would signify the grossest form of consciousness (Bhatnagar 2009). Here, the assumption is that the dimensions of consciousness are directly proportional to the level of consciousness. It is here that we may find the ultimate explanation of the causation of cause, the ultimate unification of consciousness and energy-matter and an ultimate explanation for the cosmological diversity (Bhatnagar 2009).

With all the above as backdrop and by blending Greek philosophy -particularly the Pythagorean concept of kosmos- the oriental law of action and new physics, I propose an Integrated, Unified and Systemic Model of Consciousness as a possible exploration to the first research question posed after the completion of the first cycle of action research, namely “What is fundamental to cosmology?” This model is depicted below as Proposition 2 and Fig. 11.6.

Proposition 2. Integrated, Unified and Systemic Model of Consciousness: Conceptual Depiction

11.6.1.1 Explanation of the Model

The key postulates of the model may be explained in the following succinct points.

1. The model is akin to the conceptualization of a Great Chain of Being, in which all entities are systemically and hierarchically interconnected. Where the conditions in cosmos are conducive to life, the biosphere emerges; where the conditions for mind or psyche are enabled in the biosphere, the noosphere emerges; and where the conditions render the emergence of consciousness possible, the theosphere emerges (Laszlo 1987). The matter and life-forms that emerge from the purest form of consciousness are so subtle that they are nonexistent and these exist in the pure spiritual regions, wherein there is ultimate Truth, Peace and Bliss (Satsangi 2010). Hell represents the matter and life-forms emerging from the grossest form of consciousness or energy.
2. Holons are whole-parts and run horizontally across the cosmos, biosphere, noosphere and theosphere as well as vertically within the cosmos or biosphere, noosphere or theosphere (Wilber 2001). The nature of matter, life, psyche and spirit are different at different levels of energy, depth or consciousness due to the differences in the quality of consciousness.

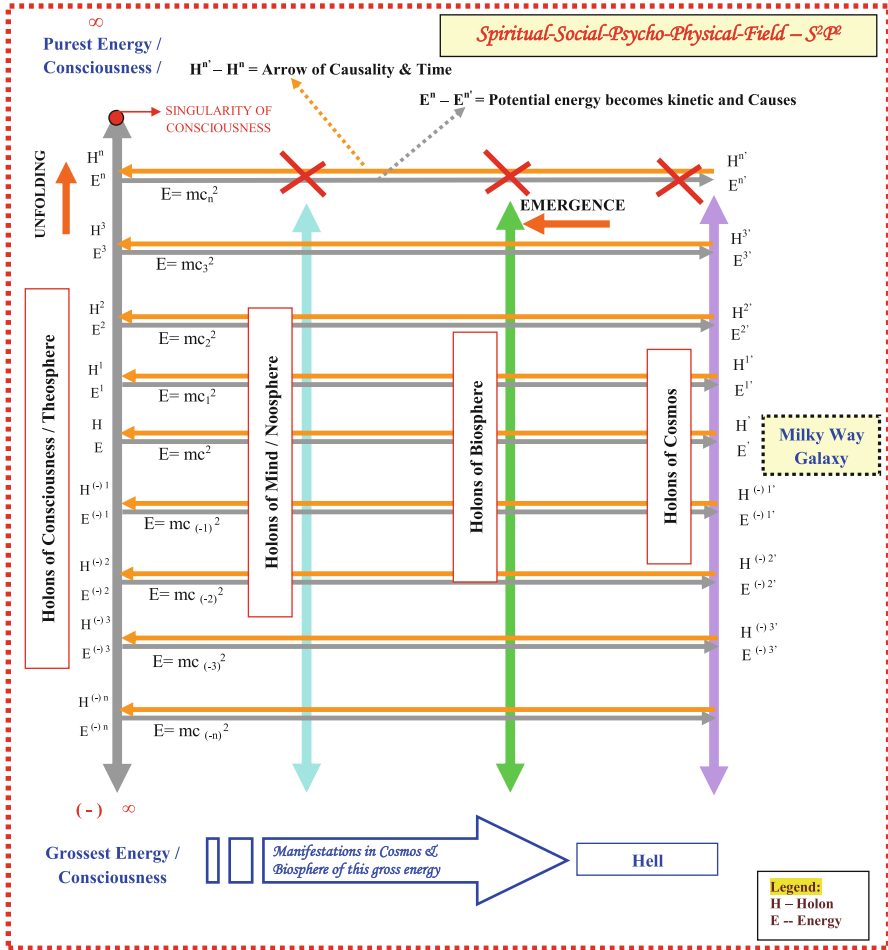


Fig. 11.6 The Integrated, Unified and Systemic Model of Consciousness

3. When the movement of evolution is horizontal across kosmos, we witness the phenomenon of emergence and when the movement is vertical, that is, moving up in the plane of consciousness (greater depth, lesser span in terms of holons or higher dimensions in terms of hyperspace), we experience the phenomenon of unfolding, leading to perception of newer dimensions of reality.
4. When the vertical and horizontal holons collapse into a singularity, we get the singularity of consciousness and zero becomes equal to infinity (Wilber 2004b). To elaborate this, the Big Crunch in the physical cosmos will reduce all matter to dimensionless singularity (Penrose 2010) in the domain of theosphere. This horizontal Big Crunch will be followed by the Big Crunch at the theosphere, wherein the multiple singularities at different levels of the theosphere will form one singularity of consciousness, reducing the kosmos to pre-creational stage,

only to be recreated again by another Big Bang. The cycle of evolution will continue till such time the *karmas* or tendencies of all living creatures are totally eradicated (Radhakrishnan 1948).

5. The model utilizes the S^2P^2 field conceptualized in Proposition 1 instead of the four dimensional spacetime field as a backdrop in which events take place. Such a re-conceptualization of field holds the promise of enhancing the scope of science and once again recreating the organic, integrated and systemic kosmos of Aristotle and the Pythagoreans.

11.7 Key Postulates of the Consciousness-Propelled Leadership Framework

The second cycle of action research began with the following two research questions:

- (a) What is fundamental to cosmology?; and
- (b) What implications will the answer to the preceding question have on leadership development?

The quest for science right from the empirical skepticism of David Hume has been to attribute cause to a phenomenon. The urge to make sense is innate in human beings and is essential for lending order and predictability to the environment (Weick 1995). If consciousness is fundamental to cosmology, one can suppose this to have various implications for leadership as well. I, therefore, propose an evolved and holistic consciousness-propelled leadership framework that emerges from Propositions 1 and 2 and summarize the key postulates of the framework below.

1. Leaders make a difference by improving a situation and making changes (Lafley and Charan 2008). It would not be inappropriate to state that leaders cause an impact in the field of spacetime, implying that if events were to happen in a certain way and at a later time, they happen differently and earlier, merely because of the leaders' presence and involvement.
2. Leaders have something in them, a certain defining property, which distinguishes them from the others. Leadership theorists have variously perceived it as skills, traits, competencies, and relationship between the leader and followers, depending upon what facet of leadership they have chosen to study (Northouse 2010).
3. The cause of this defining property can be attributed to nature (genes), nurture (environment) (Morgan et al. 1993) and a purposive attribute that may be termed as intentionality, which is a property of consciousness (Tiller et al. 2001). It is differences in these three aspects that cause the differences between a leader and a non-leader.
4. The cause for the differences pertaining to birth and purpose can be best understood and explained from the theoretical framework of the oriental theory of action or *karma*. The *karmas* can be understood as actions and reactions that

arise and are experienced as a result of past tendencies, thoughts, words, and actions (Radhakrishnan 1948) and also from the argument of Affinity given by Socrates in *Phaedo* (Fowler 1966).

5. There are four types of *karmas* (Satsangi 2010) responsible for the differences in our consciousness, leading to differences in our genes, environment and intentionality. These are: *Adi karmas* or the *karmas* accruing from a pre-creational condition; *Kriyaman karmas* or actions being performed in this life, whose results are experienced here and now; *Prarabhdha karmas* or those *karmas* that are allocated to be experienced in the next life; and *Sanchit karmas* or *karmas* that are to be experienced in remote future lives.
6. The *karmas* influence the creative life-force, which may be understood as consciousness, and whose quality is determined by its relative proximity to or distance from the purest form of consciousness depicted in Fig. 11.6 above. Dr. David Hawkins has pioneered a method of measuring consciousness, termed kinesiology, wherein consciousness is measured on a logarithmic scale to the base ten (Hawkins 1995). Historically powerful leaders have scored high on the scale of consciousness evolved by Dr. Hawkins. Albert Einstein, Isaac Newton, Sigmund Freud and Rene Descartes were all calibrated at 499, Mahatma Gandhi soared to 700, while the British Empire languished at a mere 170. It is because Gandhi was operating from a consciousness of 700 that he could singlehandedly influence the British Empire, which was operating at a much lower consciousness level of 170 to quit India. Hitler was quite low on the scale of consciousness (Hawkins 1995).
7. According to Einstein's general theory of relativity, mass can under certain conditions cause spacetime to curve (Einstein 1961). Since energy and mass are interconvertible due to the mass-energy equivalence, the consciousness of leaders, which is the sum total and potentiality of their spiritual, social, psychological and physical energies, may be logically expected to impact the environment, including various dimensions of spacetime, subtly but significantly.
8. In Proposition 1 and Fig. 11.5, a multidimensional fused field is proposed, instead of a four-dimensional spacetime field, which utilizes the organic and holistic view held by Aristotle and the concept of kosmos advocated by the Pythagoreans. Leaders operating in a reconceptualized S^2P^2 field are likely to have a holistic perspective and finding deeper meaning in work, society, ecology, and environment would come as naturally to them as creating wealth.
9. The consciousness of leaders interfaces with the fused S^2P^2 field, causing curvatures, such that events in this multidimensional curved field happen differently. The S^2P^2 field created by the consciousness of the leader interacts with the S^2P^2 field of those of the followers and creates geometric curvatures such that events happen differently, as compared with what would have happened if the leader's S^2P^2 did not interact with those of others and create curvatures of different proportions.

11.8 Implications of the Study

The current study of leadership development identifies gaps in current theory and practice of leadership and views leadership from the perspective of hyperspace or higher dimensions, unifying and simplifying the myriad of leadership effects, and holds great promise for the academicians and practitioners. A few of its implications may be stated as follows.

11.8.1 For Academicians and Theory Building

1. The conceptual Integrated, Unified and Systemic Model of Consciousness, evolved out of the confluence of Greek and oriental philosophies, could be critiqued, refined and rendered more robust. The S^2P^2 field promises to reintegrate the wedge among various disciplines of the sciences and the silos that we experience today. The implications of S^2P^2 field on management and organization science, enabling holistic decision-making and aimed at sustainability can be an area for further research and theory-building.
2. There is considerable scope for research and advancing the proposed consciousness-propelled leadership framework, which is presently at a rudimentary stage of conceptualization. Such studies will enable addressing the cause of leadership by researching at a higher level of abstraction, which would also unify and simplify the sundry effects that leadership produces.

11.8.2 Implications for Practitioners

1. The S^2P^2 field holds the promise of widening the scope of management to include holistic development of all stakeholders as an integral part of management. Business organizations would cease to be conceptualized as mere institutions for generating wealth, but would also be seen as psychological, sociological and spiritual entities, enlarging the very purpose of an organization.
2. The study provides insights for practitioners on how a conceptual model can be built, grounded in a realistic diagnosis of the organization and by adoption of action research as a method for developing leadership with the potential of high impact.

11.9 Limitations and Future Potential of the Study

The study has a few limitations and the major ones are mentioned below.

1. The Integrated, Unified and Systemic Model of Consciousness attempts the epistemological impossibility of providing a comprehensive worldview by

integrating diverse theories and conceptualizations. Being currently at the initial stage of such integration, the model runs the risk of diluting the individual theories, which were developed in different contexts. However, with further research on the propositions, scholars may succeed in retaining the sanctity of the individual theories, while also successfully integrating them and providing a holistic worldview.

2. The Integrated, Unified and Systemic Model of Consciousness, as currently conceived, seems quite complex and there is perhaps scope for simplifying the model, without discarding any of its essentials. There are many concepts utilized in the model whose indepth exploration will unravel many mysteries of Nature yet unknown and unexplored.
3. The concept of S^2P^2 field is rather abstract and fuzzy as of now. Given more time for reflection and research, greater clarity on the concept could have been provided. The S^2P^2 field holds the promise of ushering in a new world order that may be socially rewarding, ecologically wholesome, and spiritually emancipative.
4. How this developed consciousness-propelled leadership framework will actually be operationalized in organizations for developing leadership needs to be further reflected upon and researched. The key challenges will be how the consciousness of a leader can be measured and, once measured, how it may be developed to build leaders. Some of the emerging research questions could be as follows.
 - (a) What will be the nature of S^2P^2 field that will be formed due to the consciousness of a leader?
 - (b) How would the field generated by the S^2P^2 field of a leader interface with that of others to produce geometric curvatures such that events happen differently?
 - (c) Can the method of kinesiology given by Dr. David Hawkins be refined to add greater objectivity in the measurement of consciousness?

11.10 Conclusion

The crying need of the hour globally is effective leadership for creating a better world for the generations to come. To enable this, there is a need for a paradigm shift in the manner that we view leadership, by shifting focus from its effects to its fundamental essence and cause. This paper makes a small contribution in this regard by scientifically exploring and proposing a consciousness-propelled leadership framework and proposes a reconceptualization of the backdrop or field in which events take place that holds the twin-fold promise of enhancing the scope of science and recreation of the Pythagorean and Aristotelian organic worldview. In an effort to find what is fundamental to cosmology, the Integrated, Unified and Systemic Model of Consciousness yields interesting and useful insights. The paper is propositional in nature and provides many directions for future research.

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Chapter 12

A Comparison of the Political Thoughts of Confucius and Plato

Changzheng Dai

Abstract This paper compares the concepts of “Ruler of Saint” of Confucius with “Philosopher King” of Plato as well as Confucius’ ideology of Ratification of Names with Plato’s Justice. It reveals the huge gap between the two thinkers in their seemingly similar political thoughts. The basic duty of the Ruler of Saint is to educate, while the basic duty of the Philosopher King lies in fundamental reform and the process of selecting and cultivating the successors. The concept of Ratification of Names is conservative and reactionary while the idea of justice is revolutionary and radical. Although both the two great thinkers stress on the virtue of people, one cannot jump to the conclusion that they simply replace the idea of Rule-of-Law with the idea of Rule-of-Men.

Representing the East and the West respectively, Confucius and Plato, the two great thinkers both born in the Axial Age (Jaspers 1989), have exerted huge influence over the generations to come. Two thousand years since its emergence, Confucianism still shapes the identity of the Chinese people today. Karl Popper once said, “The influence (for good or ill) of Plato’s work is immeasurable. Western thought, one might say, has been Platonic or anti-Platonic, but hardly ever non-Platonic” (Popper 1999). Alfred North Whitehead also said: “The safest characterization of the European philosophical tradition is that it consists of a series of footnotes to Plato” (Whitehead 2003). In addition, the two thinkers share many commonalities. For example, they were both born in the chaos with Confucius living towards the end of the Period of Spring and Autumn where Etiquette was disrupted, and Plato in Greek’s political turbulence. Both of them harbor great political dreams, which can be reflected in their involvement in politics, writings and disciples acceptance to change the situation at the time. Both of them highly

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value the rule of Saints and Philosophers and both of them wish to establish an ideal state featured by a hierarchical political order. However, many of these commonalities only stay on the surface. In order to better our understanding of the two thinkers, we need to grasp the differences hidden behind the surface commonalities. This also serves as the main purpose of this paper. The comparisons are made on two pairs of core concepts: “Ruler of Saint/Lord and Teacher” and “Philosopher King”, “Ratification of Names” and “Justice” held by Confucius and Plato respectively.

12.1 Ruler of Saint/Lord and Teacher and Philosopher King

Literally speaking, Confucius’ ruler of Saint (君师 in Chinese) and Plato’s philosopher king (哲君 in Chinese) are related to the concept of governing (君). However, they implicate two totally different ways to achieve the goal of governing the state.

The philosophy of Ruler of Saint, which is reflected in *Great Declaration of Shang Shu* “Heaven, for the help of the inferior people, made for them rulers, and made for them instructors”, is the major part of Confucius’ political thought. Ruler of Saint combines the political and educational function together and attaches to them equal importance. The monarch is not only the king of the world, but also the educator of the people. Although there are specialized educational institutions in a state, the society itself is more like a big school, serving the goal of shaping one’s character. Therefore, as is stressed by Confucius, the main job of politics is to educate people.

Apart from teaching by principle, it is even more important for the educator to teach by setting himself as an example for his disciples to follow. Confucius emphasized particularly that the governor should, first of all cultivate his own moral character. The Master said, “To govern means to be upright. If you lead the people with uprightness, who will dare not to be upright?” The Master also said, “When the leaders are fond of Etiquette, the mass will never dare to be disrespectful. When the leaders are fond of righteousness, the mass will never dare to be disobedient. When the leaders are fond of trustworthiness, the mass will never dare to be disingenuous (P153, Confucius 1998).” In the view of Confucius, virtue of the noble leader is like the wind, and that of the common person is like grass. Grass must bend when the wind sweeps over (P155, Confucius 1998). It can be seen that, according to Confucius, the most effective and beneficial way to govern is to cultivate oneself firstly in order to educate his people to be men of virtue. The principle of being a ruler is to be personally upright before making others upright. If the governor can make himself upright in the first place, he does not need to punish those who commit crimes by severe laws and penal codes. By the moral conduct of his own, he can influence and educate his people to be men with virtue.

What should be noted is that the core of Confucian educational policy does not lie in the cultivation of intelligence and skills, but in the forming and shaping of one’s character and morals. In the eyes of Confucius, the training of skills such as

archery and horse riding aims at cultivating one's character and morals instead of building one's body or earning a living. Therefore, the most that Confucius taught to his disciples was how to educate and cultivate people to establish good social morals. It is recorded that once Confucius went to Wu and heard the music and singing. His disciple Zi You was the magistrate of Wu then. Zi You explained to Confucius the reason he educated his people by music "Sometime ago, I heard you say that when noble leaders learn the Music, they love the people; and when common persons learn the Music, they are more easily directed." Confucius thought highly of what Zi You had said (P229, Confucius 1998). This story provides strong evidence that Confucius regarded that educating with the classics, books, rites and music is of great importance to governance.

The Ruler in ruler of Saint refers to the monarch as well as the man with noble character. Confucius' philosophy of being a man with noble character has two connotations. Being a man with noble character requires not only the man's virtue but also his political identity. Ideally, the man with noble character has both virtue and political identity. The purpose of Confucius' education is to rule by virtue. Hsiao Kung-chuan thought that Confucius' biggest achievement is to teach civilians the method of cultivating themselves through proper behavior. Confucius advocated they should first become gentlemen of strong characters and then move up along the social ladder to become the new ruling class with the help of virtues and knowledge rather than good family backgrounds, and finally reaching the ideal situation where all under heaven will ascribe perfect virtue (P35, Kung-chuan 2005). In this sense, although Confucius did not claim that "Yao and Shun were just the same as other men" as Mencius did (Zedong 1958), his ideology implied that one's cultivation of virtue would not be absolutely determined by one's family background. According to Confucius, a petty person with neither virtue nor social status could be made into a gentleman with virtue but not high social status, and then he could be further trained into a gentleman with both virtue and social status, or the Ruler of Saint. This can be best illustrated by the fact that most of Confucius' disciples were of straitened and humble origin. Since Confucius mainly taught principles of politics and strategies of governance, which can be applied in gaining political status once one had mastered, people from poor families were striving to be his disciples. Given historical limitations, few of Confucius' disciples succeeded in getting a government position, letting alone their still limited political achievement, yet the fact that the Chinese society has been over the past 2,000 years dominated by the Scholar Stratum – one that is featured by knowledge and virtue rather than rich family backgrounds – should give its credit to Confucius' ideology of the ruler of Saint.

The core idea stated in Plato's *The Republic* is, in a word, the highest political dream is the rule of a Philosopher King. "Until philosophers are kings, or the kings and princes of this world have the spirit and power of philosophy, and political greatness and wisdom meet in one, and those commoner natures who pursue either to the exclusion of the other are compelled to stand aside. . . and then only will this our State have a possibility of life and behold the light of day" (P178, Plato 1998). Literally, philosopher king is similar with ruler of Saint, for both have obtained the

right principles and advocated the governance by man of virtue. However, a closer examination can help reveal their significant differences.

As discussed above, the concept of Ruler of Saint lies more in the cultivation of one's virtue and moral ethics. The right principles of Confucius focus on practicing virtue and humanness or conquering self and reviving Etiquette. While the right principles of Plato focus on knowledge, virtues, and the grasp of the highest truth (the highest Good). "The true lover of knowledge is always striving after being – that is his nature; he will not rest in the multiplicity of individuals which is an appearance only, but will go on – the keen edge will not be blunted, nor the force of his desire abate until he have attained the knowledge of the true nature of every essence by a sympathetic and kindred power in the soul, and by that power drawing near and mingling and becoming incorporate with very being, having begotten mind and truth, he will have knowledge. . . ." (*P196*, Plato 1998). As a knowledgeable genius, the philosopher king masters the absolute truth beyond the understanding of ordinary people and the supreme mystery of political order, which makes him the most qualified and proper ruler. If the Ruler of Saint, according to Confucius, is the combination of politics and teaching, as well as monarch and teacher, the Philosopher King, in Plato's view, should govern the country by wisdom, which means one has to be familiar with such subjects as astronomy, arithmetic, dialectics, and philosophy.

How to educate such a philosopher king? Plato has designed a special education system: "the same natures must still be chosen, and the preference again given to the surest and the bravest, and, if possible, to the fairest; and, having noble and generous tempers, they should also have the natural gifts which will facilitate their education" (*P250*, Plato 1998). At the age of 10, kids shall leave their parents and get trained in remote area, learning music and sports mainly; at the age of 20, people who pass the screening test can move on to the advanced level of education which lasts for 10 years and centers on Geometry, Arithmetic and Astronomy; there will be a third selection test at the age of 30, and qualified people will study philosophy for another 5 years; they have to keep on practicing for 15 years after 35 until by the age of 50 should they reach the standard of philosopher king: "and when they have reached 50 years of age, then let those who still survive and have distinguished themselves in every action of their lives and in every branch of knowledge come at last to their consummation: the time has now arrived at which they must raise the eye of the soul to the universal light which lightens all things, and behold the absolute good; for that is the pattern according to which they are to order the State and the lives of individuals, and the remainder of their own lives also; making philosophy their chief pursuit, but, when their turn comes, toiling also at politics and ruling for the public good, not as though they were performing some heroic action, but simply as a matter of duty" (*P256*, Plato 1998). Thus, it is impossible for common people to become a philosopher king, except for those with talents and determination. As a result, this is a typical elitism education, significantly different from the ideology of Confucius to nurture men of virtue from grass root families and in the end all under heaven will ascribe perfect virtue.

Fundamentally speaking, the difference between the concept of “Ruler of Saint” and “Philosopher King” lies in Plato’s Theory of Ideas. According to the Theory, the world can be divided into the visible world and the intelligible world. The visible world refers to the sensible world and the intelligible world the world of ideas. The sensible world is only the imagery of reality, so it is transient and ephemeral, while the intelligible world is the essence of matters, so it is unchanging and eternal. The sensible world is actually the imitation or replication of the world of ideas. In the sensible world, one is so accustomed to following his sense instead of reasoning in grasping the true knowledge of the world of ideas. Since ruling requires the ability to understand ideas, people should and have to obey the rule of philosophers who have grasped the ideas. In the view of Voegtlin, famous western political philosopher, Plato’s distinction of sensible world and conceptual world is a *leap in being*, which provided a transcendent dimension for human being (Voegelin 2000).

However, Confucius has not reached that “leap”, and so he does not believe that there is a real and transcendental world of ideas beyond the sensible world. Thus, Ruler of Saint, in his view, is more like a benevolent advocating for morality rather than a philosopher pursuing wisdom.

12.2 Ratification of Names and Justice

Both describing an ideal political order with strict class structure, Ratification of Names of Confucius and the Just State of Plato are significantly different in connotations.

Confucius was born in late Spring and Autumn Period, a time when feudal politics and patriarchal society have moldered. Witnessing social disorder, Confucius regarded the abandon of rites of Chou dynasty as the major reason of chaos. The fundamental political stance of Confucius is to follow the Etiquette of Zhou, the master said, “I have tried to understand the moral and religious institutions (Li) of the Hsia Dynasty, but what remains of those institutions in the present state of Chi does not furnish sufficient evidence. I have studied the moral and religious institutions of the Shang (Yin) Dynasty; the remains of them are still preserved in the present state of Sung. I have studied the moral and religious institutions of the present Chou Dynasty, which being now in use, I follow in practice” (Zisi 2001, *Doctrine of the Mean*); “Chou had the advantage of viewing the two past dynasties. How complete and elegant are its regulations! I follow Chou” (P31, Confucius 1998). In specific, “follow the institution of Chou” is “ratification of names”, which is, in short, to adjust the relationship of right and obligations between monarch/the ruler and ministers/the people according to the feudal system established in Chou dynasty.

At an age of cultural corruption, arrogating rule of etiquette often occurred, which Confucius resented deeply. Once, Confucius said of the head of the Chi family, minister of Lu, who had eight lines of ceremonial dancers perform in his courtyard, “If this is to be endured, what is there that cannot be endured?” In ancient

China, when performing ceremonial dances, each line consisted of eight dancers, so eight lines would include 64 dancers. According to the Etiquette of Zhou, only the emperor can have eight lines, six for dukes, four for ministers, two for scholar officials. Councilor Ji of Lu, however, was only entitled to four lines, had arrogantly doubled his allotment to 64 dancers, which seriously violated Etiquette. So when Tsze-lu asked about the priority of a government, The Mater replied, "What is necessary is to rectify names. . . If names be not correct, language is not in accordance with the truth of things, affairs cannot be carried on to success. When affairs cannot be carried on to success, proprieties and music will not flourish. When proprieties and music do not flourish, punishments will not be properly awarded. When punishments are not properly awarded, the people do not know how to move hand or foot. Therefore a superior man considers it necessary that the name he uses may be spoken appropriately and also that what he speaks may be carried out appropriately" (P159, Confucius 1998).

Confucius also said, "When the Empire is orderly, all edicts concerning Etiquette, music and armed attacks are issued by the emperor. When the Empire is disorderly, that prerogative passes into the hands of the feudal dukes, in which case it is seldom that they do not lose that in ten generations. When subordinate ministers hold the destiny of the State in their hands, they rarely do not lose it in three generations. When the Empire is orderly, government will not be in the hands of the Councilors. When the Empire is orderly, the populace will not discuss public affairs." In the view of Confucius, the loss of kingdom means dukes, ministers, or even retainers wield the power of the emperor, and the regime could not last long. Unfortunately, Confucius lived in such a chaotic period. That is why he emphasized repeatedly that the ruler, the minister, the father and the son should hold their own place, do what they should do, use what they should use, and obey what they should obey in accordance with their social position. Only in this way can the society and state be in order. The Duke Ching, of Ch'i, asked Confucius about government. Confucius replied, "There is government, when the prince is prince, and the minister, is minister; when the father is father, and the son is son" (P151, Confucius 1998).

The norm for ratification of names is the feudal system of Chou dynasty, which is, in general, to ratify names according to *Rites of Chou* (institution of Duke of Chou). What should be notified here is that rites are not only about ceremonies like weddings and funerals, but also the whole social system. Most importantly, according to ratification of names of Confucius, ministers should return state power back to families of princes, and monarch should follow the emperor, which can make people live in harmony and everything undone can be taken up.

In Plato's *The Republic*, a core concept running through the whole book is Justice, including first the definition of abstract justice, and then a just city-state and just person. Plato believed that classification of ranking accorded with nature of human. A person's soul consists of Reason, Desire and Will. Reason represents wisdom, Will stands for braveness and Desire refers to self-discipline. If wisdom, braveness and self-discipline can keep in harmony, it gives rise to Justice, the fourth virtue. The justice of an individual can be achieved when Will and Desire are

subject to Reason which takes the supreme position. Therefore, Plato holds the same view with Pythagoras that the essence of justice lies in harmony.

This can also be applied to a city-state. Plato believes that city states are derived from the division of labor. People living within a city-state work according to their different abilities and they exchange goods and services to meet each other's daily needs. This is because, "And if so, we must infer that all things are produced more plentifully and easily and of a better quality when one man does one thing which is natural to him and does it at the right time, and leaves other things" (*P51*, Plato 1998). Division of labor in society is made based on different natural talents of people, so only when all individuals' natural talents match well with their job requirements can the city-state keep in good order. Plato classifies members of a city-state into three classes. The lowest class consists of producers such as farmers, craftsmen, artisans and merchants. This class is of the lowest talent and is only good at production. A more talented class which consists of mainly soldiers and is charged with the defense of the city against external and internal enemies is the middle class. The highest class consists of a few philosophers who are the most talented and learned in a city-state. They are in charge of governing the state. This is because ruling a state is a sophisticated art that only the most talented and capable are qualified as rulers.

In a just state, the first class, which refers to the Guardians, represents wisdom and acquires the highest social status. The second class, the soldiers, represents braveness and occupies the auxiliary position. The third class, which represents self-discipline, is subject to the rule of higher classes. A just city-state emerges when the three classes and the virtues they have are in harmony. The rulers, the soldiers and the producers should focus on what they are most good at: to rule, to defend and to produce respectively on the part of the three. And they have to deliver the best job in order to bring about justice. Justice is achieved when each individual performs his own duty without interfering into others' affairs. In other words, the just city-state emphasizes on the hierarchical order and the strict division of labor in social life, that is, there should be very clear specification of rights and duties among different classes.

In contrast, in an unjust city-state, the lack of clear specification of rights and duties among the three classes often result in chaos in performing social duties. Compared with a just city-state, the lowered work efficiency and disrupted social order in an unjust city-state even lead to the demise of a city-state. "But when the cobbler or any other man whom nature designed to be a trader, having his heart lifted up by wealth or strength or the number of his followers, or any like advantage, attempts to force his way into the class of warriors, or a warrior into that of legislators and guardians, for which he is unfitted, and either to take the implements or the duties of the other; or when one man is trader, legislator, and warrior all in one, then I think you will agree with me in saying that this interchange and this meddling of one with another is the ruin of the State. . . Seeing then, I said that there are three distinct classes, any meddling of one with another, or the change of one into another, is the greatest harm to the State, and may be most justly termed evil-doing" (*P131*, Plato 1998).

To enable all people to perform their duties, Plato creates a fictive theory to explain why people within a city-state are born different. According to his theory, when God creates man, each person receives a different kind of metal in his body. The Guardians (the Philosopher King) have Gold, soldiers have silver, and producers have copper in their bodies. Since everyone is predestined to be designed differently, it is necessary for all citizens to accept their destinies and do what they should do.

The biggest difference between Confucius and Plato's political thought is that, Confucius' thought is conservative and reactionary while Plato's radical and revolutionary. While Confucius' political dream is toward the past (his dream was partially realized when Zhou dynasty was at its peak), Plato eyes on the future (his dream was realized only partially in the Communist Revolution of the twentieth century). Admittedly, revolutionary ideas are not completely excluded from Confucius' theories. As explained in Chap. 1, when Confucius understands that young people of the rich and noble families not necessarily accept his theories, he instead lectures the ordinary young men, hoping that when they finish learning, they could seek positions in the government and help fulfill the Master's political dreams. Therefore, in the concept of Ratification of Names, the social caste a person belongs to is more like his cultural identity instead of being decided by his family background. And this provides the opportunity for social mobility. Despite all these, Confucius' revolutionary ideas, which are based on reactionary intentions, are progressive in nature. In comparison, Plato asks for an overhaul of the existing political and social systems and even the norms of people's relations, because to realize his dream of a Republic, there should be a brand new set of systems.

Another major difference between Ratification of Names and Justice is that in Ratification of Names, the hierarchical relationship between the ruler and the minister is originated from the blood tie between the father and the son while the "Justice" concept held by Plato completely separates political relationships and blood ties. In an ideal just city-state, "sharing women and children" (P259, Plato 1998), which means that interpersonal relationships based on blood ties, do not exist any longer. Blood ties and natural talents are not necessarily linked together, which is required by social division of labor.

12.3 Conclusion

From previous analyses, one can draw the conclusion that although the concept of "Ruler of Saint" by Confucius and "Justice" by Plato seems very similar, their focuses are widely apart. The main responsibility of a "Ruler of Saint" is neither ruling his people nor governing state affairs. Instead, he is there preaching virtues to his people. The main duties of a Philosopher King include first, using the truth that he grasps to

destroy the old system and establish a new world; second, training the next ruler through strict and sometimes cruel methods. The focal point of Ratification of Names is to restore the Etiquette of Zhou dynasty and build the right order between the ruler and the minister based on the blood tie between the father and the son. "Justice" places more emphasis on the establishment of a fixed social caste system according to the natural talents of individuals and the principle of social division of labor.

Both Confucius and Plato's political thoughts are judged by later generations as upholding the "rule of man" instead of the "rule of law". The two great thinkers are partially right because they all highlight human virtues rather than legal systems in describing the ideal political regime.

Although Confucius stresses the role of man in governing the state, he never rules out the necessity of systems. The collapse of Zhou dynasty despite its well-structured system gives Confucius the hint that to run a state, a set of perfect systems should go together with a good ruler. The Duke Ai once asked about governance, the Master said, "The government of Wen and Wu is displayed in the records, the tablets of wood and bamboo. Let there be the men and the government will flourish; but without the men, their government decays and ceases" (Zisi 2001, *Doctrine of the Mean*). However, Confucius did not replace the rule of law with the rule of man; his "ratification of names" implies the principle of rule of law. The ideas that "the ruler should be like a ruler, the minister should be like a minister, a father should be like a father and a son should be like a son" (the logic extended from moral duties to political order) have somewhat reflected the spirit of the western natural law.

For Plato, "rule of man" was only a logical determination in his *the Republic*. Plato thinks law can only function complementarily in a city-state. "I think", Plato said, "that there is no need to impose laws about them on good men; they will find out what regulations are necessary soon enough for themselves." "I conceive", said Plato, "that the true legislator will not trouble himself with this class of enactments whether concerning laws or the constitution either in an ill-ordered or in a well-ordered State; for in the former they are quite useless, and in the latter there will be no difficulty in devising them; and many of them will naturally flow out of our previous regulations" (P120, Plato 1998).

Since the supreme truth, or the root of the visible world, does exist and the sensible world is but the imitation and replication of it, it is only natural for the world to be ruled by the person who holds the supreme truth. Therefore, it is most justifiable for the state to be governed by a Philosopher King. Judged from another perspective, if the supreme truth does exist and it is independent of philosophers' will, then the Philosopher King serves only as an intermediary since the ultimate ruler is the supreme truth itself. Therefore, in Plato's *The Republic*, instead of going against each other, the "rule of man" and the "rule of law" can be equated with each other. In *Laws* written towards the end of his life, Plato places more focus on the supremacy of law in the regimes in reality.

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Chapter 13

Iranian Mystical Leadership: Lessons for Contemporary Leaders

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Abstract Iran, or Persia as it was known in the West until the early part of the twentieth century, was one of the great empires of antiquity with many celebrated leaders and a rich tradition of science, philosophy, and literature. Starting with Zoroastrian teachings dating back 2,500 years ago, through myths presented in Ferdowsi's *Shahnameh* (Book of Kings) in the tenth century, and Saadi's *Golestan* (The Rose Garden) in the thirteenth century, the leadership themes have remained the same. They present the ideal of the courageous, caring, humble, and moderate leader-hero who rises to save the nation against various supernatural, foreign, or domestic evils, while showing unwavering loyalty to country, king, and family, kindness to the weak and his enemies, and caring for his followers. These leadership themes, their links to current leadership theory and other ancient philosophies, and their applicability to today's organizations are explored.

Iran, or Persia as it was known in the West until the early part of the twentieth century,¹ was one of the great empires of antiquity and has dominated its region during long periods of history. With many celebrated leaders, a long history of centralized government, and a rich tradition of science, philosophy, art, and literature, Iran provides extensive leadership lessons. Persian literature and poetry are considered one of the country's greatest art forms (Avery 2007) and supply numerous examples of leadership and clear advice on how to lead and a unique political philosophy. Most interesting and maybe surprising, in the vast amount of materials spanning more than 3,000 years, are two facts. First, the leadership ideals have

¹ The names Iran and Persia will both be used in this paper. When referring to past concepts and historical documents that predate the official change of name from Persia to Iran in the West, the name Persia will be used.

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remained relatively unchanged. Second, the underlying themes of those ideals are often in stark contrast with those in many other cultures. This paper will identify the major leadership lessons from ancient Persia by relying on two of the most celebrated authors of Persian literature, Ferdowsi (tenth century) and Saadi² (thirteenth century). The leadership themes include: integrity, kindness, fairness, humility, moderation, forgiveness, and consultation. The similarities and differences between Persian ideals of leadership and those of other ancient philosophies and current Western ideals will be presented along with applications to today's organizations.

13.1 Brief Historical and Cultural Primers

Vestiges of evolved human civilizations and art can be found in the Iranian plateau dating back to 4,000 B.C. The country presents a documented history going back as far as 3,000 years with the first Persian Empire established in 500 B.C. Although the borders of the country have expanded and shrunk many times and it has weathered many invasions, it has existed as an entity since ancient times and has never been a colony. The rich and long history and territorial and cultural integrity are key factors in how Iranians have viewed and continue to view themselves as a central power in their region.

The first Persian empire was one of the largest and first world powers stretching from modern day Libya and Egypt to parts of India and China, Turkey, and central Asian countries. Over the centuries, Persia has been ruled by over 25 dynasties, some Persian and some foreign. The last dynasty, the Pahlavi, was toppled by the 1979 Islamic revolution which put an end to the country's centuries-old monarchic tradition. The monarchic identity, characterized by the presence of a powerful central government and symbolized by a king and the cultural elements that accompany such traditions, is an indelible part of Iranian culture and ideals of leadership even under the Islamic Republic. During its long history, the country has further been subject to numerous invasions including those of Alexander the Great in 300 B.C., and the Arab invasion of the seventh century A.D. that brought Islam to Iran. As a result, Iran has experienced cultural battles between its imperial and Indo-European roots and the cultures of the invaders. What some would consider the "true" Persian identity has survived through many conflicts, sometimes going underground and resurfacing having integrated new cultural elements from the foreign invaders. The fifth century B.C. Greek historian Herodotus considered Persian openness to other cultures and the ability to borrow cultural elements and make them uniquely Persian to be a defining cultural trait. "Of all men, the Persians especially tend to adopt foreign customs" (Herodotus 2007, p. 73).

²There are two spellings for the name: Saadi and Sa'di. The former will be used in this paper. Similarly his book the Golestan is also spelled Gulistan; the first spelling will be used.

Although Iran is at the heart of the Middle East and shares the Islamic religion with its neighbors, its culture is distinct. Persian ethnic roots are related to the Indo-European tribes that populated Asia and Europe in pre-historic times. Modern studies of culture and leadership (e.g., Hofstede 1992; and GLOBE – Global Leadership and Organizational Behavior Effectiveness, House et al. 2004) support the cultural distinctness of Iran from its Middle Eastern neighbors. For example, the GLOBE studies classify Iran in the South Asian along with India and Malaysia, rather than the Middle-Eastern cluster, which includes several Arab countries (House et al. 2004). The countries in the South Asian cluster rank higher than Middle-Eastern ones on humane orientation (fairness, altruism, generosity, and caring for others), a factor that is, as we will discuss later, essential to leadership in Persian mythology. Iran further ranks higher than Arab countries on performance orientation and power distance. Like Middle-Eastern countries, the South Asian cluster countries lean towards in-group and institutional collectivism and, on the other dimensions of future-oriented action (investing in future), assertiveness, and gender egalitarianism, they fall in the moderate category (House et al. 2004). The tendency towards moderation, rather than extremes, is, in and of itself, a valued cultural trait in Iran.

Research about leadership style in modern Iran points out that, while Western concepts may have some applicability (e.g., Javidan and Carl 2004), Iranian ideal leadership is characterized by benevolent paternalism whereby the leader is a kind, warm, powerful, accessible, and a stern father figure (Ayman and Chemers 1983; Chemers 1969). In comparison, studies of Arab leadership style point to a tendency toward egalitarian decision-making influenced strongly by the Bedouin and Islamic traditions (e.g., Sarayah 2004; Yousef 1998). The Iranian leadership ideals can clearly be traced to ancient Persian philosophy and cultural traditions that uniquely define the country.

13.2 An Epic Poet and a Mystic Philosopher

The rich Persian literature provides many opportunities for the study of leadership. The early teachings of Zoroastrianism, the dominant religion in ancient Persia dating to 500 B.C., are based on concepts of good thoughts, good words, and good deeds (Brélian-Djahanshahi 2001). Their influence on Persian leadership ideals is clearly recognizable. Specific advice to kings can be found as early as in the treatise of Ardeshir I – known as Ardeshir Babakan (died in 242 AD) and Khosrow Anoushiravan (531–571 A.D.) both of the Sassanid Dynasty (224–651 A.D.) and works by Khajeh Nazam-al-Mulk Tusi (Nizam 2002) an eleventh century scholar and statesman during the Seljuqid dynasty (429–511 A.D.) who also addresses political philosophy and governance. Among this wealth of writings, two stand out for their literary achievement, their influence on Persian culture, and their specific focus on leadership: Ferdowsi and Saadi. While Persian literature and philosophy offer many other influential authors, such as the renowned mathematician, astronomer,

philosopher and poet Omar Khayam (eleventh century), the Sufi mystic Rumi (thirteenth century), and the lyrical poet Hafez who lived in the fourteenth century, Ferdowsi and Saadi are two of the principle writers who specifically address leadership.

Abol Ghassem Ferdowsi (940–1020 A.D.) is an epic poet credited with the revival of the Persian language following the Arab invasion of Persia in the seventh century. His masterpiece the *Shahnameh* (Book of Kings, Ferdowsi 2004) is an unparalleled repository of Persian myths starting with the dawn of the country's history up to the Arab invasion. While the *Shahnameh* is about kings, as its name indicates, it is not a simple glorification of kings. The *Shahnameh* is a complex work about leadership addressing ideal leader characteristics, factors that lead leaders to succeed or fail, and their relationships with followers (Davis 2006). In its original language, the *Shahnameh* consists of 60,000 verses which given their length, are equivalent of 100,000 verses by Western standards (Davis, in Introduction to the translation of the *Shahnameh*, 2004). Whereas similar to other Western epics such as the *Iliad* and *Odyssey* by its theme of heroism, conflict, and human weakness, it is approximately seven times longer. It is considered to be an unparalleled masterpiece by the Persian-speaking-world, which includes, not only Iran, but Afghanistan, Tajikistan, and several parts of Central Asia, India and Pakistan (e.g., Levinson and Christensen 2002; Davis 2006). The *Shahnameh* has significance on several related dimensions. First, as a literary masterpiece, it is a symbol of the Persian language and a vehicle for its continued survival. Second, it presents the mythology of the country and thereby opens a window into its cultural values. Finally, through the identification of cultural themes, it highlights ideals of leadership (Nahavandi 2009).

Mohammad Mosleh al-Din Saadi Shirazi (1210–1290) is a mystic Persian Sunni philosopher and poet who lived in various cities in the Middle East during the Mongol invasion of the region. He is extensively read and known for his wisdom, wit, profound observations of the human condition, and the beauty of his prose and poetry. His book the *Golestan*, written in 1258 (Garden of Roses, Saadi 2008), is widely translated and one of the first masterpieces of eastern literature translated into French in 1636, German in 1654 and English in 1774. It provides pointed commentary, moral teachings and advice through stories and poems about a wide variety of topics ranging from love and youth to old age and education. Saadi advocates clear standards of behavior for all Muslims based on justice, modesty and contentment. The *Golestan*'s first chapter on the "Conduct of Kings" directly addresses leader behaviors and leadership ideals. One of Saadi's lesser known works, the *Nasihah-al-Molook* (Advice to Rulers; Saadi 2536³) presents a clear political philosophy and offers 150 specific recommendations and advice to leaders on effective and fair leadership and governance. Saadi's works, like Ferdowsi's, are

³ When Iranian publications are cited, the original dates are used. They are based on the modern Iranian solar calendar that started at the Islamic era or on the imperial calendar that was instituted during the Pahlavi era; equivalent Western dates are provided in the reference section.

and continue to be widely read in the Persian-speaking world. Their stories, poems and quotations are part of everyday life where they dominate equally in common speech and academic discourse. A quote from the *Golestan*, touting the inherent connection among all people and the importance of compassion in the human experience, graces the entrance of the United Nations Hall of Nations.⁴

The influence of the *Shahnameh*, the *Golestan*, and Saadi in general, on the Iranian culture and psyche cannot be overstated. The *Shahnameh* connects Iranians to the early part of their long history (Forouqi 1320). While the actual existence of many of the heroes, particularly those in the first two parts of the *Shahnameh*, is probably more myth than historical fact, their omnipresence in education, folklore, literature, and social life makes them as significant as real role models. Children and adults, many of whom are named after the heroes of the book, regularly refer to the epic's stories, symbols and themes. Saadi's work is equally imbedded in everyday life of modern Iran. The stories and poems from the *Golestan* and his other works are memorized and quoted in all walks of life. The *Shahnameh* like the *Golestan* are required reading in schools and part of the social and cultural fabric.

13.3 Ancient Leadership Lessons

In spite of the Ferdowsi and Saadi's writings being more than one century apart, they, along with many works preceding (e.g., Nizam 2002) and following them (e.g., *Divan Ghaem Magham* in the nineteenth century⁵), present the leadership ideals of a courageous, decisive, and daring leader-hero; focused on doing good; loyal to country, king, and father; moderate in his actions; honest, just and humble; kind to the weak and his enemies; and caring for his followers. Some of these ideals are present in most culture. For example loyalty, courage and being daring are universal leadership traits. They are often used to describe military leaders and national heroes. However, kindness, moderation, humility, and caring are not traits traditionally associated with leadership and therefore offer a novel perspective on the topic. Additionally, the focus on good words, good thoughts, and good deeds rooted in Zoroastrian teachings, further present unique leadership traits.

Persian culture emphasizes the role of leadership; leaders are of critical importance. They are indispensable and crucial to the success of any action. Followers matter, but they cannot accomplish much without a leader or with a bad leader. Success depends on the presence and effectiveness of leaders. An old Persian story

⁴“The members of the human race are limbs one to another, for at creation they were of one essence. When one limb is pained by fate, the others cannot rest. You who are unsympathetic to the troubles of others, it is not fitting to call you human” (Saadi 2008).

⁵Mirza Abol Ghassem Ghaem Magham (1779–1835) was the chancellor for Mohammad Shah of the Qajar dynasty. He wrote a governance and political treatise in verse providing specific and direct advice to rulers. The treatise is part of a collection of his work (*Divan Ghaem Magham*). Reference based on personal communication with Professor Hassan Khoubnazar, former director of the Pahlavi University Asia Institute.

about Nadir Shah Afshar (eighteenth century) and the conquest of India is telling. The Persian armies had tried and failed to conquer India many times. Finally when Nadir Shah succeeded, he asked why the same army had failed in the past. His advisor responded that they were all here before, but the King was not. Likewise, the *Shahnameh* provides many stories about the significance of leadership for followers. In one story, a village's punishment for lack of respect for the king is equality among all citizens, a situation that quickly leads to disintegration of the social fabric, famine and bloodshed. Once a wise leader is finally appointed, order and prosperity ensue. The Persian culture puts considerable stock in its leaders and what they can achieve.

13.3.1 *Unique Leadership Themes*

The ideal Persian leader is characterized by integrity, kindness, humility, and fairness. He is dedicated to doing good for his people and serving them to the best of his ability through justice, generosity, and compassion.

13.3.1.1 Integrity (Dorosti) and Good Reputation (Name Nik)

Integrity is the *sine qua none* of the ideal Iranian leader. Leaders must remain true to their word and, at all times, keep faith with followers; they must be authentic. The *Shahnameh* is replete with examples of bad luck and misery that inevitably befalls those who lack integrity. The successful leaders are unfailingly true to their word even when going back on their promise may benefit them. The story of two princes who are killed after they deceive and kill a younger brother is only one example of the punishment that befalls those who lack integrity (Ferdowsi 2004; 37–62). Closely associated with integrity is the importance of the leader maintaining an impeccable reputation. In *Advice to Rulers*⁶ Saadi states: “The only thing left in this world is a good reputation” (2536: #85), or “A rich man dies and his good reputation survives” (#118); “When you are on the throne, act so that you are not ashamed when you are gone” (#141). In the *Golestan*, he further emphasizes, “No evil oppressor lives forever, but curse upon him last eternally” and “The thoughts of an oppressor who has been cruel remain around his neck forever, but they pass over us” (Saadi 2008: 39).

According to cross-cultural research, the importance of integrity in leadership is universal (House et al. 2004). However, its presentation as a key leadership factor in Persian political philosophy is in sharp contrast for other classical writings such as

⁶ Saadi's *Advice to Rulers* has not been translated from Persian. All quotes used in this paper are based on the original writing and are the authors' translation. The original material is organized into 150 distinct recommendations or advice. References to the material will use the number of the recommendation rather than the page number.

Machiavelli's *The Prince* where deception and treachery are recommended as a means of achieving and retaining power (Machiavelli 2009). Trickery in military battles with the goal of defeating an enemy are as accepted in ancient Persian philosophy (Hedrick 2007) as they are in other cultures. However, such deception cannot be used on followers or as means of advancing the leader's personal success. The leader's good name and success are based on honesty, respect for others, and maintenance of an impeccable reputation which is a primary source of power for any leader. "One can only punish others for corruption when one is not corrupt and beyond reproach" (Saadi 2536: #34).

13.3.1.2 Kindness and Compassion (Mehrabani)

A unique theme of ancient Persian leadership is the importance of kindness. The ideal Persian leader is benevolent, humane, and compassionate to all regardless of their station in life. Taking advantage of the powerless and weak is seen as a fault and frowned upon. Leaders must be kind for two reasons. First, being compassionate is considered to be inherent to leadership. Leaders ought to be benevolent father figures. For example, every military victory in the *Shahnameh* ends with distribution of wealth to the poor. Advice for kindness and humanity dominate Saadi's *Advice to Rulers*. Saadi states: "The kings are fathers for orphans. They must take care of them better than their own father would, because a king who is a father must be better than a regular father" (2536: #13). He adds, "The king must help those who have been robbed by highway robbers, those whose ships have sunk, and those who have been subject to major tragedies. One must do what one can: it is a duty" (#43). Saadi repeatedly suggests that kindness is the source of power for leaders, either directly or because the leader's kindness makes the country stronger and less vulnerable to outside aggression.

Compassion and kindness serve a second purpose of protecting leaders against destiny. Iranians have a strong belief in "*ghesmat*" which refers to fate and destiny. One's actions are likely to affect that destiny, and therefore, must be carefully thought-out. A leader's kindness is likely to pay off in the future when he is in need either to defend his position or his kingdom, or in the after-life. "The one who does not serve others and does not help them does not deserve to rule and have the benefits of good fortune" (Saadi 2536: #12). Saadi adds, "Serve those who have been through disasters. They will serve you well afterwards" (#47). In the *Golestan* he further relates: "If a king allows oppression of the weak, on the day of difficulty his supporters will become pressing enemies" (Saadi 2008:19). He adds, "Don't oppress the people of the world lest a prayer rise up to heaven" (2008: 36). The most important lesson from Persian philosophy is therefore the need for kindness and compassion. The leader is first and foremost a caring father figure who attends to his followers and assures their wellbeing and, as a result, his own. In both the *Shahnameh* and in Saadi's writings, there is special emphasis on the leader's role as defender of the weak and powerless. This focus on compassion and humanity for leaders is distinctly unique to Persian political philosophy.

13.3.1.3 Fairness and Pursuit of Justice (Edalat; Dad Khahi)

The ideal of kindness and compassion goes hand in hand with fairness and pursuit of justice. The duty of the leader, by virtue of his power and privilege, is to deal with followers fairly and impartially and assure that justice is done for the powerful and the powerless alike. The Persian leader is required to right wrongs, pursue justice for all, and demonstrate fairness and impartiality in his decisions. A particular emphasis is placed on the role of the leader in defending and protecting the weak and those who cannot protect themselves. Ferdowsi's *Shahnameh* glorifies the actions of one of Persia's earliest heroes, Kaveh the ironsmith, who rises against an unjust king and stands up to fight for the weak (Ferdowsi 2004: 18–21). The book further includes a letter from Nushin-Ravan, one of the most celebrated Sassanid kings, where he emphasizes the need for justice that ensures the king's security, the country's prosperity, and the followers' happiness (Ferdowsi 2004: 715).

Saadi maintains that "it is unworthy of a king to act unjustly" (2536: #35). He further recommends that "the king must provide justice and protect victims so that people who are evil and arrogant do not build unjustified pride and are stopped" (Saadi 2536: #32). In the *Golestan*, he states: "Make peace with your subjects and be secure from battle with opponents, for a just king's subjects are his army" (Saadi 2008:19). As is the case with compassion, being fair and just are not only a requirement and a duty for leaders because that is the right course of action, but also because lack of justice is likely to hurt the king in the long run. The reoccurring themes of goodness for goodness sake along with threat of punishment and retribution provide strong incentives for leaders to think, say, and do good deeds – as recommended by ancient Zoroastrian teachings.

13.3.1.4 Humility (Ferootani)

Another theme of Persian leadership is humility. The ideal Persian leader is humble and connected to followers, not superior and over-confident. Arrogance and hubris are undesirable and likely to cause the fall of heroes and kings. Leaders ought to remain accessible and remember that they are subject to greater powers. The *Shahnameh* provides a telling story of one of the early kings, Jamshid, who is credited with establishing social classes, inventing iron tools and brickmaking, and instituting the ancient festival of Nowruz, which is still celebrated to this day. In spite of his superhuman qualities and accomplishments, he is shunned by God because he becomes arrogant and imperious.

Saadi states: "A king is a shepherd of the poor even if he cows them with his glory. Sheep do not exist for the shepherd. It is the shepherd who exists for serving the sheep" (2008: 38). One of his advice for leaders is: "The interest of the king is to satisfy those who have virtue and dignity and do not demand anything, and to serve others to the best of his abilities" (Saadi 2536: 7). He further emphasizes, "The duty of masters is to serve their subjects. Their greatness comes from recognizing and expressing gratitude to servants without expecting anything in return" (#88). While

leaders are granted much privilege and hold the glory of God (*far*), the duty to serve followers is very clear. Power and glory must be used to help followers, not for the benefit of the leader. Moreover, while courage and daring are valued in a leader, it is also essential for leaders to be aware of their own mortality and insignificance and avoid haughtiness and self-importance.

13.3.1.5 Moderation (Miyaneh Ravi) and Patience

A key lesson from ancient Iranian philosophy is the importance of moderation. As stated earlier, the tendency towards moderation is an Iranian cultural trait. Accordingly, the successful leader follows a path of moderation, shunning extremes at every opportunity. Careful and patient consideration of issues and avoidance of rash decisions and actions are related to seeking moderation. The *Shahnameh* provides many examples of those punished for excess. Ravens blind the head of a village while he is unconscious from drinking wine to excess, leading the king to outlaw wine (Ferdowsi 2004: 623–624). The archetypical hero of the *Shahnameh*, Rostam, is guilty of excess and rash decisions, characteristics that put him and his family at risk and cause him to kill his own son. King Nushin Ravan's letter exhorts his son to be patient and not rush into decisions that he may later regret (Ferdowsi 2004: 715). Saadi recommends everything in moderation, whether it is games and political maneuvering (2536: #18), or even virtue and prayer (#19). He advises, "One must act with prudence and patience in all things, unless there is immediate danger" (#77), and "Avoid quick anger. You can kill a living being; but you can't resuscitate the dead. If you brake a precious gem, you can't rebuild it" (#107).

13.3.1.6 Forgiveness (Bakhshesh)

Closely related to the themes of kindness and the need for justice and fairness is the need to forgive others' mistakes. Leaders must forgive those who stray or make mistakes all the while they are themselves held to higher standards and cannot be forgiven for missteps. The leader must show clemency whenever warranted. As is the case for other characteristics, forgiveness is, in and of itself, desirable, but also relates to the concept of karma. Cruelty to followers and even enemies is likely to engender cruelty to the leader. Saadi admonishes a cruel leader, "you with the upper hand who torment your underlings, how long do you think this market will be brisk? Of what use to you is world rule? It would better for you to die than to torment people" (2008: 22). Similarly, the *Shahnameh* praises military leaders who assure future peace by showing clemency to their vanquished enemies. Saadi further advocates forgiveness, "One must forgive someone's faults to protect the dignity and reputation of his ancestors" (2536: #66) and "If a criminal is put to death, one must protect and support his family and children" (2536: #67). The concept of forgiveness is closely related to kindness and compassion and further reinforces the ideals of a caring leader who is solicitous of followers.

13.3.1.7 Seeking Knowledge and Wisdom (Danesh Amoozi; Kheradmandi)

On the task-focused side of leadership is a last unique theme from Ancient Persia. Iranians have a strong propensity to consult with elders on important decisions. This need for consultation – *mashverat* – is evident in ancient leadership lessons as well. Leaders must seek knowledge and wisdom from those with experience. While leaders ought to be decisive and take responsibility for their followers, they also must seek help from others. Leaders who act on their own are likely to fail. In the *Shahnameh*, King Nushiravan advises his son to seek guidance from experts to assure his success (Ferdowsi 2004: 715). Saadi tells leaders to “cherish and respect the men of science and the religious figures and put them ahead of others. He must consult them on how to govern” (2536: #4). He further advocates “Advice and moderation come from old wise men who know the world. Strength and war are for young people who lack judgment” (Saadi 2536: #31). A leader’s power and positions do not exempt him from needing help and advice from others. Relying on experts with experience is a necessary part of leadership. “If you desire your father’s inheritance, acquire your father’s knowledge, for a father’s wealth can be spent in a day” (Saadi 2008: 131).

13.3.2 Other Leadership Lessons

In addition to the unique leadership characteristics presented above, Ancient Persian philosophy shares leadership ideals with many other cultures. As in many Asian and middle-eastern cultures, loyalty to elders, family – particularly fathers, and rulers – is essential. While leaders must be loyal to their own elders, followers must remain loyal to even less than competent leaders who have legitimate authority. This loyalty is crucial to maintaining social order. Furthermore, courage and chivalry are central to epics of all cultures and the Persian culture is no exception. The Persia leaders are brave and often compared to lions and tigers for their courage and boldness. Given that the country has maintained some territorial integrity for 3,000 years, the concept of patriotism is also often mentioned as a cornerstone of leadership. Patriotism and nationalism are most present in the *Shahnameh* which is a glorification of Iran and its history following the Arab invasion.

13.4 Comparison to Other Ancient Philosophies and Lessons for Today’s Leaders

The Persian leadership ideals provide an image of leadership that is in sharp contrast with several other Western concepts that are commonly taught and celebrated in modern organizations. However, they echo several ancient Asian themes.

In agreement with Western philosophy, Persian political philosophy emphasizes the importance of leaders, of taking action and of being decisive. The Persian ideal leader, like the Western one and unlike the ancient Asian approach of allowing things to happen, is an action-oriented hero. Much like the work of Nicolo Machiavelli's "The Prince" (2009), the *Shahnameh* and Saadi's works were completed in times of conflict and upheaval. However, the lessons that are drawn are sharply different. Machiavelli provides a realistic rather idealistic view of leadership that is leader-centric with a blatant disregard for the needs and well-being of followers. The focus is on acquisition and maintenance of power at all cost. Interestingly, Machiavelli's work was influenced by Xenophon's "The education of Cyrus" which presented the ancient Persian king as an ideal for leadership (Gilbert 1938). Machiavelli does not concern himself with leaders maintaining a reputation of goodness and fairness and even advises against it (Chap. 18). Persian leadership in contrast, is based on principles of goodness, kindness and compassion with the necessity of being truthful as the foundation of sound leadership. Machiavelli's famous saying "it is better to be feared than loved" (Chap. 17) stands in stark contrast to Saadi and Ferdowsi's position that when the leader is loved, he can rest easy and he is likely to increase his power.

Persian Leadership is characterized by carefully thought-out and meticulous planning, kindness and fairness, ideals that are similar to those proposed by Confucius (2006) and Lo Tsu (1989). The emphasis in Persian and ancient Chinese approach is on humaneness, appropriateness and the value of knowledge. Ferdowsi and Saadi's recommendations for kindness are matched by Confucius' exhortation regarding the importance of benevolence: "Recompense injury with justice, and recompense kindness with kindness" (Confucius 2006). Much like Saadi's insistence on the need for humility, Chinese philosophy relies on humility as a necessity for social order and happiness. LaoTsu (1989) states: "He who displays himself does not shine; he who asserts his own views is not distinguished" (24); "A skillful commander strikes a decisive blow and stops. . . He will strike the blow, but will be on his guard against being vain or boastful or arrogant in consequence of it" (30:3). Furthermore, the dominant theme of moderation in Persian philosophy has strong similarities with the ideal of the golden mean or temperance discussed in Taoism, Confucianism, Buddhism, and Greek philosophies (Marinoff 2007). While not directly addressing leadership, the concept of the golden mean suggests shunning excess and deficiency and seeking moderation to achieve happiness. Persian philosophy directly relates the concept of moderation to effective leadership.

Modern organizations, management, and leadership are dominated by Western concepts and culture. Business schools and schools of public administration discuss Machiavelli's work and its applications. Lao Tsu's work (1989) and Sun Tzu's well-known masterpiece of strategy (1963), as well as Confucianism have also been introduced but are not as widely used in teaching leadership and management. Modern organizations, by and large, have not learned much from these ancient traditions. While our current organizations and globally-interconnected world are highly complex, situations that Ferdowsi and Saadi faced in their times were equally complex and wrought with war, conflict, and uncertainty. Ferdowsi lived

during a time when Persia was reawakening from the Arab invasion and integrating a whole new religion. Saadi traveled through the Middle-East during the Mongol invasion, one of the most far-reaching and devastating in human history. They both lived in turbulent times and offer valuable advice on how to lead, survive and thrive in complex and difficult times.

So what are the lessons from ancient Persian philosophy? It is given that leaders have power; in the case of Persia, it was absolute power. Power is a necessary component of leading. However, with that power come privilege and responsibility. Power is not achieved through force, cruelty, and ruthlessness. Power is based on relationships with followers that allow the leader to achieve goals and rest assured that followers will comply and implement decisions without resistance. The most important characteristic of leadership is integrity. Leaders must be role models of honesty and truthfulness and passionately guard their reputation. They must walk the talk and surround themselves with advisers who have integrity and impeccable reputations. Those surrounding the leader can either serve as wise advisors or harm the leader through their actions. The focus on integrity is very fitting at a time when many executives and world leaders abuse their power and engage in unethical if not outright illegal activities.

Kindness and compassion are crucial to effective leadership. Ancient Persian philosophy falls squarely on the side of interpersonal relationships in the on-going leadership debate about whether the task or the people are more important to leaders. The leader's kindness is especially needed in times of crisis. Followers need their leaders' compassion and support to succeed and, in some cases, simply survive. In the context of modern organizations, leaders ought to connect to followers with kindness. Another relevant lesson for today's organization is humility. Power, wealth, and privilege must be used to help followers, not to rule over them and leaders must stay close to their followers. This lesson in particular, is highly relevant in today's organizations where leaders are increasingly perceived as arrogant, distant, and disconnected from their followers by the widening gap in income and power. A related fourth lesson from ancient Persia is the need for leaders to accept responsibility for followers and for justice and fairness. It is up to those with power and privilege to right wrongs where they can. While the need for forgiveness may not appear to play a role in modern organizations, that concept from ancient Persian philosophy actually resonates well with what we know of how to encourage innovation and creativity. A leader's ability to forgive mistakes is likely engenders followers' willingness to take risks and experiment, both necessary factors in innovation. Finally, the last advice for leaders is the need for careful and patient consideration and the importance of seeking advice before jumping into actions. Leaders must take time to consult with experts in order to make better decisions. In the rush to innovate, modern leaders often forget the lessons from the past and overlook the voice of experience. The increasing speed of information rushes today's leaders into hasty decisions and actions. The need for careful deliberation must not be forgotten. Regardless of their experience and power, leaders must take the time to seek advice from experts and more experienced people before making decisions.

The ancient Persian lessons fall in line with many of the modern leadership theories. Integrity has been found to be a universal leadership concept (Den Hartog et al. 1999) and several popular leadership theorists (e.g., Kouzes and Posner 1993) emphasize the importance of maintaining a good reputation. Kindness and connection with followers are part of charismatic (Burns 1978; Bass 1985) and authentic (George 2003) leadership theories. Humility and service to others are at the heart of servant leadership (Greenleaf 1998). Servant leadership proposes leading with a strong moral principles and the goal of service to and sacrifice for others. The concepts are further part of the growing spiritual leadership movement (Fry 2003). Rewarding failure and encouraging experimentation are similarly well-accepted concepts in innovative thinking (Senge 2006). The need for consultation and participation and seeking help from experts and followers are further part of many modern leadership concepts.

Modern organizations are not the only ones that could benefit from ancient Persian philosophy. Leadership in many countries, including modern Iran and its neighbors in the Middle East, fall short of these ideals. It is particularly interesting to note the disparity between Persian ideals of leadership and the modern reality in the country and the difference between those ideals and how Iran is viewed in the West. Compassion, kindness, fairness, humility, and moderation are not the characteristics that are readily associated with modern Iran. However, these ideals are part of the fabric of modern Iran as they have been for several millennia. The ongoing upheaval in the country, including the most recent political crises, while apparently masking the ancient ideals, make them even more necessary.

13.5 Conclusion

The strength and survival of the leadership themes from ancient Persian philosophy are startling. The themes have been handed down for over two millennia and have weathered many invasions and cultural shifts. Ancient Persian philosophy presents the ideal of a decisive, but exceedingly kind, compassionate and fair leader who cares for followers and acts as a champion for the less fortunate, distributing justice equally to the weak and the powerful. Abuse of power, even when the ends are justified, is unacceptable. Being cruel, brutal and merciless is anathema to leadership. Leadership is not simply about winning battles and getting things done; it is about people and relationships. Many organizations and nations continue suffer from their leaders' hubris, over-confidence, and self-importance. Ancient Persian philosophy provides much needed alternative approaches to modern challenges.

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Part III
Role and Meaning of Business in Society

Chapter 14

Maximization of What? Revisiting the Conception of Wisdom from a Buddhist Perspective

Wen-Chin Kan

Abstract Self-interest is an important conception in Hobbesian political philosophy and classic economics. Both theories hold that rational choice to maximize interests is the best strategy to generate optimal outcome. This paper presents three arguments leading to the conclusion that the business goal set to strive for maximization of self-interest is nonmoral. What is characterized as immoral is business action that causes others harm, or fails to help others under certain morally-relevant conditions. The first argument explicates a modified stakeholder framework that enables us to explore the nexus of self- and others-interest at three different yet interconnected levels. The second argument proposes that the maximization of wisdom is the best strategy to maximize authentic self-interest in the light of Buddhist philosophy. Wisdom can be expressed as cause management, a managerial capability that needs to be cultivated not only to enhance individual lives but to wisely foresee business outcomes. The last argument provides two basic principles founded on karma theory and corresponding rules to cultivate maximization of wisdom, which can enhance the lives of individuals and positive value of businesses.

14.1 Introduction

Self-interest is an important conception in both political philosophy and economics. In political philosophy, contractarianism of the Hobbesian variety asserts that persons are primarily self-interested. Contracting parties or representatives are assumed to be rational or reasonable persons and thus will reach unanimity upon

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the contract by aiming at the maximization of their self-interest. It is sometimes claimed that Adam Smith, the father of modern economics, thought that a rationally economic man will pursue self-interest exclusively. Likewise, it has been claimed that some economists believe that people choose rationally if and only if they intelligently pursue their self-interest.

Given such claims, one may be tempted to infer that both Hobbesian contractarianism and classic economics see self-interest as the only motivation and as necessary to generate an optimal result (maximization of self-interest). In line with numerous critical studies, this paper argues that there are many other motivations, together with self-interest, that help constitute the complexity of human behaviour patterns. The argument of self-interest as the only motivation of reasonable persons has been rejected by most scholars. What shall we say about the presumption that maximization of self-interest is the optimal result pursued by reasonable persons? With respect to optimal result, Amartya Sen (2009) proposes pursuing a 'comprehensive outcome' instead of a 'culmination outcome' – he thinks the latter simply ignores all motivations other than the pursuit of self-interest. By culmination outcome, Sen means outcome characterized in terms of a specific state of affairs. Even though he weakens the link between self-interest and optimal result by virtue of considering various human behaviour patterns, he may nevertheless not be able to deny that maximization of self-interest, as the main goal, provides business the initial force to build their economic castles. This paper explores the possibility that individuals and businesses seek maximization of self-interest as the optimal result. Especially in business activity, the culmination outcome could be a goal set to be achieved by a dynamic strategy and corresponding operation. Or, on the other hand, ought we have grave misgivings as to the possible adverse consequences of chasing the goal of self-interested maximization? Accordingly, it is the moral issue of 'maximization of self-interest' that needs to be explored and scrutinized here.

14.2 Literature Frame

David Gauthier, the paradigm Hobbesian contractarian, employs contractarian methodology to evaluate the prisoner's dilemma model and construct a moral theory. Gauthier attempts to ground morality on rationality through the principle of minimax relative concession, which is to presume that a reasonable person will choose to minimize the maximum relative concessions in a bargaining situation instead of straightforward maximizing of self-interest. A reasoned actor who adopts such a principle is called a 'constrained maximizer', another central conception in Gauthier's theory; such actor will choose to join with others of a similar disposition to reap benefits of co-operative interaction. Agreement reached by constrained maximizers will lead to a socially and individually sub-optimal outcome (Gauthier 1986). Gauthier identifies morality with reason and self-interest; he attempts to derive moral values from basic nonmoral self-interest conceived in terms of individual rationality. Such attempts generally fall under the rubric of 'deriving

an ought from an is'. But Gauthier's account fails to offer a 'normative ought' as he claims. The 'ought' he proposes is a 'practical ought' as a means to pursue the optimal result, no matter as a means to maximize self-interest or a means to keep agreements. The same argument of connection between reason, self-interest and morality in Buddhist philosophy is not to focus on 'how to derive an ought from an is' but to ask 'how to bridge the gulf between is and ought.'

In Buddhism, it is the conception of wisdom instead of reason which is emphasized. The diligent practicing of wisdom can enlighten us to recognize and assess criteria for the maximization of interests. This paper attempts to make a connection between wisdom, self-interest and morality, and is organized as follows. In the first section, I introduce the methodology and change the stakeholder framework from firm-centered/system-based to issue-centered/individual-based. A concentric-circle methodology is employed to enable us to explore the nexus of self- and others-interest at the individual-level. In the second section, I explore the connotation of 'maximization of self-interest' from a Buddhist perspective, finding that cultivation of wisdom is the best strategy for maximization of 'authentic' self-interest. Thus from a Buddhist point of view, one is to 'cultivate' rather than 'pursue' self-interest. In the last section, two basic principles and related rules to cultivate maximization of wisdom, founded on karma theory, are provided to enhance the positive value of both individual lives and business cultures.

14.3 A Modified Stakeholder Framework and Methodology

In this section I provide a modified stakeholder framework according to the standard stakeholder theory and methodology. Such framework attempts to present how the positive value of business can be enhanced and individual self-interest maximized. The originating idea of 'stakeholder' is that of an eighteenth century gambler who holds stakes in a game of chance. In 1963 at the Stanford Research Institute, the word 'stakeholder' first appeared in management literature. It was defined as 'those groups without whose support the organization would cease to exist'. For the past 30 years a number of scholars have viewed stakeholders as those groups and individuals who have a stake in the success or failure of a business. This kind of stakeholder theory literature departs from the usual or traditional understanding of business as a vehicle to maximize returns to the owners of capital. Nowadays, stakeholder theorists hold an open system view to analyze business problems. The standard picture of stakeholder theory takes the firm as the core of a concentric-circle framework; the second circle consists of the primary stakeholders, including customers, suppliers, employees, the community, and financiers; in the third circle are located the secondary stakeholders, including competitors, customer advocate groups, special interest groups, government, and media (Freeman et al. 2010).

The stakeholder approach well depicts the features of interdependent interests not only in the economic system but also in the general world we inhabit. One may use such a methodology to explore the nexus of self- and others-interest. Here, however, we modify the firm-centered/system-based framework into an

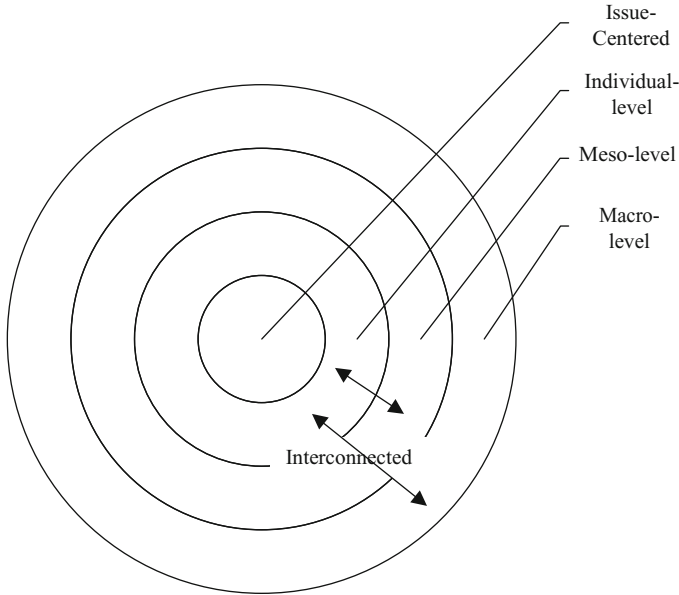


Fig. 14.1 Issue-centered and individual-based stakeholder framework

issue-centered/individual-based one so that we can deploy the methodology to discuss various ethical issues permeating through all business activities. This modified methodology is expected to reveal a more relevant and comprehensive picture of how individuals morally ought to maximize their self-interest.

Different individuals, with different capacities, play different roles and choose different ways to enhance business value. The individual-based stakeholder framework deployed in this paper may be charged as guilty of ‘methodological individualism’. However, the stakeholder framework in this paper is not guilty as charged, since the framework has individuals existing in a context of pervasive social influence. Figure 14.1 presents the idea of an *issued-centered* and *individual-based* framework. Self-interest inevitably emerges in one’s interaction with the interests of others. The meso-level includes various groups and organizations where the interaction or conflict of interest occurs. The macro-level represents a higher level of context such as the global village. Each level is interconnected so that we can analyze the individual-local–global nexus through this framework. Next I shall explore, from a Buddhist point of view, the meaning of ‘maximization of self-interest’ at the individual-level.

14.4 Connotation of ‘Maximization of Self-Interest’

Some Buddhist philosophers may think that the “self” is considered the strongest illusion to be eradicated by Buddhist discipline. In fact, it is the “self-attachment” instead of “self” Buddha urges us to remove. No self-attachment, then there is no

illusion, the “self” needs to be eliminated. The “authentic” self-interest I propose is to be cultivated through not only making free from self-attachment but also improving other people’s quality of life. I shall further explicate this later.

In suggested approach, X is A’s self-interest, which means that X will contribute to A’s good or well-being. Scholars like Amartya Sen (2009) and Parfit (1984) feel uncomfortable with X; for them, X tends to be a negative human value and a potential cause of adverse consequences. How about Buddhism’s viewpoint towards self-interest? Some may hold that it is fallacy to argue that self-interest is non-moral in the perspective of enlightenment or characteristic of Buddhism. However, from Lankavatara-sutra and Cittamatra theories, we know that the faculty of sixth consciousness is to distinguish between good and evil, right and wrong, liking or disliking etc. Buddha, people who reaches the Liberation, will cease sixth consciousness; therefore “self-interest” is non-moral from Buddha’s *ontological* position. Besides, the term “self-interest” itself is non-moral. It is agent’s mind/speech/body action of pursuing self-interest and the consequence from those actions, which co-occur with moral values. Furthermore, from Buddhism’s investigation towards *phenomenal* world, there is nothing wrong with individuals pursuing X; one’s self is a sentient being among other sentient beings in need of compassionate treatment. Of course this does not mean that it is okay for individuals to stick to the exclusive pursuit of self-interest without restriction. The pursuit of X turns immoral when it causes harm to others, or fails to help others under certain morally-relevant conditions.

Interest tends to be identified with advantage, benefit, preference, satisfaction, or individual utility in academic research. Mahayana Buddhist philosophy regards X as an individual’s good fortune (*fu*) in the form of material or spiritual advantage and quality of wisdom (*huei*); *fu* (good fortune) and *huei* (wisdom) together contribute to one’s subjective and objective well-being. From the Buddhist viewpoint of causality, good fortune (*fu*) and wisdom (*huei*) are a present effect produced, as made and accumulated from past actions; both of them are also future fruits that need to be cultivated through present actions. In other words, they are not only X itself but also the aiding or assisting conditions that advance an individual’s future X.

‘Maximization’ is another conception needing explication. Much of economic analysis holds that there is no difference between maximization and optimization. Sen (1997) refutes the above opinion by discussing the connection between preference and choice action. He argues that optimization seeks for the best alternative, while maximization chooses an alternative that is not judged to be worse than any one. He further formulates the *optimal set* as $B(S,R)$ which is to choose the best element from each preference menu set S, according to a weak preference relation R; and the *maximal set* $M(S,R)$. The basic contrast between maximization and optimization, Sen argues, is that preference ranking R is required to be complete in optimal set. Since a complete preference menu set is hardly possible in reality, this paper explores maximization instead of optimization. Here, we further add the “wisdom function” W with given condition A (aiding condition) and Re (resistant condition) to identify the wisdom subset $W(A,Re)$. The connection between wisdom, preference

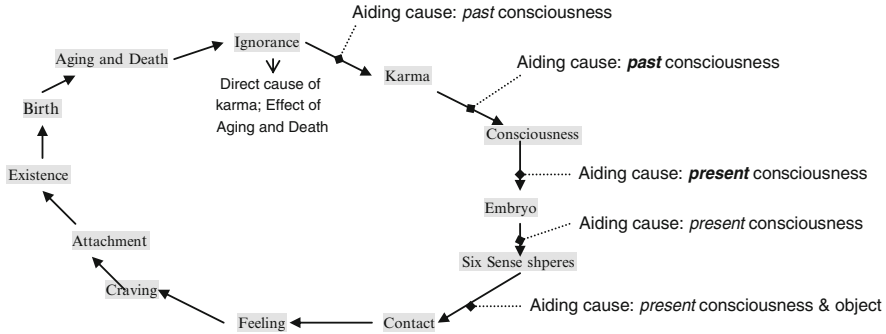


Fig. 14.2 Twelve links in the chains of causation

and maximal choice action can be formulated as the maximal set $M_W(W(A,Re), M(S, R))$. To investigate this formulation practically involves both quantitative and qualitative assessment.

14.4.1 The Law of Causation

Wisdom and ignorance are two relative conceptions. Ignorance implies the absence of wisdom, which in Buddhism may be understood in the context of 12 links of interdependent origination (the web of mutual cause-effect). Generally speaking, the 12 links in the chain of causation explicate the full picture of life and after-death of a human being. This paper explores the 12 links from a dynamic interpretation found in Buddhist Sutra. We shall see that our consciousness is the key to enlighten the darkness of ignorance by the torch of wisdom.

In *Mahāparinirvāṇasūtra*, Buddha says there are two kinds of causes: One is the direct cause, the other kind consists of aiding or assisting causes. For example, cheese is made from milk. Milk is the direct cause, and the properties of warmth and fermentation are the aiding causes. Thus it is direct cause and aiding cause together that produce a result; the 12 causes or *Nidanas* in *Mahayana Buddhism* may help us understand the 12 links in the chain of causation – as follows:

(1) From Ignorance arises Karma (action). → (2) From Karma arises Consciousness. → (3) From Consciousness arises Embryo. → (4) From Embryo arises the Six-Senses Realm. → (5) From the Six-Senses Realm arises Contact. → (6) From Contact arises Feeling. → (7) From Feeling arises Craving. → (8) From Craving arises Attachment. → (9) From Attachment arises Existence. → (10) From Existence arises Birth. → (11) From Birth arises Aging and Death. → (12) Aging and Death, along with all previous links, accumulate seeds of Ignorance (Fig. 14.2).

This chain is Buddha’s attempt to explain the causes and conditions of why and how human beings exist. Existence involves the concept of subjectivity. In *Lankavatara-sutra*, *andhīnir-mokcana-vyūha-sutra*, *Ghana-vyūha-sutra* and

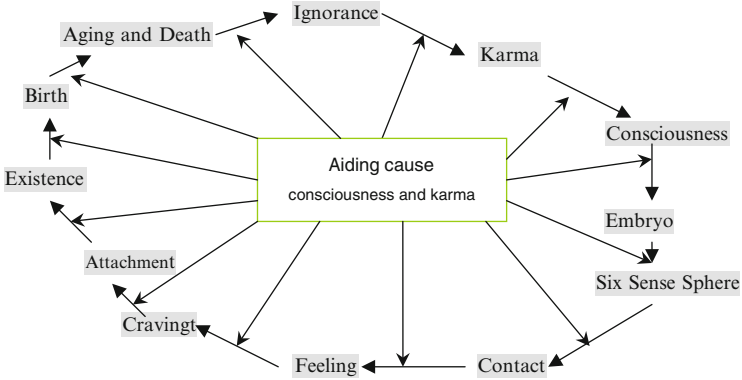


Fig. 14.3 Conditions for causation

Cittamatra theories, we know the attachment faculty of seventh consciousness has “I” exist in the world. Through seventh consciousness, Karma seed is stored and latent in eighth consciousness as motive force to sustain human life. Therefore, consciousness and karma force are actually the aiding cause of the whole chain (Fig. 14.3). According to the *Ghana Vyuha Sutra* and the Cittamatrīn school, the word *karma* means ‘action’, which is derived from the verbal root *kr* which means ‘to do’ or ‘to make’. There are three kinds of karma (action): body, speech, and mind; each has three character types: good, bad, and neutral. Mind action arises firstly and then is followed by corresponding speech or body action. The law of karma points the way to living wisely; however, it seems that karma is always being misunderstood as fatalism. The main reason is that people perceive karma as serving the role of a necessary and sufficient cause to explain an effect. This perception is half-correct, but it does not make the law of karma a fatalistic philosophy.

When a person is in the process of making a choice, the direct cause and aiding cause produced the process. Then the person makes a choice of relatively high or poor quality. Such choice involves mental, speech, and/or bodily actions: good/bad/neutral *mind* karma (action); good/bad/neutral *speech* karma (action); and/or, good/bad/neutral *body* karma (action). Then we will have a new result and a new process of choice – indeed, we can say that the causes produced the new result, but non-fatalistically! A wise choice produces good karmic fruit; an ignorant choice produces bad karmic fruit; and, a neutral choice produces neutral karmic fruit. The dynamics of karmic causation can be expressed as follows:

Karmic cause as the necessary and sufficient condition of effect is half-correct. Karmic cause involves *past* and *present* causes. The *present* karmic cause, especially mind action, is dominant to awaken the correspondingly latent karmic seed, thus producing karmic effect. We therefore shall further subdivide and explicate mind action in Fig. 14.5. In this case (Fig. 14.4), X event as past cause is direct cause. B (mind/speech/body action) is present cause; A is latent past cause; thus B

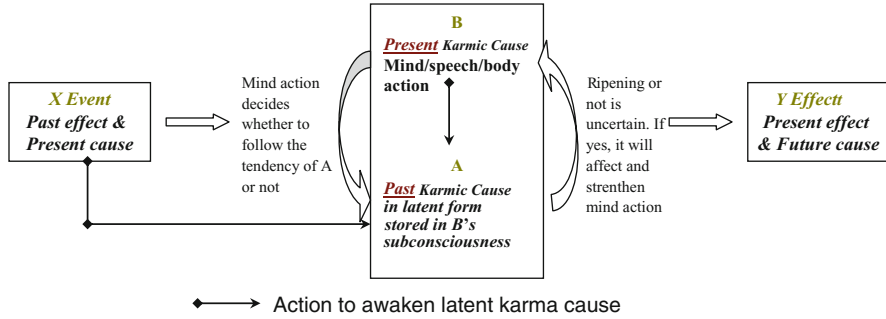


Fig. 14.4 The Law of Causation from Buddhist philosophy

and A together constitute the aiding cause. Furthermore, it is B (mind action that is agent’s intention; speech and body action that are agent’s acts) and Y Effect (consequence) together constitutes moral elements in Buddhist philosophy that will be explicated next.

14.4.2 How the Law of Karma Works

In Shantarakshita’s *Madhyamakalankara* (Taisho Tripitaka Vol. 30, No. 1564), *knowledge of middle way*, one paragraph reads as follows (translated into English by the present author):

An agent, A, decides to do something to the receiver, B. The possible effect that agent attains from his actions is decided by 1. Agent’s mind/body/speech action 2. The good or bad result receiver substantially receives from agent’s mind/body/speech action. For example, *Scenario-1*. A shoots an arrow to B. B is not hurt. *Scenario-2*. A shoots an arrow to B. B is hurt or dead. In scenario-1, A sows the seed of bad fortune and bad quality only due to his bad mind/speech/body action. In scenario-2, A sows the seeds of bad fortune and bad quality due to (1) his bad mind, speech and body action and (2) the suffering receiver bears.

The moral elements in the law of karma involve: Agent’s intention (mind action), agent’s act (body/speech action) and the consequence from both agent’s intention and act. Since mind action is the trigger to start the corresponding speech and body action, which is related to cause management that shall be further discussed later, it is therefore necessary to explicate the detailed working process of mind action (Fig. 14.5). According to the arising order, mind action (intention) is further subdivided into discriminating thought, deciding thought and starting thought. The starting thought gives rise to corresponding speech or body action. As illustrated in Fig. 14.4, any mind action can start karma mechanism, that is why thought at every moment is so important.

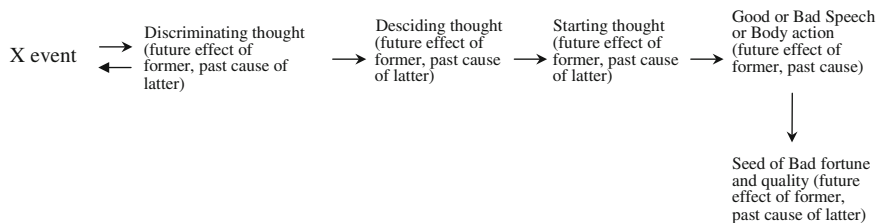


Fig. 14.5 The importance of thought at present moment

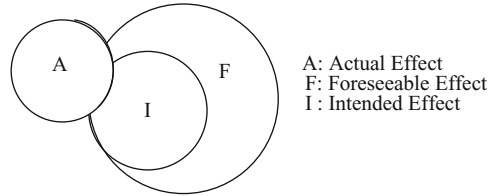
14.4.3 Wisdom Expressed as Cause Management

The discussion so far has focused primarily on the individual-level. Now we turn to the meso-level to examine how to maximize X in the interaction between each owner or manager and his/her stakeholders. For example, some or all stakeholders (existing and potential) in a particular company could be an aiding or a resistant condition to generating sought-for results. That is to say, the goal of maximizing X is not detachable from stakeholders’ interests. To create aiding causes for future results, owners and managers ought to engage in good mental, speech, and bodily actions with respect to their stakeholders.

From Figs. 14.4 and 14.5, we learn that to avoid bad karmic effect, one has to be cautious about the *present cause* (one’s present mind/speech/body action), especially one’s present mental action. That is why Buddhist Sutra says ‘The Bodhisattva is cautious of karmic cause while the sentient beings are afraid of karmic effect’. The Bodhisattva is an enlightened being who utilizes wisdom to foresee the possible effect caused by his/her action. This wisdom of the Bodhisattva we will refer to as *cause management*. The present paper will borrow the term *reasonably foreseeable results* from law in order to further explicate the implications of cause management. For example, let us say that maximization of X is the owner’s intended effect (I), which is a subclass of reasonably foreseeable effects (F). The actual effect (A) depends on the owner’s fortune and wisdom (past cause), his present mind action (present cause) and other aiding conditions constituted by stakeholders (past or present cause). A might have a small or a large overlap with I and F. However, there is sometimes no overlap between A and F. Cause management is a skill or ability that has the capability to broaden F, thus improving one’s choice of proper strategy (a strategy complying with two principles to be introduced below) to increase the overlap between A, I, and F (Fig. 14.6).

Take TEPCO (Tokyo Electric Power Company), for example: Its tsunami-hit Fukushima nuclear power plant causes tremendous harm to the stakeholders – that is definitely not the top managers’ intended effect! According to Bank of America Merrill Lynch, total compensation claims could reach as much as 11 trillion yen (\$134bn). What TEPCO loses is not only tangible assets but also intangible assets, mainly the trust of national and international stakeholders. In this case, A has no overlap with I. Can we say that the earthquake and tsunami are unpredictable and

Fig. 14.6 Cause management model



unforeseeable – therefore TEPCO has no responsibility for the harm of radiation leakage? If so, it means there is no overlap between **A** generated on March 11, and **F**. On the contrary, the overlap is obvious. In fact, a 9.0-magnitude earthquake, along with earthquake-induced tsunamis, happened in Indonesia in 2004; accordingly, it seems that such a catastrophic effect was reasonably foreseeable by the top managers at TEPCO. To broaden **F** by drawing reasonable lessons from Indonesia would yield a higher overlap between **A** and **I**.

So far we have explained that cause management is to create positive aiding causes for the future effect, which involves top manager’s good mind, speech, and bodily actions with respect to their stakeholders. Cause management is also the concrete manifestation of wisdom, which yields higher overlap between **A** and **I** and thus the maximization of **X**. We now turn to the practical way to cultivate wisdom.

14.5 Two Basic Principles to Cultivate the Maximization of Authentic X

Beauchamp and Childress (2009) use philosophical reflection to formulate four general principles of morality for professional medical ethics. They examine various theories informed by Kantianism and/or utilitarianism and find that moral principles proposed by different theories can and do conflict in moral life. Their approach is indebted to common morality as a base for normative reflection and is informed by the empirics of real-life cases. Inspired by Beauchamp and Childress, this paper develops two principles with the character of common morality as a base for normative reflection. But unlike Beauchamp and Childress, this paper does not treat principles and rules as both being general norms of obligation. Rather, people with different cultures and religions can establish their own rules to comply with the two basic principles (general norms of obligation).

Buddhism can be approached by studying and practicing its teachings. Study and practice are intimately connected. Practicing to attain wisdom requires stabilizing the mind through understanding the teachings. In this section I shall introduce two principles that guide our practice according to the teachings – so as to cultivate good karma and avoid bad karma, and thus increase wisdom toward the maximization of authentic **X**. The first principle is a negative one: avoid doing harm to

others. The function of the first principle is mainly to guide us in beginning to correct our action of mind, speech, and body. Therefore, compliance with the first principle means to maximize authentic X without harming others.

14.5.1 First Principle: Do Not Harm the Stakeholders

One of the four Beauchamp and Childress (2009) biomedical principles is nonmaleficence. In the present paper, this is a negative principle to advance business value from the individual-level. The rules of this principle are based on Buddha's teaching, eight right ways (The Noble Eightfold Path). These are:

1. Right View: If the first button of the shirt is wrongly placed, all the others are surely wrong. Right view is like the first button. Take the issue of just health care and the pharmaceutical industry, for example. If the owners and managers in this industry have the right view of making profit without harming others, then their business activities are on the right track to maximize the authentic X. Citizens who have right view will avoid risky lifestyles, so as to save the medical resources for patients in need.
2. Right Thought: It is the capacity of mind to make right decision according to the right view. With the right thought, the owners and managers of pharmaceutical companies will choose the right business strategies. Citizens will choose healthy lifestyles.
3. Right Speech: Speak accordingly.
4. Right Action: Act accordingly.
5. Right Livelihood: Right livelihood means that one earns a living in a right way and that one's wealth is gained legally and peacefully. Some industries cannot offer people right livelihood, such as drug dealers or tobacco companies.
6. Right Effort: To make effort to the previous five right ways.
7. Right Mindfulness: To reflect on the previous six ways and, accordingly, to make modifications.
8. Right Concentration: Individuals need right concentration to implement the previous seven ways.

14.5.2 Second Principle: Help the Stakeholders

One of the four Beauchamp and Childress (2009) biomedical principles is beneficence. In the present paper, this positive principle aims to enhance the well-being of stakeholders. This principle is associated with the power of Bodhisattva's Vows. The Bodhisattva's more expansive scope of mind leads to putting the second principle into practice in the form of the 'Paramitas'. In Sanskrit 'paramita' literally

means ‘having reached the other shore’. The six paramitas are also called “bodhisattva-mārga” which is to benefit Bodhisattva themselves and others, and transform themselves as well as others. It means practicing six paramitas to cultivate complete wisdom and good fortune, which is the ultimate and authentic X in a Buddhist perspective.

1. *Generosity*: This includes the giving of wealth, Dharma (the teachings), and fearlessness.
 - (a) Giving of wealth: Wealth includes inner and outer wealth. Examples of giving inner wealth: donation of skin to burn victims; donation of organs for transplant. Giving outer wealth is related to one’s (outer wealth) ability.
 - (b) Giving of Dharma: A literal example: Buddhist preachers share their understanding of Buddha’s teachings. In a broad sense, agents may contribute their capability to people in need, which is another kind of giving Dharma. For example, the CEO of Taiwan Semiconductor Manufacturing Company (TSMC) sends engineers to help typhoon-hit schools rebuild their I.T. equipment.
 - (c) Giving of fearlessness: Two examples: An owner who provides a healthy and safe working environment for employees is giving fearlessness to the workers. In Taiwan, Yu Shen and Pin Han Perfumery Company cause food scare by illegally using DEHP and DINP in food additives, which is a counter-example of giving of fearlessness.
2. *Morality*: Conduct oneself in accordance with Buddhist precepts. Complying with Buddha’s five precepts will help one avoid the accumulation of bad karma and thus bad effects in the future.
3. *Patience*: This means that when there is patience, the mind will be pacified. Not only will the mind be stable, but the body will also enjoy a sense of well-being. Without patience we could not endure the conflicts and obstacles we encounter in life.
4. *Diligence*: Diligence nurtures zeal in one’s practice. It is a keenness that does not fear demanding work, and is the antidote for laxity.
5. *Meditation*: The Buddhist method of choice to develop right concentration is through the practice of meditation. Meditation here has a broad meaning which mainly refers to the concentration we need in any situation.
6. *Wisdom*: In Mahaprajnaparamita Sutra and Mahāprajñāpāramitāśāstra, Buddha and Bodhisattva Nagarjuna say that “wisdom” is the top priority among the six Paramitas. Without wisdom, practicing all other five Paramitas is like trying to see without eyes.

As noted above, the relation between wisdom, morality and self-interest is closely interwoven in terms of Buddhist philosophy. Here, two principles with matching rules provide individuals clear way to cultivate wisdom as well as enhance business value and maximization of self-interest.

14.6 Conclusion

In this paper, I have argued that the business goal, defined as striving for maximization of self-interest, is nonmoral. What is characterized as immoral is business action that causes others harm, or fails to help others under certain morally-relevant conditions. In the light of Buddhist philosophy, X (self-interest) is considered a quality of wisdom and good fortune. Both wisdom and good fortune are present effects from previous causes, and future fruits need to be cultivated. According to the law of karma, X is good effect from creating good actions and avoiding bad actions. Among them, cultivating wisdom has top priority. Without wisdom, individuals are unable to employ their good fortune sustainably. With cultivation of wisdom, one's choice of pursuing self-interest is compatible with recognizing that various aiding and resisting conditions generate one's own interest can come from the interest and well-being of other people.

I now turn to the limitations of the paper. The law of karma explicates an inevitable interconnection between self- and others-interest; this fits well with the modified stakeholder framework articulated herein. This modified stakeholder framework was used to employ normative principles, circumscribed rules, and cause management to help determine what one generally ought to do to enhance the positive value of one's business. Due to page limits, this paper is unable to demonstrate how to put theory into practice. Another limitation of this paper is that the circumscribed rules are from a Buddhist perspective. People with different religious beliefs and cultures can generate different rules to put each basic principle into practice.

In sum, it is essential for business to contribute to sustainable development and to cultivate wisdom. Individuals in the same company or the same country have the same collective karma. The account of this paper suggests a question for future research – how to embed cause management into a knowledge management system that cultivates wisdom systematically. Cause management, and a knowledge management system in which it is embedded, in compliance with the two basic moral principles, would simultaneously cultivate maximization of authentic X and affect collective karma positively.

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Chapter 15

The Social Role of the Firm: The Aristotelian Acting Person Approach

Javier Aranzadi

Abstract In this paper, I am adopting the point of view of the first person as a generator of positive actions. It presents human's freedom in the search for excellence in action. Aristotelian ethics is structured in a system of goods, norms and virtues that is configured by means of individual action in the institutions of a particular culture. In this view, the firm's role as a social institution is presented, whereby its social responsibility is to encourage the ability of individuals to create new ends and means of action in the reality around them. Good entrepreneurial practice (*eupraxia*) occupies a central position, defining the paradigm that each society and culture sets as the model of economic life.

15.1 Introduction: The Problem

Our starting point is to recognize the fact that persons have needs to satisfy. That is to say, to speak of economic reality is to speak of needs. As Aristotle says: "the end aimed at is not knowledge but action" (*Nicomachean Ethics*, NE hereafter, I, 4,19095a6).¹ So, following Aristotle, I am adopting the point of view of the first person, the acting person instead of modern view of the third person, the judge, the legislator who is observing individuals. The point of difference is that Aristotle is almost entirely concerned with analysing the problems of the moral agent, while most contemporary moral philosophers seem to be primarily concerned with analysing the problems of the moral judge or critic. As Stuart Hampshire states: "Aristotle describes and analyses the processes of thought, or types of argument, which lead up to the choice of one course of action, or way of life, in preference to another, while most contemporary philosophers describe the arguments (or lack of

¹ I quote Aristotle in the classical style, *i.e.*, book, chapter, paragraph and lines of the text.

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arguments) which lead up to the acceptance of rejection of a moral judgment about actions” (Hampshire 1983, p. 52). In effect, every ethic of the third person is worried about giving principles and rules to determine the just action: if it is an utilitarian ethic, just action is when it produces the greater social welfare to the individuals involved; if it is an ethics of justice, the act is just when it does not harm the space of liberty of action which every individual deserves and within which she has her rights to fulfill her own desires. In this view the most important moral goal is to recognize the importance of individuals, their personal liberty of compulsion and their desires. This is a very important point because it refers to the conception of freedom as ‘freedom from’. In this view, the person is free from institutions to do what she likes. It represents the freedom of indifference. One may do this or that. In this view, a person who chooses to be a thief is as free as one who chooses to undertake a great enterprise. This first view presents the freedom of indifference.

But in such a situation the question arises, why a person ought to be moral? Why do I have to obey utilitarian or justice rules? Obviously, the first answer is straightforward: for disobeying you are going to be punished. Well, we can agree with such an argument, but it still remains a question, what I do with my life? What is the meaning I want to give to my life? To these questions the contemporary moralists are silent. To distinguish between such points of view we will introduce the concept of freedom as ‘freedom for’. This view presents the acting person, the point of view of the first person, the person as a generator of positive actions. It presents human’s freedom in the search for excellence in action.

Aristotelian ethics is structured in a system of goods, norms and virtues that is configured by means of individual action in the institutions of a particular culture. All individuals choose courses of action by deciding what type of life is worth living. In this view, virtue (*areté*) occupies a central position, defining the paradigm that each society and culture sets as the model of life to be lived (*eudaimonia*). But recovering the classical framework permits a new approach to social sciences not based in utilitarian ethics and the neoclassical mainstream economic model.² In my opinion the complexity of individual reality with all its social and cultural components cannot be reduced to mere quantitative maximization, as is often done in the usual mainstream economics. But there is a pertinent question: what is the result of applying the neoclassical model to resolving economic and social problems?

S. Ghoshal (2005) acknowledges and demonstrates the consequences of applying the neoclassical model to resolving real business problems. The article’s title could not be more telling: “Bad management theories are destroying good management practices.” Ghoshal says: “Combine agency theory with transactions costs economics, add in standard versions of game theory and negotiation analysis, and the picture of the manager that emerges is one that is now very familiar in practice: the ruthlessly hard-driving, strictly top-down, command-and-control focused,

²For a critique of mainstream *homo economicus* expanded to *all* human behavior and presenting an alternative approach based on a theory of human action see Aranzadi (2006).

shareholder-value-obsessed, win-at-any-cost business leaders of which Scout Paper's 'Chainsaw' Al Dunlap and Tyco's Dennis Kozlowski are only the most extreme examples. This is what Isaiah Berlin implied when he wrote about absurdities in theory leading to dehumanization of practice" (Ghoshal 2005, p. 85).

The current crisis, with its constant corporate and financial scandals, is having a very dangerous effect. It is calling into question the role of the market economy and the importance of the firm as a social institution. As Ghoshal says: "Of far greater concern is the general delegitimization of companies as institutions and of management as a profession" (Ghoshal 2005, p. 76). Is it not more important to resolve the current crisis than to spend our time resolving academically prestigious mathematical problems? As H. Simon points out and Ghoshal echoes: "Nothing is more fundamental in setting our research agenda and informing our research methods than our view of the nature of human beings whose behaviors we are studying. . . . It makes a difference to research, but it also makes a difference for the proper design of. . . institutions" (Ghoshal 2005, p. 292).

Our study of the firm as a social institution is circumscribed in a very particular sphere. We will limit ourselves strictly and methodologically to describing what things patently are, i.e., how they manifest themselves in the sphere of the primary radical reality that is our life. To speak of economic reality is to speak of needs. Humans need to procure food, shelter, a mate, etc. In our society we are accustomed to providing for our needs through market exchange. We are accustomed to providing for our needs through business relationships; we work for a wage that allows us to buy what we want. In this approach two issues arise:

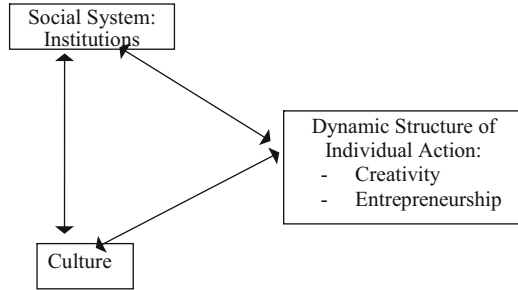
15.1.1 The Individual Does Not Act Alone

The individual is not a secluded nomad; human being, in Husserl's terms, is a *with-being* (Husserl 1954). With this expression we indicate the person's essential openness to her fellow men by means of society and culture. Thus every individual action is social and has a cultural significance. In Sect. 15.2 we will approach the firm as social institution.

15.1.2 Individual Reality Has Her Social and Cultural Components

This is a reality, whose objective is the full development of the real possibilities of people. Each individual adjusts her present reality to her future reality, an adjustment made through ideas, purposes and projects, always with a view to an end. So in Sect. 15.2.4 we will link together the concepts of creativity and entrepreneurship within individual action for in Sect. 15.3 set out the central idea of this paper that

Fig. 15.1 The socio-cultural framework of personal action



the social role of the firm is to foster the possibilities of her employees. Hence, in Sect. 15.4 we can launch the idea of the idea of a good entrepreneurial practice (*eupraxia*) in which the firm as an institution is the source of the creation of value. And we will close up in Sect. 15.5 with concluding remarks.

15.2 The Firm as Social Institution

In order to understand any human action we need a systemic view, and include it in the triad person-society-culture to understand its genesis.³ With this, I do not wish to place society or culture above the individual reality of the person, nor do I want to say that what is social or cultural is superior to the individual. This would lead us to an opposition between what is individual and what is social. The opposition between individualism and communitarianism represents a radically insufficient approach. My aim is to demonstrate that individual reality is only comprehensible in its totality, that is to say, a personal being, a social being and a cultural being. Figure 15.1 shows the development of this section.

15.2.1 Social Institutions

Our approach to institutions is made taking into account their diversity in the satisfaction of the fundamental needs of humans, such as food, reproduction, security, hygiene and growth. All these needs have a basic character since the person belongs to the human species. A person cannot stop providing for her needs if she wants to conserve her life. The success of these institutions will be measured against the degree of satisfaction of the needs. So, the institutions are coordinated for the satisfaction of more than one satisfaction at a time. Malinowski (1944) states that the formation and maintenance of auxiliary institutions which co-ordinate other institutions is the best means for the simultaneous satisfaction of a whole series of

³For a full developed version of what follows in sections (2) see Aranzadi (2011).

needs. However, since it is not possible to identify the satisfaction of a particular need with a certain institution, institutions cannot be correlated exclusively with singular necessities; instead, their existence also has to rely on other causes. Similarly, in economics there is no way to separate economic behavior from extra-economic behavior depending on the ends that are pursued (Becker 1976; Mises 1996). Therefore, for the comprehension of both market phenomena and the institutions it is necessary to take human action as a starting point.

Every action, whether it is social interaction, or a market exchange, is carried out within some social institutions. The institutions make it possible for the expectations of the persons to concur and that the mutual benefit of the relations is guaranteed. As D. North (1991) says: “Institutions are the humanly devised constraints that structure political, economic and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct) and formal rules (constitutions, laws, property rights)” (North 1991, p. 97).

That is to say, the process of social institutionalization guarantees the coordinating tendency of the expectations. Following North I can define the institutions as the regular forms of life in common of individuals. So any institution realizes three functions: (1) satisfy needs, (2) coordinate the behavior of individuals, and (3) provide norms of conduct and values shared by individuals. These three functions fit well with the three levels D. Melé (2003) counts for the humanistic approach to management development: satisfaction of needs, focusing on organizational norms, and “centered on building up a community of persons embedded with an organizational culture which fosters character” (Melé 2003, p. 82).

In this approach, institutions constitute an integrated system where the expectations of the roles are rule-governed, and have a stabilization effect on conduct. One can thus explain the origin of the division of labor, which is the basis of economic progress, as it enables people to specialize in a task, and to expect the exchange of the goods produced by each person. This possibility of exchange is what the market economy is based on, and is due to the fact that the division of labor has become rule-governed, it has become institutionalized.⁴ In this view I can understand perfectly what Moran and Ghoshal say about firms: “Each firm creates a unique subsidiary context, consisting of its own unique mix of incentives that encourages the assimilation, sharing, and combination of resources” (Moran and Ghoshal 1999, p. 407). This rule-governed dimension of social institutions is of maximum importance.

Institutions are also dynamic, as an institution has not only made it possible to achieve the ends desired in the past, but it has to make it possible, in each present action, to achieve the ends that each person determines. As North points out: “They (institutions) evolve incrementally, connecting the past with the present and the future; history in consequence is largely a story of institutional evolution in which the historical performance of economics can only be understood as a part of a sequential story” (North 1991, p. 97).

⁴ As Solomon (1992, p. 163) says ‘buyer’ and ‘seller’ are established roles within an organized system.

15.2.2 *Culture*

Social institutions are fashioned into forms of life when they are stabilized and transcend the individual person who acts. The social institutions, in this case, firms, have their own dynamism, which depends on the opportunities that enable their members to exercise their creativity and capabilities. So following Moran and Ghoshal (1999) I define the economic process as a value-creating process based in the following concepts: (1) Universe of all possible resource combinations. (2) Perceived possibilities. (3) Productive possibilities. (4) Productive opportunities. And they affirm: “as many firms of different forms and sizes engage in this process, each broadens the scope of exchange in ways that allow it to focus on some fragmented bits of the knowledge that Hayek (1945) talked about” (Moran and Ghoshal 1999, p. 405). Michael Porter (1981) acknowledged the need of the concept of value creation for effective firm strategy. And now it is commonly recognized that to maintain the dynamism of an economic system both value creation and value realization are needed (Teece et al. 1997).

The world ‘culture’ in its general sense indicates everything whereby the person develops and perfects her many bodily and spiritual qualities. In this sense the existing tension between institutions is resolved positively. As J. Finnis points out: “the possibilities of activity, of shaping and maintaining one’s identity, and of knowing and communicating with reality and real persons – are more than bare ‘factual’ possibilities. We understand them instead as the sort of evaluated possibility that we call opportunities” (Finnis 1983, p. 41). The person strives by her knowledge and her labor, to bring the world itself under her control by *eupraxia*, goodness of action. The person renders social life more human both in the family and the civic community, through improvement of customs and institutions. Throughout the course of time she or he expresses, communicates and conserves in her or his works, great spiritual experiences and desires that they might be of advantage to the progress of many, even of the whole human life. The forms of life are objectivized as culture and thus, tradition is transmitted. But, tradition has to initiate an action: It has to have real, present meaning; in other words, the here and now of a project has to be an incentive. Tradition coming from *parádosis*, *tradition*, is not the uncritical acceptance of past usages. So, as the bequeathal of physical characteristics is transmitted genetically, the radically human element, the ways of being in the world are handed on by tradition.

15.2.3 *Individual Action*

The analysis of the original framework has brought us back to the individual and her possibilities of action. Aristotle’s method approaches the study of possibilities of action through the study of the corresponding acts or actions, which in turn, are understood on the basis of an understanding of their objects. Thus, our study set out

from the goods that are the objects of our acts through institutions. But this study of the constituent elements of institutions has led us into a study of culture as the social realization of a common framework that allows us to satisfy our needs. Finally, we now have the individual as the last step in our study, showing us the potentialities of individual action. The Aristotelian notion of happiness, *eudaimonia*, appears as the result of a process, of an activity, and not as a psychological state, as understood in modern times. The second aspect is that all individual action has a cultural and social dimension. Social institutions provide the individual with goods via social norms. This provision operates by means of culture. It is the common good that constitutes *eudaimonia* as personal activity.

Any goal is the perception of a lack, joined to the desire to act. Perceiving the goal anticipates the path to be followed to reach it. That is, an act is not initiated from a mere desire or need; an act is initiated once something wanted or desired is identified. The second prerequisite is knowledge of how to change the situation, while the third is that there must be a will to act. Thus, we encounter the material object of ethics: voluntary and free acts. As Aristotle says: “The agent must be in a certain condition when he does them; in the first place he must have knowledge, second he must choose the acts and choose them for their own sake, and third, his action must proceed from a firm and unchangeable character” (Aristotle NE, II, 1105a27-32). Voluntary action entails the knowledge of the intended goal and the necessary means; it is chosen as a result thereof, i.e., because they are good in themselves and pursuant to the decision to accomplish them. As to ethics that leave the choice of ends out of the analysis and focus on deliberations on means, we should be clear that the choice of ends is a key element of ethics (Richardson 1997; Sherman 1989). Any choice of ends involves deliberating on means. There is always an evaluation that we may define as subjective cost/benefit assessment, but it is reductive to regard that deliberation as a matter of maximizing utility. We should counter any tendency to moral fragmentation by asserting that the supreme form of ethics is the reference to the ultimate end of life which arranges means and ends in a project for life.

We now reach the realization of action which reverts to its originating socio-cultural framework. The execution of an action has fundamental consequences on the acting individual and on society and culture. These three dimensions can be separated only analytically. The observed reality is individual action. But action with other individuals is social action, and action with meaning is cultural action. As a consequence of this formal structure we can highlight the incorrectness of studies that seek to set the individual against society. As Solomon points out: “What is best in us – our virtues – are in turn defined by the larger community, and there is therefore no ultimate split or antagonism between individual self-interest and the greater public good” (Solomon 2004, p. 1023). An opposition between the isolated individual and society conceals the intrinsic relationship between the various dimensions of action. Such action is substantively individual but with inseparable social and cultural dimensions.

15.2.4 Creativity and Entrepreneurship as Dynamic Structure of Individual Action

Individual action is not, therefore, a mere whirlwind, but the transcending of a given and established framework. Any innovation needs the established market on which to draw attention to its individuality. That is, every change drives market relationships, making it impossible to attain the state of repose that characterizes economic stability in the neoclassical model. To understand creativity we must not confine ourselves to the product already produced, but rather investigate the creative process that gives rise to it. Schumpeter (1947), the celebrated Austrian economist, spoke of creative destruction, implying with this concept that every economic innovation was an abandonment of economic equilibrium. Each change impels relations in the market, making it impossible to reach the state of rest which characterizes economic stability. This expression has been much repeated, but it does not capture the essence of the problem. Rather than destruction, one should speak of the retention and expansion of possibilities. Destruction would occur when a previously satisfied need could not be met with a new product. Creative innovation is not a reduction but rather an enlargement of the satisfaction of needs and an enlargement of the possibilities of action (Kirzner 2000). So, new combinations create a new source of potential value. So, we can take an interactive view of creativity based on three elements: the person, culture and social institutions.⁵ In other words, entrepreneurial innovation has not only a personal dimension, i.e. the creator, but also a socio-cultural dimension.

Creativity may be explained and studied and, little by little, psychologists are supplying techniques for improving it. But at the moment, creativity is a faculty that is learned, and teaching it is quite difficult. We see that reality is modifiable, that there are real opportunities to modify our surroundings, and that our creative potential is not utilized. Due to faults in the institutional organization of firms and the rigidity of corporate culture, personal creativity is not easily fostered. All studies of creativity seek to enhance it in everyday life: in family and social relationships, at work and in education.

Following the theory of I. Kirzner we can define entrepreneurship as: “that element of alertness to possible newly worthwhile goals and to possible newly available resources” (Kirzner 1973, p. 35).⁶ This entrepreneurship means that action is something active, creative and human. Reality in the widest sense is liable to be turned into resources. Anything, tangible or intangible, may be turned into a resource as soon as someone sees in it an opportunity for profit. In this respect Kirzner speaks of the world as a reality around us full of opportunities for profit. The opportunities are out there. The following quote corroborates this second view of entrepreneurship: “Our world is a grossly inefficient world. What is inefficient

⁵This systemic theory of creativity has been developed by M. Csikszentmihalyi (1996), T. M. Amabile (1983, 1996) and R. J. Stenberg and T.I. Lubart (1995) among others.

⁶If we pause over this definition we see that the discovery of an entrepreneurial element within human action is excluded by definition in G. Becker’s (1976) neoclassical theory.

about the world is surely that, at each instant, enormous scope exists for improvements that are in one way or another ready to hand and yet are simply not noticed” (Kirzner 1979, p. 135).

If we bear in mind these two aspects – the creative capacity of the entrepreneurial function and the worldly sphere in which it is deployed – the definition of pure entrepreneurship as the deployment of the person’s creative capacity in the reality around her becomes clear. Any reality that makes sense to the actor is a field of action for entrepreneurship. Therefore the importance of social institutions and culture as constituent elements of personal action is not based on external considerations but on the fact that both elements, along with personal action, constitute ‘what is human’, where the actor develops the entrepreneurial function.

Entrepreneurship, therefore, is not objective and scientific knowledge that may be hired on the market (Hayek 1976/1945). Pure entrepreneurship is the ability to project oneself from the given and to imagine opportunities for profit. It is knowing what to do with information. It is defining economic behavior in a world without perfect knowledge. In the perception of a possibility when there is no comparison of known alternatives because these do not exist; they are in the future imagined by the entrepreneur. As Kirzner says, “the incentive is to try to get something for nothing, if only one can see what it is that can be done” (Kirzner 1979, p. 11). This is the defining characteristic that constitutes entrepreneurship. Action is the result of our ability to project ourselves and to envisage what may exist in the future. The background of action should not be sought in the past but in the attempt to get a more profitable present out of a future that does not exist.⁷

15.3 The Social Role of the Firm

We now have an interactive view of creativity linking the person, the firm as social institution, and the organization’s culture. In this view the social importance of the firm is huge: *the firm’s social responsibility is to enhance the possibilities of persons*. The assertion that any person has the ability to create to a greater or lesser extent highlights a current problem of great importance when firms need to innovate at high speed. It highlights the fact that in firms there is much wasted talent. Jack Welch, former president of *General Electric*, said: “The talents of our people are greatly underestimated and their skills underutilized. Our biggest task is to fundamentally redefine our relationship with our employees. The objective is to build a place where people have the freedom to be creative, where they feel a real sense of accomplishment - a place that brings out the best in everyone” (Ghoshal and Barlett 1997, p. 21).

⁷ The same idea was masterfully expressed by Professor Julián Marías in the following words: “My life is not a thing, but rather a doing, a reality projected into the future, that is argumentative and dramatic, and that is not exactly *being* but happening” (J. Marías 1996, p. 126). More bluntly, Peter Drucker says: “the best way to predict the future is to create it” (P. Drucker 1998, p. 197).

In this respect the economists S. Ghoshal and C.A. Bartlett, echoing J. Welch, define the new social dimension of the firm: “Rather than accept the assumption of economists who regard the firm as just an economic entity and believe that its goal is to appropriate all possible value from its constituent parts, we take a wider view. Our thinking is based on the conviction that the firm, as one of the most significant institutions in modern society, should serve as a driving force of progress by creating new value for all of its constituent parts” (Ghoshal and Barlett 1997, p. 27). As Ghoshal, Bartlett and Moran (1999) say what we need is: “a new corporate philosophy that explicitly sees companies as value-creating institutions of society” (Ghoshal et al. 1999, p. 19).

We may say that society is a process of creating possibilities for action that are realized in social institutions and transmitted culturally. In this dynamic view, society is based on the will of persons and is not the product of an arbitrary imposition by a centralizing and regulating body (Mises 1996; Hayek 1976/1945, 1989). It is a process of human relationships structured in social institutions such as the family, law, language, the market, etc. And it is a process that transmits forms of access to reality from generation to generation. We may reformulate this premise and postulate the following: the more individual possibilities for action it generates, the more efficient an institutional and cultural framework will be. That is, we may venture a criterion of social coordination allowing us to define entrepreneurial efficiency as a social institution according to the possibilities for action that the firms generate. I would like to suggest a criterion of qualitative efficiency based on the real possibilities of individuals. The Nobel Prize winner for Economics Amartya Sen (1999, 2002, 2009) spoke along the same lines:⁸ “Individual freedom is quintessentially a social product, and there is a two-way relation between (1) social arrangements to expand individual freedoms and (2) the use of individual freedoms not only to improve the respective lives but also to make the social arrangements more appropriate and effective” (Sen 1999, p. 49). Sen’s work is highly significant because it indicates the growing interest of orthodox academic economics in seeking theories to explain social reality without reducing it to a set of variables that may be manipulated mathematically as a matter of maximizing utility. In order to understand the generation of wealth we must focus on the motivations, wills, preferences and rules of individuals.

Let’s uphold the criterion of entrepreneurial efficiency and define economic efficiency as the enhancement of persons’ possibilities for action.⁹ The first aspect of this criterion is that it is dynamic. Its coordination lies in the process of social interaction that progressively eliminates inefficient situations. Thus an economic,

⁸ It is impossible here to deal with the capabilities approach developed by A. Sen and M. Nussbaum (Nussbaum and Sen 1993). The first point should make the differences –remarkably I would say– between Sen and Nussbaum approaches. For instance, Sen (2009) presents what he considers to be distinctive of his approach, and Nussbaum (2011) does the same. For a general and critical assessment of both approaches see H. Richardson (2000, 2007).

⁹ P. Koslowski (1996, p. 53) states emphatically that the market allow not only freedom of consumption but also of action and production.

social and cultural system will be more efficient if it increases personal possibilities for action. And conversely, a social and cultural situation will be more inefficient if the possibilities for action that it affords to persons are more limited. However, we should supplement this criterion. All individual action has a social dimension and, as a result, the institutional order is maintained by personal actions. Therefore it is necessary to supplement the criterion of coordination from the social perspective and assert that the more entrepreneurial and social coordination it generates, the more efficient personal action will be. Thus we can assert that all behaviors that we normally regard as antisocial or pernicious, such as theft, murder, fraud or drug addiction, are inefficient because with them it is impossible for society to function, and much less so an economy based on these behaviors.¹⁰

The criterion may be formulated in three ways. Each one refers to each element's contribution to the system. That is, as Csikszentmihalyi (1996) says, when speaking of creativity we must take a systematic view. Instead of asking about individual creativity in isolation we should consider how to stimulate creativity in personal action, in entrepreneurial culture and in existing firms. We may formulate the coordination criterion with reference to each element. (1) Regarding firms the criterion is: the more personal possibilities for action they afford, the more efficient firms will be. (2) Regarding entrepreneurial culture: the more possibilities for action they foster, the more efficient cultural transmission mechanisms will be. (3) Regarding individual action: the greater its contribution to the firm and to entrepreneurial culture, the more efficient action will be. If we bear in mind that this separation is analytical and that the sole existing reality is the person in action, we may sum up the three criteria in just one: coordination improves if the process of creating culturally transmitted personal possibilities for action in firms is extended.

15.4 Towards a Good Entrepreneurial Practice (*Eupraxia*)

The “integrative revolution” presented by E. Freeman in the so-called “Friedman – Freeman debate” was based in four points: (1) abandon the separation thesis. Adopt (2) the integration thesis; (3) the responsibility principle; and (4) the open question argument. The starting point is the basic idea that is not useful to separate questions of business and questions of ethics. As Freeman says: “it does not make much sense to talk about business or ethics without talking about human beings” (Agle et al. 2008, p. 163). So the ethical viewpoint that I follow in this paper is that of the acting person, asking questions about what type of life is worth living (*eudaimonia*) in which society (*eupraxia*). Possibilities for action do not arise from a substance for

¹⁰ This efficiency criterion requires the two formulations in order to correspond to the two views of human freedom introduced at the beginning of the chapter. Our first formulation refers to the conception of freedom as ‘freedom from’. This first view presents the freedom of indifference. The second view corresponds to the concept of freedom as ‘freedom for’ or the search of excellence in action. See S. Pinckaers (1985).

acting on another reality. Possibilities are conditioned by the resources that the person has. That is to say, possibilities are not actual properties of humans, nor are they just given to us, naturally. As Aristotle said: “we are neither called good or bad, nor praised or blamed, for the simple capacity of feeling the passions; again, we have the faculties by nature, but we are not made good or bad by nature” (Aristotle, NE,II, 5, 1106a).

As Freeman says: “The integration thesis implies integrating business and ethics, around the idea of what human being is and can be” (Agle et al. 2008, p. 164). Ethics in the classical Aristotelian meaning of norms, goods and virtues (*areté*) is possible in a reality, which is constitutionally ethical because the person has to justify the creation of some possibilities and the blocking of others. What she truly has to justify to herself and what is going to definitely distinguish her morality is the general project of her life. The person has to justify the creation of some possibilities and the blocking of others, as well as the preferred possibility. She also has to justify, above all, the general attitude in the face of distinct systems of possibilities, in so far as this attitude conditions the moral decision of her life: what is going to happen to her and what she herself wants. Freeman further argues that “much of the theory that we teach in business schools is based on partial theories of human beings which are often derived from the separation fallacy (such as agency theory). They are not theories of whole, fully integrated human beings, with names, faces, families, and pasts, i.e., theories about actual business people” (Agle et al. 2008, p. 163). According to Freeman’s *Principle of Continuous Creation*: “business as an institution is a source of the creation of value” (Freeman 2000, p. 177). This concept disagrees with the previously mentioned Schumpeterian creative destruction idea. Schumpeter spoke of creative destruction, implying with this concept that every economic innovation was an abandonment of economic equilibrium. In his view each change impels the relations in the market, making it impossible to reach the state of neoclassical equilibrium. But in my opinion creative innovation cannot be a reduction, but rather an enlargement of the satisfaction of needs and an enlargement in the possibilities of action. So, the new combinations create a new source of potential value. As Freeman says: “the beauty of modern corporate form is that it can be made to be continuous, rather than destructive. One creation doesn’t have to destroy another; rather there is a continuous cycle of value creation that raises the well-being of everyone” (Freeman 2000, p. 177).

How do the above compare with Friedman’s theory? Milton Friedman, Nobel laureate for Economics, says: “The social responsibility of business is to increase its profits. Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible” (Friedman 1970). Even if we share Friedman’s idea, the following questions arise: How do we increase profits? What is the essence of the productive process? For example, the celebrated investor George Soros justifies his speculation against sterling in 1992 as follows: “As an anonymous participant in financial markets, I never had to weigh the social consequences of my actions. I was aware that in some circumstances the consequences might be harmful but I felt justified in ignoring them on the grounds that I was playing

by the rules. . . In deciding which stocks or currencies to buy or sell, I was guided by only one consideration: to maximize my profit by weighing the risks against the rewards . . . if I had tried to take the social consequences into account, it would have thrown off my risk/reward calculations and my chances of succeeding would have been less . . . Britain would have devalued anyway. If I were not single-minded in the pursuit of profit, it would affect only my own results” (Soros 1999, p. 228).

Another interesting example is the case of Enron. In its April 2001 issue, *Fortune* magazine called Enron, then seventh-largest company in the United States, the “most innovative” company in America. And that was done for six consecutive years since the mid-1990s. Its financial statement in 2000 reported a record-setting net income of \$1.3 billion, with recurring earnings per share up by 25 %, and a total return to shareholders of nearly 89 %. Even as late as 2001, Enron’s board of directors was named the third best board in the US by *Chief Executive* magazine (Sisón 2003, p. 24). Six months later on December 2, 2001, Enron filed for bankruptcy, the outcome of what has been called the greatest accounting fraud of the twentieth century.

In the light of the above examples, which can we consider a good entrepreneurial practice? Clearly if the object of Aristotelian ethics is *eudaimonia* understood as the life that worth living or flourishing, Freeman’s “open question argument” is what sort of society we want to construct? As the classic Greeks said that to live the good life one must live in a great city I agree with Solomon (1992) when he says “to live a decent life choose the right company”. In others words a decent life (*eudaimonia*) requires and fosters a right company (*eupraxia*). As Finnis points out: “in its fullness, that good or complex of goods is called *eudaimonia*, ‘happiness’ or, better translated, *flourishing*” (Finnis 1983, p. 8). With this I want to say that we need good theories to encourage good practices. We now know the consequences of applying bad theories to the business world as Ghosal (2005) masterfully explains. I do agree with Freeman that is time to finish the so-called “Friedman-Freeman” debate. Nobody would deny that earning money is necessary for economic survival. But as Freeman points out we need blood cells to live, but clearly the aim of our lives is not to generate blood cells. So Friedman’s statement is a partial picture of our social and economic process, but the questions how to earn money and what sort of society we want to construct remain unanswered.

All the fundamental Friedman’s work on micro theory of consumption, monetary policy and his defense of free market economy can be integrated in a more general and systematic framework. As E. Freeman says: “Better stakeholder theory focuses us on the multiplicity of ways that companies and entrepreneurs are out there creating value, making our lives better, and changing the world” (Agle et al. 2008, p. 166). We are going to consider other entrepreneurial practices quite different from those shown by G. Soros and Enron. Malden Mill company was founded in 1906 and is one of the few makers of textiles still operating in Lawrence, Massachusetts, New England (Velasquez 2006, p. 100). It has not relocated its operations to a third world country where labor is cheaper, as many competitors have done. On December 11, 1995, an explosion near a boiler room destroyed nearly all of the plant, putting nearly 1,400 people out of work 2 weeks before

Christmas. The next morning, with the factory in smoldering ruins, newspapers predicted that owner Aaron Feuerstein would do the smart thing and collect over \$100 million that insurers would owe him, sell off the remaining assets, and either shut down the company or rebuild it in a third world country where labor was cheaper and people are more desperately needy than American workers. But surprisingly, Feuerstein announced that the company would be rebuilt in Lawrence. In a move that confounded the industry, he promised that every employee forced out of work by the explosion would continue to be paid full wages, would receive full medical benefits, and would be guaranteed a job when operations restarted in a few months. Rebuilding in Lawrence could cost over \$300 million and keeping 1,400 laid-off workers on full salaries for a period of up to 3 months would cost an additional \$20 million. Feuerstein later said: "I have a responsibility to the worker, both blue-collar and white-collar. And I have an equal responsibility to the community. It would have been unconscionable to put 3,000 people on the streets and deliver a death blow to the cities of Lawrence and Methuen. Maybe on paper our company is now worth less to Wall Street, but I can tell you it is really worth more" (Velasquez 2006, p. 101). We can consider this case as an example of virtuous action. If we focus on prudence, Aristotle defines it as follows: "It is, therefore, necessary to consider prudence to be a disposition or state of the soul which partakes of logos and discloses the truth, being concerned with action in relation to the things that are good for human beings" (Aristotle NE, VI, 4–5, 1140b20-22). There are several layers in this definition. Let us take a look at them. The action of a virtuous person that is guided by prudence is a way of being, of dealing with things that is exclusive to humans. An action that is mediated by intelligence that is oriented at reality, at the truth of things. Action with a clear objective goal, i.e., to provide very specific goods, the human goods that are constituted in a socio-cultural environment; in our case, the firm.

15.5 Concluding Remarks

Economics is taught as the "assignment of scarce means along alternative ends" (Robbins 1969/1932, p. 16). In this definition economics is presented as a mathematical problem in which we have to allocate scarce means to given ends. But this canonical definition, accepted by mainstream neoclassical economics, is too narrow to represent the personal and social process that generates the real economic process. In Sect. 15.1 we have presented the inclination of mainstream economics for a rational construction of society. This has taught and propagated the bad business practice from which we are now suffering in our societies.

In this chapter we have started from individual action within her institutional and cultural framework. We have presented the firm as a social institution whose mission is to foster the possibilities of individual action. The core idea, based in Aristotle, is voluntary and free acts. We have moved away from the Robbins' definition of economics and we can say that the assignable act that characterizes

economics forms part of a constituent process voluntarily maintained by the person. The assignable aspect of the economic phenomenon is inserted within the dynamic process of creation and discovery of means and ends that every person realizes within her institutional and cultural background.

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Chapter 16

Stakeholder Management, Sustainability and *Phronêsis*

Kevin Gibson

Abstract In this conceptual paper I address the question of how business should approach issues of sustainability. I present a theoretical perspective marrying three elements: First, the realization that economic metrics alone are an inadequate basis for environmental choices. Second, I contend that management should adopt stakeholder theory which views the corporation as a vehicle to improve the welfare of all those affected by its actions. Finally, I contend that leaders holding stakeholder views are best served by the Aristotelian notion of practical wisdom – *phronêsis*. *Phronêsis* is a quality of character that applies well in the case of managerial attitudes to environmental concerns, since incorporating sustainability imperatives into corporate decision-making requires practical discernment and leadership in addition to technical skill. I will briefly illustrate my case by examining the values exhibited by Ray Anderson, CEO of the international carpet manufacturer, Interface.

16.1 Introduction

In this conceptual paper I address the question of how business leaders should approach sustainability issues. I argue that when corporations view sustainability merely as a strategic necessity they will generally rely on economic metrics to govern their decisions; that is, they will treat sustainability as a technical problem that can be overcome with ever more sophisticated pricing mechanisms. This approach is limited, and fails to deal well with goods that are intangible or not part of an active market. I suggest that sustainability issues are not just a problem of measurement, but inevitably involve discretionary value judgments that cannot be

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dealt with by increasing factual knowledge or scientific techniques. As a result, corporate leaders will have to develop other perspectives, and include non-monetary factors as well as consideration of the welfare of those affected by business decisions.

Accordingly I suggest that three components are necessary to develop a philosophically robust argument to support sustainability considerations in business decision-making. The first is recognition of the limits of an instrumental view based on financial metrics alone. Managers are often most concerned with quarterly performance, which implies both short-term thinking and economic efficiency as the dominant norms. People naturally discount future costs in the absence of immediate negative feedback, a dynamic Messick and Brewer (1983) describe as a *temporal trap*. This is especially true when resources are held in common. Reliance on market indicators in this way means that environmental issues and negative externalities are often ignored, and concern about future human welfare becomes dependent on the vicissitudes of the market. For example, greater pollution may be tolerated in order to maximize short-term gains, although there may be significant cumulative effects in the future. The second strand is an endorsement of stakeholder theories as an alternative managerial approach that incorporates instrumental considerations of profitability as well as broader and long-term perspectives on the purpose of the firm. Stakeholder theories promote business as a vehicle for enhancing overall welfare, rather than simply maximizing return for a limited set of stakeholders, i.e., investors. If we adopt a view that explicitly takes into account the desirability of sustaining and enhancing human welfare in general it will provide more stable and reliable standards of business success.

Finally, to enact stakeholder management, business leaders need to develop practical wisdom – in Classical Greek, *phronêsis* – into their deliberation processes. This will provide normative standards that include a moral sense, concern for others, and a wide vision about the future of humankind, while at the same time accommodating the complexities of particular cases.

16.2 The Sustainability Crisis

Capitalism is the dominant world economic force. The logic of capitalism involves turning raw materials into consumable goods and services. In order to perpetuate sales, it needs to constantly produce more and more goods to enable economic growth and expand its markets. This means there will be a steady depletion of resources unless we reuse the manufactured material or find alternates. Additionally, the majority of goods are consumed in the developed world, and it is estimated that of the world's six billion people, four million live on less than \$2 a day (Prahalad 2006).

The present rate of consumption gives us a “carrying capacity” for the world. At current levels, it is estimated that there will be fewer resources available for future generations. However, there are two likely changes: the population will probably

increase, and economic development in countries such as Brazil, India and China will mean greater demand for basic goods such as food, water, sanitation, fuel, electronics and housing. Development will also mean more pollution, with corollary effects on global climate change. It is estimated that by 2050, the global population will be over nine billion and take the resources of two earths to sustain it (Renton 2009). If we adjust our estimates to ask what would happen if everyone adopted the lifestyle of the average American, the answer becomes 5.3 earths (BBC 2005; Fraase 2002).

Thus we have two intersecting trajectories: the demands on the earth are increasing, while at the same time its resources are diminishing. Some commentators have suggested that the lines have already crossed, so that we cannot sustain our way of life unless extra resources are found or we reduce our demands (Duke 2009). Such changes will require systemic changes, and leadership in political and business spheres that can present a persuasive vision for the future.

16.3 Concepts of Sustainability

The notion of sustainability is ambiguous, and the various meanings will have different implications. In a narrow sense, the term is used to ask what actions corporations must take in order to remain viable given changing circumstances such as emerging markets, changing demographics and limited natural resources. A wise firm would therefore choose sustainable practices as a matter of strategy, since it may have to adjust its supplies, marketing and products to fit inevitable changes. A corporation following this view will act primarily out of an attitude that, say, using recycled materials or less wasteful practices are expedient business practice, even if they may not appear to be the most economically efficient in the short term. Hence moving to recycling or replenishable raw materials turns out to be the optimal long-term strategy available in an economy that relies on growth and constant consumption against a backdrop of finite resources.

The correlative view is that dealing with sustainability is a technical problem where values are calculated in monetary terms, and then a cost/benefit calculus is applied to determine what generates the greatest benefit (for the firm) at the least cost. Thus the consulting firm KPMG reported:

Overall, 61 % of those [companies] with sustainability programmes found that, despite some increase in investment, the benefits clearly outweighed the drawbacks. This rose to 72 % among the very largest companies, with revenues above \$5bn. “Businesses may initially react to this in the same way that they will react to any other signal from their markets. But once they begin to look at their operations through the lens of sustainability, most find that the commercial benefits are obvious and the sustainability agenda takes on a life of its own (Procurement Leaders 2011).

In a similar vein, other commentators have suggested that the proper way to approach sustainability is to monetize natural resources and common goods in order to provide opportunity costs that allow comparisons (e.g., Holliday et al. 2002; Kleine and von Hauff 2009; Chandler 2010).

In general, advocates of Triple Bottom Line (3BL) urge that we go beyond the traditional bottom line and assess the total impact of business activity, not just in terms of its immediate financial success, but also its effects on the physical and social environment. The first bottom line is the traditional financial statement of profit and loss; the second measures environmental impacts, for example waste generation and remediation costs; the third deals with social costs, assessed by indicators such as wages and working conditions or expenses associated with community outreach. In the case of shrimp fishing in India, for instance, although the industry has been lucrative in terms of its economic returns, it has had devastating effects on the local people and land, expenses which are usually externalized and thus not included in the price paid by the consumer. The fathers of triple bottom line accounting, John Elkington and Oliver Dudok van Heel (2002), justify this wider analysis by framing it in instrumental terms: sustainable capitalism needs to ensure there are raw materials available and a middle class that has buying power. Thus the core issue in sustainability is finding the correct metrics. They contend that:

Sound environmental performance – managed in the right way – drives costs down, revenues up and increases shareholder value. . . The measurement of social and environmental performance needs to be refined through the development of appropriate key performance indicators. Only once we can comprehensively measure sustainability performance (good, bad, and ugly) can we fully quantify its financial benefits (Elkington and van Heel 2002, p. xviii).

Importantly, we can see that if business leaders make the case for 3BL solely on economic grounds, then preservation becomes solely a function of the results of a cost/benefit analysis. If, for instance, disposable water bottles or batteries are more profitable than reusable ones, then the market will follow whatever is most efficient. The issue can also be highlighted by imagining a future state where capitalism is dominant, functioning, and even sustainable, and yet not desirable – perhaps a backdrop of abandoned mine tailings, privatized landscape vistas or religious sanctuaries treated merely as money-making tourist traps.

The second and more general sense of sustainability is a philosophical approach that makes different normative assumptions, advocating practices that will not deplete the resource pool for future generations. In the technical language of the law, this notion is called “usufruct” when referring to a tenancy: a renter has the responsibility of returning property in the same condition as it was provided. The term sustainability used in this way means that there is a duty to preserve. It does not preclude use, as long as the use does not result in depletion. Thus water can be used and recycled, for example, or trees harvested as long as new ones are planted.

In short, business leaders face a tension when dealing with sustainability between the norm of maximizing efficiency and one that looks to promote the welfare of all affected by business, including future generations. Efficiency concerns are contingent, in that they are dictated by the vicissitudes of the market. Moreover, when management of the environment is considered a technical problem, the main difficulty is finding the proper price for vital non-market goods such as water and the air. On the other hand, looking to overall welfare instead may result in sub-optimal returns to shareholders, and may be hard to justify in return on investment terms.

Significantly, any view drawing on economic analysis alone is likely to be based on some assumptions that might be questioned: issues are typically framed in the language of the Western enlightenment based on economic rationality and property rights, and the resulting estimates will often reflect the interests of the prevailing power structures. For example, the opportunity costs associated with air pollution are calculated based on the amount people would pay to not have more carbon in the atmosphere, even though those affected may not think in those terms or consider clean air to be a form of property. Similarly, common environmental goods and intangibles such as traditional knowledge about the healing properties of plants would have to be turned into commodities and given prices which then be used for comparisons. The methodology of measurement and apportion is typically applied by those schooled in Western economics, and when it fails to capture human values completely, proponents tend to not question their fundamental assumptions, but instead dismiss the difficulties as pseudo-problems that will be overcome with greater and more sophisticated application of current techniques.

The difficulties of using contingent valuation techniques are shown in a significant study by Vadnjaj and O'Connor (1994) who asked residents of Auckland, New Zealand, how much they would be willing to pay to preserve the pristine volcanic island that sits just outside the harbor. As is often the case, a significant number – over half – gave either zero or an infinite number as the response, but it also turned out that even when respondents gave some figure, it routinely did not match their verbal responses. The authors concluded that it was not a question of refining the survey's technical framework, but instead that the reactions they encountered were driven by justifications that could not be reduced to economic terms alone. The respondents had given a number because that is what the researchers demanded, but it did not reflect their real feelings. Many of those questioned said that it would not be right to interfere with the island, or that it was not a question of compensation.

When business leaders adopt an instrumental approach to sustainability, then, there are baseline assumptions that the metrics involved are both appropriate and accurate. Yet, as the sociologist Max Weber pointed out in 1949, economic and environmental problems may, in fact, be incapable of resolution on the basis of purely technical considerations which assume already settled ends. In the next sections, I will argue that the urgency of addressing sustainability concerns requires both a stakeholder approach to management and *phronêsis* on the part of the individual manager.

16.4 Stakeholder Management

The concept of stakeholder management is perhaps best understood in contrast with a traditional theory of the firm, sometimes called the shareholder approach. Shareholders are the owners of a business through their investments, and they expect returns to be maximized by managers who act on their behalf. A business is seen as a morally neutral entity, since it reacts to fill demands in the market, and hence any moral responsibility will rest on consumers. Employees have the task of

improving profitability through greater efficiency, limited by the laws and customs of the communities that they operate in (Friedman 1970).

There are several key elements to this approach: its gauge of success is usually measured in short-term (quarterly) profits; it relies on the law as a gauge of acceptable behavior, even if the work has been subcontracted to host countries with lax regulations or corrupt regimes; it abdicates moral responsibility on the part of business and relies on individuals who may be less aware of the facts than the producer; and it denies that business can often create and shape demands instead of responding to them.

In the last 20 years we have witnessed the emergence of stakeholder theory that has effectively supplanted shareholder accounts as the dominant view in business ethics. A stakeholder is any entity that can help or hurt the firm, or conversely can be helped or hurt by it. These will include investors, employees, suppliers, consumers, and local communities. Stakeholder theory, as articulated by R. Edward Freeman and his colleagues (2010) contends that we need to revisit the idea of a firm: rather than see it as a vehicle to profit a select few, it should be regarded as a way to improve the overall welfare of all stakeholders. This has two aspects. The first is practical and instrumental since a shrewd manager will look to the long-term and have a wider perspective to maintain profitability: If he or she ignores the concerns of environmentalists by using clamshell polystyrene boxes, for example, the firm may suddenly encounter a widespread and well-orchestrated boycott. But more than this, stakeholder views also reflect a philosophical commitment to benefit all parties, based on a Rawlsian idea of a veil of ignorance (Rawls 1971). Rawls believes individuals will be rational and risk averse, leading to patterns that maximize opportunities that aim to make everyone better off as long as it is not at the expense of the least advantaged. This task will be challenging in practice, and Freeman et al. (2004) equate management's task of balancing the interests of all stakeholders as requiring the fabled wisdom of the Biblical King Solomon. Moreover, the kind of reflective equilibrium demanded by Rawls and Freeman requires respect for the values of all stakeholders. In Freeman et al. (2004) words, stakeholder theory:

Encourages managers to articulate the shared sense of the value they create, and what brings its core stakeholders together. It also pushes managers to be clear about how they want to do business, specifically the kinds of relationships they want and need to create with their stakeholders to deliver on their purpose (p. 364).

Incorporated into stakeholder theory is what Freeman describes as a “normative core.” This is a commitment, much like a mission statement, that tells what the organization is about and establishes a baseline of common values for everyone involved.

A striking implication of adopting stakeholder theory is that a business will take social responsibility seriously: part of the very fabric of corporate endeavors will be to be involved with outside interests. Moreover, the law now becomes a threshold of acceptable behavior, not a yardstick, and hence a business may go above and beyond legal requirements. Managers will be responsible to a wider community and cannot justify their actions solely by reference to return on investment. It also means that the perspective has to change from quarter-to-quarter reports to much longer scales.

Stakeholder theory is now widely espoused by companies. Plausibly we might find firms exclusively driven by profit, but when we look at examples we find typical wording such as Exxon's *Guiding Principles*, that say they aim for superior financial and operating results while committed to shareholders, customers, employees and communities, or Tesco's similar commitment to the environment, community and ethical trading (ExxonMobil 2009; Tesco 2011). Sometimes stakeholder management is dismissed as empty rhetoric, but the evidence appears to say this is not so – it turns out that companies espousing stakeholder theory do spend significant amounts on corporate social responsibility projects without any necessary expectation of future returns (Snider et al. 2003).

Hence a stakeholder view that incorporates a mandate for sustainability means a business should go beyond mere prudence in its actions that strategically maximize short-term returns. Recall, too, that stakeholder management also involves a normative component that includes those who have an official or contractual relationship to the firm, and takes the interests of those who may be affected but have no real power into account as well – for example, indigenous peoples who are displaced by economic development. Hence the move to sustainability may require much more radical thinking on the part of executives, perhaps re-imagining the way business thinks about resource use and the nature of property rights.

16.5 Phronêsis

Following Wicks et al. (1994) the future of business leadership is likely to lie in a collaborative approach that involves inclusion and cooperation with various stakeholder groups. *Phronêsis*, or practical wisdom, applies well in the case of managerial attitudes to environmental concerns, since incorporating sustainability imperatives into corporate decision-making will require practical discernment and leadership in addition to technical skill. It is particularly appropriate since *phronêsis* not only implies good judgment, but also a vision of what is good for people in common.

Virtue theory is usually associated with Aristotle (384–322 BCE), mainly drawn from his *Nicomachean Ethics*, a set of scrolls thought to be lecture notes dedicated to Aristotle's son Nicomachus. Aristotle claimed that the human destiny was to achieve *eudaimonia*. Translations vary, but it is usually thought of as *flourishing*, *happiness*, or *well-being*. In his terms, a person who fulfills his or her potential will achieve *eudaimonia*. There are two additional factors to consider: Aristotle's point of reference was the Greek city-state, a *polis*, a community created for the common good. Thus it is more than any particular individual's happiness or well-being that matters, but their potential for benefitting the community as a whole. Secondly, *eudaimonia* is not a static state like contentment, nor is it an affective state as the modern connotation of 'happiness' carries: people need to actively work towards it through a continuing motivational dynamic, which Aristotle refers to as *energeia*.

The means to achieve *eudaimonia* is by managing our virtues. It is important to distinguish what Aristotle means by virtues from our more common understanding. In everyday language, the tendency is to think of a virtue as a positive trait like

generosity or courage. Accordingly, anytime someone is described as virtuous it is an act of praise. Aristotle has a more tempered view. Virtues are still character traits, and we all have them in differing degrees. However, in any given situation, we have to work out the right application of the virtues, which he terms *arete*. For Aristotle operation of the virtues is not so much an on/off switch, but more a way of navigating between extremes. At our best, we are suitably courageous without being rash or timid, or we are friendly without being too cloying or too distant. The moral task is to find the mean, perhaps better thought of as an appropriate balance, in any given case. Having a virtue is not just a means to an end, then. It also involves knowing when the virtue would be appropriate, having the right intentions, emotions, and attitudes.

Aristotle's view is that these are all judgment calls, and there will never be a standard or uniform response where one size fits all, in contrast to later philosophers such as Kant who believed that rationality would provide uniform and universal answers. Aristotle concludes there are three elements in all our ethical decisions: moral virtues, a moral character, and action to put the first two elements into practice. In his words:

The agent also must be in a certain condition when he does them; in the first place he must have knowledge, secondly he must choose the acts, and choose them for their own sakes, and thirdly his action must proceed from a firm and unchangeable character (Aristotle 2009, Book II, Chap. 4).

The concept of practical wisdom, *phronêsis*, emerges from Book VI of the Nicomachean Ethics. Aristotle distinguishes it from *technê* (craftsmanship) and *epistêmê* (scientific knowledge). He says that *technê* can be instrumental, and does not require judgment. Thus good craftsmanship or scientific knowledge could be put to bad uses. Consider the case of the computer hacker: there is no doubt that he is very smart, but we might think his intelligence is misguided. He has the intellectual capacity required to be a good person, but lacks the wisdom to apply it practically. Aristotle also draws a distinction between practical wisdom and philosophical wisdom – *sophia* – by pointing out that *sophia* is centrally concerned with the person's own interests. In contrast *phronêsis* is centrally concerned with value-based decisions that include the welfare of others. It is defined as “a reasoned state of capacity to act with regard to the things that are good or bad for man” exemplified in the actions of those who “can see what is good for themselves and what is good for men in general” (Aristotle 2009, Book VI, Chap. 5). Interestingly, as Noel (1999) observes, there are a variety of translations of *phronêsis* in English that emphasize its different aspects: *practical wisdom* points to its intellectual and rational dimensions; on the other hand it is sometimes rendered as *prudence*, which emphasizes balancing the virtues towards the mean in any situation; at other times it is translated as *discernment*, which stresses the ability to perceive the broader implications of a state of affairs. Ostwald (1962, p. 312) comments that *phronêsis* “tends to imply wisdom in action,” a point developed by Annas (1993) when she says she prefers to use “practical intelligence” because it avoids the connotation of passive reflection implied by the English term wisdom. She explains:

For Aristotle what is important about a skill is that it is the point at which the agent has risen to intellectual grasp of the universal, of what particular cases share...[Phronêsis] is a

shared assumption that such a disposition is firm in relying on general principles, but must also always be sensitive to the complexities of particular situations (1993, pp. 67/73).

Aristotle believes that someone with *phronêsis* has the ability to realize the overall good in terms of the *telos*, or ultimate goal, and then work out the practical steps to bring it about. There are several elements to this argument. First, *phronêsis* is concerned with particulars. Recall this means that unlike philosophers such as Kant, it does not seek out universal and unchanging truths that are then applied to a situation. Rather, individuals have to use their personal judgment to work out what is best to do given a particular set of circumstances. Secondly, it relies on perception. Perception in this sense is different from merely seeing: we might see various shapes and colors, but here perception is the ability to discern whole entities such as a building or a cow. Similarly, practical wisdom is the ability to integrate a variety of data and literally perceive the bigger picture, and put isolated incidents into a broader context that then enables the person (the *phronimos*) to discern the right action.

Moreover, *phronêsis* involves maturity. Aristotle believes that talent can be manifested at a young age, for instance in the case of children who master musical instruments or mathematics while very young. However, *phronêsis* is more than technical ability, and he maintains that it only comes about through experience and learning from our elders.

Hence the case method used in business and law schools follows Aristotle's lead, in the sense that while professionals need to have technical skills, they should also be trained in making practical decisions that require discernment. Further, Aristotle maintains that while there may be universal scientific rules, moral choices are always matters of reasoned judgment that balances various interests in particular circumstances. A truly good person, then, has the rational ability to know what is good, combined with an idea of what we should aim for and how to achieve it.

Phronêsis is an integrative and reciprocal dynamic in the sense that it is not compartmentalized into various parts of one's life, but informs them all. As an analogy, Aristotle points out that there are petty figures who get into political gamesmanship, but the truly dedicated politician will manifest the same wise approach to management in all aspects of his life, whether it is over property, a household or a state. The various activities of our life are integrated for him in the same way that the head of a family cannot just be concerned with its own good while neglecting the state, for it is necessary for the family's benefit that the state does well, and similarly, the state cannot thrive without well-ordered families.

Strategic instrumental views about business and sustainability pivot on there being a predictable benefit as a result for a limited set of those affected – similar to the compartmentalization effect. The benefit is often viewed in the short term, and typically applicable to investors and employees. A stakeholder approach incorporates both long term thinking while looking at the effects of corporate decisions on all those involved, including consumers, the community, and future generations. *Phronêsis* manifests this wider circle of moral concern, and, moreover, goes beyond abstract prescriptions by providing impetus for action in particular cases. In the words of Halverson (2004):

There is a hierarchical dependence between *phronêsis*, *epistêmê*, and *technê* such that the selection and use of *technê* and *epistêmê* in practice require the development of *phronêsis*. *Phronêsis* acts as an executive faculty that identifies which aspects of the environment are worthy of action, employs the appropriate means, and evaluates the results. The *phronêsis* of leadership guides how and when these *technai* are used and how theories need to be adapted to practice, and is able to evaluate when these tools have done their work properly (p. 100).

Thus *phronêsis* is pragmatic, context-dependent and oriented towards action. The key distinguishing feature is that it deliberately addresses fundamental value questions in its leadership discourse. Rather than dealing with apparently intractable problems such as pricing the environment by repeating failed technical mechanisms (using *technê*) or accumulating ever more data (*epistêmê*), a *phronetic* leader will step back to ask if the fundamental assumptions and values behind the enterprise are the correct ones in that given context. This distinction is sometimes referred to as single and double loop learning (Argyris and Schön 1978). In broad terms, a single loop approach tries to improve the effectiveness of current practice, whereas a double loop approach questions the underlying values that fuel the practice in the first place.

16.6 *Phronêsis* in Action

Phronêsis involves principle-driven action in particular cases. As an example, take the innovations brought about by Ray Anderson. In his autobiography, *Mid-Course Correction* (1999), Anderson, the CEO of the world's leading manufacturer of modular carpeting, Interface, describes how his perspective changed after reading about sustainability in Hawken's *Ecology of Commerce* (1994). Hawken (1994) himself says:

Competition in the marketplace should not be between a company wasting the environment versus one that is trying to save it. Competition should be between companies which can do the best job in restoring and preserving the environment, thereby reversing historical price and cost incentives of the industrial system that essentially sends the wrong signals to consumers (p. 90).

Anderson realized that to create a billion dollars worth of product his company had extracted 1.224 billion pounds of material from the earth's natural stored capital, and of that about 800 million pounds was coal, oil or natural gas that was burned up in the process (Anderson 1999, introduction). He then worked tirelessly to transform his company into one that became sustainable and even restorative. Presently seven of Interface's 26 plants operate with 100 % renewable energy. They have reduced greenhouse gas emissions by 30 % in the past decade and claim to have avoided over \$370 million in waste costs between 1995 and 2007. The firm aims to establish "cyclical capitalism, a form of business that refreshes itself and the world around it" (Fishman 1998). It has introduced what it terms the "Evergreen Lease" where instead of selling their product, customers lease it so that the firm can ensure that it is recycled. The dramatic shift has not only involved the company

itself, but also altered its relationships with suppliers, customers, and employees. Anderson et al. (2010) recently reflected that businesses have to move beyond surface-level changes, and make sustainability a central feature of the organizational culture. This kind of shift is unlikely to emerge spontaneously in a firm, especially given the pressures to demonstrate efficiency in the short term. Instead it requires a fundamental adjustment in the way managers and investors see the nature of the company. In Anderson's words:

To achieve this degree of change, leaders must put forth bold visions – so bold that they take the breath away – and they must engage their organizations in different, deeper conversations about the purpose and responsibility of business to provide true value to both customers and society. Moreover, the whole enterprise must be proactively engaged in such a system wide way that mental models become explicit, multiple stakeholder perspectives are incorporated into the process, and collective interaction yields new knowledge, structures, processes, practices and stories that can drive the organization forward (p. 97).

Hence spearheaded by a leader we can see how one firm has instantiated a comprehensive vision of the future, along with an institutional dedication to incorporate stakeholder views in order to facilitate the common good.

16.7 Possible Objections

There are three lines of criticism to the argument I have presented. The first is a claim that monetization and subsequent decision-making on that basis are the only practical means to determine policy about sustainability. This claim has considerable merit as it has the promise of determinacy. Yet it is important to see monetization as a means rather than an end. Consider that there are fundamental questions about the nature and application of Western notions of property. Many people would simply disagree that the best way to establish value is to create a hypothetical market: for instance, the spice turmeric has been known as an antiseptic agent for thousands of years, and the idea of patenting that knowledge and then restricting it as a property right may represent a particularly Western way of looking at the world. Similarly, a poor country may accept payment to take hazardous waste, and we could take the price paid for the service as an environmental indicator. However, doing so ignores other factors such as the relative power structures and political systems of the countries involved.

Thus applying financial metrics to questions of sustainability may be a reasonable move as long as there is unanimity about using a cost/benefit analysis to establish human preferences. Moreover, it would also necessitate that sufficiently sophisticated pricing mechanisms are in place that include common goods, and ways to balance differing interpersonal utility functions. In the absence of those conditions, business has to operate in the socio-political sphere where there are not only economic assessments of commodity exchange but also aesthetic, scientific, cultural and philosophical values that come into play as well. As O'Connor and Frame (2008) observe:

Simply invoking “sustainability” as a reference concept does not serve as a decision criterion. If sustainability is to be a desideratum, we must recognize explicitly the role of human actions (and collective policy choices more particularly) as generating decisions about the distribution of sustainability: which interests, realms of value and forms of life will be sustained, and which ones left behind, relinquished, or destroyed? (p. 5)

Secondly, virtue theory is not the only basis for ethical judgments; Freeman (1984; Freeman et al. 2004, 2010) noted that stakeholder management could be drawn from a range of theoretical bases. For example, a deontological approach might maintain that there is a moral duty to maintain the earth for future generations because of the respect due to them as humans, or a utilitarian might make an argument based on maximizing the utility of all affected by a business decision. This point may be conceded easily: after all, it would be odd if moral theories did not coincide on their conclusions although they may differ on the particular form of reasoning: for example, slavery or violation of bodily integrity will be impermissible by multiple theories. However, the reason that virtue theory has been advocated for business dealings about the environment is because it does not promote abstract and impartial rules, but accepts that managers have to make difficult decisions in various contexts and in the face of conflicting interests without resorting to mere contingent, instrumental and market-driven calculations in considering these interests. In such complex cases, I believe, we are forced to depend on the good judgment of managers who are aware of both the over-riding principles and the concrete particulars in any given case.

A third objection is that by moving to particular cases, *phronêsis* justifies a form of moral relativism, since the situation in each will be distinct, and therefore not allow comparisons or the application of general rules. However, it is important to not confuse judgments within a context with judgments *sui generis*, that is, unique unto themselves. Aristotle tells us that *phronêsis* is born of a character developed over a lifetime, where experiences and teaching blend to bring about moral decisions in individual cases. Furthermore, as alluded to in my earlier discussion of *phronêsis*, the decisions are made with an understanding that humans are responsible for the welfare of others and to deliberately foster a certain defined ends. Thus while the decisions are certainly practical, immediate and context-dependent, they nevertheless are informed by consistent and overarching general principles.

16.8 Conclusion

To summarize my argument, managers currently have incentives to seek immediate returns, while at the same time business practice in general tends to ignore the issues of long-term human welfare. Future market activity will require adequate resources, especially in the light of growing population and increasing demands globally. One possibility is to maintain a tactical perspective which considers the issues to be technical problems that can be dealt with using the existing tools of

economic analysis alone. Seen in these terms, there is no need to question the underlying values or significantly adjust current practice. Managers who take this view will be prone to reliance on quantitative metrics, short-term reporting models and the vicissitudes of the market.

However, given the realities of developing economies worldwide and finite raw materials, managers need to move from a purely instrumental decision process to one that imaginatively includes multiple perspectives and a longer timeline. Stakeholder theories provide one structure for such thinking. Moreover, traditional managerial characteristics of technical skill and factual knowledge need to be supplemented by the ability to master moral discernment and apply it judiciously to specific practical situations. In short, stakeholder theories demand that contemporary leaders develop and inculcate the classic quality of *phronêsis*. This is illustrated in the charts below:

16.8.1 Shareholder Management

Corporate aims	Sphere of moral concern	Management qualities	Aristotelian virtue	Preparation	Outcome
Maximize short term profits	Benefit to investors	Technical expertise Information acquisition	<i>Technê</i> <i>Epistêmê</i>	Practical training Data collection Factual knowledge	Long-term unsustainable economic model

16.8.2 Stakeholder Management

Corporate aims	Sphere of moral concern	Management qualities	Aristotelian virtue	Preparation	Outcome
Increase welfare of all affected by firm	All stakeholders	Technical expertise Information acquisition Practical wisdom	<i>Technê</i> <i>Epistêmê</i> <i>Phronêsis</i>	Practical training Data collection Factual knowledge Moral perception Life experience	Long-term sustainable economic model

A stakeholder approach to sustainability utilizes explicit broad normative standards while at the same time confronts the complexity of particular corporate decisions. This kind of stakeholder theory might be more properly regarded as leadership rather than management, since it is both values-based and visionary. In the terms I have used, it surpasses *technê* and *epistêmê* by moving to *phronêsis*. Specifically, it looks beyond benefits to a certain group – investors – and is concerned with the welfare of everyone affected by the actions of the firm. As Bass and Steidlmeier (1999) explain:

The common good is not a mere aggregate of individual interests, or a “greatest happiness” of a majority. It is a truly common good, that is only possible by civic virtue, cooperative action by all participants. Authentic transformational leadership goes beyond the individual leader or follower, the aggregate of individual interests, or a calculus of greatest utility. Fundamentally, the authentic transformational leader must forge a path of congruence of values and interests among stakeholders (p. 200–201).

Joanne Ciulla (2004) has noted that leadership is not a person or a position, but a complex moral relationship between people that is manifested in practical decisions and deliberate outcomes. *Phronêsis* marries goodness of character with action, and in that way it is superior to alternative moral theories and provides a framework for business leaders to make appropriate choices to assure a sustainable future.

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Part IV
Philosophy and the Shaping of Economies
and Business Systems

Chapter 17

Confucianism and Market Economy

Cuiping Zhang and Xiaoxing Zhu

Abstract The fast economic growth in East Asian economies has attracted much attention from the world to their background culture – Confucianism. Many, like Max Weber, think that Confucianism is not suitable for generating capitalism or economic modernization whereas others hold that the economic take-off and the economic miracle achieved in East Asia should be attributed to Confucianism. Too positive or too negative an attitude is not realistic. This paper focuses on the interaction between culture and economic development. It is becoming quite necessary to re-think and re-evaluate what elements of Confucianism and in which circumstances Confucianism would be conducive to the building of a market-oriented economy.

The study of the CEOs in five Chinese leading companies and the Confucian-values-based questionnaire survey in Haier, a leading company in home-appliances, reflect that Confucianism is still vigorous and influential in the business world of China today. Meanwhile, Confucianism is also being transformed in the course of their development. In this sense, the five successful enterprises have set up a good example in how to maintain the essentials of Chinese traditional culture while overcoming its backward aspects and let the past serve the present well.

17.1 Introduction

The relationship between culture and economic development has been the object of study of numerous scholars, both Chinese and overseas, who have shed much ink on this subject. In Marx's opinion, the relationship between culture and economy is something between the superstructure and the economic base, with the former determined by the latter. However, the superstructure has counteractive impact on the economic base, either enhancing or hindering economic development.

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Unlike Marx, Weber (1992) emphasizes the role of culture on the development of the economy. Landes (2000) also holds that “if we learn anything from economic development, it is that culture makes almost all the differences.” Many others (Jiang 2002; Grondona 2000) even think that economic development is actually a cultural process. Jones (1992) argues that culture influences the economy more than the economy influences culture.

We can see that Marx emphasizes the determining influence of the material base on ideology, while Weber and his followers the role of culture on the development of the economy. In this paper, we try to probe into the interactive relationship between culture – specifically Confucianism – and the economy with the case study of Chinese leading enterprises.

Since the 1950s, the economic take-off and fast development in Japan, then in the Four Little Dragons (South Korea, Singapore, Taiwan, and Hong Kong), and in recent years in Mainland China has attracted worldwide attention to their background culture – Confucianism. Due to its unique traits that are different from the western model, the economic modernization model in East Asia is called “Confucian capitalism” (Chang 1998). With the economic globalization and the rising place of China in the international community, the influence scope of Confucianism has also been extended. The ongoing economic crisis, that originated in the U.S. in 2008, has set off another wave of craze for Confucianism in the world.

It is no doubt that Confucianism plays a very important role in the economic development of East Asia. Before we study how Confucianism influences the economy, we need to review the core values of Confucianism and their business implications.

17.2 The Core Values of Confucianism and Their Business Implications

Generally speaking, the core values of Confucianism can be summarized as “Three Guides” – ruler guides subject, father guides son, and husband guides wife – and “Five Constant Virtues” – benevolence (*ren*), righteousness (*yi*), rites (*li*), wisdom (*zhi*) and honesty (*xin*).¹ The Three Guides have been criticized and discarded since the May 4th Movement in China in 1919 for being feudal and out of date.² However, the Five Constant Virtues have been inherited and are still influencing people’s ideology and behavior, as well as the economy at large. For the purpose of this study, the constant virtues of *benevolence*, *righteousness*, *rites* and *honesty* are reviewed and elaborated (Ding 2007).

Benevolence above everything: In Confucian ethics, *benevolence*, variously translated as “love,” “goodness,” “humanity,” and “human-heartedness,” is a supreme virtue representing human qualities at their best. *Benevolence above*

¹ <http://www.infzm.com/content/53024>

² <http://www.sina.com.cn> 2004/09/06 09:47

everything is the most fundamental principle in Confucian ethics. According to the Master (Confucius), being benevolent means to love people. In *The Analects*, Fanchi asked about *benevolence*, the Master said, “Love people”. Here the Master describes what attitude a benevolent man would adopt towards others. The Master also said that benevolent people “Do not do to others what you don’t want others to do to you”. Being benevolent, “In order to establish yourself, you help others to establish themselves; in order to enlarge yourself, you help others to enlarge themselves”.

In business, the implications of *benevolence* are: first, management should be kind to their employees, giving them respect, trust and love; second, companies should also take the benefits of all their stakeholders into consideration. For instance, companies should be responsible for their customers by supplying quality goods and services. In return, employees will be faithful to the company and work harder, whereas customers will be faithful as well and buy more from the company.

Profit after righteousness: *Righteousness* refers to moral values of human beings and profit means material benefits. As for their relationship, the Master emphasizes *profit after righteousness* and “obtain profit in the right way or with righteousness”. The Master advocates *righteousness* and considers it to be an important quality in personal cultivation. The Master said, “A gentleman takes as much trouble to discover what is right, as petty men take to discover what will pay”. These words teach people to worship *righteousness* and reflect more on *righteousness* rather than some material benefits. He also remarked, “Any thought of accepting wealth and rank by means that I know to be wrong is as remote from me as the clouds that float above”. The implication in business is that, when there is conflict between *righteousness* and profit, people should place *righteousness* before profit. That is to say, profits should be made without bringing harm or damage to customers and society. However, this Confucian principle has been often misunderstood. Many criticize this principle for hindering the development of a market-oriented economy in China. As a matter of fact, *righteousness* and profit are equally important in *The Analects*, “Wealth and rank are what everyone desires, but if they can only be retained by improper way, a gentleman must not accept them”. We can find that the Master did not detest wealth and profit. But people should get them with the right way – morality and justice.

Honesty is the best policy: *Honesty* is one of the key values in Confucianism. In the eyes of the Master, *honesty* is the prerequisite for one to live in society as he said “I do not see what use a man can be put to, whose word cannot be trusted”. By *honesty* he means one should keep his promise and avoid clever talk, and a gentleman is one who “must keep his word and do what he says”.

Honesty is a principle born with market economy. It is the ethical base for market economy. For a company, *honesty* represents the image and determines the success of the company. Only with *honesty* can a business have longevity and develop further. For a society, *honesty* becomes more and more important with the development of market. We cannot imagine, without *honesty*, how could the society keep order, undertake the exchange of equal value and develop its economy smoothly.

Achieve harmony by following rites: Confucianism esteems *self-restraint* and *harmony*. *Harmony* can be achieved when people follow *rites* (proprieties) and restrict their wants to the level allowed under the hierarchical system

(Yu et al. 2001). In *The Analects*, Youzi said, “In practicing the rules of rituals (propriety), it is harmony to be prized. In the ways prescribed by the ancient kings, this is the excellent quality, and in things small and great we follow them. Yet it is not to be observed in all cases. If one, knowing how such harmony should be prized, manifests it, without regulating it by the rules of rituals (propriety), this likewise is not to be done”. The Master said, “The true gentleman is conciliatory but not blind-accommodating; petty men are blind-accommodating but not conciliatory”.

In business, the esteem for *rituals* and *harmony* implies that mutual benefits among businessmen should be considered. Competition and cooperation are equally important. And the principle ‘Customer is the God’ should be followed by businessmen. In addition, harmony inside the business should be emphasized. It means the employer should be concerned about the employees and the employees need to understand the employer, and the employees should help each other as well.

17.3 The Practice of Confucianism in Chinese Enterprises

To learn the relationship between Confucianism and Chinese economy, an effective way is to explore the influence of Confucianism on the thinking and behavior of the CEOs and employees of leading companies in China, who are governing and leading the business world and the economy at large.

17.3.1 The Thinking of CEOs

Here we choose the CEOs from five famous Chinese companies, the basic information of which is provided in table 17.1.

From Table 17.1, we can see that the five selected companies are very influential in China, and in the world. Let’s have a closer look at the five CEOs in terms of their ideology and style of management.

Haier used to be a loss-maker. It is Zhang Ruimin, the CEO of Haier Group located just beside the birthplace of Confucianism, who has built Haier into the biggest home-appliances manufacturer in China. Being a practitioner of Confucianism, Zhang once said that *The Analects* has been his guide of handling things. His benevolence can be reflected in his words, “If leaders are loyal and responsible to employees, employees will in return be loyal and responsible to the company”.³ In Haier, there is a corporate principle of creating win-win situations, i.e. a company should first help employees to succeed, so that they would be willing to help customers to succeed, and only if customers are satisfied, will the company be successful (Chi 2003).

³ <http://wenku.baidu.com/view/54eb561efc4ffe473368ab87.html>

Table 17.1 The basic information about five well-known Chinese companies

Company Name	Time of Founding	CEO	Business	Influence	Website
Haier Group	1984	Zhang Ruimin	home-appliances	China's biggest home-appliances producer; the world's top 10 innovative companies	http://www.haier.net/index.asp
Lenovo	1984	Liu Chuanzhi	IT(PC)	The largest PC producer in China and the second largest in the world (The acquisition of Lenovo over IBM PC division took place in 2005)	http://www.lenovo.com
Huawei	1987	Ren Zhengfei	Telecommunication	A leading global telecommunications solutions provider and its products used in over 140 countries.	http://www.huawei.com/cn
Alibaba. Com Group	1999	Ma Yun	Online business	The largest brand in China and the second largest in the world brand specializing in creating channels and platforms of e-business,	http://www.alibaba.com
New Oriental School	1993	Yu Minhong	Private training	The largest provider of training programs (mainly English) in China	http://english.neworiental.org/publish/portal59

Zhang believes that “One must keep his word and do what he says”. This is why the style of work in Haier is to react quickly and act immediately. And the marketing principle in Haier is that reputation first, and selling products second.⁴ In the overseas expansion, Zhang also chose to enter the German market first, the home of quality white goods. Zhang believed that the accession into the most difficult market itself is an excellent advertisement for Haier products. This is in accordance with the words of the Master, “The man who first concentrates upon difficult work and forgets about reward may be called benevolent”. It is obvious that the constant virtues of Confucianism reflected in the thinking of Zhang have been already integrated into the corporate culture of Haier.

Liu Chuanzhi, the founder and CEO of Lenovo, has also created a legend in the business world in China with the help of Confucian ethics. For example, when Lenovo had to lay off employees, Liu advised his successor Yang Yuanqing to be careful. For those laid-offs because of strategic plans, the company “should feel sorry and make proper compensation” (Zeng 2008: 194). One of the beliefs in Lenovo is: Reputation should never be compromised even if that means losing money.⁵ The Master said, “Don’t seek for haste, and don’t concern yourself about little advantages. If you desire haste, you will not make real progress and achieve success. If you have an eye to little advantages, nothing important will ever get finished”.

In 2002, at the conference on international management in Denver, Liu mentioned that Lenovo would not rush to globalize. Rather, they would concentrate on the domestic market to make steady achievements, and will only penetrate the international market when all conditions are mature (Zeng 2008: 163). Liu once said, “In China, one should do things according to the external environment. Haste will be followed by failure” (Zeng 2008: 111). He also warned his employees, “Those who only value money will not be valued in Lenovo” (Zeng 2008: 100). He advocated that people should work hard and make money with absolute assurance. In his words, “We should love our brand as we love our eyes and win the long-term trust from customers, partners and employees. Good reputation should be given first priority even without any supervision” (Zeng 2008: 100). “Reputation and responsibility are directly related to a person’s and a company’s interest. A person with great ambition, as well as a company wanting to be a century-old, must attach great importance to his or her reputation and cherish honesty” (Zeng 2008: 236). In 2001, in an interview with *China Youth Daily*, Liu said that doing what one says is very important. Leaders of Lenovo win trust of the employees by keeping their words, the company also wins loyalty of its customers and partners by doing what are said.⁶

Ren Zhengfei, the CEO of Huawei, is no exception in performing Confucian ethics. In 2004, in an inside speech to his employees named “How can Huawei survive its winter”, Ren affirmed, “In such a tough and fierce competition, we’d

⁴ http://www.haier.cn/about/culture_index_detail37.shtml

⁵ <http://wenku.baidu.com/view/80837beb172ded630b1cb640.html>

⁶ <http://lz.book.sohu.com/chapter-12163-111056357.html>

rather suffer the loss than our allies, since we can afford it while our allies cannot” (Ren 2004). In his speech “To New Employees”, Ren (2005) expressed his hope that they could accept challenges of life and go forward unyieldingly at all cost. No great pains, no extraordinary gains. Ren also told his new employees to be polite and respectful by saying: “You should respect your leaders even if you are more capable. Otherwise your subordinates will not respect you in the future” (Gong 2008: 124). Ren also called for firmly resisting moral decay, greed and corruption resulting from wealth no matter whomever.⁷ At the 16th session of Guangdong Learning Forum, Ren reported on the core values of Huawei: “In recent years, we have been cooperating in many areas with our counterparts from other countries in order to achieve a win-win situation, share success, and realize ‘harmony without uniformity’. Harmony can help us grow together while differences help us learn from each other, which is the wisdom of the East from the ancient times” (Gong 2008).

Ma Yun, the CEO of Alibaba, is a shining star in the online business world in China. In 2009, when communicating with his online businessmen from Shenzhen, Ma said that if a company wants to make money, it should first enable its customers to gain profit.⁸ He also said, “Whatever one does, he shouldn’t fix his eyes only on profit. When money becomes one’s only pursuit, . . . others wouldn’t like to do business with him” (Zhu 2008: 186). For him, the top priority is to establish and perfect the credibility system of Alibaba. And the slogan for Alibaba is “Only creditable businessmen can be rich in the end”.⁹ According to Ma, Alibaba’s success should be attributed to the sacred mission and values of Alibaba. If China is to stand up prominently in the world, it is a must to promote Chinese culture and Chinese traditional values, the principle of honesty in particular. All these have shown that Ma Yun has been influenced greatly by Confucian values as well.

Unlike the above-mentioned CEOs, who are mainly communicating their values to their employees, Yu Minhong – the CEO of the New Oriental School – is communicating to both his employees and his students. Yu once said, “I am very kind to students because I know their sorrows and pains. I know that, besides skills and knowledge, they also need care and consideration” (Ning 2008: 192). He believes that “No matter in whatever society, the ultimate success of a man can only rely on honesty. If you are credible to others first, others in return can be credible to you” (Ning 2008: 34). He told his new students, “No success is available without continual efforts. . . . No difficulty is invincible as long as you have the courage” (Yu 2010).

It should be noted that the success of all the five CEOs is not a coincidence. The key to their success is that they are not only talking and communicating but also practicing the Confucian values in their management and daily life.

⁷ <http://www.jinmimi.com/bbs/viewthread-388255-1.html>

⁸ <http://020.teambuy.com.cn/info/info.php?chno=13&infoID=16356>

⁹ http://finance.jrj.com.cn/book/book/detail_27035.shtml

17.3.2 *The Thinking of Employees: A Case Study of Haier Company*

For successful enterprises, it is far from enough that only the CEOs think and behave correctly. The critical point is that they need to communicate their values and ideas to their employees and then have them put into practice. For this reason, we proceeded to study the thinking and behavior of the employees as well. Haier is taken as an example because, compared with other companies, Haier started its take-off and adopted its international strategy as early as in the 1990s. And Haier, as a successful model, has influenced many other companies in China. However, among the researches about Haier, most have concentrated on the management level, very few have studied the thinking and behavior of its employees.

A questionnaire was designed to learn the thinking pattern of Haier employees. The questionnaire has two parts: Part 1 concerns general information like age, gender, position in the company, education level, overseas experience, and years they have worked in the company. Part 2 has 24 closed questions based on the core Confucian values, with the 25th question remaining open. In total, 50 questionnaires were randomly distributed in Haier and 38 valid copies were returned.

Analyzing the profiles of the respondents in Haier, 44.7 % of the respondents were under the age of 30 years old, and 52.6 % were between 30 and 45 years old. 57.9 % were females. As for their position, 28.9 % were mid-level managers or above, 39.5 % were common administrative staff, 7.9 % were average technicians, and the rest belonged to other groups. 78.9 % had a bachelor's degree or above. Most of the employees (94.7 %) did not have an overseas experience. 94.7 % of the respondents had worked in Haier for at least 2 years, including the 47.3 % who had stayed in Haier for more than 5 years.

The second part of the questionnaire examined the thinking of employees around some key concerns of Confucianism and management: benevolence, righteousness, rites, honesty, recruitment and training, innovation, influence of Confucianism, and priority concern of company. The final question was an open question, in the quest of what the employees want to say to their CEO. It is a pity that only two bothered themselves to write their answer, with one saying "hello" and the other simply saying "people-oriented". So the response to this question is seen as invalid and will not be discussed.

17.3.2.1 *Analyzing Benevolence*

Questions 1, 2, 3, 4, and 20 were centered on the virtue *benevolence*, ranging from the management's concern about the employees' personal wellbeing to social wellbeing. These questions were the following:

- Q1. In your company, if an employee is so troubled by personal problems that he or she could not work whole-heartedly, your boss will: (a). show great consideration and actively help to solve the problems, (b). not deliver immediate help, but take this into consideration in terms of giving tasks, or (c). show indifference to the problems and give the same tasks as usual.

Table 17.2 Results about *Benevolence*

Questions	A		B		C		D	
	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
Q1	26	68.4 %	11	28.9 %	1	2.6 %		
Q2	18	47.3 %	1	2.6 %	19	50.0 %		
Q3	2	5.3 %	27	71.0 %	9	23.7 %		
Q4	3	7.8 %	15	39.5 %	19	50.0 %	1	2.7 %
Q20	19	50 %	15	39.5 %	1	2.6 %	3	7.9 %

- Q2. In your opinion, the profit distribution in your company: (a). favors the management group, (b). favors the ordinary employees, or (c). could strike a balance between the management and ordinary employees.
- Q3. According to your view, does your company care about employees' personal development? (a). yes, it cares very much about it, (b). to a certain level, yes, (c). it cares little about it, or (d). it doesn't care about it at all.
- Q4. During your leisure time, how often do you talk with your superiors about your personal life? (a). Frequently. S/He cares about both my family and me, (b). Sometimes. S/He will send his regards to my family, (c). Seldom. S/He does not like to pry into my private life, or (d). Never. S/He shows little interest in my personal life.
- Q20. According to your observation, is your company actively engaged in social charity activities for public wellbeing? (a). Yes, my company does a lot in this aspect, (b). Yes, my company sometimes contributes to the social welfare, (c). No, it is a passive participator, or (d). No, my company never devotes itself to this kind of activities for the public wellbeing.

The results are summarized in Table 17.2.

As shown in Table 17.2, when confronted with hardships in personal life (Q1), 68.4 % of Haier people say that their boss will show great consideration and actively help them to solve problems. In response to Q2, 47.3 % respondents think that the company favors the management in income distribution. 76.3 % agree that their company is concerned about their personal development (Q3). 47.3 % say that they often or sometimes talk about their personal life with their superiors (Q4), who care about or send regards to their family. In terms of social wellbeing (Q20), 50 % Haier respondents say the company does a lot, while 39.5 % say it contributes sometimes. According to the employees, we can generally conclude that Haier has done well in terms of *benevolence* for showing concerns about the employees' development and social wellbeing. But Haier has much room to improve in its income distribution.

17.3.2.2 Analyzing *Righteousness*

Questions 5, 6, 7, 8, and 19 were to explore the employees' attitude towards the relationship between *righteousness* and profit, i.e. which one should be paced first. The questions concerning *Righteousness* were the following:

Table 17.3 Results about *Righteousness*

Questions	A		B		C		D	
	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
Q5	5	13.5 %	1	2.7 %	31	83.8 %		
Q6	24	63.7 %	9	23.7 %	5	13.1 %		
Q7	22	57.9 %			16	42.1 %		
Q8					38	100.0 %		
Q19	22	57.9 %	16	42.1 %				

- Q5. If you are well treated in your current company, what will you do in case another company intends to lure you with a higher pay? (a). I would definitely refuse the offer and stay in the current company, (b). I would choose to work in whichever that offers me the most, or (c). I would choose to stay in the current company and let my boss know this interlude.
- Q6. When your rivals are stuck in difficult situations, what will you do? (a). They are both my competitors and my indispensable partners. I would offer a helping hand if I could, (b). The business world is like a battlefield. I will take this advantage to give them a deadly blow, or (c). I would turn my back to their difficulty.
- Q7. The targets your company sets for itself are: (a). Quality always comes first; Reputation is priority, (b). Gaining short-term profits. Profit is first; quality comes second, or (c). Balancing between the long-term profits and the short-term profits.
- Q8. What will you do when you are competing for a position with another colleague? (a). Blackening the image of the colleague before the boss, (b). Winning the favor of the boss through flattery and bribery, (c). Believing in personal competence and preparing for a fair play, or (d). Letting the colleague get the position by giving up.
- Q19. If you are asked to be transferred to another department for the company's whole benefit, but you are not willing, what will you do? (a). Act in compliance to the command and take the company's whole interest first, (b). Bargain with the boss and try every means not to go, or (c). Prioritize the personal interest and will not go no matter whatever happens.

The results are summarized in Table 17.3.

Table 17.3 shows the results of the questions mainly concerning *righteousness*. Q5 tests the attitude towards the lure of higher pay though treated well in Haier. 13.5 % would refuse and 83.8 % choose to stay in Haier but anyhow let their boss know this temptation. If their rivals are stuck in difficulties (Q6), 63.7 % of the Haier respondents would like to help their rivals. This also reflects the Confucian teachings that one should never take advantage of others in a dishonorable way, and the gentlemen set their eyes on *righteousness* and uprightness instead of sudden gains. But 23.7 % from Haier still think that the business world is like a battlefield and they will take this advantage to give their rivals a deadly blow. When questioned "the targets of your company" (Q7), 57.9 % choose that quality and

reputation are always the priority concern, while the rest maintain that long-term profits and short-term profits should be balanced. None of Haier employees says their company would put profit before quality. This goes with the Confucian teaching that “Money should be gained in an appropriate way”. More notably, when given the situation of competing for one position with another colleague (Q8), all Haier respondents believe that personal competence counts and would like to have a fair play. No one would play tricks. In face of the challenge of, for the benefit of the company, being transferred to another department that they are unwilling to go to (Q19), 57.9 % would like to take the company’s whole interest first while 42.1 % would bargain with the boss and try every means not to go. As to *righteousness*, the results testify that “*profits after righteousness*” is widely accepted as a guiding principle and the surveyed employees are mainly doing the right to the company, their fellowmen and even their rivals.

17.3.2.3 Analyzing Rites

Questions 9, 10, 11, and 12 tended to find whether employees follow the *rites*, i.e. whether they show respect for their superiors, their fellowmen, and customers. These questions were the following:

- Q9. What is your definition for a boss? (a). A boss is like the God, whose words should be obeyed and commands should be fulfilled, (b). A boss is like a respectable senior, who should be respected, (c). A boss is like a friend, on whom jokes could be played, or (d). A boss is like an officer, of whom people fear and have complaints.
- Q10. Do you think it is necessary to establish moral regulations in your company? (a). Yes, it is very necessary. The employees are required to obey the moral rules, (b). Yes, it is of a little necessity. Though everyone has a sense of morality, the written rules may often remind the employees of the rites, or (c). No, there is no necessity in establishing moral rules in our company, because everyone in our company has a strong sense of morality and will not do anything immoral.
- Q11. When your customers make complaints to you about the products or the service, what will you do? (a). The customer is the God. No matter the fault is on whom, I will do my best to solve the problems, (b). Discover what the problem is and who should be responsible for it, and then try to solve accordingly, or (c). Turn a cold eye to it or try to find excuses.
- Q12. In your company, when employees see each other, they usually: (a). say hello to everyone whom they know, (b). say hello to everyone they meet, (c). pretend not to see them, or (d). try to avoid meeting them if possible.

The results are summarized in Table 17.4.

From Table 17.4, we can find that, showing respect for superiors is a forceful testimony in Haier, with around 80 % treating their superiors with due respect (Q9). When questioned whether it is necessary to establish moral regulations in the company (Q10), a combining 80 % from Haier say yes. They hope to maintain

Table 17.4 Results about *Rites*

Questions	A		B		C		D	
	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
Q9	2	5.4 %	29	78.4 %	3	8.1 %	3	8.1 %
Q10	16	43.2 %	14	37.8 %	7	18.9 %		
Q11	25	65.8 %	13	34.2 %				
Q12	35	92.1 %	3	7.9 %				

morality through rules and regulations. Regarding their attitude towards the complaining customers (Q11), 65.8 % from Haier would do their best to help them solve problems. Besides, an overwhelming majority (92 %) say they will say hello to their colleagues if they meet them by accident (Q12). In terms of *rites*, Haier people possess the very virtues advocated by Confucianism.

17.3.2.4 Analyzing *Honesty*

Questions 14, 15, and 16 focused on the virtue of *honesty*. These questions were the following:

- Q14. When you are assigned a tough task by your boss, what would you do?
 (a). I will try to find excuses, in order to shift this thorny task to others,
 (b). I will confess to my boss about the difficulties related to this task, hoping he could give me additional support, (c). I will accept the task, though unwillingly. And I may work extra hours to have the task accomplished on time, or (d). I will accept the job willingly, regarding it as both a challenge and a chance to show my competence.
- Q15. In your company, when your boss makes promises, a pay increase for instance, these promises: (a). are all translated into actions, (b). are only partly carried out, or (c). are rarely realized.
- Q16. As regards advertising, your company: (a). shows little concern about the reality and often exaggerates the advantages of our products or services, (b). reasonably beautifies the products to a certain level based on the promotional needs, or (c). tells exactly the facts.

The results are summarized in Table 17.5.

In Table 17.5, Q14 asks the attitude when assigned a tough job. 50 % would search for additional support and 34 % would accept the job willingly, regarding it as both a challenge and a chance. But when it comes to promise-keeping and advertisement, the surveyed depict a poor picture. 60.5 % of the surveyed agree that the promises of their bosses are only partly carried out and 7.9 % complain their superiors rarely fulfill their promise (a pay increase for example) (Q15). Moreover, nearly 80 % think that their company beautifies the products to a certain level based on the promotional needs (Q16). In a competitive business world, the golden virtue (*honesty*) should never be neglected or abandoned.

Table 17.5 Results about *Honesty*

Questions	A		B		C		D	
	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
Q14	1	2.6 %	19	50 %	5	13.1 %	13	34.2 %
Q15	12	31.6 %	23	60.5 %	3	7.9 %		
Q16			30	78.9 %	8	21.1 %		

Table 17.6 Results about *Recruiting and Training*

Questions	A		B		C		D	
	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
Q13	30	83.3 %	6	16.7 %				
Q22	11	27.5 %	26	65 %	3	7.5 %		

17.3.2.5 Analyzing *Recruiting and Training*

Questions 13 and 22 were to check the emphasis of *recruitment* and *training*. These questions were the following:

- Q13. According to you, your company usually hires people based on their (list them one by one starting from the most important): (a). professional knowledge and competence, (b). personal qualities (morality, social abilities, etc.), or (c). interpersonal connections.
- Q22. In terms of employee training, your company pays more attention to: (a). the necessary techniques and skills, (b). the employees' understanding and recognition of the corporate culture, or (c). the employees' moral values.

The results are summarized in Table 17.6.

Q13 and Q22 examine the practice of recruiting and training in Haier. Haier seems to be fair and transparent for 83.3 % of its respondents reckon that Haier hires people mainly according to their professional knowledge and competence. With regard to training, 65 % think Haier pays much attention to corporate culture while 27.5 % think necessary techniques and skills are emphasized in training. However only 7.5 % say moral values are concerned. Perhaps the HR department thinks that, for adults, moral training is not necessary.

17.3.2.6 Analyzing *Innovation*

Questions 17 and 18 stressed the *innovation* aspect. These questions were the following:

- Q17. In your viewpoint, where does the motivation to innovate in your company come from? (a). pressure from our competitors (the need to survive in the market), (b). the aim to offer better products to create a better life for our customers and to promote the development of our society, or (c). pressure from the superiors.

Table 17.7 Results about *Innovation*

Questions	A		B		C		D	
	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
Q17	19	50.0 %	19	50.0 %				
Q18	16	42.1 %	20	52.6 %	2	5.2 %		

Q18. What do you think of the mechanism to encourage innovation in your company? (a). It is very good. It has helped to formulate the innovation atmosphere in the company, (b). It is relatively good. It has, to some extent, encouraged innovation in the company, or (c). It is not good enough. It does not matter whether there is innovation or not.

The results are summarized in Table 17.7.

From Table 17.7, Haier, famed for its strong ability and sound system of innovation, excels in answers to Q17 (source) and Q18 (mechanism) about innovation. Half of the respondents think the motivation for innovating mainly comes from the pressure of competition, while the other half believes the responsibility for customers and society is the main source. When asked about the system of motivating innovation, 42.1 % of the surveyed think, in Haier, the corporate culture emphasizes it and there is a good environment for innovation. Only 5.2 % are dissatisfied with the system.

17.3.2.7 Analyzing the *Influence of Confucianism*

Questions 23 and 24 examined the *influence of Confucianism* on the employees. These questions were the following:

Q23. Do you know and understand Chinese Confucianism? (a). Yes, I understand it very much, (b). Yes, I have a little knowledge of it, (c). Yes, I have heard about it, or (d). No, I know nothing about this conception.

Q24. To what extent do you think Confucianism exerts its influence on your company? (a). It exerts a strong influence on our company, (b). It only exerts a little influence on our company, or (c). I could not see any influence the Confucianism has over our company.

The results are summarized in Table 17.8.

Q23 and Q24 test the employees' knowledge of Confucianism and its influence. Among the surveyed from Haier, 73.7 % say they have just heard about Confucianism and 50 % say they could not see any influence of Confucianism over their company.

17.3.2.8 Analyzing the *Priority Concern of the Company*

Question 21 asked what should be the *priority concern of the company* in future development. This question was the following:

Table 17.8 Results about the *Influence of Confucianism*

Questions	A		B		C		D	
	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
Q23			10	26.3 %	28	73.7 %		
Q24	4	10.5 %	15	39.5 %	19	50 %		

Table 17.9 Results about the *Priority Concern of the Company*

Question	A		B		C		D	
	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
Q21	14	38.9 %	10	27.8 %	6	16.7 %	6	16.7 %

Q21. As a responsible employee in your company, what actions do you think your company should take in the future for its better development? (a). to build a reputed brand, (b). to devote more to the employees' overall development, (c). to strive for more profits, or (d). to be a responsible company for the society and to shoulder more social responsibilities.

The results are summarized in Table 17.9.

In response to Q21, 38.9 % of Haier respondents hope that Haier should build a reputed brand, 27.8 % suggest that Haier devote more to the employees' overall development, 16.7 % want Haier to strive for more profits, and the rest 16.7 % say Haier should shoulder more social responsibilities.

From the findings, we can generally say that Haier employees are greatly influenced by Confucianism, the mainstream culture in China. They share the main values of their CEO Zhang Ruimin. In response to Q23 and Q24, although most say they have only heard of Confucianism and half of them even think they could not see any influence of Confucianism over Haier, this indicates that the main traditional Chinese values have been already instilled into their thinking in spite of their unawareness of them. Meanwhile, we could also see that, in Haier, the traditional Confucian values have been transformed from *benevolence above everything to people-oriented* corporate culture under the influence of Western management thought. Innovation, transparency, and rule-making are all emphasized in Haier. However, the findings also suggest that Haier needs to incorporate moral training into their training programs in future. And the Haier management needs to be careful when making promises and to keep their words in order to win the trust of their employees. And Haier needs to better base its advertisements on facts as well when promoting its products and services.

17.4 Conclusion

From the study of the CEOs of the five leading companies and from the questionnaire survey in Haier, we learn that Confucianism is still vigorous and influential in the business world in China today. To be a Confucian businessman has its practical

meaning. In 1988, 75 Nobel Prize winners made a statement in Paris that ‘if humankind is to survive in the twenty-first century, they must draw wisdom from Confucius’ (Wah 2010). Confucianism asks one to love him/herself and love others too, to do things beneficial to both him/herself and others. This is compatible with the principles of mutual benefit and fair-trading demanded by the market economy.

Moreover, Confucianism encourages free trade. The two booms of commodity economy in ancient China were closely linked with the dynamism of Confucian thought on free trade and its influence on economic policies then: one from the Periods of Spring and Autumn and Warring States to the time of Emperor Hanwu in West Han Dynasty, the other from Song Dynasty to late Ming Dynasty (Ma 2000). Tan (2000) points out that the Confucian thought about free trade was also introduced to Europe by western missionaries and influenced the physiocrats in France, such as Quesnay and Turgot, and also influenced Adam Smith in Britain, the forerunner of the Classic School in economics. Chan (2008: 357) concludes that “Confucian Ethics can and does play an important philosophical and practical role in impacting or influencing the direction of contemporary business ethics in the English-speaking world. With the growing stature of China’s economy and businesses and the internationalization of trade and commerce, it is likely that this influence will continue to be significant in the future.”

However, while talking about the success story of Chinese economy with Confucian traits, we should also realize that the understating of individual values in Confucianism is not good for the development of individuals. Its family-centered ethics provide a hotbed for cronyism and corruption. Its emphasis on harmony and traditions has resulted, to some extent, in the lack of people’s innovation spirit and the sense of competition. At the same time, we should be clear that culture is only one of many factors that influence economic development. Neither should culture be isolated nor the function of it be exaggerated, because other factors like social form, political system, geographic location, and international environment all play a role in a country’s economic development.

Compared with before, great changes have taken place in Chinese people’s attitude towards money, business, competition, individualism, innovation, etc. These changes, along with the adaptations of traditional values contributed to the success of Chinese enterprises to the new economic environment, have thus proven the interactive process between culture and economic development. The most important thing is that we need to rethink and reevaluate the core values of Confucianism and make them serve the socialist market economy with Chinese characteristics. In this sense, the successful enterprises studied above have set up a good example as to how to maintain the essentials of Chinese traditional culture while overcoming its backward aspects, and thus let the past serve the present well.

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Chapter 18

Ethics, Economic Organizations, and Human Flourishing: Lessons from Plato and Aristotle

Benedetta Giovanola and Arianna Fermani

Abstract This paper seeks to show the importance of the thought of Plato and Aristotle for today's economics and business, especially in the light of the global financial and economic crisis. Our aim is twofold. On a general level, we illustrate the intrinsic connection between ethics and economic processes and organizations. On a more detailed level, we describe several specific values and principles highlighted by both Greek philosophers that can play a fundamental role in today's organizations and business leadership. To this end, the first two sections examine Plato and Aristotle's reflection on economics and riches and analyse how they relate to human flourishing (Sect. 18.2) and social justice (Sect. 18.3). Sect. 18.4 and Sect. 18.5 focus on several specific values and principles examined by Plato and Aristotle that can be key in enabling economics to foster the good of the individual and society. More specifically, Sect. 18.4 describes the notions of *virtue*, *self-moderation* and *excellence*, whereas Sect. 18.5 focuses on *self-knowledge* and *wisdom*, which are strictly interrelated. The concluding section shows how the values and principles described in the previous sections can play a fundamental role in today's economic organizations and business leadership.

18.1 Introduction

This paper examines some major lessons from ancient Greek philosophy, more specifically that of Plato and Aristotle, in order to show how important they are for today's economics and business, especially in the light of the global financial and

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economic crisis. The underlying idea is that adoption of the thought of Plato and Aristotle as a theoretical framework can provide a sound ethical foundation for economics and business, a particularly urgent need today, when economic activity has ever greater structural effects on human beings, with repercussions that go far beyond economics to areas such as the constitution of personal identity and interpersonal relationships.

A reform, then, is needed, especially because contemporary developments of capitalism have compromised the continuance of the original values and “anthropological types” that have enabled it to function, substituting them with values that are increasingly quantitative. In order to pursue such a reform, we need an *ethical foundation* for economics and business, and more human models.

In this regard, it is interesting to note that some recent attempts to conceive of more human models in economics and business use Aristotle’s thought (or, more in general, virtue ethics) as a starting point (Collins 1987; Crockett 2005; Koehn 1995; Meikle 1996; Solomon 2004). However, these studies often isolate some specific issues of Aristotle’s thought and then apply them to specific economic concerns, whereas it would be important to understand and contextualize Aristotle’s economic theory within his ethical thought as a whole. Instead, for Plato, not enough attention has been paid to his thought in connection to economic and business matters: this lack of interest may be due to a quite traditional interpretation that portrays Plato as an ascetic philosopher who strongly rejects exterior well-being in favour of exclusively interior well-being, and whose thought thus would hardly be expected to help us in tackling matters of economics and business.

In our paper, by taking Plato and Aristotle’s thought as our theoretical framework, we pursue a twofold aim.

On a general level, we seek to show the intrinsic connection between ethics and economic processes and organizations, in terms of fostering human fulfilment (the individual level) and promoting social justice (the collective level).

On a more detailed level, we describe several specific values and principles examined by both Greek philosophers that can play a fundamental role in today’s economic organizations and business leadership.

In order to pursue this twofold aim, the paper is divided into the following sections.

Section 18.2 focuses on Plato and Aristotle’s reflection on the notion of economic and material wealth and analyses its relationship with the notion of human flourishing (*eudaimonia*). Thorough analysis of the lemma *ploutos* (riches) in Plato and Aristotle’s works shows that both philosophers recognise the value and importance of riches and material well-being, but at the same time interpret them in an instrumental (and not finalistic) way. In other words, according to Plato and Aristotle, wealth is not an end unto itself, but rather a means towards human fulfilment and flourishing; accordingly, economics is instrumental to ethics in the degree to which it can provide and manage material well-being, and is praiseworthy only insofar as it is practiced with virtue and leads to a good life.

Section 18.3 further develops the intrinsic connection between ethics and economics, by shifting attention from the individual (each human being’s flourishing) to the social-collective dimension of economics. In particular, we argue that according to Plato and Aristotle, economics is strictly linked to the promotion of social justice:

in other words, economics is a means toward the flourishing not only of the individual, but also of the community. More specifically, we argue that social justice requires both the capability to engage in fair relationships with the others, and the responsibility for our actions and their effects on others: both elements are fundamental in order to preserve the ties of reciprocity on which every society relies.

Sections 18.4 and 18.5 focus on some specific values and principles examined by Plato and Aristotle, that can be key in enabling economics to foster the good of the individual and society. More specifically, Sect. 18.4 focuses on the notions of *virtue*, *self-moderation* and *excellence*, whereas Sect. 18.5 describes *self-knowledge* and practical *wisdom*, which are strictly connected to each other.

The concluding section shows how the underlying framework, as well as the values and principles sketched in the previous sections, can play a fundamental role in today's economic processes and models, especially in the light of the global financial and economic crisis, and can promote more humanised business and more humane economic organizations. Here also the role of practical *wisdom* and "wise business leaders" is highlighted as a key feature of economic organizations oriented towards human fulfilment and the promotion of social justice.

18.2 Plato and Aristotle on Economics, Riches and Human Flourishing

Blessed are the poor was not within the Greco-Roman world of ideas (Finley 1973, p. 38)

The term *ploutos* (riches) occurs frequently,¹ both in Plato, who "was acutely aware of issues about the significance of poverty and wealth in human life" (Lötter 2003, p. 192), – and in Aristotle.

We find 81 occurrences of the lemma *πλοῦτος* in Plato's works, while the same term occurs 110 times in Aristotle's. In both cases, the notion of riches is seen quite consistently, and appears in *all* the works of the two philosophers, from the one traditionally considered "young" (for instance, Plato's *Euthyphro* and Aristotle's *Topics*), to other, certainly "late", works (such as Plato's *Laws*).

On the value and the importance of riches and material well-being, neither of the two philosophers, in accordance with the general judgement of antiquity about wealth, seems to have any reservation.² For Plato, in fact, riches is a good and poverty (*penia*), on the contrary, is an evil to fight, because, as we read in *Laws* XI, 919 C 2, poverty "by means of pain plunges it [the soul] into shamelessness". For the Philosopher, in fact, "lack of money, poverty, makes it very difficult to live a moral life. Adequate resources to escape poverty thus seem a prerequisite for living Plato's moral life" (Lötter 2003, p. 192).

¹ See Radice and Bombacigno (2003; 2005).

² For a deepening of this issue see, for instance, Hadreas (2002). On the value and the importance of economics in Plato, see Schofield (1993).

Aristotle, for his part, states that nobody can deny that “victory, honour, wealth, and the other good and pleasant things of the same sort” (*Nicomachean Ethics* VII, 5, 1147 b 29–30) are choice-worthy, and asserts that nobody can be blamed for desiring and loving these goods (*Nicomachean Ethics* VII, 6, 1148 a 25–27).

On this specific topic, therefore, the two philosophers seem to share the same opinion. This closeness, moreover, is corroborated, for instance, by *Republic* I, 331 A 7–8, where Plato writes that “the possession of wealth is of most value”, while a few lines later he reminds us that “the possession of property contributes not a little” (*Republic* I, 331 B 7). For Plato, therefore, wealth, *in itself*, is certainly a good, just like such goods as beauty, justice³ and medicine.

Wealth, therefore, is undeniably a good, both for Plato and Aristotle. And this positive conception of riches is typically Greek. In fact, “underpinning the positive Greco-Roman judgement of wealth was the conviction that among the necessary conditions of freedom were personal independence and leisure” (Finley 1973, p. 40).

At the same time, however, both philosophers agree that the peculiarity of riches lies in the fact that it can be used *well or badly*. This is why in Plato we can find, at the same time, assertions about the importance of riches, and statements like the following ones:

All the gold on earth, or under it, does not equal the price of goodness (Laws V, 728 A 3–4).

To his children it behoves a man to bequeath modesty, not money, in abundance (Laws V, 729 B 1–2).

At first glance, it could seem that these two conceptions of riches contradict each other, but Plato never denies the value of riches for human life. Wealth is important, and its power in human life cannot be denied or diminished.

The crucial point for Plato (and also for Aristotle) is that while wealth is an essential good for human life, there is something more important than wealth itself: *the ability to use it well*.

In order to clarify this fundamental issue, it is necessary to distinguish between *possession* (*ktesis*) and *use* (*chresis*). In fact, “a person may possess but not use good things; and if she does not use the goods she possesses, she will not necessarily benefit from them; and if she does not benefit she will not thereby be happy. For example, if one had food but did not eat it, or a carpenter had tools but did not use them, one would not be benefited by them” (Santas 2001, p. 34).

It is exactly in this sense that Aristotle, for instance in *Great Ethics* I, 2, 1183 b 20–30, distinguishes between three groups of goods: some goods are honoured, others are praised, while others again (among them riches) are only potentially goods. Wealth, in fact, is a very particular good and its specificity lies in the fact that it must be used well. *Only if this good is used well is it really a good*. On the contrary, if it is used badly (and it is used badly by a vicious person, while it is used rightly by a virtuous person: “for of these the good man has the power to make good use, and the bad man power to make evil use”, *Great Ethics* I, 2, 1183 b 29–30), it becomes an evil and a source of unhappiness. In fact, Aristotle points out that

³ On the issue of justice in Plato (and Aristotle) see Sect. 18.3.

“people have before now been ruined by wealth (*dia plouton*)” (*Nicomachean Ethics* I, 3, 1094 b 14–19).

Similarly, Plato reminds us that the possession of wealth, beauty and riches constitutes an important opportunity to live happily, and in *Laws* II, 661 B 5–8 he argues, referring to the goods, among them riches:

What you and I say is this—that all these things are very good as possessions (*ktematai*) for men who are just and holy, but for unjust they are (one and all, from health downwards) very bad.

Thus for a bad man, coming into possession of a sum of money could prove not only useless (as food appropriate for a healthy man is useless for an ill man, or as the ornaments of an uninjured man are useless for an impaired man), but also dangerous. It is dangerous because external goods are unstable. In fact, if they are not managed by *phronesis* they can reduce a rich life to poverty.

Thus, Aristotle states, wealth can be considered “a collection of tools” (*Politics* I, 8, 1256b, 37–38), and as such “it is only good as being useful, a means to something else” (*Nicomachean Ethics* I, 5, 1096a, 5–7).

Above all, riches should be a means to live well, that is – in Platonic and Aristotelian words – to lead a flourishing life. The ideal of human flourishing (*eudaimonia*) thus represents the end towards which any instrument – including riches – should strive. In this regard, the link between human flourishing and riches, and, more in general, between the “whole” (the good life) and its components (including riches) becomes increasingly significant, clear, and conceptually relevant. Consequently, economics, through which riches are provided and managed, is instrumental to human flourishing and embedded in an ethical foundation.

To sum up, we can state that from the Aristotelian and Platonic perspective, the nature of economics, which provides riches, is functional, not finalistic. In fact, as we will see in the following pages, the possession of riches must be linked with the strategic virtue of wisdom, in order to organize and manage them (i.e. the riches) and thus flourish, just as every human life needs to be guided by it in order to organize and manage all the goods and thus to flourish.

18.3 Plato and Aristotle on Economics, Riches and Social Justice

As we have seen, economics should serve the acquisition and management of a limited amount of goods,⁴ that is, those goods that are useful to the pursuit of human flourishing (*eudaimonia*). At the same time – Aristotle adds – the goods that constitute the “real riches” are those that are “necessary to live and useful to the community of the State or the family” (*Politics* I, 8, 1256b 26–30). This means that

⁴ Actually Aristotle distinguishes between *crematistics*, which is aimed at providing goods, and *economics*, which is aimed at managing goods. The former is a part of the latter (see Aristotle, *Politics*, in particular Book I, chapters 8–10).

economic activity (and wealth) is not only instrumental to individual human flourishing, but should also serve a “common” purpose, and contribute to the good of the community in its major forms: the household (*oikos*, hence the term *oikonimike*, i.e. economics) and the city-state (*polis*), both characterized as cooperative units. Therefore, economics is also a necessary, albeit insufficient, instrument for preserving the community, because human beings both *desire* to live together (because they are political animals) and *need* to live together (because they need one another in order pursue and manage common interests). In fact, as Aristotle argues in his *Politics*:

Man is by nature a political animal. And therefore men, even when they do not require one another’s help, desire to live together; (although) they are also brought together by their common interests in proportion as they severally attain to any measure of well-being. This is certainly the chief end, both of individuals and of states (*Politics*, III, 6, 1278b, 18–24).

More specifically, the collective and social dimension of economics is founded on the role that economic processes and organizations play in fostering social justice, which is also defined as “justice as reciprocity” (*Nicomachean Ethics* V, 5). In fact, according to Aristotle, economic processes and organizations have the important role of promoting fair exchanges among the members of a society, where there is a community (*koinonia*) of interests and people have different needs. In this framework, economic processes and organizations are good insofar as they contribute to the social goal of fair distribution, and become “against nature” (to use Aristotle’s terminology in *Politics*) if they are oriented toward mere accumulation of material goods or riches: in the latter case, in fact, they would destroy the relationships of reciprocity and fairness on which every society is based.

Economics is very important in promoting social justice and, according to both Aristotle and Plato, justice is a fundamental virtue, one that connects human beings with one another. Justice is the “perfect virtue” because it is virtue in its fullest form: since it is directed toward others (and not only to ourselves), it is the form of the good in relation to others, the only virtue that can even be considered “the good of the others” (*Nicomachean Ethics* V, 1, 1129b 30 – 1130a 5).

In fact, justice requires that one thinks of oneself as a member of a larger community (the *polis*), and not as an isolated individual; in other words, it requires both the capability to engage in *fair relationships* with others, and the *responsibility* for our actions and their effects on others: both elements are fundamental in order to preserve the ties of reciprocity society relies on and through which community is preserved.

More specifically, economics can fulfil its function thanks to the mediation of *money* which is said to be both the tool and the “guarantee” of justice as reciprocity (*Nicomachean Ethics* V, 5, 1133b 12): money is a “substitute for needs”, making it possible to “exchange needs”, because it enables mediation among qualitatively different goods and meets the need to make such goods (quantitatively) equivalent, so that they can be exchanged through economic transactions. These transactions, in fact, allow the members of a community to satisfy their needs – which vary from individual to individual – and thus become self-sufficient. In other words, money was created and is useful because there is a community (*koinonia*) of interests and

needs: since human beings seek to become self-sufficient but cannot satisfy all their needs alone, they must engage in economic transactions with other individuals, thus creating a community of interests and needs. At the same time, such a community exists only insofar as the members can obtain through a fair exchange what they do not possess but require. Money seeks to maintain fair exchange, and thus keep community bonds strong. Thus, economic processes, which are mediated through money, are to be understood within the framework of a *theory of justice*.

These conclusions lead to another reason Aristotle sharply criticizes the accumulation of money and, broadly speaking, the focus on material well-being and riches: they would threaten the basis of justice and co-existence by breaking the ties of reciprocity on which the *polis* relies. In other words, if riches and material well-being became the aim of economic processes and transactions, not only would individual human flourishing become impossible, but also the bond of reciprocity and fairness between community members would be shattered, undermining collective well-being.

This “social” limit to economics is also shared by Plato, who understands justice as both a virtue and a good, arguing that it has a very crucial role in the construction of the *polis*.

For Plato, justice, as elucidated so well by Santas (2001, p. 111), is what is strictly and structurally linked with the good life of the city and the individual: Plato’s “defence of this highly cooperative social ideal is that it promotes most the good of all the citizens; and that this good is the development and exercise of the citizens’ greater social capabilities, a functional and perfectionist human good”.⁵

To sum up, we can argue that according to both Plato and Aristotle, economics is good as long as it fosters individual human flourishing and social welfare; if it loses its twofold distinctive function, it turns into something “unnatural” that prevents human beings from flourishing and being members of a community. In other words, there are both individual and social limits to economics, and these limits ultimately refer to two main questions: (1). how should I live (and behave as an economic agent, as well) in order to lead a flourishing life?; (2). How should I live (and behave as an economic agent, as well) in order to contribute to the welfare of the society in which I live? These two major questions (Sen 1987) delineate the ethical and social boundaries of economics, as well as its ultimate value.

18.4 Plato and Aristotle on Virtue, Excellence, and Self-Moderation

The previous considerations show that economics should always have as its touchstone a fundamental ethical dimension that orients it to foster human fulfilment and promote social justice, namely, to build the good of the individual and society. If it is true that the good of society is strictly linked to justice and reciprocity, then the

⁵ For a deepening of the link between justice and wealth in Plato, see Lötter (2003).

supreme good of the individual consists in *eudaimonia*, as we have seen in Sect. 18.2.

However, while the last section examined the meaning and role of social justice, as well as its relationship with economics, we have not yet analysed the notion of *eudaimonia* and its distinguishing features; doing so will enable us to highlight some specific values and principles that can play a fundamental role in the capability of individuals to perform economic actions that are embedded in an ethical foundation and aimed at the pursuit of a good life.

Human flourishing or *eudaimonia* defines the “human good” – that is, the good which is proper to the human being – and “implies the possession and the use of one’s mature powers over a considerable period of time”, “the fulfillment of the natural capacities of the human species” (Cooper 1975, p. 89, n. 1).

A realized or *eudaimon* life, therefore, is a life in which all the potentialities have been actualized to their best, or, in other words, a life in which all the resources or capacities have been wisely managed. It means both “living well” and “acting well”; it is the good proper to the human being and towards which any human activity should be oriented. *Eudaimonia* can be understood both as “well-being” and as “good life”, as a life objectively realized and as a life that subjectively realizes. A *eudaimon* person, in fact, for Plato and Aristotle, is one who has a ordered and well-composed life (i.e., a life in which every part is well organized in a “structured whole”, in a *holon*, and not in a *pan*), and who draws pleasure from this life.

But there is another very important feature of *eudaimonia*. In fact, the good life, properly speaking, is a *virtuous* life. What, then, are virtues? According to Aristotle, virtues are those dispositions “by which a person becomes good and performs his/her function well” (*Nicomachean Ethics* II, 6, 1106a, 22–24). More precisely, Aristotle states that virtue is “a disposition concerning choice, consisting in a *medietas* [a Mean] in relation to us” (*Nicomachean Ethics* II, 6, 1106b, 36–11076a, 1): such a Mean, found as it is between two extremes, is evidently of a qualitative nature and, from the point of view of good, represents an *optimum*, or an *excellence* (*Nicomachean Ethics* II, 6, 1106b 22, where Aristotle defines virtue as “*meson te kai` àrìston*”). The virtuous action is indeed teleologically oriented towards excellence, towards the formation of a good character and the fulfillment of a good life (i.e. human flourishing or *eudaimonia*): therefore any specific human activity – and thus economic activity, as well – ought to be oriented by this *telos* (*eudaimonia*, indeed).

At the same time however, virtue is based upon *self-moderation*: even if it represents excellence from the viewpoint of the good, virtue is nonetheless a “Mean” between two extremes. This “Mean”, as we have seen, is not of a quantitative but of a qualitative kind, and varies from individual to individual: it is a Mean “according to us” (*pros emàs*): in other words, each one needs to find his or her own Mean in order to fulfill his or her own potential in the best way.

To sum up, *virtue* and *self-moderation* are constitutive elements of human flourishing: only if they orient human activity (and thus also economic activity) do they allow human beings to fulfill themselves, striving for *excellence*.

Now we can also better understand the reason economics should seek to acquire and manage a limited amount of goods. In fact, an ideal of *virtue* and *self-moderation* is at stake in such an understanding of economic affairs: (material) wealth is to be evaluated by how it contributes to a good and flourishing life, while only by working out the constitutive elements of a good and flourishing life can we identify what to demand from the economy (Giovanola 2009). According to such a perspective, economic affairs are not free-standing, and consequently, sound economic theories (and practices) cannot be defined by merely quantitative parameters, but need to be assessed by qualitative criteria, the most important being the opportunity for all agents to realize their own potential and thus to fulfill themselves in a virtuous and flourishing life.

In other words, economics becomes “unnatural” if it is aimed at accumulating excessive riches and thus becomes “measureless”: in this case, economics is no longer directed toward the pursuit of a good life on the individual level, and destroys the ties of reciprocity on the collective-social level. However, it is important to emphasise that destruction of the ties of reciprocity is not only a “social” problem, but also an individual one, because it would limit the possibility for individuals to engage in fair relationships with others, and this possibility is itself an important element of human flourishing. In other words, separating individuals from their community also impacts their *capability to flourish*.

In fact, even if human flourishing is eminently individual (since it is proper to each and every individual and varies from individual to individual), it also entails a strong social dimension. The good life cannot be attained in isolation: according to Aristotle (and Plato), *eudaimonia* is deeply social, that is, it also depends on social relationships and friendship (*philia*). Moreover, another reason why *eudaimonia* cannot be realised apart from the communities we live in is that human beings need examples of real people who behave and form themselves in an excellent way, namely, people who act virtuously and excel in practical *wisdom*.

18.5 Plato and Aristotle on Self-Knowledge and Wisdom

In order to better define wisdom, it is important to focus on another distinctive element of *eudaimonia*, which is strictly linked to wisdom itself: *self-knowledge*. In fact, *eudaimonia* also requires a high degree of self-knowledge, as well as the possession of and the capability to use one’s mature powers over a considerable period of time. This means that *eudaimonia* requires the development of our own potential and talents, which in turn demands both an environment that is conducive to human growth and fulfillment, and each individual’s capability to identify the virtuous action and realize it.

In fact, for Plato and Aristotle, “a life can be poor not only because is insufficiently equipped with resources, but also because it has many resources but is unable to use them [. . .], because it does not succeed in managing them, or because it unilaterally flattens itself to the level of resources. One may accumulate a great

deal, but have nothing, because one is incapable of keeping what one possesses” (Fermani 2006, p. 249).

This is why both Plato and Aristotle, as we have seen, argue that human flourishing depends not only on the possession of good things but above all on their correct use and management. According to the two Greek philosophers, only in this way it is possible to realize oneself and attain a good life.

For Plato and Aristotle, the good use of resources and their adequate management (and the correct placing of all the other goods inside the whole life) is made possible by the very crucial virtue of practical *wisdom* (*phronesis*): “if we aim at our own happiness, correct use of the goods of the inventory will depend on wisdom, that is, knowledge of what uses will bring us benefit and happiness” (Santas 2001, p. 35). Wisdom, in fact, is this knowledge of the uses of conditional goods that promotes human flourishing. Therefore, a use of good things, a use that will provide us fulfillment, *depends on wisdom*, so that we can argue that “none of the things ordinarily thought good are beneficial and bring us happiness unless they are *used and used with wisdom*” (Santas 2001, p. 35, *italics added*).

In other words, wisdom is the condition for wealth and, more in general, for the other goods – given that “wisdom is *the* condition of their goodness” (Santas 2001, p. 35). At the same time, according to both Plato and Aristotle, *phronesis* has another fundamental role with regard to the construction of a realized life. Wisdom, in fact, can also be identified (as it clearly emerges, for instance, in Plato’s *Charmides* 167 A 1–7) with self-awareness or *self-knowledge*.

The topic of self-knowledge in Plato, Aristotle and, more in general, in ancient thought, has been the object of a great number of studies.⁶ Obviously, this very complex problem cannot be adequately explored in this paper, but its fundamental importance in the construction of a realized life cannot be understated. No life can flourish if it has many resources but does not use them rightly, as we have seen. But in order to use our resources well, and then to formulate winning strategies for life, it is first of all necessary that we know ourselves.

It is impossible to develop strategies or identify the course of one’s life, or make oneself flourish, without knowing, above all, oneself, because wisdom cannot exist without self-knowledge and without – to a certain degree – identifying with it.

But, again, it is important to point out that a winning strategy is *winning for me and for my particular life*, given that, as Aristotle reminds us, human flourishing is always something particular and personal (*Nicomachean Ethics* I, 5, 1095 b 25–26), the measure of which must be modulated on the individual and on his or her – always changing – features. In this sense, a “continuous creative use of the rules” is necessary, as is the development of a true strategy. And no eudaimonistic strategy can be the same as that of another because no human being has the same skills and the same inclinations as another, because the *habits* constructed by human beings

⁶ See, for instance, North (1966). For a deepening of this topic see Napolitano Valditara (2012). See also Renaud (2012). On this theme, analysed in a more general perspective and with a theoretical approach, see Garret (1998).

are not all the same but always “made to measure” (“the shoe that fits one person is narrow for another: there is no “life-formula” that fits everyone” wrote Jung), and because, certainly, one cannot reach human flourishing following the same route as another” (Fermani 2006, p. 271).

The Greek term used by Plato and Aristotle to mean this notion of human fulfilment as individual flourishing, founded on the use of one’s own specific resources and capabilities, and on adaptation, each and every time, to different situations, is *eupraxia*.⁷ *Eupraxia* is the capability of “playing well” and the skill of realizing— exactly by means of wisdom – a series of good strategies in order to achieve flourishing (*eudaimonia*).

In this framework, perhaps, we can better understand the fundamental role of wisdom in the use of riches, and also grasp what Plato means when he writes that “virtue does not come from money, but from virtue comes money and all other things to man, both to the individual and to the state” (*Apology of Socrates*, 30 B 3–5).

In this context it is also possible to explain a very crucial passage from *Laws* I, 631 C 4–5 that argues that riches are certainly counted among the various goods, but they are a kind of

Wealth-no blind (*ploutos ou typhlos*)... but keen of sight, provided that he has wisdom for companion (*epetai phronesei*).

Therefore, “wise wealth”, that, according to Plato, “has wisdom for companion” constitutes one of the fundamental components of a flourishing life.

This confirms, once again, that while wisdom in all its articulations and functions is essential for attaining a good life, wealth is a *necessary but not sufficient instrument* for the pursuit of human flourishing.

18.6 Concluding Remarks: Applying Plato and Aristotle’s Thought to Today’s Economic Organizations in the Light of the Global Crisis

Plato and Aristotle’s thought, as sketched in the previous sections, can provide us with a useful lens for looking at the present economic situation and evaluating current dominant economic models.

More specifically, we can apply the Platonic-Aristotelian framework to the evaluation of economic models and processes, using the twofold perspective developed in this paper.

On a general level, we can ask ourselves whether the economic models that prevail today are still able to answer the two major questions that economics

⁷ Aristotle, *Nicomachean Ethics* I, 8, 1098 b 22. In Plato the same notion is expressed with the term *eupragia* (see, for instance, *Republic*, II, 379 B 13).

addressed when it was born, i.e. how it could contribute (1) to individuals' capability to lead a flourishing life; and (2) to social welfare and justice.

At a more detailed level, we can ask ourselves whether the dominant economic models still embrace some principles and values that are ethically and socially grounded.

These questions are even more urgent in the light of the global economic and financial crisis, since this phenomenon is deeply rooted in an economic model based on a logic of accumulation of profit as an end unto itself. Clearly, the ideals behind this model differ greatly from the understanding of economics (and riches) as an instrument for attaining a good life and promoting a fair and just society. This economic model has been accompanied by a blind faith in the "myth" of the invisible hand (one, it is worth noting, that even Adam Smith, its most famous theorist, viewed as working only within a legal and ethical framework) and in automatic mechanisms that should keep the economic system in balance. It is also related to an underestimation of risks and uncertainty, and a strong hostility to overall binding rules, which has led to deregulation – or, at least, regulation kept as weak as possible – of economics, especially in its financial dimension, from both the legal and the ethical point of view. The underlying idea is that markets always behave efficiently, that financial innovation transfers risk to those who seem to bear it in the best way, that self-regulation works perfectly, and that State intervention has no effect on the economy or can even be dangerous.

Clearly, such an idea fails to take into consideration the fact that markets can suffer the consequences of the burst of financial or speculative bubbles. It does not acknowledge the systemic risk created by excessive unregulated debt, and ignores the fact that a lack of transparency can weaken trust.

In order to clarify this very important point, let us consider the causes of the current crisis. The financial debacle that hit the U.S. in 2007–2008 with the collapse of subprime loans then spread all over the world: in other words, financial globalization lies at the core of the crisis. The financial crisis, in turn, was like the top of an iceberg: excessive debt fed various kinds of speculation, including purely financial forms, among them often dangerous derivatives frequently promoted by unscrupulous financial operators. But, more in general, the crisis grew from a structural overemphasis on the financial side of the economy, which has gained growing importance in the last decades.

In fact, recent decades have been characterised by the financialization of the economy, where financial profit, shareholder value, and short-term outlooks are considered more important than investments in productivity, innovation, and stakeholder value. The financialization of the economy ultimately seems to refer to what Polanyi defined as the "commercialization of money", that is the process of producing and increasing money through money itself, without any mediation of goods or products. This is the excess of an ideology of growth, which is based in turn on a logic of mere accumulation of money as an end unto itself, and where economics is completely disconnected from its ethical and social underpinning.

The consequences of the financial crisis have not been merely financial. They have been (and still are) both economic and social. Among the former, consider the

turndown of sales and employment in the most important developed countries of the West, and the crisis in or closure of many enterprises. Among the latter, think of the most crucial social effect of the crisis, the increasing inequity of income distribution and, more in general, of wealth,⁸ and the growth of poverty even in affluent countries. All this ties in with the previous considerations: in the last 20–30 years, there has been a shift from incomes to profits, with profits in the financial sector increasing much more quickly than those in other sectors, and incomes in the financial sector increasing far beyond average.

In other words, the crisis has fully shown the very high economic and social costs of economics completely disembodied from the ethical and social dimension, which can thus no longer contribute to individuals' capability to lead a flourishing life, or to social welfare, that is, the fair distribution of wealth and opportunities.

However, the crisis can also be seen as an opportunity, if it is used to abandon failing models and restore or create better ones. In this regard, Plato and Aristotle's thought can provide us with a different and fruitful framework.

More specifically, if we now shift attention from the macro level to the level of economic organizations, the use of Plato and Aristotle's thought as a framework can help us understand ways economic organizations operate to foster more human-centred economic models and practices, to enable individuals to flourish and to work for social welfare.

In particular, Plato and Aristotle's thought helps us to consider an economic organization as a community of persons rather than a mere instrument for profit, and as embedded in the social context and compatible with the fostering of social justice.

In fact, according to a Platonic-Aristotelian perspective, an economic organization would not be a mere aggregate of individuals, but a "cooperative unit", where different people work together in order to attain a common goal: the goal, in turn, does not depend on a sort of sum-ranking of individual efforts, but rather on cooperative interplay. This could be defined the "internal social dimension" of an economic organization, because it regards the cooperation *within* an economic organization.

At the same time, an economic organization is also embedded in the social context in which it operates: it is a "social construct" (De Gorge 2007), and an instrument for the fostering of social well-being, and thus it should be committed to the service of the community. This could be defined the "external social dimension" of an economic organization, because it regards the cooperation *between* an economic organization *and* the community.

In this framework, profit turns out to be not an end unto itself, but only a means through which an economic organization can contribute to fostering the social good by promoting *fair* exchanges. But in order to fulfill its function, profit needs "measure" and moderation: otherwise, if it is sought in an excessive way, it harms the community, destroys the ties of reciprocity, and prevents the possibility

⁸ Some analysts even understand the processes of income distribution during the last 30 years as a cause, rather than a consequence, of the crisis (see Reich 2010).

of social justice, as the recent crisis has clearly shown us. In other words, economic organizations have a very important economic and social function, but can fulfill it only insofar as they keep their functional nature in mind and do not aspire to be ends unto themselves. Otherwise, if they evade their responsibility, they produce “riches of the spurious kind”, to use Aristotle’s words (*Politics* I, 8, 1275b, 28), with great social costs, as, again, the recent financial-economic crisis clearly shows us.

Moreover, the internal social dimension outlined above (the economic organization as a community of persons rather than a mere instrument for profit) shows us that members of an economic organization should think of themselves as members of the larger community and strive to excel, to bring out what is best in themselves and their shared enterprise. In this view, the economic organization seen as a community is characterized by the search for excellence, the importance of integrity and sound judgment. All this can lead to a more cooperative and humane vision of business, according to which an economic organization could foster the development of human virtues and therefore take into account everyone’s need to grow as a person through human virtues (Melé 2003, p. 85).

As Plato and Aristotle teach us, growing as persons requires the capability to act virtuously, and virtue in turn demands self-moderation and self-knowledge. At the same time, human flourishing also requires the capability to engage in social relationships and friendships, since *eudaimonia*, as we have seen, is deeply social. All this ultimately refers to the need for *practical wisdom*. Wisdom, in fact, is the cornerstone of virtuous action and life. As we mentioned above, human beings need examples of real people who form themselves in an excellent way and act virtuously. If we apply these considerations to economic organizations, we see the fundamental role of *leaders*, who have the responsibility to lead by example and thus to contribute to an environment in which all members of an organization have the opportunity to realise their own potential, and thus to flourish, seeking excellence and contributing to the common good.

In conclusion, we can state that the capability of leading by example, judging and acting wisely, is itself a way of restoring the values and “anthropological types” that allowed the working of capitalism itself at its origins: in fact these values and “anthropological types” embedded economic activity in ethics and bound it to the society in which it functioned. Such “*wise leaders*” are very much needed today, especially in the light of the global crisis: in fact, in such a difficult situation, having examples of real people who act virtuously and excel in practical wisdom may help even more (or at least not less) than laws do.

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Chapter 19

The City-State of Ancient Athens as a Prototype for an Entrepreneurial and Managerial Society

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Abstract In this paper we argue that a significant part of the wealth amassed by Athens in classical times emanated from the entrepreneurial incentives Athenians, rather consciously, instituted and applied in their city-state. To corroborate our view, we give a brief account of the political institutions and rules of governance of the city-state of Athens; we describe the economy within which entrepreneurs operated, and we explain the reasons why Athenians chose to establish an open society, based on international trade and incentives for almost everyone (including slaves) to pursue entrepreneurial activities. Lastly, we focus on a “protagonist of management science,” i.e. Xenophon, who developed explicitly the first principles and imperatives of managerial actions.

19.1 Introduction

Past studies have attributed the economic development of ancient Athens to many reasons, including the imperialist policies of the city and the high rate of slaves. Unlike them we argue that a significant part of the wealth of the city emanated from the entrepreneurial incentives and functions that Athenians adopted, rather deliberately. In classical Athens, values and institutions encouraged all types of entrepreneurship. Successful entrepreneurs received social and many times political distinctions, which in the cases of some slaves reached the level of gaining their freedom. However, to deter phenomena of extreme individualism, success in business was judged by the means used to acquire wealth. For, only those entrepreneurs were esteemed socially, who worked hard and used ethical and fair

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means, who did not consume their wealth conspicuously, but shared it with the rest of the people by undertaking public expenses, and who abided by the laws and the ordinances of their city-state.

The layout of the present paper is as follows: [Section 19.2](#) presents a synopsis of the institutions and the rules of public governance by means of which the authorities in the city state of Athens maintained law and order and validated the operation of entrepreneurial incentives in the economy. [Section 19.3](#) describes the structure of the Athenian economy and explains briefly why and how it evolved into a vibrant, open, market-based economy. [Section 19.4](#) addresses the entrepreneurial climate that prevailed at the time. In this regard we argue that Athenians: (a) were not negative to efforts at making “moderate” profits that were used also for promoting the well-being of the city; (b) had an active policy for encouraging individuals (including metics, i.e. resident aliens from other Greek cities living in Athens, and slaves) to assimilate into the Athenian society, through success in business; and, (c) were well aware of the particular attributes that characterised successful entrepreneurs. [Section 19.5](#) focuses on Xenophon’s ideas regarding the distinct roles of capitalist, entrepreneur, and manager and establishes him as a precursor of some theories proposed by contemporary thinkers in these areas. Finally, [Section 19.6](#) closes our presentation with certain conclusions.

19.2 Democracy and Rules of Public Governance

In classical times the city-state of Athens was governed by three main bodies. These were: the Assembly (*Ekklesia tou Demou*), the Council (*Boule*), and the ten Generals (*Stategoi*). The Assembly was the supreme decision-making body with executive, legislative, judicial and auditing powers. It convened 40 times every year and consisted of all male citizens over the age of 18. The Council had consultative as well as auditing functions and comprised 500 members that were selected annually by lot, 50 from each of the 10 Athenian tribes. Eligible to serve in this body were male citizens over the age of 30 who were declared as candidates by lot from lists of volunteers in the various local municipalities (*Demes*). Lastly, the ten Generals were appointed by the Assembly from citizens esteemed for their knowledge, experience and previous accomplishments. These were selected annually by ordination, i.e. through raising of hands, and could be recalled at any time.

From the above it follows that those who participated in the Assembly were in charge of all city-state authorities. That is why ancient Athens has been acclaimed as the inventor of democracy. However, ancient Athenians had gone through a lot of hardships to trust that direct democracy was sufficient to safeguard their liberties. For this reason, having found by experience that the ultimate guarantee of their freedoms was the dispersion of political and economic power, aside from assigning

the government in the hands, not of few, but of many (the majority principle), they put in place the following arrangements.¹

19.2.1 Political Institutions

- In legal affairs all citizens were equal before the law for the settlement of their private disputes (the principle of equality before the law).
- Public honors were conferred not because a citizen belonged to a particular class, but because of personal merits (the principle of meritocracy).
- There prevailed freedom from suspicion of one another in the pursuit of everyday life (the principle of personal liberty).
- Every citizen had an independent “voice” to all state mechanisms and departments (the principle of isigoria).
- All state mechanisms and departments were subject to auditing by citizens (the principle of transparency).
- Citizens were educated to praise democracy, spill their blood to defend it, and have a strong spirit of solidarity (the principle of solidarity).
- Violations of the law and particularly those that influenced the general spirit of society, were severely punished after due process (the principle of Justice).
- The city-state cared for the children of those killed in wars as well as for the less well to do (the principle of compassion). Namely, there functioned a welfare state under detailed examination and monitoring of those who deserved it.

19.2.2 Economic Institutions

- The city-state guaranteed property right through several institutional and legal provisions.²
- There was freedom of exchange and the city-state enforced fairness in business through various administrative and judicial mechanisms.³

¹ For a detailed analysis of these arrangements as well as an extensive bibliography from which they derive, see Bitros and Karayiannis (2006, 2008, 2010) and Kyriazis and Karayiannis (2011).

² Athenians regarded that the protection of the private property except being under a “statute law” was also a kind of “natural law” (Demosthenes, *Against Aristocrates*, 61). By adopting the institution of private property, the middle class grew significantly and this development helped the establishment of democracy (Aristotle, *Politics*, 1295b, 30–40).

³ For the extensive description of the judicial arrangements through which Athenians enforced fairness in business, see Kyriazis and Karayiannis (2011).

- Spending of wealth was considered acceptable by the general public, only if it met certain well-defined social and ethical standards.
- Monopolistic practices and externalities were controlled by state rules and were enforced by particular city-state authorities.
- There existed fair taxation and tax evasion was controlled through various social mechanisms including that of antidosis.⁴

Under these political and economic arrangements, there emerged a democratic society with institutions that were very encouraging for the development of entrepreneurship in all its important functions. For a penetrating view of why Athens turned into the first ever entrepreneurial and managerial society, we have to look no further than Pericles' funeral speeches (Thucydides, I, 141; II, 39–41) and the response of Corinthians to the Lacedaemonians (Ibid. I, 70–71). From these texts we learn that Athenians were: laborious, energetic, progressive, fond of learning, risk takers, responsible, decisive, and innovative. In addition, they were: generous, moderately materialists, optimists and rational. All these characteristics were the product of their values and institutions and particularly of their educational system (*paideia*).⁵

19.3 The Athenian Economy

Entrepreneurs and managers were well recognized and socially esteemed in classical Athens. To understand why, one has to appreciate how the Athenian economy operated on the above principles, how it was structured, and what results it delivered. To this end, we start below with a brief account of the stylized features that characterized the economy at the time and comment on the economic environment and the business climate that prevailed.

19.3.1 Production

The production sector consisted of agriculture, including animal husbandry, mining and manufacturing. Dominant among them was agriculture. But mining and manufacturing expanded rapidly and contributed significantly to the wealth of Athens.⁶ Their stylized features were the following.

19.3.1.1 Agriculture

The arable land of Attica was devoted predominantly to the production of wheat and barley. The productivity of land used for wheat was roughly half of that cultivated with barley, and this explains perhaps why wheat was produced only in

⁴ Isocrates (Antidosis); Demosthenes (*Against Phaenippus*).

⁵ For the Athenian system of *paideia* see Bitros and Karayiannis (2011).

⁶ For the high wealth level of the Athenian economy see Ober (2011).

as little as one fourth of the cultivated areas. But the consensus is that Athens experienced significant deficits of grains, which had to be covered with imports (Isager and Hansen 1975, 20–29; Amemiya 2007, 74–75).

Agriculture was organized mostly in small lots owned by citizens. Metics were not allowed to own land, but they could rent farms and cultivate them for their own account.⁷ Cultivation was performed as a family activity but there were also large farms using good numbers of slaves.

19.3.1.2 Mining

When the new vein of silver was discovered in Laureion in 483 BC, Herodotus (VII, 144) informs us that the revenues of Athens increased significantly. From the comment by Aeschylus (*Persians*, 240), the testimonies by Herodotus (Ibid.) and Thucydides (VII, 91), and a joke by Aristophanes (*Knights*, 362), we can conclude that the mines were an exceptional source of wealth. Andreades (1933, 339) estimates that around 450 BC state revenues from the Laureion mines amounted to 50–100 Talents. However, according to the evidence cited by Amemiya (2007, 97), in addition to the leases, the miners had to pay 10 % tax on their total output of silver, the value of which amounted to about 1,000 Talents. Hence, the estimation by other authors that state revenues from mines amounted to 160 Talents is reasonable.

19.3.1.3 Manufacturing

It has been established that many citizens and metics in Athens pursued manufacturing activities and became quite wealthy (see e.g. Xenophon, *Memorabilia*, II.VII. 6). Craftsmen of just about everything one can think of, are represented in the list of 170 occupations cited by Harris (2002, 88–99).⁸ Hence, all indications are that manufacturing aimed not only for covering local consumption but generating exports as well (Isager and Hansen 1975, 38–42).

Particularly active in this sector were manufacturers from the class of metics. The majority of metics were entrepreneurs or trained metal workers and potters (Isager and Hansen 1975, 70–73). Aside from farming, their entrepreneurial activities were concentrated in small-scale industrial enterprises. An example is that of Kephalus, the father of orator Lysias. Kephalus had been invited by Pericles from Syracuse in order to bring to the city his special knowledge and experience in shield production as well as his capital (Lysias, *Against Eratosthenes*, 4). Also, the well-known and rich banker, the metic Passion and his freedman Phormio, directed a shield production enterprise (Demosthenes, *To Phormio*, 4–5). Thus, the city-state of Athens became the center of expanding manufacturing activities, which aimed at covering local consumption as well as generate exports.

⁷ An example in this regard is that of freedman Alcias (Lysias, *On the Olive Stump*, 10).

⁸ Aristophanes, in his comedies, mentions many small-scale industrial and trade occupations (see e.g. *Birds*, 488–495; *Peace*, 445–450, 543–550, 200–205, 1220–1225, 1240).

19.3.2 *Distribution: Agora*

In Athens the supply of and demand for goods and services met in a marketplace called agora. Harris (2002, 75) notes that: “the market in Athens was so large that it was divided into several different sections. Parts of the agora were named after the goods sold there. Prices cleared the market”. In cases of excess demand or inadequate supply, prices increased and equilibrium was thus restored.⁹ Also, as Loomis (1998, 248–249, 253–254) argues, wages were determined mainly through the supply and demand mechanism, which implies that there existed a well-functioning labor market. More than that, the function of retail merchants reduced transaction costs, there were no price controls, with the exception of grain, and the city with its various officers monitored closely the quality and the weight of the goods sold.¹⁰ As a result, the circumstances for sellers to practice opportunism were extremely limited and this enhanced further the efficiency of the market.

19.3.3 *Money and Banking*

Laureion mines produced silver in plentiful quantities.¹¹ So given that silver money had been already established in the Hellenic classical world by Aegina, Corinth and others states, Athens gained a significant comparative advantage. By having her own currency, the Attic Drachma, Athens enjoyed all the benefits of coinage, particularly when she became the leading city-state of the *Delian League*. Engen (2005) has argued that monetary policy in ancient Athens was motivated partly by economic and partly by political (hegemonic) reasons and that its thrust in the economy aimed at reducing transaction costs, facilitating commerce, stimulating the productive motivations of individuals and promoting exports. According to this author, in order to maintain the demand of their currency at home and abroad, Athenians refrained deliberately from altering the face of their coins and reducing its content in precious metals.

With respect to banking, the plentiful evidence shows that it functioned much like today. It was pursued on a profit-making basis (Demosthenes, *Against Stephanus*, 23). Like modern banking, it was involved in the changing of currencies of various city-states. It accepted deposits (Isocrates, *Trapeziticus*, 2, 37). It offered loans with interest (Lycurgus, *Against Leocrates*, 23), both unsecured and after

⁹ For examples on how demand and supply determined the prices of goods, see e.g. Aristophanes (*Acharnians*, 755–760, 60–65; *Knights*, 645–652); Engen (2001, 183); Harris (2002, 76).

¹⁰ See Lysias (*Against the Corn Dealers*); Aristotle (*The Athenian Constitution*, LI).

¹¹ Aristotle (*Nicomachean Ethics*, 1133a–b) discusses the qualities of silver in the function of money in much detail.

obtaining collaterals (Lysias, *On The Property of Eraton*, 3). It advanced Bottomry loans to grain importers in which the ship and/or the cargo were given as security (Demosthenes, *Against Phormio*, 6–7).¹²

Moreover, in some cases, when rich Athenians and metics stopped their entrepreneurial activities, they became rentiers by offering loans to other entrepreneurs (Karayiannis 1992a, 74–76; Schaps 2004, 182–184). Ancient Athenians were not opposed to intermediation in the demand and supply of interest paying loans for investment. Specifically, the orators Isocrates (*Areopagiticus*, 31–35) and Demosthenes (*Against Aphobus I*, 61) emphasized that such kinds of loans to potential entrepreneurs were of prime importance for the economic development of the city. Thus, the supply of loanable funds was considered to be a very fruitful economic activity (Aristotle, *Politics*, 1320b, 1–15) as was also the assumption of various risks, mainly in wholesale trade (Demosthenes, *Against Pantainetus*, 54; *Against Zenothemis*, 2; *To Phormio*, 6–7; *Against Lacritus*, 22, 25).

Finally, Athenian bankers had adopted forms of checking accounts and extended even sale credits (Cohen 1992, 12–14). That this form of lending did exist is corroborated by the fact that Plato (*Laws*, 915E) in his scheduled ideal city prohibits credit sales by considering them as illegal.

19.3.4 The Export–Import Sector

Athens experienced permanent deficits in grains that were covered by imports. To secure these imports on a sustained basis, Athens required: (a) money to pay for them; (b) port and warehousing facilities to store and preserve the imported grain; (c) banking facilities to extend loans to grain importers and dealers; (d) some insurance mechanism to spread the risks of cargos, which were transported mainly over the sea¹³; (e) some sort of mechanism to resolve conflicts that are customary in trading, particularly over long distances, and (f) the naval power to keep safe the sea routes to the grain producing states. From the available evidence we know that during the fifth century Athens adopted policies by means of which it secured all these prerequisites.

As in the case of manufacturing, export–import activity was a vibrant business undertaking in Athens. Not only citizens but also metics established and directed wholesale enterprises in importing grain and exporting Athenian products. They were considered as offering a valuable service to the city of Athens (Lysias, *Against Andocides*, 49).¹⁴ In particular, ancient Athenians recognized that the importers of

¹² For a detailed analysis of these banking activities see Isager and Hansen (1975), 90–98) and Cohen (1992, Chap. 5).

¹³ Isager and Hansen (1975, 76–81) and Cohen (1990) analyze the maritime risks and the insurance policies that were adopted at the time.

¹⁴ Engen (2001, 186–202) finds epigraphic evidence showing that import–export activities were conducted much like in our times and that the Athenians paid special tributes to traders for their services to the city.

grain by assuming various risks deserved special recognition and that their riches were justified (Isocrates, *To Demonicus*, 19).

In conclusion, most enterprises in the city-state of Athens during the fifth and fourth centuries were small-scale, sole proprietor operations run by their owners as free citizens, freedmen or metics with the help of slaves.¹⁵ Moreover, there were partnerships in which profits and losses were shared in accordance with the share of capital contributed by the partners.¹⁶

19.4 The System of Entrepreneurial Incentives

In ancient Athens the superior characteristic of human behavior was virtue (see e.g. Isocrates, *To Demonicus*, 6–7). However, at the same time, Athenians accepted that: (a) the accumulation of wealth together with pleasure and social reputation are among the main motives of any human undertaking (e.g. Isocrates, *Antidosis*, 217); (b) productive and commercial activities, which were motivated by the urge for profit and the accumulation of wealth, contributed positively to the general welfare of their city-state; and (c) a moderately unequal distribution of wealth would promote the work effort of individuals. For these reasons, whereas on the one hand, they set up all the necessary institutions to motivate entrepreneurship and wealth creating activities, on the other they controlled the distribution of wealth from becoming too unequal, because they were afraid that extensive inequality might undermine social cohesion by giving rise to extreme individualism. To prevent this from happening Athenians:

- Had set a number of social and ethical standards regarding the proper use of wealth. In particular, they stressed that: (a) consumption was acceptable if it consisted of the necessary goods for a noble and non-luxurious life; (b) wealth was spent well if it financed various public expenses (“leitourgies”); and (c) wealth was spent well if it were used to offer loans without interest to friends and to the fellow citizens (see e.g. Isocrates, *To Demonicus*, 27–28; Lysias, *On the Property of Aristophanes*, 10–11).
- Denigrated the idle rich who spent their wealth on conspicuous consumption¹⁷ and brought social pressure to bear on those rich citizens and metics who did not undertake with willingness public expenses commensurate with the amount of their wealth (Demosthenes, *Against Aphobus II*, 22; *Against Stephanus I*, 66).
- Considered profits legitimate only if they resulted from fair practices. That is why they condemned illegal and unfair business activities which resulted in abnormal (higher than moderate) profits and used a special word “aischrokerdia”

¹⁵ See the descriptions of Andocides (*On the Mysteries*, 38); Aeschines (*Against Timarchus*, 124).

¹⁶ Demosthenes (*Against Stephanus I*, 31–34; *Against Stephanus II*, 17) gives an example from the sector of banking.

¹⁷ See e.g. Aeschines (*Against Timarchus*, 153); Hyperides (*In Defense of Euxenippus*, 36); Demosthenes (*For Phormio*, 8–9; *Against Nausimachus*, 25–26).

(profiteering) to describe them. A well-known example in this respect being the hostile attitude that the Athenians showed against grain dealers who exercised monopoly power and increased the price of grain by restricting artificially its supply (see Lysias, *Against the Grain-Dealers*, 5–8, 12, 15–16).

- Esteemed rich people who had not inherited but earned their wealth (Karayiannis 1992a, 71–72), as well as those who employed their resources for productive and trade activities and then “shared” their wealth with the rest of citizens through the voluntary undertaking of public expenses (see Demosthenes, *Against Aristogeiton I*, 51–52; *To Phaenippus*, 22, 32). Isocrates emphasised particularly that the glory of the city of Athens owed much to the high rate of work effort of its citizens and their willingness to undertake productive and risky (mainly trade) activities.¹⁸
- Conferred high honours and other recognitions to cultivate and encourage giving over and above one’s taxes to maintain and enhance the military power and the glory of their city-state (see Lysias, *Defence against a Charge of subverting the Democracy*, 13).

In short, such was the institutional and market environment that not only encouraged legal and ethically based entrepreneurial activities, but also rewarded successful entrepreneurs with social and state distinctions.¹⁹ More specifically, in line with public opinion, and contrary to the philosophical teachings of the Socratic philosophers,²⁰ a successful entrepreneur received a social and many times political distinction and reputation, which in the cases of some slaves reached the level of gaining their freedom. For example, Demosthenes’ father (having the same name), a free citizen, through his successful entrepreneurial activities in establishing and directing two different manufactures (for knives and beds) gained a high social reputation (Demosthenes, *Against Aphobus I*, 8–9, 31). Similarly, the successful entrepreneur and rich freedman Meidias, by undertaking large public expenses, gained high social distinction and reputation (Demosthenes, *Against Meidias*, 153–154, 213).

Athenians established the same incentives for encouraging entrepreneurship among metics and even slaves. Metics were admitted in Athens by the time of Solon (see Plutarch, *Solon*, 22, 24), because of their special knowledge in certain important industrial activities such as armoury, shipbuilding, etc. They paid a special tax called “metoikion” and at times of war they had to pay a special income tax, which it is mentioned (see Isocrates, *Trapeziticus*, 41) that they regarded as an honourable obligation to share in the cost of city’s wars.²¹

¹⁸ See Isocrates (*Areopagiticus*, 44–45; *To Demonicus*, 45; *To Nicokles*, 18; *Antidosis*, 159–160).

¹⁹ See e.g. Antiphon (*Tetralogy I*, b 12–13); Demosthenes (*To Nausimachus*, 25–27); Lycurgus (*Against Leocrates*, 139–140).

²⁰ Plato and Aristotle were rather hostile toward the profit seeking activities of individuals which they considered to be a source of economic injustice and social destruction (see Karayiannis 1990, 21, 28–29).

²¹ It seems that the majority of metics who acted as entrepreneurs preferred activities with moveable assets such as bankers, shopkeepers and traders, because they did not have the right to be proprietors of agricultural land (see Humphreys 1978, 148).

But all those who obtained their wealth from fair entrepreneurial practices and spent a part of it in undertaking “leitourgies”, gained a “ticket” to their social advancement and reputation (see Isocrates, *Aegineticus*, 36–37). A famous case in point being that of the orator Lysias and his brother (Lysias, *Against Eratosthenes*, 20–21). In ancient Athens, it was a well-accepted policy (see Isocrates, *On Peace*, 163; Xenophon, *Oeconomicus*, II, 2.2), that metics who increased the wealth of the city through their entrepreneurial activities deserved and gained individual autonomy and social advancement. Moreover, in recognition of their services they were included in the middle class (Humphreys 1978, 153). As a matter of fact, so favourable was the climate that Xenophon (*Ways and Means*, II, 1–6), proposed that metics who offered capital and special services to the city be rewarded with property rights to a small portion of land and a house.

Turning to slaves, a famous case is that of the banker Passion who gained his freedom by offering special entrepreneurial services to his masters Antisthenes and Archestratus. Passion directed his own bank. He became rich and by assuming very expensive “leitourgies”, gained a high social reputation and fame. His honesty, hard-working inclinations, and special abilities in directing his enterprise, were his main qualities that opened up for him the road to social advancement and individual liberty (Demosthenes, *To Phormio*, 48, 53–55). Passion, afterwards, employed a slave named Phormio in his various businesses. As Phormio proved very successful in directing his masters’ enterprises (a bank and a shield production enterprise), gained not only his freedom but also continued to direct these enterprises by paying a special rent to Passion’s two sons (Demosthenes, *To Phormio*, 4–5). Phormio by becoming a successful entrepreneur, as Demosthenes argued (*To Phormio*, 57–59), accumulated a fund through which he was able to undertake expensive “leitourgies” and offered loans without interest to poor Athenian citizens. To be sure most of those who dealt in business were “survival entrepreneurs”, meaning that they operated just to survive economically. But a considerable number invested in order to increase gradually the scale of their enterprises. To this effect they reinvested part of their profits, and in addition they borrowed funds from other individuals and banks.²²

From the above we surmise that ancient Athenians had embedded into their values and institutional framework a sophisticated system of incentives for undertaking entrepreneurial activities and using the wealth created thereof in a socially responsible way. For citizens and metics, entrepreneurial success meant social and economic advancement, whereas for slaves the same success led frequently to their freedom. Incentives and disincentives were generally accepted and, while they stimulated the emergence and development of entrepreneurship, they created a suitable social environment for the authorities of ancient Athens to control the distribution of wealth from eroding social cohesion.

²² Christesen (2003) presents evidence for the existence of income-maximizing economic rationalism in fourth century Athens with emphasis on silver mining and other risky undertakings with borrowed funds.

19.5 Entrepreneurial and Managerial Functions

While some philosophers viewed business activities to be of much lesser importance in life than the activities that aimed at the cultivation of moral and other sciences, in Athens mainly in the fifth BC century prevailed a different ideal. The majority of orators and writers constructed a model for the economic advancement of their city-state. They stressed the strategic functions of entrepreneurs and the importance of productive and commercial activities in the small private enterprises that comprised the majority of those that operated at the time. Although they did not employ modern economic terminology, they described adequately the fundamental roles of the entrepreneur and distinguished it from those roles played by other economic agents, such as the labourer and the pure capitalist (i.e. the rentier). Below we shall focus on Xenophon, who presented very effectively the rudiments of that model by concentrating on the qualities and tasks of a citizen when acting as head of a household and, (if available), the family's enterprise.

Xenophon (*Memorabilia*, III.vii.6) concentrated his analysis on small-scale enterprises operating in various industrial and trade activities, in which the owner is working with the assistance of some employees, i.e. a type of family enterprise still common in our days all over the world. He was not interested only to analyze the various activities of "Oikonomos" that aimed at securing self-sufficiency for the household. His focus was also upon the activities of "Oikonomos" that aimed at making profits²³ by producing goods for to the market. For him there was a well-organized market for goods and services, which was different from the place of the various political activities (*Cyrus's Anabasis*, II. iii.27; VI.ii.8; VI.vi.3), and which operated as follows:

- Exchanges took place in the market by means of metallic money, which functioned as a measure of value and a medium of exchange (*Cyrus's Anabasis*, VII. iii.5; *Cyropaedia*, VI, ii.39). Through these indirect exchanges (money-for-goods instead of goods-for-goods) the market brought buyers and sellers closer together and decreased significantly the cost of transactions.
- Market prices were determined by demand and supply and changed so as to bring about equilibrium. In other words, in cases of excess demand or inadequate supply, prices decreased or increased, respectively, thus restoring equilibrium (*Ways and Means*, iv. 36).
- The number of firms in the market reached equilibrium endogenously. When the rate of supply increased while demand remained at the same level, the rate of prices and profits decreased and thus the factors of production moved to another more profitable employment (*Ways and Means*, iv.6).

²³ As Xenophon comments: "In other states [except Sparta], I suppose, all men make as much money as they can. One is a farmer, another ship-owner, another a merchant and others live by different handicrafts" (*Constitution of the Lacedaemonians*, vii.1; brackets added).

According to Xenophon, producing for the market enabled the head of the enterprise to cover his household expenditure and even more so for undertaking public duties. For example, by “manufacturing one of these commodities, namely groats, Nausicydes, keeps not only himself and his family, but large herds of swine and cattle as well, and has so much to spare that he often undertakes costly public duties; that Cyrebus feeds his whole family well and lives in luxury by baking bread, Demeas of Collytus by making capes, Menon by making cloaks; and most of the Megarians make a good living out of smocks” (*Memorabilia*, II.vii.6).

The particular enterprise that Xenophon modeled dealt in the sectors of production (agriculture and mining) and services (wholesale trade).²⁴ In that context, he identified and analyzed the following crucial activities and responsibilities:

- The entrepreneur as owner (capitalist) supplies the necessary capital and raw materials for the operation of the enterprise (*Oeconomicus*, iv, 5–11; *Cyropaedia*, I.vi.7).²⁵
- The entrepreneur as manager organizes, controls and supervises all activities that are taking place in his enterprise so as to:
 - Increase its productivity (*Oeconomicus*, vii.3–4, xi.16).²⁶
 - Gain a surplus (*Oeconomicus*, i.8–9).
- The entrepreneur as manager functions also as income-distributor by determining the remuneration of his various employees, mainly laborers and slaves (*Oeconomicus*, vii. 3–4). This function implies that he:
 - Selects the most efficient laborers and/or slaves for his enterprise (*Oeconomicus*, ix.11,xii.3).
 - Employs laborers and slaves according to their skills, training, experience and knowledge, “for it is not easy to get workmen who are skilled in all the arts, nor is it possible to become an expert in them” (*Oeconomicus*, iv.1).
 - Teaches and trains through learning-by-doing the employees (mainly slaves) in his enterprise and, more particularly, those placed in managerial positions (*Oeconomicus*, vii.41).²⁷ The main result of training, which includes also ethical teachings and advice (*Oeconomicus*, ix.12–13, xii.3–4, xv.1–2), is the increase in productivity.
 - Behaves properly towards his laborers and/or slaves and convinces them to increase their work effort and performance: “the man in authority

²⁴ For an extensive analysis see Karayiannis (2003).

²⁵ Xenophon, also noticed (*Memorabilia*, II.vii. 11–12) the useful services of those offering loanable funds (with or without interest) for the establishment of enterprise.

²⁶ Xenophon draws the main similarities between the coordinating role of the entrepreneur-manager and that of the governor (e.g. Cyrus the Great) and the general in army (*Cyropaedia*, VI.ii, VIII.i.9–15; *Oeconomicus*, iv.5–7).

²⁷ The role of entrepreneur as manager was not exercised exclusively by the owner. From available records it turns out that frequently owners of enterprises trained their slaves for this purpose; see e.g. Isocrates (*Trapeziticus*, 12); Demosthenes (*Against Stephanus*, 1–2). A well-known example, as we indicated previously, is the slave Phormio who managed the bank of Passio (Demosthenes, *Against Stephanus I*, 33, 36, 71).

who can make the workers keen, industrious and persevering, he is the man who gives a lift to business and swells the surplus” (*Oeconomicus*, xxi.9). In order to succeed in such a function, the entrepreneur has to offer various material incentives to his employees (*Oeconomicus*, xiii.10–12; xxi. 10–11) – a managerial practice very well-known and extensively used in our days.

- Exploits price variations, namely “good householders, . . . say that the right time to buy is when a valuable article can be bought at a low price” (*Memorabilia*, II.x.4).

Since the entrepreneur as the sole and ultimate responsible person assumes the various risks and uncertainty in his enterprise, Xenophon (*Memorabilia*, I.iii.2) recognizes that he must be beset by risk aversion towards investment. For this reason, he suggested the establishment of companies with a view to sharing risks, profits and losses. Namely, “private individuals are able to combine and pool their fortunes in order to diminish the risk” (*Ways and Means*, iv.32, see also *Ibid.* iv. 27–30).²⁸

From the above it follows that Xenophon understood quite well and analyzed accurately the role of the entrepreneur as manager of enterprise and coordinator of resources, roles which have received detailed analysis by many economists from the time of Smith and Marshall to the present (see Karayiannis 2008, 2009). He also recognized the entrepreneurial function of assuming the risk and uncertainty of investment, a theory which was developed during the eighteenth, nineteenth and twentieth centuries by Cantillon, Hamilton and Knight respectively (see Karayiannis 1992b). Moreover, Xenophon described in detail the role of entrepreneur as the agent who, having special market information and knowledge, tries to discover and exploit new profit opportunities²⁹ – an entrepreneurial function recently developed by Israel Kirzner (1973, 39, 66, 73). As Xenophon noticed:

“So deep is their [i.e. of merchants] love of corn that on receiving reports that it is abundant anywhere, merchants will voyage in quest of it: they will cross the Aegean, the Euxine, the Sicilian sea; and when they have got as much as possible, they carry it over the sea, and they actually stow it in the very ship in which they sail themselves. And when they want money, they don’t throw the corn away anywhere at haphazard, but they carry it to the place where they hear that corn is most valued and the people prize it most highly, and deliver it to them there” (*Oeconomicus*, xx.27–28; brackets added).

²⁸ Another means of undertaking risky activities, namely to increase the searching investments for the discovery of new silver ore, suggested by Xenophon (*Ways and Means*, iv.30–31), was through the establishment of a public enterprise. However, he questioned the efficiency of such a scheme by commenting: “what may well excite surprise is that the state, being aware that many private individuals are making money out of her [i.e. land] does not imitate them” (*Ways and Means*, iv.14; brackets added).

²⁹ Such an entrepreneurial function was also described by Demosthenes (*Against Dionysodorus*, 9–10).

Another example he gave of the entrepreneurial role in searching and exploiting the various profit opportunities is the case of Ischomachus' father (*Oeconomicus*, xx. 22–26) who looked for “not well farmed land” to buy, and who, by organizing and managing it more efficiently, increased its rate of return, thus enabling him to sell it at a much higher price. Xenophon described such activities in detail because he was well aware of the different productive possibilities existing in the sectors of agriculture and mining.

19.6 Conclusions

As is deduced from the above, the values that Athenians treasured and the institutions they had put in place encouraged entrepreneurial activities and at times rewarded successful entrepreneurs with social and state distinctions. More specifically, in line with public opinion, successful entrepreneurs received social and political distinctions, which in the cases of some slaves reached the level of gaining their freedom. However, to deter instances of extreme individualism, success in business was judged not by the level of wealth that had been accumulated but by the means that had been used. Thus, they adopted an approach based on the following pillars: First, it recognised the positive impact of entrepreneurial activities for the autonomy and liberty of the citizens and the strength of the city. Second, entrepreneurial activities were encouraged only in so far as they were conducted within certain ethical, social and economic boundaries. Third, success in business was rewarded by the city if the accumulated wealth was spent in a socially responsible manner by granting loans free of interest and undertaking “leitourgies” on behalf of the public. Fourth, the policy applied to citizens, metics and slaves.

As for the entrepreneurial and managerial functions, Xenophon emphasized the management and coordination of resources, the exploitation of profit opportunities and the bearing of risk and uncertainty. Also, he developed many managerial practices such as the division of labour according to the capabilities of employees, a reward system encouraging work effort, etc., which are still taught in modern management courses.

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Chapter 20

Virtues, Ethics and Corporate Citizenship: The Exercise of Leadership in Turbulent Times

Iordanis Papadopoulos

Abstract Theoretical and empirical research on cardinal virtues and effective leadership in the twenty-first century within the context of numerous ethical failures as well as the environment of recent economic crisis indicate the need to define properly terms such as ‘moral responsibility’, ‘virtue ethics’, ‘moral – transformational leadership’, ‘corporate citizenship’ and to find ways to implement them into daily business practice. Our paper is organized in four distinct parts. In the first one we set briefly the nature and aims of practical reasoning. In the second one we discuss Sophocles’s *Antigone* as an exemplary narrative relevant to our moral argument. In the third section we examine the notions of virtues and leadership from a philosophical point of view; whereas in the fourth part we consider the issues of transformational leadership and corporate citizenship from a more practical point of view, which is implied by management and strategy theory. We complete our paper by indicating the need to go beyond Corporate Social Responsibility approaches and adhere to the notion and practices of Creating Shared Value.

20.1 Introduction

The numerous ethical failures within business context as well as the recent economic crisis but also, the results of empirical research concerning cardinal virtues and effective business leadership in the twenty-first century global context highlight the critical importance of ethical concerns about financial transparency, personal and corporate integrity. In spite of an emerging consensus around the critical importance of virtues and ethics to sustained business success, there is a debate about the definition of central terms such as ‘moral responsibility’, ‘virtue ethics’,

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‘moral – transformational leadership’, ‘corporate citizenship’ and so on. All these have been elevated to the status of key terms within the same theoretical and practical discussion on ethics and management. Hence, we aim at a few theoretical clarifications at tracing the relation between on one hand of virtues and on the other hand the exercise of leadership in the contemporary business world.

Before coming to grips with the aforementioned subjects, we can make one step back and set briefly the nature and aims of practical reasoning in relation to the moral predicament that any human society faces. Among other ways to describe this predicament could be the following one:

Reason told them that they had options but was less forthcoming about which option was best, or even about which considerations were relevant to the choice. It was obvious that there were a variety of possible ends, values or ideals which were relevant to how a man ought to live and act and how a community ought to organize. It was less obvious, on reflection, which of these values, if any, was correct. Nor is it any more obvious today. (Brown 1986, p. 11).

To answer these questions we engage to practical reasoning. Since antiquity, at the core of practical reasoning lies the following question, ‘what is the best or right way for men to live, both as individuals and as a group?’, which caused the development of moral and political reasoning (Brown 1986, p. 11). Different schools of thought have been developed, such as deontology or consequentialism (Schneewind 1991). These different schools of normative reasoning made clear that when we proceed to a moral or critical appraisal of different social state of affairs at the core of this process lay more general questions, which could be articulated as follows:

How one ought to live, about what count as good reasons for acting in one way rather another, and about what constitutes a good life for human beings, meaning thereby not necessarily ‘morally good’, but treating as an open question, where would be the proper place for morality in the good life, and whether indeed it has any place there at all. (Norman 1983, p. 1).

Since 1970 practical reasoning changed its direction a lot. It focused upon issues of practical concern related to medical ethics issues, environmental or business ethics ones. Nevertheless the need for reflection upon the epistemological basis, the structure as well as the content of practical reasoning was met only partly. However, one could mention an emerging theoretical consent. Characteristically, a lot of theorist agree with Bernard Williams who reminds us that Socrates made clear in Plato’s Republic that the real subject of practical reasoning is not the bare atomic individual but that who participates in social life and thus, develops certain relations with his/her co-humans. Bernard Williams puts the whole issue in terms of two core questions:

Once constituted in that way, it very naturally moves from the question, asked by anybody, “how should I live?” to the question “how should anybody live?” That seems to ask for the reasons we all share for living in one way rather than another. It seems to ask for the conditions of *the good life* – the right life, perhaps, for human beings as such. (Williams 1985, p. 20).

Among the ways that philosophers tried to answer these core questions was the consideration of virtues and vices that humans develop through their social interaction. This approach goes back to antecedent theorists like Plato, Aristotle, Thucydides or Aquinas as far as the western tradition is concerned but it is also traced to Confucius and Buddha in the eastern philosophical and religious tradition. In the decade of '70s and '80s philosophers like Philippa Foot and Alasdair MacIntyre revitalized the theoretical interest about the importance of virtue theory in relation to the notions of community and citizenship (Foot 1978; MacIntyre 1981). It is not merely a coincidence that at the same historical and social context of '70s and '80s management and leadership theorists initiated their own research on the relation between virtues and the concept of servant leadership in practice. One could bring here the example of Greenleaf (Greenleaf 1977) or refer to Ciulla, who started to develop her own theses some time later in the decade of '90s (see for instance: Ciulla 1995, 2003, 2005).

One could trace a common ground among all the afore-mentioned theoretical reaches. The inherent assumption is that the moral stance of individuals, groups and collective entities, like organizations or corporations, is the product of concrete cultural and social environments and processes. Moral stance, principles and beliefs are all embedded to the processes of social interaction between individuals and collective entities; and this interaction is interwoven in a social web of systems and sub-systems. Ethics and business ethics are not the creatures of an un-historical, perennial mechanism, essence or imperative; in fact, quite the opposite. Quite characteristically, a lot of theorists think that morality and ethics in the specific area of business life, which is at issue in our paper, should be considered as a kind of social practice or even as an instrument that social actors use to construct all the necessary social arrangements. This idea is not really a new one. At the beginning of the industrial era theorists like Alexis de Tocqueville, Emile Durkheim, Karl Marx and Max Weber were approaching the business ethos as something that was cultivated and formulated in relation to religious and other value systems. However, we must bear in mind that the theoretical challenge to define the structure and the content of practical reasoning in relation to the question concerning the determination of good life has been fulfilled partly. In order to meet this challenge we shall make a move back, referring to an ancient- moral *paradigm*, that of Sophocles's Antigone. Could we draw any moral lesson on the basis of this ancient drama?

20.2 Sophocles's "Antigone" as a Narrative/Case-Study

Could Sophocles' drama Antigone be considered as a case-study or a framework for moral reasoning? Could we ask this question out of the specific historical context in which Sophocles wrote the theatrical play of Antigone? Could Antigone's drama be considered as an appropriate as well as challenging *narrative/case-study* that can

provide us the opportunity to engage one another in a dynamic dialogue? Discussing the case method in teaching and learning about ethics, Kenneth E. Goodpaster is writing: “The idea behind the case method in the *ethical* arena is to offer the learner a vicarious decision-making opportunity so that both moral and managerial judgement can be exercised, indeed actively *practiced*.” (Goodpaster 2002, p. 120). Is this the case with Antigone?

The plot begins after a great civil war in which both Eteocles and Polyneices, sons of Oedipus and brothers to Ismene and Antigone were killed. Creon, the ruler, chooses to bury Eteocles with honors but to leave Polyneices’ body for carrion, and has decreed that any who would attempt to bury Polyneices shall also perish. Ismene chooses to follow the edict rather than challenge Creon’s authority. Antigone chooses to act so as not to betray her brother, to honor him by giving him funeral rights according to the laws of the gods.

We could here borrow from Paul Allen Miller who recapitulates Jacques Lacan’s point of view on Antigone and proceeds to his own synthesis. Miller reminds us:

In 1959, Lacan presented Sophocles’ Antigone as a model of pure desire for his seminar on The Ethics of Psychoanalysis: Antigone presents herself as ‘autonomos’, the pure and simple relationship of a human being to that which it miraculously finds itself carrying, that is the rupture of signification, that which grants a person the insuperable power of being—in spite of and against everything—what he [sic] is. . . . Antigone all but fulfills what can be called pure desire, the pure and simple desire of death as such [i.e., of that which is beyond the pleasure principle]. She incarnates this desire. (Miller 2007, p. 1).

Bringing together Jacques Lacan and Slavoj Zizek, Miller remarks that:

Antigone’s decision to defy Creon consciously seeks death. She makes no effort to defend Polynices’ actions. Her choice takes her beyond the realm of rational discourse and the collective norms of human satisfaction it implies. Hers is a position that transcends the comfortable binary oppositions that structure our daily ethical and social lives. Because her choice of death cannot be understood according to strictly rational norms, she cannot be read as representing some simple antithesis of freedom to tyranny, or the individual to the state. . . [For Zizek] her choice thus represents a pure ethical act shaped neither by a self-interested selection among communally recognized goods nor the self-loathing of conforming to a code that is recognized and despised [(Zizek 1992)]. For Lacan [(Lacan 1986/1992)], it is the beauty of Antigone’s choice of a Good beyond all recognized goods, beyond the pleasure principle, that gives her character its monumental status and makes her a model for an ethics of creation as opposed to conformity. . .” (Miller 2007, p. 1).

Hence, if Sophocles’ Antigone presents what Lacan defines as a ‘*sublime object*’, then Antigone’s drama might not be considered as the appropriate all-inclusive framework of moral reasoning for ordinary human beings. Nevertheless, Antigone might still be considered as an appropriate narrative/case-study, since a series of indicative questions could be raised by it.

In the values clash between Creon and Antigone, one could trace the issue of the proper determination of the notion of citizenship. Is the good citizen one who obeys the moral law or the rules set by the state or the authority? Is the good citizen justified when disobeys the rules of the state in the case that these rules come into conflict with the moral law? Is it morally right to obey the manmade laws while

these laws contradict to the duties that one has towards gods, his/her own family or any other profound moral imperative? In the dialogues that Antigone has with all the protagonists throughout the play as well as with her sister Ismene, she decisively states that it is not for him [Creon] to keep her from her own. In these dialogues a series of relevant moral issues is raised such as: the power of fate in determining human beings' life, the dilemma between prudence and moral agency or the appraisal of the impact of self-assertion, narcissism and stubbornness to our lives. It is worth noticing that Bernard Williams holds that all these issues could be considered as part of a moral horizon based on the notions of shame and necessity (Williams 1993).

Antigone's disobedience could also be considered as a paradigm of *whistle-blowing* from a business ethics point of view. Antigone's role might be taken to resemble the role of a whistleblower, who is not afraid to challenge even the highest authority of her state, following the imperatives set by moral law. In our world, all these might take place in the frame of a large corporation or in the words of Robert Jackall of a medieval fiefdom (Jackall 1988). A whistleblower is a person who alleges misconduct. The misconduct may be classified in many ways; for example, a violation of a law, rule, regulation and/or a direct threat to public interest, such as fraud, health/safety violations, and corruption. Whistleblowers are commonly seen as selfless martyrs for public interest and organizational accountability; solely pursuing personal glory and fame (see also: Hartman et al. 2009, pp. 255–272). We could definitely trace a kind of similarity between Antigone's moral stance and that of a modern whistle-blower, especially in times of economic crisis and large percentage of unemployment. Of course, the analogy can be drawn up to a certain point within the frame of case-study methodology or of a moral narrative, which forces us to ask profound moral questions.

Bearing this in mind we could hold that Sophocles's Antigone is an appropriate moral example to initiate with our discussion on the virtues that human beings must acquire or cultivate in order to execute their moral agency. Hence, one could ask: how we must understand virtues in relation to similar concepts such as character, values or personal attributes? We shall try to answer this question in the next part of our paper.

20.3 Ethics, Virtues and Leadership

Virtues could be considered as good habits that come from the daily practice of a society or organization. Virtues could also be conceived as admirable character traits or desirable dispositions which contribute to the harmony of social life. In fact different historical, sociological and philosophical approaches have been suggested. We must notice that there is no single dominant theoretical point of view; whereas critical issues remain unsettled such as that which concerns the universal or the contextual nature of virtues (see for instance: Lanctot and Irving 2007, pp. 1–26). Nevertheless, we could mention at this point a number of virtues

which have been suggested by different theorists as universal ones and as underpinning business ethics and the *ethic of profession* and ‘*ergon*’.

Burns, for example, identifies *modal* values and virtues and he takes that in these are included honesty, fairness and honouring commitments (Burns 1978). It is also expected that professional people carrying a high level of responsibility are ‘clever, knowledgeable and efficient’ (Bradshaw 1999, pp. 447–481), and possess those virtues which ‘go into maintaining a high level of excellence’ (Putman 1988, pp. 433–443). They also require ‘perseverance’ in striving for professional excellence (May 1994, pp. 75–90), ‘diligence’ and a sense of ‘duty’ and ‘integrity’ (Putman 1988; Bradshaw 1999). In addition, professionals need a sense of ‘justice’, ‘to recognise what is due to whom’; ‘courage’ ‘to take whatever self-endangering risks are demanded along the way’ (MacIntyre 1981); and the virtue of ‘humility’ – ‘the humility that engenders sacrificial service’ (Bradshaw 1999) and is ‘essential to professional renewal’ through recognition of the need for reflection, personal development and lifelong learning (May 1994).

Is this plurality of theoretical approaches an inescapable fact or could we go beyond and proceed to a possible synthesis? Are professional virtues, and even more broadly speaking business ethics, merely contextual western representations or could we establish a neo-aristotelian approach, raising also claims for a kind of generalizability within the context of global economy (see for instance: Wilson 2008, pp. 1–14)?

In order to answer these questions, we shall borrow from *the 4R Model* – 4 *macro-categories* of leadership attitudes and behaviors – which has been proposed by McCloskey (McCloskey 2009a, pp. 1–21 and 2009b, pp. 36–49). According to him, *personal virtue* is depicted as a primal force for effective leadership as this is developed through *relationships* and *roles* in specific organizational context and through *responsibilities* and *results* that concern outcomes overtime. It seems that the 4R Model provides a comprehensive perspective on *transformational leadership* as a moral, social and behavioral phenomenon and thus, it is also compatible with more general approaches that have been suggested from a more inclusive neo-aristotelian moral perspective which combines both stakeholders analysis and synthesis (see for instance: Ciulla 1995, 2003, 2005; see also Bennis 1999, pp. 18–23; Bowden 2005, pp. 1–12).

In fact, it seems quite reasonable that we must transcend the assumed hiatus between *life world* and *rational organization* and strive for reconciliation. This hiatus could be understood in terms of the Hegelian differentiation between the public and private sphere of life or alternatively, in terms of the Weberian sociological approach to bureaucratic organizations. If one wants to understand modern society, he/she must be able to elucidate the impact of *organization* and of the *organizational man* to our lives. In order to do so, we must take into account a general theory of organization, which is built on systems theory and poly-contextual understandings of the relation between firms and their environment (Koslowski 2010, pp. 3–18; Rendtorff 2010, pp. 19–44).

The transcendence of the aforementioned hiatus could lead us to the concept of *transformational or authentic leadership*. Such kind of leadership promotes

individual and social *'eudaimonia'* of an organization and hence, must be distinguished from any kind of *pseudo-transformational leadership*. From a neo-aristotelian point of view, the *excellence* of leader's character is directly linked to *ergon* – role function; thus, a virtuous leader is someone who sees what is good, fine or right to do in any given situation (Slote 1997, pp. 128–144); someone who could set successful strategies but also contributes profoundly to the development of the human and social architecture of his/her organization, undertaking the role of real servant (Greenleaf 1977; see also Brookshire 2001, pp. 1–8).

We do not, of course, take it that modern transformational leader is a kind of Ovidian or Shakespearian hero or a moral agent of Antigone's sort. Nevertheless, a modern transformational leader through his/her example could decisively contribute to the initiation of an open and democratic dialogue within the organization, so that to achieve gradually value congruence among its different constituents. That sort of leadership is not only quite different from any kind of paternalistic stereotype but also it has a close relation to the notion of *corporate citizenship*. According to this consideration, each corporation must conceive itself within the broader societal conditions, operating as an active and virtuous citizen. Corporate citizenship involves addressing, proactively, business and society issues, building stakeholder partnerships, discovering business opportunities through social strategic goals, and transforming a concern for financial performance into a vision of corporate financial and social performance. The moral climate of such an organization is depicted both at the moral characteristics of the top management teams and leaders and the CSR programs that these teams are deploying.

For the corporate citizenship approach, the core problem is to achieve the common good of the organization, while at the same time meeting the needs and safeguarding the rights of different stakeholders. To achieve such a goal, people must come together and cooperate on the basis of values, interests and social choice; and most important, they have to admit that the common good is not a mere aggregate of individual interests or a "greatest happiness" of a majority (Bass and Steidlmeier 2006, pp. 1–24; Steidlmeier 1992). Civic virtue, cooperative action, commitment, technical competence, industriousness and conceptual and people skills are becoming the basic components of the moral corporate character, which is a necessary condition for the flourishing of *the intellectual, psychological and social capital* of any organization.

In theory as well as in practice, transformational leadership and corporate citizenship strategies must include the policy stage, the learning stage, and the organizational commitment stage (see: Heifetz et al. 2009, pp. 62–69; Irving 2009, pp. 3–13; Naimi 2007, pp. 29–36; Saunders 2009, pp. 50–61). Such kind of moral organizational framework could become the key factor to restore *credibility* and *trust* (Araujo 2009, pp. 68–77; Bernstein 2009, pp. 101–103; Kramer 2009, pp. 69–77) or to establish a *culture of candor* which is absolutely necessary in turbulent times (O' Toole and Bennis 2009, pp. 54–61). In the next part of our paper we shall approach all these issues taking into account part of the recent reaches of management and strategy theory.

20.4 Management, Leadership and Strategy in a Global Society of Risk and Contingency; Issues of Engagement and Responsibility

Ten years ago Frances Hesselbein, chairman of Leader to Leader Institute, formerly Peter F. Drucker Foundation for Nonprofit Management, stated:

Five Hundred years ago, Renaissance Man discovered that the world was round. Three hundred and fifty years later, Organization Man developed the practice of management. But as this practice evolved, he forgot that his world was round, and he built a management world of squares and boxes and pyramids. His world had a special language of command and control, of order and predict, of climb the ladder, of top and bottom, of up and down. (Hesselbein 1999, p. 9).

For the next 100 years or so, since the birth of the organization man, old hierarchies and organizations as well as administration models worked pretty well. Of course, there were great differences between management models which had been suggested and implemented to the production lines and organizational diagrams of western corporations throughout the twentieth century.

During the '70 and the '80s a period of massive historic change began. In a period of global competition and blurred boundaries, the old answers did not fit to the new realities and challenges. Traditional hierarchies, organizational schemes, decision-making processes became out-fashioned. Our contemporary world seems to be of enormous risks and flowing contingencies. Under the post-industrial conditions, the management styles, the exercise of true leadership and the scenario and strategic planning have been transformed a lot.

Nevertheless, there are still a lot of sizable companies with stiff cultures which make staff and managers to think, plan and operate without taking under serious and systematic consideration all relevant social, economic and cultural parameters. The process and management of any sort of production must be conceived within its inner as well as within the outer -competitive-micro and general-macro- environment (see: Griffin 2008). The parameters of the internal and external environment determine the terms for the effectiveness and profitability of a company but they also define the organizational culture and the value-system of a company according to which management, mentorship and leadership are executed (see: Martin and Siehl 1990; Neilson et al. 2008).

In order to meet the objectives of effectiveness, profitability and sustainability, a corporation must be able to form a strategic scenario, to link the uncertainties, to accommodate the competing interests of internal and external stakeholders and plan for the future in order to manage the risks that lie ahead (see: Ringland 1998; Collis and Rukstad 2008; see also: Porter 2008; Buehler et al. 2008). At this point, one could also bear in mind Mintzberg's famous *5P*, i.e. plan, ploy, pattern, position and prospective (see: Mintzberg 2002) or the model of *SWOT* analysis (see: Lynch 2002).

In developing the appropriate strategy, every single company has to answer the fundamental question concerning the key issues that faces in its operation. The proper answer to this question makes necessary a *PESTEL* analysis, which

encompasses political, economic, social, technological, environmental and legal factors (see: Kaplan and Norton 2008). The managers of a company should be in a position to analyze these factors in order to understand the competitiveness data, the dynamics and market performance relative to its industry and the competitors. In fact, all these parameters determine strategic thinking as a dynamic process to set solutions to challenges and problems which are raised continuously; it is a never-ending process, which itself is under a continuous revision, shaped and reshaped by the company's *ecosystem* (see: Montgomery 2008; Hagel et al. 2008).

Strategy setting process is a persistent problem (see: Camillus 2008). Its roots are complex and tangled and the challenges that it sets may have no precedent, so that one cannot be sure that he/she has found the right answer in every aspect of the problem which he/she has to face. In order to deal with such a situation, large companies seem that they start changing the way they think about both their internal and external environment. Internally, they are adopting more democratic and open-minded management models, eliminating hierarchies and using collaborative teams (see: Fryer and Stewart 2008). Externally, world-class companies – such as Whole Foods, Costco, Honda, Harley-Davidson, Trader Joe's Container Store's, Southwest Airline's, Google, IKEA, Timberland, Toyota and UBS – are gradually embracing a kind of *stakeholder relationship management and strategic thinking* that allows a *SPICE* ultimate analysis and strategy; a *SPICE* analysis and strategy refers to Society, Partners, Investors, Customers, Employees, namely all those that their mutual as well as conflicting interests, rights and values should be taken into account and be accommodated (see: Sisodia et al. 2007).

Social thinking is not anymore an afterthought; it is a very important parameter. Kanter maintains that:

The interplay of corporate standards and local conditions puts companies in a position to influence the ecosystem around them especially in emerging markets and to generate innovation. If these vanguard companies lead others to adopt their way of working, then we will see a new, and I think more promising, kind of capitalism. And if it flourishes, not only will that be good for business, it will also be good for the world. (Kanter 2008, p. 52).

However, it might not be the case that we have in hand only a few vanguard companies. Savitz and Weber remarked in their work the swift towards a *triple bottom line*. This perspective refers to a new synthesis of economic, social and environmental-sustainability thinking and thus, it could also be considered as a presupposition for the emerging of a new social, economic and entrepreneurial imaginary (see: Savitz and Weber 2006; see also: Werther and Chandler 2006; May et al. 2007). However, if the true measure of corporate social responsibility is the constant internalization of *externalities*, then we must admit that there is still a lot of fog around the concept and practices of CSR programs, since many times these programs are an incoherent jumble of activities. On the other hand, there are large companies such as Nike, UPS, Coca-Cola, Adidas, and Shell that organize their CSR programs on the basis of a *concentric circles model*. According to this model, CSR activities must amplify from those that are closely related to the core business of a company, to those that are related with the competence or expertise of that

company and finally, to those that express somehow company's contribution to the amelioration of the general social conditions. It is also worth mentioning that there are many corporations which develop their CSR programs with the synergy of NGOs, like Greenpeace, CARE, Amnesty International and so on (see: Hoffman 2000; Vachani 2006; Blewitt 2008; see also: Gomez and Korine 2008; Webb 2005; Frithiof and Mossberg 2007).

Whole Foods Markets, the natural foods retailer, believes that its business "is ultimately tied to the neighborhood and larger community that we serve and in which we live." On such a basis, Whole Foods donates 5 % of its after-tax profit to nonprofit organizations and in each of the 140 company's stores are hosted community days. ING, one of the leading financial institutions in the world, has taken remarkable community initiatives in Australia, Brazil, Taiwan and USA. Hindustan Lever, the Indian subsidiary of the transnational corporation Unilever, implemented a well-structured program of interest free-loans to help the local economy and to support the development of more than 400 villages. So, one can ask, why do businesses as diverse as the aforementioned ones contribute their money, human and non-human resources to help others? What benefits do they gain from such activities? (Lawrence et al. 2005, p. 331).

Businesses depend on their communities for education, health and other public services such as police and fire protection, transportation systems and so on. On the other hand, communities depend on businesses for support – besides any public funds – of the arts, schools, health care systems, etc. The relations between corporations and communities are not always well-balanced. However, it seems, nowadays, that civic engagement is lying at the very center of modern corporations' agenda, considering themselves as a kind of citizen (see: Crane et al. 2008).

Civic engagement is a major way in which corporations carry out their social responsibilities. In this way, corporations, first, avoid or correct problems caused by their activities. Secondly, they might also win the loyalty or even the commitment of employees, partners, customers and other stakeholders. Thus, a company can earn its informal *license to operate* or the right to do business. Thirdly, corporations' civic engagement aims at the creation and empowerment of the necessary social capital. Social capital could be defined in terms of norms and human networks that enable collective action. In that sense, social capital is necessary condition for the development and prosperity both of corporations and communities. The collaboration between companies, local authorities and representatives of civil society to achieve development and prosperity could lead to a win-win situation that could also provide everyone with a better off condition. In order to meet their social responsibilities, many companies have established specialized departments, they have attributed relevant duties to managers and they have developed a variety of fully-fledged programs to fulfil their responsibilities towards inner and outer stakeholders (see: Kotler and Lee 2005).

Frequently, companies are involved in local or regional economic development which is intended to bring new businesses and opportunities for individual and social progress into an area; for instance, Muhammad Yunus and his Grameen Bank is a well-recognized paradigm of this kind of social initiatives. However, there are

other kinds of corporations' social involvement. We could remind ourselves about the mid-90s involvement of 60 companies in an effort to combat crime in the area of Minnesota; among those companies were Honeywell, General Mills, 3 M and Allina Health Systems. Other community needs have been drew companies' attention; these needs related to housing, welfare services and job training for the disadvantaged and socially excluded groups, minority entrepreneurial efforts, disaster, terrorism, even war relief (Lawrence et al. 2005, p. 335–338).

It seems that corporate citizenship and corporate social responsibility programs presuppose a strong moral commitment to the vision of transformational leadership, grounded on sound moral foundations; a commitment to transform corporations into moral communities (Mintzberg 2009, pp. 140–143). Thus, the four components of authentic transformational leadership, i.e. idealized influence, inspirational motivation, intellectual stimulation and individualized consideration, are contrasted with counterfeits in the pseudo-transformational leadership on the basis of moral character, ethical values and the process of social ethical choices. In this sense, what is urgently needed in our times is to teach tomorrow business executives and leaders not only the basics of the triple bottom line approach but how to transcend a *micromanaging* set of mind of *quarterly capitalism* (Barton 2011, pp. 85–91).

One could actually maintain that effective transformational leadership presupposes four necessary conditions among others: (1) get the global mindset, (2) nurture a spectrum of talent, (3) anticipate the next big thing, (4) admit that consensus is not always desirable as far as the necessary imaginative and creative set of business-mind is concerned (Ramaswami and Mackiewicz (Ernst & Young) 2010). In effect, one will have good reasons to recognize that these are preconditions for any organization to get the competitive advantage within the global market; whereas leadership vices as 'arrogance', 'insensitivity' and 'untrustworthiness' have already proved themselves as mostly ineffective in the daily operation of middle size corporations as well as in the operation of the larger ones (Kanungo and Mendonca 1996).

20.5 Conclusion: CSV or Going Beyond CSR

In our paper, we aimed at tracing the theoretical and more pragmatic basis of leadership in turbulent times. We organized our argument in four distinct parts. In the first one we briefly discuss about the structure, the content as well as the epistemological basis of practical reasoning in relation to the open question of how we can determine the concept of good life. In the second part we considered Sophocles's *Antigone* as an exemplary narrative of moral agency and more specifically, of virtues that lay at the very center of moral and leadership theory. In the third section we took virtues as the proper moral basis to understand transformational or authentic leadership as well as the concept of corporate citizenship. In the final part we further elaborated our moral argumentation taking into account part of the recent reaches of management and strategy theory.

It might be useful to complete our paper by indicating the lines along which our moral reasoning could be developed even further. In times of economic and social crisis, there is an urgent need companies to take the lead in bringing business and society back together. In a recent article Barton notes that only 45 % of those surveyed in U.S. and U.K. expressed trust in business, whereas in developing countries such as China, India or Brazil the average percentage is around 70 % (Barton 2011, p. 88). One must recognize that most companies remain stuck in a social responsibility mind-set in which societal issues are at the periphery; however, there are some promising indications that something is profoundly changing.

Porter and Kramer argue that:

The solution lies in the principle of shared value, which involves creating economic value in a way that *also* creates value for society by addressing its needs and challenges. Businesses must reconnect company success with social progress. Shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success. It is not on the margin of what companies do but at the center. We believe that it can give rise to the next major transformation of business thinking. (Porter and Kramer 2011, p. 64).

A growing number of companies such as GE, Google, IBM, Intel, Johnson & Johnson, Nestlé, Unilever, and Wal-Mart- have already embarked on important efforts to *create shared value*. Yet the identification of shared value as a kind of the transformation power is still at very early stages.

Porter and Kramer determine shared value as follows:

The concept of shared value... recognizes that societal needs, not just conventional economic needs, define markets. It also recognizes that social harms or weaknesses frequently create *internal* costs for firms – such as wasted energy or raw materials, costly accidents, and the need for remedial training to compensate for inadequacies in education. And addressing societal harms and constraints does not necessarily raise costs for firms, because they can innovate through using new technologies, operating methods, and management approaches – and as a result, increase their productivity and expand their markets. (Porter and Kramer 2011, p. 65).

In addition, the concept of creating shared value must be distinguished from any redistribution approach; it is about expanding the total pool of economic and social value. In order to clarify the implied difference one could refer to the fair trade movement in purchasing. Fair trade increases the proportion of revenue that goes to poor farmers by paying them higher prices for the same crops. In place of this noble sentiment, a shared value perspective:

...focuses on improving growing techniques and strengthening the local cluster of supporting suppliers and other institutions in order to increase farmers' efficiency, yields, product quality, and sustainability. This leads to a bigger pie of revenue and profits that benefits both farmers and the companies that buy from them. Early studies of cocoa farmers in the Côte d' Ivoire, for instance, suggest that while fair trade can increase farmers' incomes by 10–20 %, share value investments can raise their incomes by more than 300 % (Porter and Kramer 2011, p. 65).

It seems that companies can create economic value by creating societal value. However, this presupposes that they will move beyond CSR practices and adopt

CSV perspective. In turn, this might also transform capitalism itself, so that all stakeholders, national and international, cultivate a long term way of thinking and acting.

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Part V
Philosophy and Leadership Styles

Chapter 21

Cleopatra: An Example for Modern Women Leaders?

Paul Vanderbroeck

Abstract This paper analyses Cleopatra VII, Queen of Egypt from a modern leadership perspective in the historical context. Cleopatra's leadership behaviour is analysed through the lens of modern leadership practice. First her key leadership challenges are described: career management, managing Egypt's joint venture with Rome, moving her country from loss to profit; and ensuring her own succession. Her behaviour in meeting those challenges is then analysed to see which and to what extent she used particular leadership competencies: Vision and Strategy Development, Overcoming Internal Competition, Leveraging Difference, Generating Positive Change, Stakeholder Management, Building and Maintaining a Network. Cleopatra was strongest in leveraging her difference as a woman and weakest in building and maintaining a network. Modern women can learn from Cleopatra's strengths and weaknesses in order to avoid pitfalls and follow those behaviours that fit today's organizational challenges.

21.1 Introduction

The absence of role models is one of the factors that prevent women from reaching top positions in modern organisations (McKinsey and Company 2011; Vanderbroeck 2010). Role models have been shown to have a positive impact on how people think about their own abilities and what is possible. (Kelan and Dunkley

This paper is part of an on-going larger research project and will be published as the core text of a chapter in a forthcoming book with Springer Science & Business Media called *Queens! Lessons in Leadership and Career Development*. As the title suggests, this book will allow for a comparison with other women leaders in history. I thank Springer for their kind permission to publish the material in this book and Prof. Susan Schneider, HEC University of Geneva, for helpful feedback.

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Jones 2010) In our case, a role model is a real person who exercises a top leadership role in an exemplary way *and* provides sufficient personal characteristics, i.e. gender, that makes it easy for a particular set of people, i.e. woman leaders, to identify with such person. A role model both sets a benchmark for progression and development and at the same time reinforces the self-confidence of the person who aspires to that role to be able to attain the benchmark. By lack of contemporary role models, it may therefore be helpful to find inspiration in historical role models. My objective is to use management history as a tool for leadership development. Historical comparisons are helpful to modern leaders to evaluate their own leadership competencies and career choices. Starting well before the twentieth century makes it easier to discern the connection between cause and effect. Earlier leaders functioned in a world that was far less complex than ours and in which developments occurred more slowly than they do in ours.

This paper analyses Cleopatra VII, Queen of Egypt from a modern leadership perspective in the historical context. Cleopatra was a woman who reached the summit of her organisation. At the same time her life has fascinated both historians and artists.

Cleopatra has been the subject of many publications, both in fiction and non-fiction, yet never from the perspective of modern leadership studies. There are several biographies, e.g. Tyldesley 2008, that are useful for an overview and interpretation of the historical facts.

Other than that, there are few primary sources, limited to coins and a few statues and inscriptions of Cleopatra. Furthermore there are contemporary historical writings (Caesar, Suetonius) and secondary historical sources (Appian, Plutarch, Cassius Dio).

To make this study useful for leadership development, I analyse historical events, and in this case particularly leadership behaviour by Cleopatra, through the lens of modern leadership practice. I analyse what behaviour was effective and what not. Here from derives Cleopatra's profile of strong and weak leadership competencies. Rather than referring to a particular set of leadership competencies, as for example used in 360° evaluations, I opt to use an inductive approach, i.e. their definition is a result of observed behaviour. The meaning of leadership competencies is expected to be self-explanatory from their titles. I then look at it from a gender perspective, to see whether the fact that Cleopatra was a woman posed particular challenges and how she tried to overcome those challenges. Finally, I generalise these findings so that current and future woman leaders can draw analogies to help them shape their leadership behaviour.

To make the comparison with modern women leaders the most relevant, I have chosen a queen with real decision making power. From the point of view of career, i.e. the path to power and the challenges to keep the power, queens are, in fact, similar to CEOs. The path to power is not a democratic process in which all members of the organisation have a say. Queens and CEOs share the same tension between entitlement and competition. For queens the entitlement follows from being part of the royal family. Actually reaching the throne and staying there, however, depends among other things on gaining the upper hand towards competitors with a similar entitlement. For CEOs the entitlement comes from being groomed or hired as a high

potential. CEOs too, before getting the top job, need to leave competitors behind and keep them at bay while at the helm of the organisation.

Key questions that I attempt to answer are:

- Life and career: How did she reach and keep her position of power?
- Key leadership challenges: What challenges did she have to meet? Where was she successful – and where did she fail – as a leader?
- Key leadership competencies: What were her strengths and weaknesses?
- Leadership behaviour: to follow or to avoid? What can women learn from this leader?

21.2 Cleopatra's Leadership Challenges and Leadership Behaviour

21.2.1 Life and Career

Cleopatra of Egypt was born in 69 B.C., became queen at the age of 18, and ruled for 22 years from 51 to 30 B.C., when she died by suicide in 30 B.C. at the age of 39. She was the last monarch of the Greek-Macedonian dynasty that reigned over Egypt for more than two centuries after Alexander the Great's conquest. She was well educated, spoke many languages, and became queen as part of a conventional succession plan: She inherited the throne after her father died.

In Egypt at the time, women were prohibited by law from ruling independently. A female ruler was required to share the throne with – and defer power to – a man who was either her husband or her son. During the first 4 years of Cleopatra's reign, therefore, she led Egypt with one of her brothers, Ptolemy XIII, who was 8 years her junior. She did not do so submissively, however, and she relentlessly battled his advisers for power. After her brother's death at the age of 14, she was confirmed in her position by Julius Caesar. Henceforth she ruled with her youngest brother, Ptolemy XIV, this time easily taking the lead role, as various coins and papyri attest. Now secure in her position, Cleopatra was able to strengthen the joint venture alliance with Rome (further explained below) that her father, Ptolemy XII Auletes, had established. She skilfully merged her professional goals with her personal life. Upon the birth of Caesarion, her son by Julius Caesar, Cleopatra instigated her brother's death and established the baby as her co-ruler. After Caesar's death, Cleopatra maintained the joint venture by forging an alliance with Caesar's former lieutenant, Marc Antony, with whom she had three children. This alliance allowed her to expand the territory under her command. During the final civil war, Antony and Cleopatra were defeated by Octavian's (the future emperor Augustus') fleet at Actium in 31 B.C. Antony having committed suicide and Cleopatra's negotiations with Octavian failing to provide a result, she made an end to her life and her reign in 30 B.C. at the age of 39.

21.2.2 Key Leadership Challenges

When Cleopatra became queen she took on the following challenges:

- Directing her career;
- Managing Egypt's joint venture with Rome;
- Moving her country from loss to profit; and
- Ensuring her own succession.

21.2.2.1 The Path to Power and Career Management

For 100 years before Cleopatra took the helm, the ruling house of Egypt was ridden with tension and conflict, and the country suffered from a lack of direction. (Thompson 1994) When Cleopatra and young Ptolemy XIII took the throne, the “managers” (the court) of Egypt’s “headquarters” (the capital city of Alexandria) resented being ruled by a woman (Dio 42.36.3; Plutarch, *Caesar*, 48.5) and strife continued. Cleopatra compensated first by acting as a man. The images that portray Cleopatra show her wearing male garb; perhaps she hoped to appear more like a “female king” than a queen (Roller 2010; Tyldesley 2008). And it’s possible that she tried to suppress her femininity in her behaviour as well – at least before she met Caesar. Second, she emphasised her identification with Egypt. Rather than confine her efforts to Hellenistic Alexandria, she sought support throughout the country, for example by actively engaging in traditional religious ceremonies and generously sponsoring the building and restoration of temples.

Though Cleopatra initially gained the upper hand – coins and other images show that she positioned herself as more important than her brother – she ultimately lost that advantage, possibly during a time of drought that may have undermined her position and credibility (Schiff 2010). When Ptolemy XIII’s advisers finally took power and got Rome to recognise his authority, Cleopatra retreated and recruited an army to start a civil war. When Julius Caesar landed in Egypt and seized power, he summoned Cleopatra and Ptolemy to Alexandria to end the dispute. He said that he wanted to re-establish the status quo ante, as per the testament of their father, with both siblings on the throne. (Schiff 2010)

This is when Cleopatra started her love affair with Caesar, her JV counterpart. Whereas Cleopatra never married Caesar, it should be noted that in Antiquity it was quite common to forge political alliances through marriage and parenthood. Let us look at Cleopatra’s situation from a modern leadership perspective: She had only recently acquired the throne, and her authority was already undermined by internal competition. At the same time, Caesar, who was not only more powerful than Cleopatra but also her greatest competitor for Egypt, began to hunger for a takeover. She decided that the wisest course of action would be to negotiate the best possible deal for her own career and for the organisation she was leading. Whereas her brother’s advisers, however, remained hostile to Caesar and attacked the Roman army, Cleopatra struck an alliance with Caesar. Caesar gained the upper

hand and Cleopatra's brother Ptolemy XIII lost his life. Cleopatra was reinstated on the throne, now with her youngest brother Ptolemy XIV. Not only did she get her job back, but from number two she was promoted number one on the throne and she prevented a Roman annexation of Egypt. Any other approach would have resulted in one of those or none altogether.

Yet Cleopatra still faced the problem of legitimacy in terms of her right to rule independently, i.e. without a man. She battled the problem by removing competitors (such as her siblings) who were a threat to her primacy and giving birth to children with a legitimate claim to the throne. She used motherhood in several ways to validate her position as queen, as will be discussed later. She thus reinforced her power and authority as leader.

21.2.2.2 Managing the Joint Venture with Rome

Cleopatra's father had depended on Rome to maintain his hold on the throne. For that reason, and perhaps also because he was worried about leaving Egypt in the hands of two young siblings, his testament stipulated that Rome should henceforward act as the protector of his dynasty. In modern terms this translates into Rome having just taken an important stake in its Joint Venture (JV) partner and one or two important seats on the board, including the position of chairman, when Cleopatra and her brother inherited the throne.

Rich in corn, ships, and manpower, Egypt served as a strategic supply base for Rome. By that time the demand for food in the bustling city of Rome and the centre of power far outstripped the supplies of Italy. For Caesar, Cleopatra's offer of an alliance, as opposed to an acquisition was attractive: He could have access to Egypt's resources without giving a strong power base to a Roman governor and potential competitor. For her part, Cleopatra could secure the independence of the realm, shore up her own power-base, and regain Cyprus. (Thompson 1994) Though Cleopatra was a fairly inexperienced high potential (with a less-than-perfect track record), Caesar saw her aptitude and was willing to give her a chance. As per her father's testament, Caesar had the authority to appoint Egypt's ruler. He thereby recognised Cleopatra's authority to represent the important JV partner (Caesar 33).

Cleopatra visited headquarters in Rome for the first time in 46 B.C., together with her young co-ruler, Ptolemy XIV. During this trip and through her alliance with Caesar, she managed to re-establish Egypt as a friend and ally of the Roman people, just as her father had done. With this recognition, she confirmed the country's status as JV partner and forestalled any takeover plans. Apparently by now she had successfully proved herself in the eyes of the chairman to merit such recognition.

In 44 B.C., during one of Cleopatra's trips to Rome for strategic discussions about the future of Egypt, Caesar was assassinated. Afterward, it seems Cleopatra was unsure how to proceed. She kept a low profile while the conflict between Caesar's assassins and his heirs played out. When the rival parties agreed that Caesar's political acts would remain in force, the move guaranteed that the joint venture with Rome, Caesar's appointment of Cleopatra, and the return of Cyprus to Egypt would not be revoked.

During Rome's civil war of 44–41 B.C., Cleopatra was courted by different parties to provide resources, but she did not choose sides. The triumvirs Octavian, Lepidus, and Marc Antony eventually won the war, with Antony taking over the chairmanship of the JV with Egypt, since he now ruled the eastern part of the Roman empire. In 41 B.C., 3 years after Caesar's death and the end of the war, Antony summoned Cleopatra to Asia Minor for an explanation of her behaviour during the civil war.

The discussion turned out to be a challenging performance appraisal. But even though Cleopatra was only 28 years old, she had ruled Egypt for 10 years, and thus she handled the interview well. In addition to assertively arguing her cause and offering proof of how she had responded to calls from Antony's allies, she took advantage of the opportunity to seduce him and make him her ally. (Appian V.8; Plutarch, *Antony*, 25) The alliance became so strong that Antony arranged for the murder of Cleopatra's last remaining claimant and rival to the throne of Egypt: her sister Arsinoe. The children born to Antony and Cleopatra further strengthened this alliance.

Because Antony needed Cleopatra to fund his military campaigns, her position in the JV grew more important. He gave her control over large territories that in the past had belonged to the empire of her ancestors.

When Antony and another of Caesar's heirs, Octavian, fell out with each other in 33 B.C., another civil war erupted. Cleopatra continued to support Antony, and when he lost decisively at Actium, she tried to negotiate the best possible deal that she could. She offered to resign in exchange for her treasure, and she tried to pass power to her children, hoping to leave them the legacy of an independent Egypt. She was unsuccessful on both counts, however, and the story ends with Cleopatra's suicide and the annexation of Egypt by Rome.

In the aftermath, however, Cleopatra's youngest children were well treated, and Egypt retained its special status in the Roman Empire. Directly governed by the Emperor, it was allowed to prosper and hold on to its position as a key provider of resources, which was a distinct improvement over the traditional lot of conquered territories.

21.2.2.3 From Loss to Profit

When Cleopatra rose to the throne, Egypt was in dire straits both economically and politically. (Thompson 1994) The nation had lost several territories (Cyprus, Cyrenaica, and Syria) to the Romans and suffered famines as a result of disappointing harvests and Nile flooding. What's more, Egypt still owed a big debt to Rome. Cleopatra seemed to manage these challenges reasonably well, since there were no uprisings or other signs of trouble. And there is evidence that in 42–41 B.C., when the Nile did *not* flood, she effectively fought the resulting inflation by issuing coins with a reduced bronze weight but an unchanged nominal value – a first in antiquity. Cleopatra also took measures to alleviate the tax burden and provide the capital with sufficient food. (Roller 2010; Schiff 2010; Tyldesley 2008)

Despite little direct historical evidence, one may infer that Cleopatra developed a vision for Egypt during the first part of her reign: to avoid being conquered and to stay independent of Rome. Yet she knew that Egypt could not survive on its own, given the current state of affairs. There are indications that she shared this vision with her organisation to inspire and motivate her people, at least implicitly: She was the first of her dynasty to learn Egyptian, she actively involved herself in Egyptian religious life, and she generously provided funds to temples and cults. The strategy she developed allowed Egypt to grow stronger and become more profitable. And thanks to her personal relationships with Caesar and then Antony, the JV became a cooperative partnership as opposed to the first stage of a take-over.

During the last 10 years of Cleopatra's reign, Egypt experienced a period of economic growth. Once again having forged strong partnership with a top Roman leader, the queen felt she had secured her first vision of preventing a takeover. She began to focus on a second, bolder goal: to reinstate the Ptolemaic empire, which once reached well beyond Egypt, to its old splendour. It probably also included an end to the JV, either by going separate ways or by a full merger with the eastern part of the Roman Empire. It is not quite clear whether Cleopatra or Antony developed this new vision, but both certainly shared and expressed it. Ultimately, however, Antony's ambition may have been even more expansive than Cleopatra's: He seems to have set his sights on recreating the empire of Alexander the Great.

This time around, Cleopatra used the vision to motivate and inspire her people. Coins were issued with joint portraits of Antony and Cleopatra (Schiff 2010), and she chose their children's names – Alexander Helios, Cleopatra Selene, and Ptolemy Philadelphos – with care. In 34 B.C., Antony gave Cleopatra and his children command over additional territories in a very public ceremony. During the event, known as the Donations of Alexandria, Alexander was dressed as a king of Media, formerly a part of Persia and Alexander the Great's greatest conquest. Ptolemy Philadelphos was dressed as a Macedonian, the country from which Alexander and the Ptolemies originated. At the end of the ceremony, Cleopatra declared the commencement of a new era. (Plutarch, *Antony*, 54)

The strategy for realising this vision hinged on Egypt becoming an important supplier of corn, ships, money, and manpower to Rome. (Schiff 2010) In return, Rome granted Cleopatra control of Cyprus, Crete, Libya, and part of Syria. The vision was never realised, however. Perhaps Cleopatra underestimated the strength of Rome and its reluctance to share power. Or perhaps Egypt simply succumbed to the vicissitudes of war, as Antony could well have won at Actium.

21.2.3 Key Leadership Competencies

21.2.3.1 Vision and Strategy Development

Cleopatra's first vision – of independence from Rome – was not unrealistic. It was probably inspirational to many of those around her, particularly the top managers in

the Ptolemean administration, whose positions would be first on the line in case of a Roman takeover. The inhabitants of Hellenistic Alexandria also probably took heart in her efforts, since they had never welcomed Caesar and had risen in revolt against him. They had a fierce desire for independence and realised that they would be better off economically as an independent centre of trade and industry. And the rest of Egypt may have warmed up to the idea of protection implied in the vision and emphasized by Cleopatra, who intentionally portrayed herself as Egypt's queen mother.

Yet her second, much bolder vision of growth and market share, was even more compelling. National pride in regaining strength once again – along with the consequent revenue, tax, and business opportunities – could well have been motivating and is probably why Cleopatra misrepresented her return from Actium after Antony's defeat as a victory to the people at home. The truth would have caused her to lose all support.

Cleopatra's goal was for Egypt to become critically important, even indispensable, to Rome and to prove more valuable as a JV partner than as an acquisition. The strategy she developed to realize her visions both accounted for Egypt's market position as a significant player in the Mediterranean and made the most of Egypt's key assets – corn, manpower, and ships. As a supply base, Egypt had no equal, and Rome was hungry for resources, particularly in times of civil war. Shrewdly, Cleopatra was able to get additional territories in return for responding to that demand, and Alexandria greatly benefited from its role as the trade capital of the Mediterranean. Cleopatra developed two related inspirational visions and a workable strategy for both, i.e. growth through becoming Rome's key supplier of critical resources, which she implemented successfully.

21.2.3.2 Overcoming Internal Competition

Cleopatra encountered several rivals on her way to the top and while on the throne. Over time, she schemed against one brother and did away with another brother and a sister through assassination. Yet, while her siblings did indeed pose a serious threat to Cleopatra, and although there was much precedent in Egypt's ruling family, murder was nevertheless considered to be unacceptable. So here we meet Cleopatra's dark side. She certainly is a powerful deviation from the (inaccurate) perception that women leaders are less inclined to break rules.

21.2.3.3 Generating Positive Change

Cleopatra successfully pushed against the boundaries of her reign and generated positive change for both herself and her organisation. Though she was forced to reign with a co-ruler, she learned how to effectively put herself forward as the dominant leader and thus overcome the gender bias against her. (Tyldesley 2008)

She also elevated Egypt's position in the joint venture with Rome. Egypt clearly was the junior partner during Caesar's reign, but Cleopatra equalized the relationship during her alliance with Marc Antony: Egypt was paid back for its efforts with additional territories. The value to Rome's imperial power of Egyptian supplies in ships, manpower and corn increased from strategic to critical.

Like all leaders, from kings and queens to CEOs, Cleopatra knew she had to establish a successor, which in her case meant producing at least one heir. In Egypt for centuries, the children of the royal family were the result of marriages between kin. (Pomeroy 1975; Schiff 2010) Yet here, too, she pushed boundaries. Rather than producing offspring with one of her brothers, as might have been expected, she chose Caesar and Antony – who came from outside her family and held powerful positions in Rome – to father her children. She purposefully developed successors who could bridge the gap between the two partners in the joint venture.

21.2.3.4 Leveraging Difference

When she first became the head of her organisation, Cleopatra fell into the same trap as some of her predecessor queens in Egypt had done and as many female corporate executives do today: She emulated male behaviour. Whether for this reason or others, Cleopatra was not particularly popular in the beginning of her reign, and Ptolemy XIII's sycophants were able to get rid of her.

Cleopatra learned from that experience and fully leveraged her femininity when she met Caesar. In modern terms, at first glance it would seem that Cleopatra 'slept with her boss'. But in the first century BC, political alliances were also formed through marriages and parenthood (Pomeroy 1975), so it would be wrong to apply a modern filter to their relationship.

Much has been written about the first time Cleopatra and Caesar met, when she is said to have surprised him by rolling out of a bundled carpet. Roman historians have had some difficulty reconstructing the event, and it may not even have happened exactly in the way it was described. Most historians today, however, see the event as a clever, deliberate, and successful attempt by Cleopatra to seduce Caesar, though some believe it was the more mature Caesar who took advantage of the opportunity. Or maybe Cleopatra hid in the carpet to escape detection by her brother's guards, who controlled access to Caesar, and not to impress the Roman general. In any case, most agree that Cleopatra was enchanting. (Plutarch, *Antony*, 25–27)

The historian Dio Cassius, otherwise a sensationalist, in this case gives us a clue of what, may have really happened. Cleopatra had probably been granted an audience with Caesar. Anticipating the meeting, Cleopatra then "adorned and beautified herself so as to appear before him in the most majestic and at the same time pity-inspiring guise." (Dio Cassius, *Roman History*, 42.34.6; transl. Loeb) In other words, she dressed smartly for the occasion, just like a smart modern executive on the first meeting with his or her new boss would. What made the difference was that Cleopatra effectively used a positive female archetype to get Caesar's attention: the "damsel in distress" or "Helen of Troy" – a noble maiden in need of

the hero's support. An archetype is an image locked in our collective unconscious that reflects key roles in our society as they are defined through literature, art, and mythology – the “original”. Cleopatra could have attempted to force her way through her brother's blockade – she had an army outside the gates – but she chose to go to Caesar humbly instead, asking for help. And he probably melted in front of this vulnerable creature. The rest is history.

Cleopatra, however, was careful not to let this archetype turn into a stereotype, which is a simplified image of a particular type of person and based on exaggerated characteristics and therefore usually a caricature – the “knockoff”. After defeating her elder brother and reinstalling Cleopatra on the throne with her second brother, Caesar embarked on a Nile cruise with her. Though the trip was no doubt pleasant and perhaps romantic for them, it also left no doubt among the Egyptians that Cleopatra was their queen – in charge and not a mere dependent of Caesar's. She later reconfirmed this image in Rome, during her first trip there in 46 BC.

Upon her return and after the birth of her son, Cleopatra started to exploit a second positive archetype to leverage her difference: the mother. When Cleopatra got rid of her co-ruler brother and installed Caesarion in his place, she cultivated an image of herself as the mythological goddess Isis, Egypt's most famous single mother, who had ruled as queen consort until her baby Horus became adult. Cleopatra clearly wanted to highlight the fact that she was the queen mother of the future king of Egypt. But even further, she wanted to be seen as the mother of all Egyptians. And since she actually spoke their language, which was rather uncommon for the members of her dynasty, and actively participated in the religion of the local population (Schiff 2010; Thompson 1994; Tyldesley 2008), the idea was not too far-fetched.

After Caesar's death and the ensuing civil war, Cleopatra effectively used a third positive archetype: the seductress. Dressed up as Venus with the full imagery and symbolism of Greco-Roman mythology, she overcame any initial doubts that Marc Antony may have had of her intentions. The move proved to be an effective door opener for negotiations with him to revise the joint venture, which became even more advantageous for Egypt than it had been under Caesar. In her discussions with Antony, Cleopatra showed her strength at building rapport, matching both his humour and his penchant for parties. (Plutarch, *Antony*, 27) Again, Cleopatra was careful not to let the archetype turn into a stereotype, and soon she was once more queen and mother to her people.

Cleopatra most certainly knew how to get the attention of two powerful men. From a modern perspective, one could say that Cleopatra displayed an effective use of her difference as a woman in the workplace. It is important to stress, that as norms and values have shifted over time, the border between what is acceptable and effective in this regard has shifted. What remains is that, because of her gender, Cleopatra was able to open doors in ways that others were not. And by evoking positive female archetypes, she stood out from the legions of standard male executives. Those skills and attributes certainly made her interesting and perhaps even less threatening: Certainly a man would not have survived surprising Rome's greatest soldier in a carpet.

21.2.3.5 Stakeholder Management

Cleopatra had the opportunity to observe how her father handled his relationships with stakeholders in Rome. Ptolemy Auletes severely indebted his country when he secured Rome's protection with cash. (Roller 2010; Thompson 1994) The burden of repayment then fell to Cleopatra, who may well have vowed not to become too dependent on the Romans after that experience.

Like many modern leaders, Cleopatra had to deal with competing factions inside her JV partner. When civil war broke out among the Romans in 44 B.C., Cleopatra was careful in choosing sides between the competing stakeholders, i.e. Caesar's heirs and the party of his assassins. Opportunity came calling again when Mark Antony took the initiative to contact her and she convinced him of her importance as a partner. She built effective professional and personal relationships with both Caesar and Antony, and those relationships did not infringe on any ethical limits of her organisation or its local social environment. They helped her rule for more than two decades, achieve growth through acquisitions, and leave Egypt protected by a special status within the Roman Empire.

On the other hand, building intense personal relationships with a small number of individuals prevented Cleopatra from developing strong ties with other key players. And because her fortunes were so strongly linked with Antony's, Cleopatra was dragged down with him when civil war broke out again. Keeping a greater distance from Antony and forming a closer relationship with Octavian might have allowed her to preserve Egypt's independence longer.

21.2.3.6 Building and Maintaining a Network

Cleopatra visited headquarters in Rome twice while with Caesar. (Gruen 2003) In addition to reinforcing her legitimacy as the queen of Egypt and preventing a takeover by Rome, she exploited her difference so as to get a lot of attention and publicity. As a woman leader, smartly and very differently dressed, she stood out and was the talk of the town (Schiff 2010). However, she failed to leverage this attention, which would make it very easy to get in touch with people, into an effective network. For example, she snubbed Cicero by failing to deliver on her promise to get him a rare book from the library in Alexandria. (Cicero, *Letters to Atticus*, 15.15.2: Schiff 2010) Cicero may not have had much power, but as an opinion leader and prolific writer and speaker he had tremendous influence.

Cleopatra's intercultural networking was below par as well. She failed to see that although Rome was well under way to becoming a monarchy, republican values were still held in high regard. She might have had better success if she realised that influence did not depend on being close only to the top leader. Similarly, Rome had not yet become a multinational concern. Though several nations were involved in the organisation, it was run from Roman headquarters with expatriate managers, and thus Roman culture prevailed. Therefore, since networking was important in

Rome, it should have been important to Cleopatra as well. But to her, building relationships with more than one player might have seemed more like intrigue than networking.

Cleopatra probably communicated only indirectly (that is, mainly through her court retinue) with Romans she would have considered of lower rank. She must have gained a lot of intelligence from those encounters, but when processed through the filter of eastern monarchy, she may have interpreted them incorrectly. As a semi-democratic city-state, Rome was much more informal and egalitarian than Egypt, and Cleopatra was not used to its customs. Dignitaries, politicians, and women of high station mingled in the streets with commoners going about their business. Roman women were quite influential behind the scenes, both economically and politically, but they were not allowed to hold formal leadership positions. (Pomeroy 1975) As a female executive in Rome, therefore, Cleopatra was an anomaly.

Though she was a guest in Caesar's house, Cleopatra was the subject of gossip and scorn. Yet Romans probably cared less about Cleopatra's status as the mistress of a man married to a Roman matron than they did about her possible influence on Caesar's increasingly regal behaviour. Suspicion that Caesar wanted to become king, after all, was what got him killed.

It seems that Cleopatra was oblivious to all that. Once Caesar died, she may have expected that someone else would simply take over. So she was at a loss when that did not happen and she found herself without a network to proactively influence her situation and provide her with a better view of the issues at play. Committing the plentiful resources of Egypt to the war could well have tipped the balance in favour of one of the parties, who would have been very grateful to her. Instead, she waited things out, holding off on requests to meet and provide resources. (Roller 2010; Schiff 2010; Tyldesley 2008) She got a break when Antony summoned her and she could once more leverage her difference by incarnating Venus to favour her position.

Still, she did not learn. Once allied with Antony, she focused on him exclusively and spurned influential Romans in his entourage, many of whom changed sides to Octavian. It is worth looking at Cleopatra's behaviour around the decisive battle of Actium in 31 B.C. The Roman historian Plutarch describes how Cleopatra convinced Antony to accept her presence against the advice of his generals. (Plutarch, *Antony*, 56 and 58–59, 63) She argued that not only did she bring more resources to the battle but also that she had successfully governed a kingdom that was larger than the realms of any of the other allied kings present, even though she was a woman. Just like when she first met Antony, she based her arguments on facts and they were certainly valid. However, Cleopatra was unaware of how others saw her and thus neglected to take that significant factor into account. She nor any of the other rulers would be considered a match to an experienced Roman general on the battlefield. But even more, while female leaders were not unheard of in Egypt and some other nations, the concept of women in official leadership positions was completely alien to the Romans. Stay-at-home, dutiful matrons were venerated in Rome, a stereotype embodied by Octavia, Antony's official wife and his

adversary's sister. Cleopatra's blind spot was not realising that being Antony's mistress *and* a "career woman" disqualified her in the eyes of the average Roman. Hence, Antony's generals were right to point out that her presence gave Antony's adversaries a lot of ammunition for propaganda.

After Antony's defeat, Cleopatra stood alone against her Roman enemies. Because of insufficient networking she failed to manage her reputation effectively. One of the archetypes she used so successfully, the seductress, turned into a stereotype and gave her bad press in Rome, which was exploited by both Caesar's and Antony's enemies. There was no one to plead her cause in the final dealings with Octavian.

21.3 What Can Modern Women Leaders Learn from Cleopatra?

Based on the discussion above, we come to the following performance appraisal

<i>Leadership Challenge</i>	<i>Rating</i>
Career Direction	<i>Fully Achieved</i>
Managing the joint venture	<i>Fully Achieved</i>
Regain profitability	<i>Fully Achieved</i>
Succession Management	<i>Partly Achieved</i>

and leadership assessment of Cleopatra.

<i>Leadership Competency</i>	<i>Rating</i>
Vision and Strategy Development	<i>Competent</i>
Overcoming Internal Competition	<i>Needs Development</i>
Generating Positive Change	<i>Strong</i>
Leveraging Difference	<i>Strong</i>
Stakeholder Management	<i>Competent</i>
Building and Maintaining a Network	<i>Needs Development</i>

21.3.1 What Women Can Learn from This Leader

Cleopatra used an effective combination of leadership competencies to realise her achievements. Her performance results indicate that was a successful leader overall, whose career came to an abrupt end. Nevertheless, as the series of premeditated murders she instigated attest, she also had a dark side and was a ruthless and cunning leader. Such behaviour disqualifies her as a role model, yet it was not the reason for her downfall.

Cleopatra smartly overcame the discrimination against her sex that did not allow her to dominate the throne. She met resistance as a woman leader from senior managers in the administration. She was apparently oblivious to the attitude towards gender in Rome, her senior JV partner. Thus at home and towards headquarters in Rome she consciously and unconsciously had to fight, not always successfully, against being relegated to second best. We can only speculate what this meant for her psychologically.

Perhaps she was fooled by the recognition she received from Julius Caesar and Marc Antony. We have no indication that Cleopatra did anything to mitigate the misunderstanding and outright hostility she met as a woman leader from the Romans. For instance, she could have tried to exploit the mother archetype to convey a positive, acceptable image of a woman leader in Roman culture – especially since the son she had with Caesar accompanied her during her trips to Rome. It is intriguing that she was not able to make this cultural leap, particularly when taking into consideration that she already had effectively used the motherhood archetype in a similar situation in Egypt: When meeting resistance as a woman during her first years as a queen, she first tried to put up a masculine face. That cost her the throne. When she got her position back, she used the motherhood archetype, which did work.

Cleopatra developed a vision and a strategy that were ambitious, inspiring, and in line with the realities of her organisation and its context. Later, perhaps because she became overconfident or was unable to bring Antony down to reality, she developed an unrealistic and unsustainable new vision.

Regarding Caesar and Marc Antony, Cleopatra stayed largely within the boundaries of the value system of her time and her culture. The Romans disliked the public display of the extramarital relationships. Because these love relationships would at the very least be frowned upon in the modern professional context, such behaviour cannot serve as an example. It is important to note, however, that Cleopatra did demonstrate the power of extending relationships beyond the professional and into the personal. At the same time she incurred great risks by allying herself with only one individual at a time and by not managing her reputation with key stakeholders. Her greatest flaw, and the main cause why she met such a sorry end, was her inability to build and maintain an effective network, particularly across borders. Consequently, she became supremely vulnerable when her partner was taken out of the picture. Not knowing whom to influence put her in a passive position, unable to proactively influence the power plays. Failing a network, she lacked understanding about the organisational culture of the Romans to effectively manage her reputation.

Cleopatra's strongest feature was her ability to turn her difference into an opportunity. She used positive archetypes, unique to women and difficult to exploit by a man, effectively. If not a role model, can Cleopatra then be an example for our times? Not as a leader as such, for that she had too many flaws. Yet she can be an example to women leaders in how to be successful by distinguishing themselves from, rather than imitating, male behaviour. Cleopatra's downfall is a reminder of the importance of networking to manage your reputation as a woman leader.

21.3.2 *Limitations and Further Research*

As with any historical research, a certain lack of evidence as a result of a limited collection of historical sources makes it difficult to double check the truth value of the facts presented. Furthermore, lacking ego-documents from Cleopatra, the conclusions are mainly based on the perception of Cleopatra's behaviour by others, some of whom were not contemporaries.

It would be helpful to compare the case of Cleopatra to other queens in different periods of history in order to be able to draw more generic conclusions about the career path and competencies of women leaders.

Finally, leadership being contextual, leadership development can only draw analogies from the behaviour of historical persons of the past and use them after examining them through the lens of modern reality.

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Chapter 22

Connecting Desired Leadership Styles with Ancient Greek Philosophy: Results from the Globe Research in Greece, 1995–2010

Nancy Papalexandris and Eleanna Galanaki

Abstract Is there an ideal leader? If yes, do the traits of this ideal leader vary by national culture or across time, or is leadership a uniform concept across cultures? In this paper, modal leader behavior patterns are explored in modern Greece, through the findings of a longitudinal research project carried out on 1000 middle managers. The identified as desired leadership traits are then studied under the light of ideal images of the leader, as depicted in the classic works of Ancient Greek thinkers, notably Plato. Believing that implicit fundamental values are, to their larger part, unchangeable, we assume that the Greek ideal leader remains the same across centuries. Our findings seem to support this assumption.

“The concept of a leader cannot be defined independently of what a “good” leader is expected to accomplish.” [(Kodish 2006), on Aristotle’s teleology]

22.1 Introduction

Leadership has been a topic of study for social scientists for much of the twentieth century, yet there is no consensual agreed-on definition of leadership. Leaders have existed in all cultures throughout history and the practice and philosophy of leaders and leadership can be found in very diverse writings, ranging from the Greek classics such as Homer’s Iliad, to the Old and New Testaments, to essays about Confucius in China, to Machiavelli’s rules and principles (Dorfman and House 2003b). An almost endless variety of definitions of leadership have been developed,

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perhaps as many as the persons who attempted to define the construct (Stogdill 1974). This goes hand-in-hand with the existence of different, across countries, “modal leader behavior patterns, in their emphasis on individualistic versus team orientation, performance versus maintenance orientation, authoritarian versus democratic orientation paternalism, reliance on personal abilities, subordinates or rules, leader influence processes, and consensual decision making and service orientation (Dorfman et al. 2003b:60).

Our aim in the current paper is to investigate the modal leader behavior patterns, as Dorfman and House (ibid.) put them, in Greece. Much about modern Greek reality is deeply rooted in ancient tradition and practice, which was often expressed allegorically in mythology. It is believed that Odysseus’s inventiveness, Zeus’s power, and Athena’s wisdom are still among the main characteristics Greeks are looking for in their leaders (Papalexandris 2007).

The word leadership, literally translated as “igesia” in Greek, is a word usually serving to describe the top-rank official in large institutions such as the army, ministries or political parties. Only during recent years, and after extensive use in executive seminars and business courses, has the term acquired the meaning it has in the English language.

On the contrary, the term leader, when used alone as a noun e.g. “he is a leader”, refers to the person who has some kind of special quality or charisma to guide people, while when used in combination with another word, “the leader of the party”, simply refers to the person who is on top of the hierarchy.

The distinction between leaders and managers is somewhat difficult for those not having studied management. In fact, there is no corresponding translation for “manager” in Greek language, which means that the English word is used extensively. For higher levels, the word most often used is “dieftintis”, meaning director. Indeed, many managers still carry out their jobs in a more directive and controlling approach than is commonly found in western companies (Papalexandris 2007).

However, even in family-owned companies which could be characterized as patriarchal, very rarely the directive style means harsh treatment to employees. According to Broome (1996), the successful Greek manager is expected to take care of employee needs as they arise, showing an interest in their family problems, as for most Greeks, the family is more important than work. The personal relationship with employees and the ability of the manager to develop and maintain personal connections with both subordinates and colleagues is often what distinguishes a manager from a leader, especially at the middle levels of hierarchy.

Very important at this level, is the ability of the leader to appeal to the “*philotimo*” or love of honor of his employees and create conditions which allow employees to show their creativity, diligence and dexterity, while creating a system that encourages and supports individual initiative. One must take into account that Greeks are very hard working people, when the situation requires it, and it is the personal quality of diligence, not work itself which is important (Lee 1959). Meaningless and routine work is viewed with disdain and this explains partly the low productivity of the public sector, which is nevertheless sought by employees since it offers job security. Yet many people, showing lower productivity in lower paid jobs of the public sector, will take an extra job to support their family.

Also critical is the ability of the leader to treat each employee as a person. As stated by Broome (1996), “in Greece you must manage persons, not personnel”. As shown in several previous research efforts (Papalexandris 2007), Greeks are both very individualistic and independent. According to Fermor (1958, 1966), an English author who fought in Greece during World War II and has studied Greek culture extensively, “every Greek may be said to comprise a one-man splinter-group”, while the Greek word for person, “*atomo*”, comes from the word which was believed by ancient Greek scientists to be the indivisible unit of the universe. In the work environment, employees are always inclined to fight against perceived limitations on their personal freedom, independence and individual rights.

In view of the above, being granted the attribute “leader” in a Greek organization is not a simple task, but rather a great achievement. Greeks do not like to be told what to do without proper explanations, dislike orders and are not at all intimidated by status. They face difficulties in cooperating and are very fast at questioning authority and mistrusting superiors. Therefore, only the person who can win approval, encourage teamwork and be recognized as superior due to his qualities, skills, fairness and integrity, can be characterized as a leader. Such a person can achieve levels of performance from his group, which far excel what would be considered as normal by international standards.

The ideals and values guiding modern Greek leadership, as this is described above, share important similarities with the ideal leader in ancient Greece, as depicted in the works of the classics. Would this suggest the existence of a universal notion of leadership that transcends time?

This overall picture of Greek leadership and the question raised regarding leadership’s universality will be further analyzed with the help of data from a research on preferred leader traits, carried out in 1995 and repeated for confirmation purposes in 2010.

More specifically, in connection to the above discussion, the current paper sets two major objectives:

1. To present the findings of a longitudinal study on the leadership style desired by Greek managers, and to discuss peculiarities of Greek leadership as compared with results from countries across the world.
2. To analyze findings under the light of ancient Greek philosophers’, notably Plato’s, views on leadership and identify elements which show common values across time.

22.2 Method

The data come from a longitudinal survey on desired leadership traits. The survey is part of the GLOBE - Global Leadership and Organizational Behavior – project, as run in Greece, since 1992. A major objective of the GLOBE study is to identify culturally endorsed leader behaviors, as a way to help individuals involved in substantial intercultural interactions (House 2003). The implied hypothesis is that what is effective or ineffective varies across cultures, so knowing different cultures

Table 22.1 The two Greek rounds of the globe research on desired leadership traits

1995 round	2010 round
235 Greek middle managers Banks and telecommunication	733 Greek middle managers Mostly from the banking sector
Globe questionnaire	
Private and public organizations	
Same questionnaire and data collection methodology	
112 questions on desired leadership characteristics	
7-point Likert scale	
21 leadership dimensions extracted according to the Globe directions	

and their values would facilitate conflict resolution and improve the performance of interacting individuals from different cultures (such as negotiators, managers, members of joint ventures or expatriates working in foreign countries) (Dorfman et al. 2003b).

The results of the 1995 round on Greece have been published and discussed on various occasions (Apospori et al. 2005; Papalexandris 2006; Papalexandris et al. 2002). The 2010 round findings come to further clarify and confirm the previous findings.

The two survey rounds are depicted in Table 22.1.

22.3 Results and Implications

Globe used 21 leadership dimensions, 12 of which included positive and nine negative characteristics. Respondents were asked to give a score on a seven-point scale declaring the extent to which each of the characteristics was hindering or contributing to effective leadership (Table 22.2).

Among positive dimensions, integrity ranks at the highest level among Greek respondents, something that was expected, since leader integrity has been shown in the past as universally perceived to guide to effective leadership. Integrity is an “end-value that is universally held in all cultures” (Dorfman et al. 2003a:673).

The other three dimensions ranking high in the Greek sample describe a leader as administratively competent, decisive, and team integrator. In all the above dimensions, Greece ranks among the ten first countries in the global sample of 61 countries participating in Globe.

Of the other positive dimensions, diplomacy ranks the highest among Greek respondents, if compared to the rest of the world, something quite expected since the ability to negotiate, to find a balance between opposite trends, to survive in changing circumstances and to take advantage of unexpected events require a great deal of “diplomatic” skills, which business leaders must by all means possess. Greece also ranks high if compared with the rest of the world, in the dimensions of self-sacrifice, collaborative team orientation, modesty, humane orientation. The

Table 22.2 Ratings on each of the 21 leadership dimensions (first-order factors), in 2010 and 1995

Leadership dimensions	Mean 2010	Std. deviation 2010	Mean 1995	International rank 1995	t-test for difference of means significance, between the two rounds
Integrity	6,34	0,693	6.27	20	
Team integrator	6,14	0,535	6.20	10	
Administratively competent	6,14	0,600	6.18	8	
Decisive	6,13	0,6110	6.18	9	
Charisma 2: inspirational	6,11	0,517	6.25	25	<i>P = 0.000</i>
Charisma 1:visionary	6,05	0,574	6.19	24	<i>P = 0.001</i>
Performance oriented	5,89	0,801	5.82	48	
Diplomatic	5,87	0,587	6.02	2	<i>P = 0.001</i>
Collaborative team orientation	5,63	0,626	5.77	12	<i>P = 0.004</i>
Modesty	5,49	0,725	5.28	20	<i>P = 0.000</i>
Participative	5,46	0,943	5.75	52	<i>P = 0.000</i>
Status- conscious	5,12	0,963	5.12	10	
Charisma 3:self-Sacrifice	5,05	0,955	5.42	10	<i>P = 0.000</i>
Humane oriented	4,97	1,082	5.02	22	
Procedural/ Bureaucratic	4,20	0,881	3.74	40	<i>P = 0.000</i>
Autonomous	4,00	1,127	3.98	23	
Conflict inducer	3,61	0,907	3.62	47	
Face saver	2,94	1,021	3.05	23	
Autocratic	2,15	0,913	2.14	51	
Self- centered	2,13	0,820	2.11	31	
Malevolent	1,56	0,557	1.55	53	

(st. deviations from 0.5 to 1.1)

only dimension in which Greece shows a low position (49th in 61 countries) is that of performance orientation. Greek leadership is still lacking behind in this dimension, in agreement to previous findings on societal culture (Papalexandris 2007). Generally speaking, Greek leadership ranks high in the 12 dimensions with positive values, as in eight dimensions it is classified in the highest level and in four dimensions in the middle.

In the second group of dimensions which have a negative value, Greek leadership ranks low in the malevolent behavior, as well as in non-participative, autocratic, conflict inducer and procedural behavior. However, relatively high scores appear in status consciousness, self-centered and autonomous (formerly individualistic) behavior. One can conclude that all negative dimensions have largely to do with the leaders' "ego", while fortunately they are outnumbered by the positive dimensions. Individualistic characteristics of Greek managers are deeply rooted, cannot change easily and seem to be reflected in their leadership style.

However, very encouraging is the high score given to participative and collaborative behavior, which is gaining ground in modern companies and is the only way for offsetting strong individualism in the work environment.

From the 21 leadership behaviors, following the GLOBE project instructions, six second-order factors, or “global leadership dimensions”, as mentioned in the GLOBE publications (Dorfman et al. 2003a) were computed. These global leadership dimensions are labeled as follows:

1. Charismatic/Value-based: this is a broadly defined leadership dimension that reflects the ability to inspire, to motivate and to expect high performance outcomes from others on the basis of firmly held core values. This GLOBE dimension includes six primary leadership subscales, i.e. (1) visionary, (2) inspirational, (3) self-sacrifice, (4) integrity, (5) decisive and (6) performance oriented.
2. Team Oriented: it is a leadership dimension that emphasizes effective team building and implementation of a common purpose or goal among team members. It includes five primary leadership subscales, i.e. (1) collaborative team orientation, (2) team integrator, (3) diplomatic, (4) malevolent (reverse scored), and (5) administratively competent.
3. Participative: A leadership dimension that reflects the degree to which managers involve others in making and implementing decisions and includes two primary leadership subscales, i.e. (1) autocratic (reverse scored) and (2) non participative.
4. Humane Oriented: it is a leadership dimension that reflects supportive and considerate leadership but also includes compassion and generosity. It includes two primary leadership subscales, i.e. (1) modesty, (2) humane oriented.
5. Autonomous: A newly defined leadership dimension that refers to independent and individualistic leadership. It includes a single leadership subscale, labeled autonomous.
6. Self-Protective: this also newly defined leadership dimension focuses on ensuring the safety and security of the individual or group member. It includes five primary leadership subscales, i.e. (1) self-centered, (2) status-conscious, (3) conflict inducer, (4) face-saver, and (5) procedural.

Table 22.3 that follows, presents the scores on each of the six Global Leadership dimensions in Greece and other country clusters across the world.

A finding from the two research rounds that is worth mentioning was that the scores of the desired leadership behaviors were very consistent in the two rounds. This supports the high, as reported, reliability of the research instrument (Globe questionnaire) (House et al. 2001a; House et al. 2001b).

The following differences, though small, were significant and are interesting to investigate further:

- Higher importance attributed to modesty and procedure than in 1995, while
- Lower importance attributed to diplomacy
- Inspiration and vision, both attributes of the charismatic leader, though very important, are less pronounced than 15 years ago
- Self-sacrifice and being participative are less desired than 15 years ago

Table 22.3 Scores on each of the 6 s-order/Global culturally endorsed implicit leadership dimensions, in Greece and other country clusters across the world

	Charismatic/ value-based	Team oriented	Participative	Humane oriented	Autonomous	Self- protective
Mean- Greece2010	5.93	6.04	5.20	5.23	4.00	3.60
<i>Std. deviation</i>	.47	.43	0.98	.76	1.12	.54
Eastern Europe	4.4	5.88	5.8	4.76	4.2	3.67
Latin America	5.99	5.96	5.4	4.85	3.51	3.62
Confucian Asia	5.63	5.61	4.99	5.04	4.04	3.7
Nordic Europe	5.93	5.77	5.75	4.42	3.94	2.72
Anglo	6.05	5.74	5.73	5.08	3.82	3.08
Sub-Saharan Africa	5.79	5.70	5.31	5.16	3.63	3.55
Southern Asia	5.97	5.86	5.06	5.38	3.99	3.83
Germanic Europe	5.93	5.62	5.86	4.71	4.16	3.03
Middle East	5.35	5.47	4.97	4.80	3.68	3.79

Some tentative explanations using information from the external environment are offered in Table 22.4 that follows.

These small differences can be explained by changes in the country’s political and economic environment, showing that external forces can only slightly influence ways in which respondents view desirable leadership characteristics.

Having presented results from our research on desired leadership we will now look into ideal leadership as described by Plato, the Greek philosopher who has dealt most extensively with the subject and explore whether his ideas bear any resemblance with modern Greek reality.

22.4 Modal Leadership in Modern Greece and Its Link with Plato’s “Philosopher-King”

One of the main questions ancient Greek philosophers dealt with was “who should lead us”. This question was very important especially for Athenian Plato (426–348 B.C.). Plato is among other Greek philosophers the one who can without any doubt be defined as one of the most influential leadership-thinkers of all times in addition to his other merits (Takala 1998).

Plato in his description of the ideal State- the “Republic” -, argues that ruling a state needs an expert ruler who must be carefully selected, prepared and trained in making political decisions. He believes in the philosopher-king who should possess a number of moral, behavioral and practical qualities.

Looking back at our scores on the six second order/global culturally endorsed leadership dimensions, we can see that the dimension which received the highest

Table 22.4 Differences found between the two research rounds and an attempt to explain them

Differences found in the 1995 and 2010 rounds	Tentative explanation
<i>Inspirational and Visionary leadership</i> are somehow less desired	People are getting suspicious of leaders who may at first inspire people but who later prove that they cannot meet people's expectations Behavior of political leaders in the recent past has shaped this tendency among respondents
The characteristic of <i>diplomacy</i> in which Greece was very high (second in Globe) in 1995 is less important now	This may be due to the fact that diplomacy includes the element of manipulation or lack of complete frankness which people tend to despise
<i>Collaboration and team orientation</i> and participation are less important	This may be due to the fact that a lot of work assigned to teams or committees has produced poor results. Committees, especially where responsibility is spread to many members, often lack effectiveness
Less importance attached to the characteristic of <i>self-sacrifice</i>	This is due to the fact that over the past years there are no examples of similar behaviors shown by leaders. Even if such a behavior appeared, people would be suspicious and believe it is practiced for publicity reasons
Increase in desired <i>modesty</i>	This is due to the fact that many leaders over the past years have been accused for lack of modesty and have been criticized for receiving high salaries, leading luxurious lifestyles and disregarding problems faced by their employees
<i>Integrity</i> becomes more important	This is due to various economic scandals and cases of bribery which are believed to have contributed to the economic crisis the country is facing
More importance attached to the <i>Procedural/Bureaucratic</i> characteristic	This is due to the fact that, as organizations grow, a more systematic approach to management and procedures is needed. Globalization and EU participation requires better planning, meeting of deadlines and compliance to legal and international legal standards

preference in Greece is charismatic/value based leadership. This is also true for five out of the six country clusters presented by Globe study.

This shows that there is a universalistic truth about Charismatic/Value-based leadership which is also strongly endorsed by Greek respondents. This truth goes back to classical times since Plato's leadership criteria have many common elements with the notion of the philosopher-king.

Plato believes in leaders who are charismatic and excel above their fellow-citizens. They can inspire by being the wisest among them and they possess the greatest knowledge, skills and virtues of all kinds.

As for the particular characteristics which score high for Greece, these include in order of preference integrity, team integrator, administratively competent and decisive. Looking back at Plato's philosophical work we will examine how these characteristics fit his ideas about leadership.

22.5 Integrity

It is widely believed and well documented in the literature that the morality of leaders carries a greater weight and volume than those of non leaders (Ciulla 2004). It includes moral obligations related to justice, duty, honesty, fairness and responsibility to others and implies that the leader is free of all types of moral or material corruption.

According to Plato, the ideal leader will arise from the hierarchy and achieve the ruling position as the philosopher king following long years of proper training and education. Plato's philosopher king has as his principal aim to change the world in order to realize the good. To rule the just city leaders must have the capacity to acquire knowledge which is however not independent of moral character. Once he reaches this position he is expected to live an ascetic way of life dedicated to his duty.

He will have rational control over his appetites and prevent personal desires from upsetting his public responsibilities (Reeve 1988).

To avoid the situation which allows leaders to gather wealth for themselves, Plato proposes to eliminate property holdings from the leaders and his auxiliaries and forbid them from developing non-material private attachments that might corrupt them (Williamson 2008). The true leader must be primarily an ethical agent because of his honesty, sincerity and dignity.

It is obvious that what our Greek respondents ranked as the ultimate virtue for the desired leader is in the centre of Plato's description of the philosopher-king.

22.6 Team Integrator

Plato argues that, since the leader rules over a harmony-seeking entity, good leadership is that which advances the group as a whole and the interest of all within it. The ideal leader must be a philosopher whose main aim is to search for the good of all of his people instead of being an egoist who is motivated only by the gaining of power. Therefore a leader philosopher is forced to accept rulership not because he strives for his personal wealth or power but because it is his duty to serve the common good and be beneficial to his subjects. Leaders whose view of the world is distorted by honor-seeking desire will lack adequate knowledge of reality and such leaders cannot govern well.

The Platonic ruler does not derive his authority only from his expert knowledge but also from his impartiality and fairness. This fairness leads to friendship and cooperation among different parts of the city and is therefore for the advantage of all groups and members of groups in his City-State.

Although the notion of team-integrator is somehow different in modern leadership, the idea of Plato that the ideal leader due to his unselfish desire to serve his people and his superior knowledge of reality will achieve the unity and harmony within his team, applies across time and cultures.

22.7 Administratively Competent and Decisive

We will examine these two characteristics in combination as they are complementary in leadership practice. Leadership for Plato is not a “birth-right” but is grounded in the personal potential of each and every one, both women and men, in preparation for governing and administrative positions (Philipoussis 1999).

The Platonic leader is not a particular individual raised specifically to become a ruler. All children have the right and could equally be possible leaders of society. The only criterion for a child to become a philosopher king is his intellectual abilities and motivated character which will help him aim at and reach personal excellence.

Plato believes that the ideal leader is an expert individual who is able to govern because he is aware and has deep knowledge of eternal truths as well as of practical skills with great stress put on the latter (Takala 1998).

On the other hand, Plato’s lessons also have substantial implications for future work in the study of leadership. First, Plato puts onto the table in a compelling way the question of moral character and self-control. Therefore, attention to moral character should play a more central role in both the evaluation and education of leaders. Second, Plato argues that the decisive form of knowledge for leaders is knowledge of the good and the good life, i.e. both technique and moral knowledge. Third, Plato argues that we cannot expect either moral character or knowledge of the good to spring up on their own, in the absence of a supportive set of social and educational institutions aimed at producing such persons. So the question on how to nurture good leaders is linked to questions about the nature of the good life and the good society (Williamson 2008).

We can therefore draw the analogy between the administratively competent and decisive leader of our times and the well trained expert individual of Plato, who gained his position for his excellent qualities to rule.

22.8 Conclusion, Limitations and Further Research

The conclusions to which this paper has led us are manifold.

One very important conclusion has to do with the GLOBE project methodology. The currently presented research, as previous efforts in the past, has confirmed the high reliability of the research instruments adopted. The scales and dimensions used have demonstrated the same and consistent characteristics, across 15 years. On the other hand, the findings of the 2010 round agree almost perfectly with the ones of 1995, supporting in this way the omnipresent belief that values and culture are very difficult, if not impossible, to change, therefore, as desired leadership characteristics are culture bound, they change at a very slow pace, if at all, over the years.

Even the limited changes observed over the past 15 years can be well explained by the economic situation, globalization, and internationalization of firms that have shaped a different environment, in which managers are expected to function as leaders. At the same time, certain negative behaviors of top leaders serve as bad examples and influence desirable leadership characteristics across time.

Greece is a country with a complex past history where lessons from philosophers blend with modern reality. This has led to a vast and diversified pool of values, attitudes and behavioural patterns, from which individuals draw to form their own character and personality.

In Greece, as in any other part of the world, the ideal leader has elements expressed in the past, although they are difficult to find in the modern business world. Yet, the search for the ideal in writings of the past can help us in analyzing our present shortcomings and to educate our future leaders.

Certainly, there are several limitations in the current study, the most obvious one being the fact that although the research covered changes and results across time in Greece, there was not a possibility to perform, at the same time, a comparison with other countries and check how time has affected their results, in order to conclude on the diachronic nature of the values connected to the modal leader behavior. Another limitation of this study has to do with the inherent difficulty in generalizing results from a given empirical study that focuses on specific managerial behaviors and connecting them to the works and broad lessons from the classics and Ancient Greece.

A suggestion for future research, based on the results of the current study, is to study more thoroughly and with a larger, international sample, the relation of modal leadership behavior with societal culture and how this relation alters or adjusts over time.

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Chapter 23

An Ancient Business Success and a Medieval Business Failure: Lessons in Ethics from Old Business Approaches and Practices

Marios Philippides

Abstract An early success in business through the foresight of a brilliant individual created the foundation of a city state under a newly founded democracy, and the brilliant “marriage” of private initiative to a state mechanism created a new form of a state which went on to become the foundation of western civilization. This early form of primitive socialism under the guidance of enlightened individuals further created the first notable sea empire in Europe; but its origins went back to the policies of an individual who achieved a successful formula balancing wisely private and state finances, which ensured the employment of most of the city state’s poor citizens by guaranteeing an annual state salary through the state employment of the free but financially underprivileged citizens in the business of the state. The dawn of the classical age was thus based on a happy balance between the private individual and state employment.

23.1 The Athenian Triumph

The decade of 490–480 proved critical for Athens as a city state in ancient Greece and it formed the background that Athens utilized to become the major city state in ancient Greece, as it produced, as it will be argued, through sound state policies and private business-oriented practices, the economic foundations on which a sea empire could eventually form. The year 490 contributed a great deal to optimism as in the late summer the Athenians, with only minor help from the small city state of Plataia, were able to defeat a Persian expeditionary force that had been launched by the Persians against the city. While the Persian assault was not considered by the Persian court an all out war but a skirmish, at best, the Athenians, against all expectation, as they had been decidedly outnumbered, destroyed the enemy army

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and created an optimistic outlook for the future. Persia had not suffered a serious military setback thus far and had been able to expand from Asia into the Balkans; it had expected the eventual annexation of Greece and the rest of Europe. While this Athenian triumph can be attributed solely to the city's hoplite forces, which consisted of all available citizens, politicians and intellectual men of property, the setback for the Athenians was the fact that the Persian fleet was able to escape, with minor losses, and even threaten Athens on its way out from Marathon.¹

While the Athenians celebrated their victory and some among them were able, through the spoils that they had won on the battlefield, to gauge the wealth of the Persian Empire,² as large amounts of luxury items were recovered to such a degree that many individuals became rich overnight, it became obvious to some thinkers that the economic resources of the Persian Empire were vast and that the threat had not been eliminated at Marathon but that the Persians were destined to return. Thus the triumph was not the end of the war but the beginning and Athens and Greece would have to face a future threat. It was also clear to such thinkers that something had to be done to prepare against this threat but the climate created by the triumph was in fact in the way of making serious preparation, as the general mentality simply declared that what had been done by the infantry would be replicated again.

23.1.1 Circumstances Supporting the Planning Against the Threat

What assisted the Athenians were a few circumstances for which they were not responsible. First the Persian court suffered a setback with the death of the King of Kings, Darayavahush I ("Dareios" of the Greeks) and his successor had to deal with an ensuing rebellion, which took him all the way to Babylon before he consolidated his authority and could plan the invasion of Greece. Thus a decade passed, which allowed the Athenians a respite to prepare for the invasion that was going to come and this time something had to be done in the naval sector, as very few farsighted individuals had realized.

In this decade, which allowed a respite from the threat, the Athenians discovered a very rich vein of silver in their mines at Attica's Laurion, which provided the state with an unprecedented windfall and turned the state rich overnight. The problem in the early economic sphere and primitive financial institutions of the time was what to do with the available cash. We have to remember that economic institutions were quite primitive at the time and that the Athenian *Ekklesia*/Assembly of all male citizens had full authority over the state expenditures. In addition, democracy was still in its infancy, as it had been established about 30 years earlier. There were no mechanisms to utilize the available funds, except through the will of the Assembly. The optimistic climate in Athens that resulted from the earlier victory at Marathon and the ensuing confidence that had been established allowed no room for planning for a significant future defense. In fact, the most popular proposal in the Assembly argued in favor of distributing the newly found cash equally among all citizens, thus

placing itself in favor of direct compensation to individuals. The popularity of this proposal is understandable, as each citizen would have realized ten *drakhmai* as a kind of dole. In this atmosphere of private greed, however, rose one individual to argue against the popular proposal; he subsequently made his mark in history and became the most influential personality in the history of Greece and of Western Civilization, in general, as it has been consistently argued. His name was Themistokles and he was able to offer a counter-proposal and produce a compromise that affected the business climate of the period. He rose in the Assembly and persuaded the Athenians to give up their private share of the silver; they then donated it to the state to construct a modern fleet of triremes, which eventually proved the key factor for the defense of the West against Persia in 480. Without the newly built fleet of the Athenians, the ancient world could have been taken over by the Persians and History would have followed another course. What is extremely frustrating for the economic historian is the fact that we do not know what arguments Themistokles used to persuade the Athenians to give up their private shares. His speech has not survived, nor do we have any hints as to the arguments he employed. Historians in the past have emphasized his possible use of defense for Athens but we have every reason to believe, given the climate of optimism at the time, that the Athenians would not have been persuaded by such arguments. Most historians entertain the possibility that Themistokles must have offered lofty arguments, such as “the defense of the homeland against the enemy,” whether the enemy was identified as Persia in general or as Aigina, the island nearby and traditional foe of Athens. But such arguments, we realize from observation and from similar circumstances, are often neither persuasive nor very successful when they are weighed against immediate, private monetary gain.

23.1.2 The Creation of a Fleet as a Business Project

I would like to suggest that Themistokles used an argument that would have persuaded the Athenians to follow his proposal by utilizing what can be considered in modern terms a “business” argumentation. The fact is that the creation of the fleet produced, within 10 years, a sea empire and the arguments in favor of the production of the triremes went beyond mere defense against Persians or Aiginians. The trireme was a warship that was designed for quick, short action at sea. It was the equivalent of a missile in the ancient world, and ancient historians often likened it to an arrow. Each trireme contained a human engine of about 170 rowers.³ The Athenian fleet on the eve of the battle of Salamis in 480 numbered up to 180–200 triremes, after Themistokles won his way. The total number of rowers thus must have exceeded 30,000–40,000. That is to say, almost the entire male population of Athenian citizens was employed in the fleet, while the Athenian armed forces of hoplites, i.e., reasonable well off men of property, amounted to about 9,000. Furthermore, by comparison, before the battle of Marathon, Athens could only deploy 30–50 triremes, with crews up to 5,000–9,000 rowers. The sailing season for

the trireme consisted of 3–4 months, from spring through summer.⁴ This is the period for which the services of the rowers were needed. It should be further emphasized that Greek crews in the ancient world consisted of free citizens. The human engine of the trireme never included forced labor supplied by slaves, as it was considered a highly skilled job that could only be entrusted to citizens who may have been too poor to be hoplites. By extension, the vast majority of Athenian citizens were thus guaranteed a salary and compensation by the state through employment in the fleet for at least 3 months every year; in fact the majority of the citizens who could not afford armor and be hoplites could be paid to serve in Athenian trireme crews. Thus the trireme created jobs for the entire population of citizens and the sailing season must have been eagerly anticipated every year by the poorest sections of the population. Athens became an employer of its own citizens and after the Persian threat was eliminated, Athens had to continue to employ its citizens in the fleet if for no other reasons, certainly for political necessity, as they held the majority in the Assembly; the citizen rowers controlled all finances of the state through the Assembly. In fact, this requirement of steady annual employment for her citizens, even when the Persian threat had been eliminated, ensured that Athens would become a sea empire. Thus the development of Athens as the major city-state in the ancient world depended on the employment of its citizens and on the maintenance of a fleet of triremes.

Themistokles must have used similar economic arguments, emphasizing yearly employment with a guaranteed income, to persuade the Athenians to give up their immediate private share of silver in order to authorize the creation of a fleet. He must have emphasized, from the business point of view, employment and guaranteed yearly employment and income through the creation of a future steady job for the active life of each male citizen. The Athenians were guaranteed a state salary for some months of the year. His brilliant achievement directed Athens to a glorious future.⁵ It was by the creation of the fleet that Athens became an empire and bequeathed to the west such monuments as the Akropolis and her intellectual legacy. It is a perfect example of correct business practices involving individuals with an initial investment and returns and profits that involved all the citizens, who also became active participants in the venture. It is a perfect example of a happy marriage between private initiative and state employment that could be seen as a primitive expression of socialism.

23.2 The Failure of the Byzantine Empire

The second case that I will examine deals with a failure that brings to its end a millennial empire, the so-called Byzantine Empire. With its finances in ruins and facing a direct military threat launched by the Ottoman Turks in 1453, Constantinople failed to inspire its fabulously wealthy citizens to contribute to its defense. I will concentrate on that individual who was also a member of the imperial administration and the major finance officer of the empire, who was

shortsighted and failed to rise to the occasion at the sunset of Constantinople's independent existence. The contrast between a brilliant private individual inspired by sound business principles and a late medieval minister of the imperial administration interested in maintaining his own wealth to the detriment of his state will be emphasized and discussed.

Our second case comes from the end of the medieval period and deals with an empire that had successfully survived for over 1,000 years: the Greco-Roman version of the Roman Empire, known generally, albeit incorrectly,⁶ as the "Byzantine Empire." By the middle of the *quattrocento* the "empire" had been reduced to its capital and few small territories in the Balkans and in southern Greece; it had been completely surrounded by the rising Ottoman Turks and it was a matter of time that its ancient capital, Constantinople, would be annexed by the Turks.⁷ In its last years, Constantinople was a dying city, as its finances had been taken over by western powers such as the Venetians and the Genoese. The result was that the "empire" was bankrupt⁸ on the eve of the siege and the fall to Sultan Mehmed II, who would then acquire the honorific sobriquet Fatih/Conqueror.⁹ The last emperor of Greek Constantinople, Constantine XI Palaiologos must have been acutely aware of his numerous financial problems. Especially problematic was the need for endless cash for defense in the upcoming siege. That the Greek capital was experiencing a financial stranglehold was not news. Thus an anonymous author blamed the fall of Constantinople in 1453 on the financial situation¹⁰ "the emperor was at a loss, as he lacked two necessities: time and florins." In an attempt to mitigate this urgent situation somewhat, Constantine tried to impose a tax on Venetian merchandise, mainly wine and hides imported from Ottoman territory and brought into Constantinople; predictably, this tariff did not prove popular with the Venetians and the emperor encountered enormous resistance. Complaints surfaced in 1450, when the Venetians protested loudly and even threatened to abandon Constantinople. In October of 1450 Constantine responded to the doge and expressed his total conformity to every term of the treaty of 1448, adding that the new tax was not intended as an attempt to invalidate or to re-write the treaty. He pointed out his state's undeniable financial exigencies and stated, in unambiguous prose, that his treasury was empty. In order to pacify his Venetian allies, Constantine explained that his imposition of the tax in question was "for the welfare of the city," *pro utilitate urbis*. Constantine failed to make any progress in his attempt to enhance the revenues of his capital, by forcing the Venetians (who made enormous profits in Constantinople) to contribute something to his treasury. He could not contemplate taxing his own subjects. The majority of the Constantinopolitans were too poor to subsidize the war effort. The Greek population was no longer prospering, as the city's wealth had long ago passed into the hands of the Italians, who neglected to look out for the common good but focused on their own momentary, petty gains. In addition, whatever wealth remained in Greek possession was concentrated in the hands of the very few, enormously wealthy citizens of Constantinople who, after the fall, were accused of failing to contribute their fair share to the defense. Later authors claimed that the loss of the city to the Turks was largely due to the fact that these wealthy Greeks denied their wealth to their

homeland in her hour of need. The following comments are a typical example of this attitude in a popular work composed in the spoken idiom by an ill educated anonymous author¹¹ “O Romans [Greeks]: you were avaricious, rabble-rousers, and traitors. You handed over your homeland. Your emperor was poor; he begged you, with tears in his eyes, to lend him florins in order to hire and gather warriors to help in the war but you refused, saying, with oaths, that you had no money and that you were poor. But later, after the Turk conquered you, you were found to be rich.” Indeed Constantine proved unable to raise funds for the defense of his city. In every step that he took he seems to have encountered petty excuses, loud protests, procrastination, or complete indifference. His own subjects, as well as other Christian states, including those Italian powers that stood to lose a great deal with the fall of Constantinople to Islam, simply failed to rise to the occasion and did not contribute the sums required in the critical hour. Their main contribution consisted of few valiant warriors, who volunteered their services during the siege in an uncoordinated and haphazard effort inspired by Christian ideals and quixotic values, but in terms of actual money next to nothing was extended to the beleaguered capital of the Greeks. During the siege, the financial problems were so compounded that the emperor was left with no other choice but to “borrow” from churches and from dedicatory offerings. Eyewitnesses, who were moved by the emperor’s pathetic actions, justified his emergency measures by appealing to ancient precedents. His inability to raise funds for the defense of the city is emphasized in western sources also:¹² *L'imperator essendo poverissimo, dimandò imprestido a suoi baroni di denari, loro si escusarono non ne avere, et poi Turchi trovarono assai denari, et a tal di quelli gentilhomeni fu trovato ducati 30^m, e fu consigliato l'imperatore non mettere angarie in quei tumulti, ma torre le argenterie de le chiese, et cosi si fece*, “the emperor was extremely poor and asked his noblemen to lend him money, but they excused themselves on the grounds that they had none; and the Turks discovered a great deal of money; in fact, the noblemen were found to have 30,000 ducats; but the emperor was advised not to raise taxes in such confusing times but to confiscate the silver from churches; he did so.”

23.2.1 Personal Greed a Driver to Failure

There was one individual in the imperial administration, who was eventually blamed for the lack of finances. His name was Loukas Notaras and he was the grand duke of the emperor, in charge of finances.¹³ The fact is that Notaras was fabulously wealthy and had invested his fortune in Genoese and Venetian institutions; most of his wealth had been spirited away before the siege. The fact is that he failed to contribute personally to the defense, in spite of his wealth. Most of the criticism that was voiced against the noble who failed to contribute to the defense is really directed against Notaras. The sad fact is that his immense wealth, spirited away to Italy, assisted in securing a comfortable life for his surviving

daughters and son in Venice but it did not shield him from various charges that were voiced against him by his contemporaries. All sorts of tales circulated that reported conflicting versions of the grand duke's last days, while he was a prisoner of the sultan. In addition, folk motifs also accumulated about the figure of the last grand duke. Notaras attracted all this lore because he was fabulously wealthy and because he was the chief financial minister of Constantine XI and of the imperial administration. He had worked hard securing loans for the emperor until the siege, but failed to contribute himself to the defense.

To counteract the mounting criticism after the fall of Constantinople, his surviving relatives in Italy commissioned a literary piece; its author was a minor humanist, John Moskhos, who composed a long, tedious speech entitled *A Funeral Speech in Honor of the Most Glorious and Most Illustrious Grand Duke, the late Lord Loukas Notaras by John Moskhos*.¹⁴ It is not an accident that Moskhos emphasizes the loyalty of Notaras to the emperor (whom, rumors insisted, the grand duke had betrayed during the last stage of the siege) and his personal contribution to the defense of Constantinople. Notaras' efforts on behalf of his homeland are described in a tortuous, highly suspect narration, which would have made the sophists of antiquity proud of Moskhos, as he clearly tries to make the best case out of a bad situation. He cannot show that Notaras contributed his own funds to the defense. He is, however, the only author to suggest that the grand duke urged upon the emperor and the senate a sort of competition among the nobility of who can contribute something. The argument is forced and the contributions did not materialize. His actual words should be quoted, as his text has been neglected by scholarship, even though it is in fact the only text that deals with the finances of Constantinople in its last days: "I believe that only eyewitnesses, citizens and foreigners to his martyrdom can know. No one had been able to offer better advice to the emperor; no one surpassed him, even though those were violent times. On one occasion the emperor [=Constantine XI] mentioned financial contributions (it was especially in those times that he had been in sore need of money), and he was employing colorful language in the senate; he was speaking of finances and was trying to attract the attention of his audience. So he replied as follows: 'My lord: if your divine Majesty had spoken about something else, in this present address and assembly, one may have looked around for another, better opinion. Since our deliberations are over the common salvation and over the removal of the present danger, the need to identify resources is imperative. It would be almost impossible to raise such a sum, unless we have a common fund drive, but not by imperial order, not by force, and not by compulsory ways: the only way is through voluntary contributions and willing donations. This is the time for it: what is the prevailing opinion among the rest? I do not think that another proposal is forthcoming, nor anyone believes that money is plentiful; one will speak in favor of the drive and another will speak against it; one may stand to benefit and another may stand to lose. We need no further proof. It is quite clear that we are all in danger and that your divine Majesty means well; we could adopt forceful means to change one's mind, if one proved unwilling. On top of it, you urge each man to contribute voluntarily. I see many are willing to contribute but they wish to see others begin the contribution. I must be the first

one to do so, as I see no reason to fail to do what is expected of me.’ The emperor [=Constantine XI] was delighted with the man’s good will and then completed his speech. He was the first one to transform this pledge into reality and he urged all the others to do so themselves. He was acting, both privately and in competition with the emperor, on behalf of the needs of the City. The citizens, and many foreigners who happened to be there, knew it, I dare say, as they witnessed such things occur every day.”

Moskhos’ prose and arguments remain unconvincing, especially in regard to the ardent desire that Notaras supposedly displayed in encouraging others to contribute funds to the defense. Posterity has not been kind to the last grand duke and his figure is still surrounded by considerable controversy, as some scholars see in him a traitor. The truth surely lies somewhere in the middle. To the chagrin of his daughters, Loukas Notaras had already become the subject of a lively controversy by the second half of the *quattrocento*. Moskhos’ work is a rhetorical attempt to check the mounting “bad press,” but ultimately this attempt failed and the role of the last grand duke as well as his performance as finance minister during the siege of 1453 remain controversial.

His personal wealth that was not shared by the state is further blamed by numerous texts for his death, as Notaras was executed by the sultan a few days after the sack of Constantinople. We are told that the grand duke attempted to use some of the wealth that he had kept in the capital and had failed to use in the defense by pretending that he had “saved” it for the sultan to whom he presented it. Yet the presentation of his wealth proved his downfall:¹⁵ “The sultan was elated with his victory, became vain, and demonstrated his savage and merciless nature. Our grand duke Lord Loukas Notaras came to his court, prostrated himself, and presented him with his huge treasure, which had been concealed up to this day. It consisted of pearls, precious stones, and gems worthy of royalty. The sultan and all his courtiers were amazed. Then Notaras spoke: ‘I have guarded this treasure for the beginning of your reign. Accept it, I beg you, as my personal gift. I am now your liege man.’ He had hopes that he and his household would thus escape slavery. The sultan responded: ‘Inhuman half-breed dog, skilled in flattery and deceit! You possessed all this wealth and denied it to your lord the emperor and to the City, your homeland? And now, with all your intrigues and immense treachery, which you have been weaving since youth, you are trying to deceive me and avoid that fate you deserve. Tell me, impious man, who has granted possession of this City and your treasure to me?’ Notaras answered that God was responsible. The sultan went on: ‘Since God saw fit to enslave you and all the others to me, what are you trying to accomplish here with your chattering, criminal? Why did you not offer this treasure to me before this war started or before my victory? You could have been my ally and I would have honored you in return. As things stand, God, not you, has granted me your treasure.’ Forthwith the sultan ordered his executioner to place Notaras under arrest and to guard him closely.”

Thus in this medieval case, we are presented with a shortsighted man who acts in a selfish manner and does not see any utility for his wealth to the state. In this case, we are dealing with someone who is only interested in a private initiative as

opposed to a private initiative that also involves the state. Themistokles, the farsighted genius created an empire with a happy blending of private initiative and state finances, through an acceptable argument that utilized successful business incentives. Notaras excluded his wealth from the state finances and thus contributed to the destruction of an “empire” that has lasted for over 1,000 years and had survived the Dark Ages of the early medieval period, as well as numerous other threats which had forced western Europe to collapse and reinvent the amenities that are produced in advanced societies.

23.3 Concluding Remarks

In conclusion, the two approaches to state finances contrast sharply. The successful case involves not simply private finances but a successful blending of state finances and private initiative. Together, in a harmonious mixture, they produced a state, which is still admired for its intellectual and artistic achievements. The politician who created it was brilliant and he produced a successful, albeit primitive, form of socialism under a democratic constitution. In the Middle Ages we perceive a tired empire, whose finances have been taken over by what could have been called, with a great deal of anachronistic bias, a medieval global economy. Constantinople was no longer the master of its own finances, which had been taken over by other Italian states such as Venice and Genoa. While this “international” financial climate allowed individuals within the state, such as Loukas Notaras, to become fabulously wealthy, Constantinople itself did not reap any benefits. Notaras’ wealth was invested in Italian banks and institutions. When it came to the most pressing need such individuals had no incentive to invest in their own country’s survival and denied their wealth to their homeland. By contrast, in the ancient system of Athens, the citizens themselves had a private incentive to ensure the success of their own city-state, as their livelihood depended on a state salary that they received. Are we to learn from such a contrast nowadays, as we seem to face financial challenges that dwarf the challenges facing Constantinople? And yet the parallelism is striking, especially as we endlessly argue about taxation, about social injustices, the demise of the middle class, and even the redistribution of wealth. Are we closer to Athens or are we closer to Constantinople? Are to follow the guidance of Themistokles or the policies of Notaras? Only the future will tell.

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1. The literature and scholarship on the battle of Marathon and its aftermath are vast. The best summary is provided in the old, yet still reliable work, by Burn A. R. (1984). *Persia and the Greeks*. Stanford: Stanford University Press. For a more recent assessment and for an up-to-date bibliography, cf. Lacey, J. (2011). *The first clash: The miraculous Greek victory at*

- Marathon and its impact on western civilization*. New York: Bantam Books; Buraselis, K., & Meidani, K. (Eds.). (2010). *Marathon: The battle and the Ancient Deme*. Athens: Institut du Livre A. Kardamitsa; and Krentz, P. (2010). *The battle of Marathon*. New Haven/London: Yale University Press.
2. The Greeks were first exposed to large amounts of luxurious items from Persia at this time; cf., e.g., the case of Kallias Hipponikou, who became a wealthy man through the spoils won at Marathon and his hidden store there, out of which he derived his comic nickname Lakkoploutos (“Pit rich”). On these and other Persian spoils that came into the possession of the Greeks, cf. Miller, M. C. (1997). *Athens and Persia in the fifth century BC: A study in cultural receptivity*. Cambridge: Cambridge University Press. For Persia’s economy and finances which tended to hoard gold, in spite of the famous gold daric coins, cf., in general, Boardman, J. (2000). *Persia and the west: An archaeological investigation of the genesis of Achaemenid art*. London: Thames & Hudson.
 3. It should be stressed that archaeologically speaking no trireme has been discovered, as timber deteriorates in water; thus only the evidence from metal rams and one particular marble relief in Acropolis Museum (inventory number: 1339) can be used to reconstruct a trireme nowadays; nevertheless the scholarship that has led to the reconstruction of the modern trireme named Olympias (which has been commissioned in the Greek navy) has been gathered by Morrison, J. S., Coates, J. F., & Rankov, N. B. (2000). *The Athenian trireme: The history and reconstruction of an Ancient Greek warship*. Cambridge: Cambridge University Press.
 4. For the trireme in action, and specifically during the battle of Salamis, cf. Strauss, B. (2005). *The battle of Salamis: The naval encounter that saved Greece – and western civilization*. New York: Simon & Schuster.
 5. The best scholarly biography of Themistokles remains that of Podlecki, A. J. (1975). *The life of Themistocles: A critical survey of the literary and archaeological evidence*. Montreal/London: McGill-Queen’s University Press.
 6. “Byzantine” is a term that should be strictly employed to designate the inhabitants of the ancient Greek colony of Megara, Byzantium. The application of this adjective to the Greeks of the Middle Ages dates back to the seventeenth century, when French antiquarians first coined it. It is further unfortunate that Gibbon’s towering influence has colored “Byzantine” with its familiar pejorative dimension. The term “Greek” might not be deemed inappropriate if language and religion were to count as criteria for ethnicity. After all, the language of the average Greek of the *quattrocento* did not differ radically from the spoken idiom of the nineteenth century and citizens of the modern Hellenic Republic could have understood the spoken idiom of Constantine’s subjects with relative ease. Moreover, the religion of the vast majority of modern Greek-speakers is still Orthodox Christianity which has miraculously survived organized Islamic persecution, forced conversions, and the brutal policies of Ottoman masters throughout “the Dark Age” of modern Greece. Thus, while one may be charged with anachronism if one were to maintain that the Palaiologan coda of the Greek empire was the seminal form of the modern Greek nation, I believe that it is neither anachronistic nor unnatural to employ the term “Greek” for the Christian Greek-speakers of the late medieval Balkans and of Constantinople in the fifteenth century.
 7. On these events and the historical background, cf. Philippides, M., & Hanak, W. K. (2011). *The siege and fall of Constantinople in 1453: Historiography, topography, and military studies*. Farnham Surrey: Ashgate.
 8. I analyze the finances of the Constantinopolitan court in Philippides M. (forthcoming). *Constantine XI Palaeologus (1404–1453): A biography of the last Greek emperor*. New York/Athens: Melissa International Ltd.
 9. On this sultan, cf. Philippides, M. (2007). *Mehmed II the conqueror and the fall of the Franco-Byzantine Levant to the Ottoman Turks: Some western views and testimonies*. Tempe: Arizona State University Press.

10. English translation of this work by Philippides M. (1990). *Byzantium, Europe, and the Early Ottoman Sultans 1373–1513: An anonymous Greek chronicle of the seventeenth century (Codex Barberinus Graecus 111)*. New Rochelle/New York: Aristide D. Caratzas.
11. *Ibid.*
12. Composed by the eyewitness physician Niccolo Barbaro on duty aboard the Venetian galleys guarding the Golden Horn and the Constantinopolitan harbor. For a modern edition of his text cf. Pertusi, A. (1976). *La Caduta di Costantinopoli 1: Le Testimonianze dei Contemporanei*. Verona: Fondazione Lorenzo Valla.
13. On this controversial figure, cf. Philippides, M., & Hanak, W. K. (2011). *The siege and fall of Constantinople in 1453: Historiography, topography, and military studies*. Farnham Surrey: Ashgate Publishing Limited, Chapter 4 and Appendix 2.
14. For an edition and English translation, with discussion, of this neglected text, cf. Philippides, M. (forthcoming). *Constantine XI Palaeologus (1404–1453): A biography of the last Greek emperor*. New York/Athens: Melissa International Ltd, Appendix 5; for survivors of this family in Italy, cf. *ibid.*, Appendix 6.
15. For the text and its background, cf. Philippides, M. (1980). *The fall of the Byzantine empire: A chronicle by George Sphrantzes 1401–1477*. Amherst: The University of Massachusetts Press.

Chapter 24

The Mandala Model of Power and Leadership: A Southeast Asian Perspective

Jasmin Mahadevan

Abstract The philosophy and religious tradition of Southeast Asia has not yet been considered in leadership theory. The philosophical strength of Southeast Asia is adaptation, change and flexibility. This article argues that modern leadership theory should include these strengths. It does so for the context of cross-cultural leadership, a context that requires empathy, ambiguity tolerance and the ability to change perspective. The contribution is conceptual: First, I present two Southeast Asian models of leadership, namely the mandala model of power and the model of substitutional harmony between micro- and macrocosmos. Second, I link them to cross-cultural leadership theory. From this, I derive the mandala model of intercultural leadership and draw conclusions for leadership theory.

24.1 Introduction

Ancient philosophy in West and East is often conceptualized as Greco-Roman tradition vs. Chinese or Indian tradition (e.g., Alves et al. 2005; Ames 2003; Cheng 2003a, b; Hall and Ames 1995, 1998; Peterson and Hunt 1997; Pittinsky and Zhu 2005; Pun et al. 2000; Shun 2003; Wang 2004). This is mainly due to the fact that these ancient civilizations can look back on thousands of years of their own coherent philosophy, tradition and culture.

However, the East also includes the syncretised regions of Southeast Asia. These are characterized by a complex and ever-changing mixture of Sino-Indian influences and local beliefs that have resulted in hybrid, multicultural and contested local identities (e.g. Hall 1994; Mulder 1996; SarDesai 1997; Steinberg 1987). As many authors have shown, Southeast Asia today is still such a hybrid mixture of

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different traditions and modernity (e.g., Henley 2004; Lansing 1983; Moser 2010; Wilson 2008; Womack 2003; based on Aung-Twin 1995; Chong 2007; Emmerson 1984; Fitfield 1976; Geertz 1973, 1983; Solheim II 1985). The philosophical strength of this region is not stability; it is adaptation, change and flexibility (ibid.; e.g., Winzeler 1976; Colombijn 2003; Kimura 2010).

Modern management is increasingly conceptualized as discursive sensemaking based on recent turns to practice (e.g., Burrell and Morgan 1979; Czarniawska 2008; Jarzabkowski 2004; Van Maanen 1998; Weick 1995; Whittington 2003). Therefore, these discursive, adaptive and flexible Southeast Asian elements of power are essential for outstanding leadership (e.g., Boal and Schultz 2007). This is especially true in cross-cultural settings which require empathy, ambiguity tolerance and the ability to change perspective (e.g., Bennett 1986; Lewis 2000; Schein 2004). Still, the Southeast Asian perspective is not represented in current international leadership theory and research. In my literature review, I have not found a single article in leading journals on leadership that introduced the Southeast Asian philosophy.

Based on these observations, I argue that by excluding Southeast Asian Philosophy from the East and West philosophy-in-management debate, researchers and practitioners miss an important source for learning and reflection on how to manage change, flux and diversity. I pursue my argument through the example of conceptions of power and leadership in Southeast Asia based on the two seminal works of Robert Heine-Geldern (1942) and O.W. Wolters (1982). Based on these important contributions, I conceptualize outstanding Southeast leadership based on the mandala conception of power and the need to achieve substitutional harmony between micro- and macrocosmos. Furthermore, I suggest two areas of leadership theory that can benefit from the Southeast Asian perspective. First, I briefly link the indigenous philosophies of Southeast Asia to recent turns to spiritual leadership (overview in Fry 2005). Second, and this is the main contribution of this article, I show how cross-cultural leadership theory can benefit from this conception.

24.2 Conceptions of Power and Leadership in Southeast Asia

24.2.1 *Harmony Between Micro- and Macrocosmos*

Southeast Asia is commonly understood as those countries that are located south of China, east of India and north of Australia. This article follows this understanding in general, however, based on its leadership focus, it highlights those countries that have a long-term history of institutionalized power and leadership. These are the regions which are today Myanmar (Burma), Cambodia, Thailand, Vietnam and Laos, and two islands of today's Indonesia, namely Sumatra and Java.

The first conception of power in Southeast Asia was formulated by Robert Heine-Geldern (1942) in his seminal work "Conceptions of state and kingship in

Southeast Asia". It has been called the model of "substitutional harmony between micro- and macrocosmos" (ibid.). When Hinduism and Buddhism met the local philosophies of Southeast Asia, they incorporated the indigenous belief that only the maintenance of harmony between this world and the other world would prevent disaster and calamity (e.g., Hall 1994; SarDesai 1997). This belief was then integrated into Hindu and Buddhist cosmology that conceptualizes the universe as a concentric series of ring-oceans and ring-continents in the middle of which Mount Meru rises (ibid.). On top of Mount Meru resides the Hindu pantheon or God Indra, as the highest entity prior to the nothingness of Nirvana (ibid.). The new syncretised meaning of "substitutional harmony between micro- and macrocosmos" was: The microcosmos (this world) has to resemble the Hindu/Buddhist universe (macrocosmos), the king or leader himself taking the place on top of Mount Meru (Heine-Geldern 1942).

Therefore, whole kingdoms in Southeast Asia have been designed and laid-out along these highly symbolic lines (e.g., Mabbett 1969), the royal palace in Bangkok being just one example (Hall 1994). Other aspects of symbolic representation include rules on which colour to wear on which day of the week, where to build roads, how many guards to employ and how many wives to take (ibid.). Following this belief, disaster and loss of power is near, as soon as the leader ceases to establish this symbolic power (ibid.; Mabbett 1969). This means: Whenever a natural calamity hit the population, this was interpreted as proof of bad leadership (Heine-Geldern 1942; Mabbett 1969). Ultimately, this means: The good leader is the one who performs well. Therefore, leadership is something that will be seen through one's deeds. These deeds need to be symbolic.

24.2.2 Mandala Conceptions of Power

The second conception is rooted in Buddhism and answers the question of how power will shift due to bad performance. O.W. Wolters (1999/1982) coined the term "mandala conception of power", the mandala being a major Buddhist focus point for meditation and for making sense out of the universe. A mandala is a concentric representation, mainly of the Buddhist universe, that is unstable and not meant for eternity. Buddhist monks, for example, build mandalas out of coloured sand and will destroy them as soon as their work is finished; process being the ultimate goal. As the history of Southeast Asia shows, power fluctuated between centres of power (Hall 1994; SarDesai 1997; Kimura 2010) that can be conceptualized as concentric mandala circles (Wolters 1999/1982). Power relations in this system are conceptualized as patron-client relations who are characterized by mutual obligations: The further away from the rule, the less legitimized the ruler's power. Especially at the outer rims of the mandala, clients would frequently run over to another patron if dissatisfied with their own ruler's performance (ibid.). The new patron's power would then rise; the other mandala would diminish or even vanish.

24.3 Implications for Leadership Theory

24.3.1 *Leadership Power as a Category of Practice*

From the above mentioned perspective, power is an interactive process of change. The implication is that the leader is required to perform well to keep his/her base of power. The relationship between performance and acknowledgement of power is reversed: Followers of a leader believe that anyone who performs in the right way will ultimately have power. In the 1930s, for example, a group of Burmese monks took the throne in the old royal city of Mandalay in the firm belief that *the mere presence* of their leader on the throne (i.e. the occupation of the symbolic representation of the centre of the universe) would place him in power and automatically lead to the demise of British colonial rule (SarDesai 1997).

Recent leadership theory has asked the question of how identity, social performance and leadership are interlinked (Antonakis et al. 2004; Barker et al. 2001; Burns 2005; Gardner and Laskin 1995; Kets de Vries 2001; Smircich and Morgan 1982; Yukl 2002). Building on this theory, the Southeast Asian perspective links leadership theory to recent turns-to-practice (Jarzabkowski 2003; Whittington 2003): Power, like strategy, is claimed, acknowledged, rejected, and re-negotiated in discursive interaction. Furthermore, the Southeast Asian perspective strengthens views on leadership as a category of performance. This concept of “leadership as performance” has been put forward by Peck and Dickinson (2009) it is based on the anthropological understanding of culture and stresses the importance of symbolic deeds – i.e.: performances – to establish leadership socially. Some authors have researched upon performative leadership in the context of strategy workshops (Smith and Peterson 1988; Johnson et al. 2010).

24.3.2 *Inclusion of Indigenous Spirituality*

Recently, scholars of leadership have turned their interests to “spiritual leadership” (overview in Fry 2005). This involves the discussion of the five leading world religions, namely Hinduism, Buddhism, Judaism, Christianity and Islam (Kriger and Seng 2005). Yet, as this article has shown, from a Southeast Asian perspective, religion is more than these five religions. Even though Indonesia is officially an Islamic country, it is the home of many syncretised religions; the root being the Southeast Asian indigenous belief of substitutional harmony between micro- and macrocosmos. For example, a popular religion on the island of Java is the so called “agama jawi” (literary translation: Javanese belief) which is actually a mixture of Hinduism and Islam. Many religions in Southeast Asia have left their imprint on each other in such a way; something unique and new has been created in the process.

At its very roots, the differentiation between micro- and macrocosmos can be linked to indigenous religions that aim at establishing harmony between this world and “the other world” of the dead. Through rituals and trance, shamans cross the border between this world and the other world. It is assumed that natural phenomena, trees, plants and animals can represent “the other world” in this world; therefore, a harmony needs to be kept. This belief is very much present in modern Southeast Asia today; even though it might not influence every managerial context (Mulder 1996). However, it manifests itself in advice such as “do not take that road home; that is where the ghosts are” that was given to me after a business meeting in Jakarta.

Leadership theory today needs to account for such indigenous spirituality. The importance of harmony and keeping harmony might already be well-known from other contexts such as greater China (Chokar et al. 2007), yet the beliefs these values are rooted in are very different in Southeast Asia. Therefore, in order to understand Southeast Asian leadership, one has to investigate these deep meanings.

24.3.3 From Cross-Cultural to Intercultural Leadership

Cross-cultural leadership tries to assess which conceptions and outstanding examples of leadership are culture-specific (Chokar et al. 2007; Scandura and Dorfman 2004; Hofstede 1980, 2001; Hofstede and Bond 1988; Dickson et al. 2003; Krieger and Seng 2005; Smircich 1983; Trompenaars and Hampden-Turner 1997).

In this field of leadership study, Southeast Asia is not even treated as a region in its own right: The GLOBE study, the most extensive study on cross-cultural leadership so far (House et al. 2004; Chokar et al. 2007), integrates the Southeast Asian countries of Indonesia, Malaysia, the Philippines, and Thailand into a constructed cluster of “Southern Asia”. From historical, anthropological, sociological and factual perspectives, such treatment is unsound for the two distinct cultural areas of South and Southeast Asia (e.g., Hall 1994; Mulder 1996; SarDesai 1997; Steinberg 1987). To make an additional point: To include Iran in an already doubtful “Southern Asian cluster”, as al House et al. (2004) have done, seems to be inexplicable from an Area Studies’ perspective.

Furthermore, cross-cultural leadership theory is often based on dichotomies between ‘We’ and ‘the Other’, between ‘our culture’ vs. ‘their culture’, and between ‘East’ and ‘West’ (e.g. Dorfman et al. 1997; Kriger and Seng 2005). The Southeast Asian perspective breaks these overly simplified dialectics that have been criticized before (e.g., Boyacigiller and Adler 1991; Primecz et al. 2009), thereby taking the cultural complexity of modern cross-cultural leadership into account, as Sackmann and Phillips (2004) have demanded.

In summary, the conceptual contribution of the Southeast Asian perspective is double-fold: Firstly, its roots are syncretistic, flexible and adaptive. Secondly, it looks at the in-between, i.e., at the link between micro- and macrocosmos, and at

the fluctuating border between different spheres of power, e.g., mandalas. Therefore, it can help formulate a theory of *inter-cultural* instead of *cross-cultural* leadership, thereby establishing a ‘third space’ of *processual* leadership *between* cultures. With processual leadership I mean an understanding of leadership as a category of practice that is performed discursively and through interaction. This understanding of leadership as process is linked to the mentioned turns to practice in strategic management and the understanding of leadership as a category of performance. Together, these two aspects of leadership lead to a processual understanding of leadership

24.4 The Mandala Model of Intercultural Leadership

To give an example of how such processual leadership between cultures could look, I apply the Southeast Asian conception of power and harmony to GLOBE.

The acronym GLOBE stands for Global Leadership and Organizational Behavior Effectiveness. The underlying study has been the most extensive study on cross-cultural leadership so far. Data was collected by 170 scholars from various cultures through more than 17,000 interviews with middle managers from three industries in 62 countries (House et al. 2004). The study divided culture into comparative cultural dimensions that describe relative difference between aggregated national cultures. These cultural dimensions are summarized in Table 24.1.

Leadership traits were derived from these cultural dimensions (ibid.). House et al. (2004:57) define leadership as “the ability of an individual to influence, motivate, and enable others to contribute towards the effectiveness and success of the organizations of which they are members”.

Following GLOBE, the so called “Southern Asian” cluster rates charismatic/value-based and team-oriented leadership as contributing to leader effectiveness; it rates humane-oriented and participative leadership positively; it views autonomous and self-protective leadership neutrally (Chokar et al. 2007: 1065). The contribution of the previously mentioned cultural dimensions to charismatic/value-based and team-oriented leadership styles is summarized in Table 24.2.

Those cultural dimensions that correlate to a high degree are marked in bold in Table 24.2. As Tables 24.1 and 24.2 show, the GLOBE approach to leadership is *cross-cultural*, for it compares countries with regard to their leadership style. An *intercultural* approach to leadership would require understanding of *why* one region, culture or society favors certain leadership styles: For, even though the style might be shared, the reasons *why* this is the case might differ from country to country, as can the explanations to what harmony actually is and why it is important. In the following, I will therefore apply the mandala perspective to GLOBE findings of effective leadership and show how the mandala helps to understand their deeper meaning.

Following GLOBE, charismatic and value-based leadership requires high performance orientation, high in-group collectivism, high gender egalitarianism and

Table 24.1 Cultural dimensions of the GLOBE study

Dimension	Definition
Uncertainty avoidance	Extent to which a society, organization, or group relies on social rules, norms, and procedures to alleviate unpredictability of future events.
Power distance	Degree to which members of a collective expect unequal distribution of power.
Institutional collectivism	Degree to which organizational and societal institutional practices encourage and reward collective action and distribution of resources.
In-group collectivism	Degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families
Gender egalitarianism	Degree to which a collective minimizes gender inequality.
Assertiveness	Degree to which individuals are assertive, confrontational, and aggressive in their relationship with others.
Future orientation	Extent to which individuals engage in future-oriented behaviors such as delaying gratification, planning and investing in the future.
Performance orientation	Degree to which a collective encourages and rewards group members for performance improvement and excellence.
Human orientation	Degree to which a collective encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others

Source: own figure, based on House and Javidan (2004:11–14), Javidan et al. (2004:30)

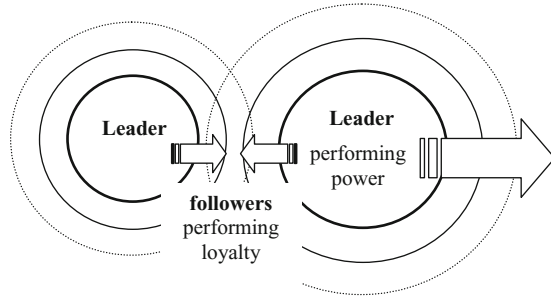
Table 24.2 GLOBE cultural dimensions and leadership styles

Dimension	Correlation	Leadership style (LS)	Findings for Southeast Asia
Performance orientation in-group collectivism gender egalitarianism future orientation humane orientation	Positive	Charismatic/ value-based LS	Style contributes to leader effectiveness
Power distance	Negative		
Uncertainty avoidance in-group collectivism humane orientation performance orientation future orientation	Positive	Yeam-oriented LS	Style contributes to leader effectiveness
[no dimensions were negatively related]			

Source: own figure, based on Javidan et al. (2004, pp. 38–46)

low power distance (Table 24.1). Yet, as this article has shown, from a Southeast Asian perspective not everyone should experience an equally low power distance in a mandala. Rather, it is the *right amount of power* that is needed: For those near to the leader need to have the feeling that there is not much hierarchy between them and the leader. To those in the outer circles of the mandala the leader is distant, and s/he is perceived as such. This makes performance orientation a requirement in the mandala: Those in the outer circles of the mandala will only follow the leader if they also benefit from the leader’s *performance of power*. GLOBE also finds proof for the importance of in-group collectivism in Southeast Asia. From the mandala

Table 24.3 The Mandala model of intercultural leadership



Source: own figure

perspective, individuals can be encouraged to work together through classification into mandala cycles (in-group collectivism).

Uncertainty avoidance is a major requirement for team-oriented leadership (Table 24.2). From the mandala perspective, the leader reduces uncertainty on behalf of his/her followers through the right performances of power within the mandala. Through these performances, s/he establishes the harmony between micro- and macrocosmos, thereby preventing unforeseen events. Again, the organizational structure should reflect mandala circles of power, thereby shaping a structural sense of belonging (in-group collectivism).

I call this deep understanding the mandala model of intercultural leadership and have summarized its key elements in Table 24.3.

The mandala model of leadership is characterized by its performative character and by its open and fluid borders to other potential mandalas. Power is performed through establishing the substituting harmony between micro- and macrocosmos. On the outer edges/rims of the mandala, other leaders compete for the loyalty of followers. Here, the integration of other leaders and different leadership styles is possible; at the same time, followers might change sides if not satisfied with their leader's performance. This means that organizational leadership can be understood beyond organizations as a process on the edges/rims of two mandalas.

The leader's symbolic management based on the Mandala model can be understood as his/her ability to perform to the best interest of the stakeholders which he/she serves. The dimension of macrocosmos, as explained by the Mandala model, might be understood as the value-dimension of leadership. This means: followers of the leader need to believe that his/her actions are based on a higher order or values which inform his/her performances. In every process or performance of leadership, the leader will be judged accordingly. In such a way, followers of the leader perform loyalty. In summary, the Mandala model integrates transcendental or value-based concepts of leadership with the practices and performances of day-to-day leadership in process. It links these performances of leadership with performances of loyalty (microcosmos) and integrates them into higher principles of leadership and loyalty (macrocosmos). It can be expected that performances of

loyalty will cease to exist as soon as these higher principles of leadership are violated.

24.5 Contribution and Further Research

The nature of the present work is conceptual. Its focus topic was the mandala perspective of power and its relevance for leadership studies. Its purpose was to introduce a philosophical concept from a much neglected area of leadership studies.

In summary, the contribution is threefold. Firstly, I introduced the ancient philosophy of a very much neglected region, Southeast Asia, to international leadership research for the first time. Secondly, I have attempted to show that the core elements of this tradition – syncretism, flexibility, change, process and fluidity – are perfectly suited to make sense out of modern leadership and cross-cultural management in the light of recent turns to discourse, process and practice. Thirdly, I have made suggestions of how modern *inter*-cultural leadership can benefit from the Southeast Asian view on symbolic mandala power between micro- and macrocosmos.

The purpose of this article was not to present a theory of Southeast Asian leadership but to introduce the Southeast Asian perspective and show its relevance. The next step is to put this perspective into practice. Hence, further empirical research has to analyze the applicability of this perspective and investigate current Southeast Asian leadership in detail. Leadership studies have discovered various paradigms and models which are applicable to such an endeavour. I have conceptualized the Mandala model of leadership in the spatio-temporal sense. It is also possible to conceive the Mandala model as a meditative instrument to transform the perception of reality. Hence, it seems a fruitful option to apply the model to spiritual leadership next.

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Part VI
Philosophy in Management Training
and Development

Chapter 25

Integrating Oriental Wisdom in MBA Education: The Case of Confucianism

Sompop Manarungsan and Zhimin Tang

Abstract The mainstream, hitherto Anglo-American dominated management education faces increasing challenge from both inside and outside the business circles in Europe and America. Instead of offering an ad hoc list of Confucius' wisdom on management, the authors of this paper aim to build up a thesis on how Confucianism may help to counter balance the deviation. And it is found such interaction may be best presented on three levels: (1) ontology of the management discipline; (2) epistemology and related methodology of the management discipline; and (3) value and practice instilled in the management education.

25.1 Why Oriental Wisdom

In a globalized economy, being well versed about Oriental wisdom becomes a competitive edge when one could comprehend the mindset of his Asian counterparties, and form the right strategy in the right cultural context (Kedia 2006). More importantly, the mainstream, hitherto Anglo-American dominated management education faces increasing challenge from both inside and outside the business circles in Europe and America. Integrating ancient Greek wisdom and Oriental wisdom into the MBA curriculum may offer a refreshing alternative in the sphere of ontology, epistemology and methodology of the management discipline.

It is also a good timing to initiate an integration of Oriental wisdom in management education at this very moment for the following two reasons: Firstly, the rise of Chinese economy when the country surpassed Japan and becomes the second largest economy in the world in 2010. The relevance of Oriental wisdom is even more significant today if we may add the economies of the Greater China, Japan,

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Korea, India and other dragon and tiger economies in South Eastern Asia into the picture together.

Secondly, there is rising confidence in the Chinese management thinking in tandem with the rise of the Chinese economy. After more than 30 years of opening up (since the start of the economic reform in 1978) to the outside world, the Chinese management academia has gradually emerged from the early “apprenticeship stage” when everything Western, from the paradigm of free market to techniques of quantitative modeling, is eagerly and sometimes blindly absorbed (Liang and Lin 2008).

When the wisdom of Anglo-American management theory is put into practice from economy transition in the early years to a more matured market economy in China today, new knowledge is created. The practitioners and scholars in China reflect on the efficacy of the Western theories, and ponder on the relevance of the classical Chinese teachings such as that of Confucianism which are gradually accessible in Mainland China after the turmoil years of the Cultural Revolution (1966–1976). The pendulum of history seems to swing back from the radical slogan of “Down with Confucianism” (打倒孔家店) in the May 4th movement in 1919 when leading Chinese intellectuals embraced “science” and “democracy”, and vowed to smash the shackles of “old tradition”. After a long circle of around 100 years, the Chinese today seem to have a calm and more balanced sentiment for their cultural heritage in the advancement of modernity, and even find echoes of the Oriental wisdom in the works of modern and post modern writers in the West.

25.2 The Peril of Management Education

In a widely quoted Harvard Business Review article in 2005 by Warren Bennis and James O’Toole, American business schools are bitterly criticized as to be “failing to impart useful skills, failing to prepare leaders, failing to instill norms of ethical behavior – and even failing to lead graduates to good corporate jobs”. The authors claimed “these criticisms come not just from students, employers, and the media but also from Deans of some of America’s most prestigious business schools” (Bennis and O’Toole 2005). Their work echoes a stream of criticism on management education since the late 1990s (Vaara 2011; Slater and Dixon-Fowler 2010; Giacalone 2004), with the important papers from authors like Leavitt, Clegg, Mintzberg, Pfeffer & Fong, and Ghoshal, mostly published in *Academy of Management Learning and Education* (Leavitt 1989; Clegg and Ross-Smith 2002; Mintzberg 2004; Pfeffer and Fong 2002; Ghoshal 2005).

25.2.1 *Positivism Epistemology*

One major complaint on the mainstream management education focuses on its over-dependence on the mechanical models built with a positivist approach to explain complicated human behaviors. The management education is criticized for the influence of “physics envy” or “scientism”, the belief that the assumptions and

methods of the physical and biological sciences are equally appropriate and essential to all other disciplines, including the humanities and the social sciences (Bennis and O'Toole 2005).

In its attempts to imitate the natural science, “An epistemology of disciplined imagination is replaced by the epistemology of formalized falsification, the doctrine of Karl Popper”, “looking for sharp, testable propositions, to provide simple, reductionist prescriptions” (Ghoshal 2005). Therefore, the management discipline, which is supposed to be “pragmatic, variable, context dependent, based on practical rationality”, becomes “context-independent, objective, and value-free rationalist science” (Clegg and Ross-Smith 2002).

25.2.2 *Wrong People and Wrong Way?*

The positivism epistemology has its ramifications on how the management education is organized, its pedagogy and research methodology. In the case of pedagogy, the model of traditional business school is criticized as educating wrong people, in a wrong way and with wrong consequence (Mintzberg 2004). Even though experience is a requirement for entry in all “accredited” MBA programs, there are still programs where students are taught concepts and theories before they have ever encountered live managerial situations. Under the system of didactic instruction, students feel less responsibility when teachers direct and evaluate learning (Armstrong 1995).

In addition, despite the “capstone” course or the “integrating” project at the end of the program, a typical MBA curriculum follows a ‘silo-type’ disciplinary curriculum. It is an education emphasizing on analysis, functional specialties and soft skills, and less on the practice of managing in dealing with uncertainty and complexity. Frequently, it equates intelligence with analytic ability, and “good” thinking with analytic thinking (Leavitt 1989), without a proper mix of art (insight), science (analysis) and craft (experience) (Mintzberg 2004).

In the case of research and research methodology, Pfeffer & Fong found that “theorists often write trivial theories because their process of theory construction is hemmed in by methodological strictures that favor validation rather than usefulness”. That explains why researches of the management faculty have limited relevance and impacts on management practice (Pfeffer and Fong 2002). Ghoshal also lamented the loss of pluralism on scholarship in business schools over the last 30 years. When publications become the most important criteria in the incentive structure of the faculty members, the scholarship of discovery (research) has pushed other forms of scholarships, namely the scholarship of integration (synthesis), the scholarship of practice (application), and the scholarship of teaching (pedagogy), into the periphery and insulated from the academic high table that is now reserved only for the scientists (Ghoshal 2005).¹

¹This, however, might be partially true when more and more academic institutions began to emphasize and recognize the efforts for case study development, professional involvement and good result of teaching evaluations.

25.2.3 *Negative View of the World*

The positivism epistemology and its respective pedagogy and research methodology would do less harm if they were not incorporated to a negative view of the world, a set of pessimistic assumptions about both individuals and institutions, derived from the school of “liberalism” predominating the mainstream business school in the past decades (Ghoshal 2005).

The “gloomy vision” of the world starts from *Homo Economicus*, a model of people as rational self-interest maximizers. Students are inoculated with the ideas that managers and employees are neither trusted nor trust-worthy from the theory of “principle agent problem” and “transaction cost”; that cheating is the norm and cooperation is unlikely from the theory of “prisoner dilemma”, that companies must compete not only with their competitors but also with their suppliers, customers, employees, and regulators from the “five force model” and similar analytical frameworks.

Such a negative view of the world coupled with the “scientific” approach, which replaces all notions of human intentionality with causal determinism of patterns and laws, has dire consequences on the value system of the MBA graduates. In the words of Leavitt, “we then lay it upon well-proportioned young men and women, distorting them into critters with lopsided brains, icy hearts, and shrunken souls” (Leavitt 1989).

According to Leavitt, what the traditional management education really lacks is the “visionary, transformational, path-finding parts of the managing process”. Very much related to the value system of the young managers, the path-finding spirit has three related domains: vision, values, and determination. The vision domain encompasses issues of creativity and imagination, along with issues of longer-term direction and purpose (as distinct from shorter-term objectives and goals). The value domain covers a sense of duty and responsibility, and determination is about energetic and unrelenting purposiveness (Leavitt *ibid*). Despite the significant recent efforts of many business schools in that direction, including emphasis on CSR-related topics and activities, we feel that the comments raised by Leavitt still hold.

25.2.4 *Summary of the Criticism*

Perhaps it is pertinent to bring the concepts of “wisdom” and “knowledge” into the discussion. Wisdom is normally defined as “to make the best use of knowledge” and has a bearing on consequences of an action. To be wise means to act well, instead of accumulating piles of knowledge per se. Wisdom, according to Aristotle, includes *practical wisdom* (phronēsis or prudence), the characteristic of exercising sound judgment in practical affairs, as well as *speculative wisdom* (sophia), an understanding of the world at the metaphysical level (Adler 1996). As summarized in

Table 25.1 Criticism on Management Education

Domain	Criticism
Epistemology	“Physics envy” or “Scientism” Epistemology of formalized falsification
Pedagogy & research methodology	‘Silo-type’ curriculum Emphasis on analysis and functional specialties Methodological strictures that favor validation
Ontology	“Gloomy vision” of the world
Axiology	Self-interest maximizing Antagonism and lack of trust Lack of longer-term direction and purpose Need to increase sense of duty and responsibility

Table 25.1, the Anglo-American dominated management education may be deficient in both connotations of wisdom: First, sacrificing practical relevance in its pursuit of scientific rigor, an issue of epistemology (views on the nature of knowledge), pedagogy and methodology (the way we conduct teaching and research). Second, building upon an unbalanced view of the world in its ontology (views on the nature of the world) and axiology (the value system).

Perhaps a study of the ancient Greek and Oriental wisdom, in this case, Confucianism, may offer a balancing view to the hitherto Anglo-American dominated management education (Table 25.2 to 25.4).

25.3 Confucianism and Management

Confucianism, together with Taoism and Buddhism confers rich resources as the heritage of Oriental wisdom in China. Although some scholars emphasized the importance of the original works by Confucius himself around 500 BC (Ames and Rosemont 1998), the authors of this paper would consider Confucianism an open system, enriched and modified by generations of Chinese thinkers from disciples in the classic period like Mencius and Xunzi (around 300 BC), through the Neo-Confucianism of Zhu Xi (around 1100) and Wang Yangming (around 1500), until the waves of the New Confucianism in the contemporary age (Fu et al. 2003).

Max Webber is perhaps the most influential Western scholar who relates Confucianism with management and economic development in the early years (Weber 1905, 1915). In his comparison between Protestant ethics and religions of China, Confucianism was perceived incomparable with the spirits of capitalism which value individualism and competition. Such a negative view on Confucianism however began to loose ground as scholars in the world try to discover the cultural factors for the rise of economies in Japan in the 1970s and other East Asian economies later (Hahn and Waterhouse 1972; McFarquhar 1980; Tai 1989; Wong 2005; Lin and Chi 2007; Rarick 2007; Schwanfelder 2008; Yeh and Xu 2010; Warne 2010; Wong et al. 2010).

The positive views about Confucianism on its potency for management in the modern economy may be epitomized in Romar (2004) when he declares Confucianism “underlines much of the writing of Peter Drucker”, widely credited as the founder and a guru of modern American management. He argues that both Drucker and Confucius “emphasize authority, leadership, legitimacy, hierarchy, interdependence and individual ethical responsibility in their analysis of human affairs”.

In the meantime, forerunners of New Confucianism outside mainland China like Cheng (2006), and Tu (1996, 2003) also extended their research focus towards Chinese philosophy of management and its impacts on East Asian entrepreneur spirit. Their works resonate with a plethora of papers and books on Confucianism and management in mainland China since 1980s (Zhang 1989, 2007; Zhao 1989, 1998; Li 1993, 2007; Luo et al. 2010; Wang 2010; Yang 2011).

25.4 Confucianism as a Counter Balance

Instead of offering an ad hoc list of Confucius’ wisdom on management, the authors of this paper aim to build up a thesis on how Confucianism may help to counter balance the deviation of the mainstream management education. With the reference to the summary on the criticism in Chap. 2, the Confucianism counterbalance is presented in the following tables on three levels: (1) ontology of management discipline; (2) epistemology and related methodology of management discipline; and (3) value and practice instilled in the management education.

In the domain of ontology, Confucius sees man as a part of the universe rather than the conqueror. His higher purpose is to understand and participate in the movement of the sky and earth (参天地之化育). His understanding should be holistic, as every piece of the universe is interconnected, just as the ailment of one body part cannot be cured without rebalancing the opposite forces (Yin and Yang 阴阳) within the whole body. The dual cosmic energies of Yin and Yang are dialectic rather than dichotomous in the sense that they coexist, complement, give birth and succeed each other, in constant changes, going through the cycles from nascent, growth to zenith and decline. Such cyclical changes constitute an undercurrent of the universe including the state of man’s causes. The ideal state is harmony rather than sameness (和而不同), just like different notes constitute a harmonious tune.

This Confucianism view of the world is summarized in the right column of Table 25.2 in contrast to the features of the mainstream of management education; some of them have been reviewed in Chap. 2. While the implications of the counterbalance are multi-facets, for instance, an alternative to the “gloomy vision of the world”, one case to the point may be the interpretation of the Hofstede index through the dialectic lenses of “Yin and Yang”.

Hofstede is well known for his national index on cultural dimensions such as “power distance” and “individualism/collectivism” (Hofstede 1980). A dichotomous approach would assign a culture towards either end of the index, say Asian as collectivists and American as individualists. On the contrary, a dialectic approach

Table 25.2 Comparisons in the domain of ontology

Mainstream management education	Confucianism counter balance
Man versus universe	Man in the universe
Dichotomy (good & evil)	Dialectic (yin & yang)
Atomistic	Holistic
Economic man a part of system	Philosophical man with a high purpose
Universal standard	Difference in harmony
Passive stable background	Undercurrent in cycles

Table 25.3 Comparisons in the domains of epistemology and methodology

Mainstream management education	Confucianism counter balance
Division & specialist	Integration & generalist
Equilibrium analysis	Changing process
<i>Ceteris paribus</i> to develop theorem	<i>Mutatis mutandis</i> to solve problem
Statistical mean	Exemplar case
Experiment & test of hypothesis	Intuition, experience & empathy

offers a better explanation to the fact that Asian people, like all other peoples, are collectivists in some situations and contexts but the same people are individualists in some other situations and contexts (Fang 2010).

The counterbalance of Confucianism in the domains of epistemology and methodology for teaching and research has three folds (Table 25.3). Firstly, for Confucius, the utmost important task of a teacher is to pass on the “ultimate truth” (传道), the fundamental principles of the universe. Therefore the ideal “gentleman” is a generalist who may integrate knowledge from various branches, instead of a specialist who is merely an instrument serving for a particular purpose (君子不器). It is a far cry from the approach of silo-type discipline and functional specialties.

Secondly, the notion that knowledge and wisdom in most cases are acquired through intuition (悟), or as the writers of the Neo-Confucianism put it, through observation, experience and empathy (格物致知), may complement or counterbalance the “scientific method” of experiment and hypothesis test on statistical means.

Thirdly, it is the goal of scholarship as combination of knowledge and action (知行合一) to solve the real world problems. For Confucius, what make an intellectual immortal are, in the order of importance: set up moral standards through teaching and practice (立德), accomplish causes which benefit the country and its people (立功), and last construct theories in writing (立言).

It is the values that Confucius teaching instills that makes Confucianism the most popular belief system in the past 1,000 years in China and some other parts of Asia. These values can be boiled into two doctrines: the doctrine of middle way (中庸) and the doctrine of five virtues (Table 25.4).

A counterbalance advocating moderation and middle way may be timely when today’s globalized economy saw excessive usage and exploration of resources in almost every corner of the world, driven by the urge for the maximized profit or pressure of competition. It echoes the challenge of the sustainable development and

Table 25.4 Comparisons in the domains of value and practice

Mainstream management education	Confucianism counter balance
Performance centered	Human centered
Contract & law	Trust & etiquette
Change environment	Adjust inner-self
Competition	Harmony
Direct, exalt clarity & certainty	Indirect, Embrace uncertainty & option
Drive for excellence	Middle way & moderation
Resource based view	Energy flow and force building

the mission of socially responsible corporations, which aims for stakeholder value instead of shareholder value.

The five virtues of the Confucianism teaching call for the human centered approach (ren) (仁), the moral standard of doing only the appropriate things (yi) (义), the etiquette for regulating the social relationship (li) (礼), the prudence to embrace uncertainty and complexity (zhi) (智), and the importance of trust worthiness, over and above what may be codified by law and contract (xin) (信). They are listed in the right column of Table 25.4, together with other Confucianism teachings that may be counterbalance towards the respective values and practices of the mainstream management education on the left.

25.4.1 Application

It should be pointed out that some ideas of the “Confucianism Counter Balance” in the right column of the tables above are also shared by thinkers in other parts of the world, including ancient Greek philosophers. Aristotle, for example, taught that genuine leadership consisted in the ability to identify and serve the common good (Bennis and O’Toole 2005). In the recent years, leadership, CSR (corporate social responsibility) and corporate governance also drew increasing attention by more and more business schools in the world. There is also a resemblance between the pursuance of moderation/middle way in Confucianism and the concept of “sufficiency economy” promoted by His Majesty King Bhumibol Adulyadej of Thailand and the propagation of the Buddhism economics in the country (ONRCT 2003).

The case to the point on applying the Oriental wisdom in management may be the CP All public company limited, the leader of convenience store retailing in Thailand.² In his book on “oriental CEO” (Korsak 2005), the award winning CEO Korsak Chairasmisak gives a vivid account on how he instilled values in his nearly 100,000 employees and how the human centered approach led the company through the difficult times of the economic crisis.

²CP All is also a part of the renowned international conglomerate CP Group (Charoen Pokphand Group) with investments in 10 Asian countries in business like agro industry, food, marketing and distribution, telecommunication, and real estate etc.

25.5 Prospects

The main thesis of this paper is that integrating ancient Greek and Oriental wisdom into the MBA curriculum may offer a refreshing alternative in the sphere of ontology, epistemology and methodology of the management sciences.

With the ancient wisdom integrated, a new form of management education may be initiated, as reflected in the vision of Panyapiwat Institute of Management (PIM), a young corporate university in Thailand. It is work-based learning, a marriage of scientific rigor and practical relevance. It is network learning, a network of different branches of knowledge, as well as a network of different stakeholders in the learning process: students, academia, business corporations, and the society. It is professionals trained by professionals, professionals who are oriented toward practice, focused on client needs and have a high code of conduct. It has a variety of pedagogical tools: reflection on reading of classical writings, history and literature, problem solving, and even playing Go, an ancient abstract strategy board game popular in China, Japan and Korea.

Words of caution: critiques may point out both Greek philosophers and Confucius seemed to be embedded in a culture of elite, illustrated by the ideal of either “philosopher kings” of Plato or “gentle man” (君子) of Confucius. The human history, however, demonstrates a trend of “equalization” in the past 300 years or so. It started with what Tocqueville observed in 1830s as an equalization of wealth and consequent equalization of income and political power in the United States (Tocqueville 1835). The pop culture in the 1950s came along with a mass market of cultural products, hence an equalization of consumption of knowledge. The Internet and social media network seem to spur an era of equalization of production of knowledge. Whether or how this trend of equalization will continue, and how will it impact the Ancient wisdom in the past and human civilization in the future? These will be interesting questions to be answered by the students of Aristotle and Confucius.

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Chapter 26

Assessing and Acquiring Ethical Leadership Competence

Iordanis Kavathatzopoulos

Abstract Leaders need the ability to handle any moral problem that may arise during their professional activities; they need ethical competence. Ethical skill is, in psychology and in accordance to the classical philosophical position, understood as the basis and the aim of ethical competence of leaders. Based on that, we can construct valid assessment tools and training programs that support the acquisition and use of ethical competence and skills.

26.1 Introduction

In our changing global world, where we have an increasing lack of moral guidance and where we feel a greater need for knowing how to do the right thing, ethical competence stands out as an important matter to focus our interest on. Especially in the area of professional life it is necessary, for leaders as well as for organizations, to have the ability to handle all kinds of moral problems that may arise during any business or work activity. Failure to address moral issues properly may have a significant impact in the area of organizational life and business affecting profits, image, and public relations as well as work environment, employee relations and intra-organizational processes.

Leaders are needed to take care of this. They have to produce working solutions and guide others to follow the right way. Competence to handle moral problems in a satisfying way is therefore very important for any responsible leader and for all kinds of private and government organizations. Since antiquity classical philosophy has maintained that ability to be a leader to oneself, i.e., a governor, *κυβερνήτης*, is a presupposition to be a leader for others (Platon 1992a). Education in business ethics should equip future professionals and support current leaders with the skill to

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make difficult decisions. Ethical competence is therefore the most important goal of training and support programs in business ethics. We need reliable and effective methods to stimulate and support leaders' ethical competence, and here some ideas are presented and discussed on how to be successful with this important task.

Essentially the study of ethical competence implies an attempt to describe and assess psychological processes or functions aimed at the handling of moral problems: How leaders reason in front of moral problems, how they solve these problems, and how they make their decisions? Are there good and less good ways to reason about a moral problem? Can we train leaders to be more competent in handling moral problems, and can we assess the need or evaluate the outcome of training?

When we are facing a moral problem we first try to use an automatic way of handling it, we follow either our feelings or an authority. To be critical, self-critical, systematic or dialectic is not something we do easily. Still, ethics demands personal skills and suitable organizational processes, not only the feeling of doing the right thing. Rational solving of moral problems seems to be difficult.

Real-life moral problems are often accompanied by strong emotions, which is not usually the case with e.g. technical problems. It is therefore difficult for a problem-solving process, loaded with many strong feelings, to find the right emotional balance and be objective and rational.

Solutions to moral problems are much more controversial than solutions to other kinds of problems, since it is difficult to agree on the context-dependent definition of 'right' and 'wrong'. Persons or groups that benefit from some moral principle often find it morally right, whereas those who do not benefit from it might regard the same principle as being morally wrong. Facing a personal moral dilemma implies that arguments for and against a certain moral principle can be concurrently valid in the thoughts of one and the same individual. Solutions to moral problems may be in conflict with other moral values pertaining to the same situation. Then a leader has to choose one principle over the other. Moreover, under certain conditions, even double standards and hypocrisy may be morally necessary for a leader who aims to be successful and effective.

Authority affects ethical problem solving and decision making significantly. Obedience to authority implies non-rational or heteronomous thinking, and our proneness toward obedience is so strong that we can even do things that we find morally wrong. Individuals in groups or in organizations conform easily to the majority, and they adopt more extreme positions when they are in a group together with other like-minded people. Decision making in authoritarian, insulated, cohesive and stressful groups suspends critical and systematic thinking, the so-called groupthink phenomenon.

The content of moral statements dominates our moral perception and hinders investigation of the process of creation of the same moral statements. Usually we react directly to the content of a moral statement by accepting it if we agree and by rejecting it if we disagree. It is difficult for us to focus on the procedure behind a moral solution. On the other hand, regarding the acceptance of logical or technical statements it is easier to focus on methodological aspects.

All the above conditions increase the complexity of moral problem solving. The way people solve every-day moral problems is far from being fully rational. It would therefore be necessary to support rational ethical thinking, problem solving and decision making, especially for persons who are expected to provide working solutions and who lead other people.

However important the solution of a moral problem may be, ethics is about making a choice. Consequently, the interesting aspect is how the choice is made, or not made; whether it is made in a bad or in a good way. The focus here is on how, not on what; on the process not on the content. Indeed, regarding the effort to make the right decision, philosophy and psychology point to the significance of focusing on the process of ethical decision making rather than on the normative content of the decision.

26.2 The Skill to Make the Right Decision

The philosophical position of ethics as a choice, which focuses on the way choices are made and on the skills involved, starts from the Socratic dialog, one of the most important methods to philosophize. In the Socratic dialog we see that *aporia* (lack of knowledge, a state of puzzlement, confusion, doubt) is the goal rather than the achievement of a solution to the problem under investigation. Reaching a state of no knowledge, that is, throwing aside false ideas, opens up for the right solution. Uncritical acceptance of any idea channels the process of leader's thinking to uncontrolled directions. The issue here for the philosopher or the leader is to avoid this risk and to help himself/herself and the other person in the dialog to think in the right way (Platon 1981, 1992b).

Thinking in the right way is not easy and apparently the ability to do so has been supposed to be the privilege of the few able ones, *aristoi* or *philosophoi* (Platon 1992a). According to the Platonic theory these people were supposed to be and act as the leaders of society because they had the skill to make decisions; not because they had the right answers, but because they could find the right answers. They can use the right tools to examine and discard any false idea, i.e. they are able to philosophize. What is of interest here is that the basis of division between leaders and followers in *politeia* was neither heritage or wealth or religion, but skill alone. For example, one of the main duties of these leaders was to search for gifted children and train them to be the future leaders.

We can see the same way of thinking in the Aristotelic theory. Here we meet a more pragmatic and realistic approach to the issue of ethics and leadership, and the main issue is the ability of citizens to participate in politics. Many different skills are necessary for one to be a successful political person, but one is the most important virtue, *phronesis* (Aristoteles 1975). This virtue, *arete*, is a presupposition for all other virtues; it is the virtue of criticism, self-criticism, reflection and wisdom; it is the basis of philosophizing and it refers only to itself.

The view of ethics as a process of thought, solving moral problems and of creating moral knowledge, and consequently the focus on the ability to maintain this process in the right way, can be traced throughout the whole history of philosophy until today. Kant captured and expressed it very clearly in his theory. The solution of a moral problem can be found in the basic principle behind it, which is *synthetic a priori*. Thinking is necessary to achieve this; thinking that is independent of external or irrelevant causes, i.e., *autonomous* thinking. It is thinking that demands the decision maker's rational capacities. When people are free from false illusions and have the necessary skills they can use the right method to find the right solution to their moral problems (Kant 2006).

What is suggested by philosophy, when a moral problem has to be solved, is to try to run the process of problem solving in the right way, as it is prescribed by the classical philosophers. If this condition is satisfied it will be possible to find the most suitable solution to the moral problem at hand. What is needed then is ability on the part of the owner of the moral problem. And this philosophical position has been expressed in psychological terms and it has been studied with psychological methods.

Ethical skill as a psychological construct, and in accordance to the philosophical position, is understood as the basis and the aim of ethical competence of leaders at personal and organizational levels.

26.3 Ethical Competence

When people face a moral problem they have great difficulties in not confusing moral goals, values, feelings and emotions with the problem-solving and decision-making processes and the methods adopted for the solution of the problem. Usually, they do not clearly see the context of the problem, nor do they analyze it in the same way they often do with problems of nature. In psychological theory this is described as the moral phase of heteronomy, which in contrast to autonomy, means that the individual does not use functional problem-solving strategies, that is, critical rational thinking.

Focusing on the process of ethical decision making, psychological research has shown that people use different ways to handle moral problems. According to the work of Piaget (1932) when people are confronted with moral problems they think in a way which can be described as a position on the heteronomy-autonomy dimension. Heteronomous thinking is automatic, emotional and uncontrolled thinking, or simple reflexes that are fixed dogmatically on general principles, independently if they belong to the decision maker or are imported from an external authority. Thoughts and beliefs coming to mind are never doubted. There is no effort to create a holistic picture of all relevant and conflicting values in the problem people are confronted with. Awareness of one's own personal responsibility for the way one is thinking or for the consequences of the decision is missing. Autonomous thinking, on the other hand, focuses on the actual problem situation, and its main

effort is to search for all relevant aspects of the problem. When one is thinking autonomously the focus is on the consideration and investigation of all stakeholders' feelings, duties and interests, as well as all possible alternative ways of action. In that sense, autonomy is a systematic, holistic and self-critical way of handling a problem.

Ethical competence is not the use of autonomy every time a moral problem has to be solved. Rather, it is the ability to use it if and when the problem at hand demands it; not to use it always and for any kind of moral problem. On the other hand, heteronomy is actually working, even though it is an automatic, mostly unconscious and a constrained way to handle moral problems. People use it most of the time and they repeatedly manage to produce satisfactory solutions to their problems; and this is only a description, not a prescription. When facing a moral problem, decision makers do not adopt purely autonomous or heteronomous ways in their efforts to solve it and to make a decision. They use a mix of these two ways. And most often they adopt ways that are dominated by heteronomy (Kavathatzopoulos and Rigas 1998, 2006). Heteronomy is what we can use easily, but we need the ability to use autonomy when necessary in order to be ethically competent.

26.4 Assessing Ethical Competence

Based on the above philosophical position and psychological research we can get an appropriate frame for the development of a pertinent measurement device for the description of ethical competence. Such an instrument follows these theoretical lines and attempts to assess only the psychological process in handling moral issues and to avoid the open and direct, or the unconscious and confused, involvement of normative judgments in the cognitive problem-solving and decision-making processes. Previous research has shown that it is possible to construct assessment methods which follow the above mentioned theoretical principles, e.g. semi-structured interview (Piaget 1932).

The Ethical Competence Questionnaire has been constructed in two versions, one for politicians and one for business people (Kavathatzopoulos and Rigas 1998, 2006). The business version, ECQ-WLB, consists of seven moral dilemmas representing conflicts with which a businessperson can be confronted. The themes of the items describe various representative business ethics situations which cover a broad area in business ethics issues such as integrity, cover-up, public relations, discrimination, whistle blowing, fraud, and promise keeping.

The items in the questionnaire are stories about persons active in working life and business who encounter problems of moral character. Each item consists of a short story about a business or working life dilemma followed by four alternatives representing different factors, or aspects, to be considered before any decision is made. The task of the participant is to place himself/herself in the position of the main agent in the story and attempt to solve the problem. The participant is asked to choose the two most important alternatives to consider before any decision is made

and rank them. It is supposed that, in order to find a solution, the participants reason in terms of the heteronomy-autonomy dimension, and that the choosing and ranking of the two most important alternatives indicates the participants' degree of ethical competence.

The purpose of ECQ-WLB is to indicate whether or not the start of the critical analysis process of the dilemma has occurred. Heteronomous responses mean that participants are not supposed to be able to analyze critically the dilemma situation since they fix their thinking on the directives of an internal or external moral authority, or because they accept a moral feeling without further investigation. On the other hand, autonomous responses mean that participants have already taken the first step in the critical analysis process by highlighting the core of the dilemma. They have a clear perception of the conflict. They consider, focus their attention on, and confront the opposing solutions of the dilemma. They do not take anything for granted and they question all principles and all alternative ways of action.

Accordingly, the tension between certainty and doubt is used to operationalize heteronomy and autonomy in the alternatives that follow the description of each dilemma in the items. Heteronomous alternatives express no doubt on what is stated there. Autonomous alternatives express uncertainty.

The four alternatives were designed so that two of them represented the heteronomous ethical function and the other two represented the autonomous ethical function. Two heteronomous and two autonomous alternatives are used in order to give the participant the possibility to choose among them independently of the moral values involved, that is, the preferred decision to solve the dilemma in this or that way. The issue of interest is the way individual participants think and not the solutions they give to those conflicts. The preference for a special action is not relevant in scoring, that is, the focus is on the process of making a decision rather than on what the actual decision would be.

Professionals at three different levels of organizational hierarchy from business and working life as well as people with no experience in business or working life participated in the evaluation of ECQ-WLB. The study showed that a questionnaire with the ambition to assess ethical competence as a cognitive skill in the area of working life and business as well as in the area of politics can be constructed with acceptable psychometric properties. The reliability of the ECQ-WLB is satisfactory. We assumed that conditions at higher levels of hierarchy in a business organization pose increased demands on moral thinking that lead to differences in ethical competence. From this we expected persons at a higher organizational level to show higher ethical competence compared to persons at lower levels of hierarchy or to persons with no experience in business and working life. Indeed the obtained results show that there is a positive relation between hierarchy level and ECQ-WLB score. The results obtained are similar to those obtained earlier in the area of politics (see Kavathatzopoulos and Rigas 1998), which indicates that the psychological process approach to the assessment of ethical ability is not restricted to a particular domain but may have broader applicability to different areas of human activity.

Regarding leadership and based on the above mentioned philosophical position the hypothesis was that higher levels of organizational hierarchy demand higher

levels of ethical competence. According to the Piagetian theory, the adoption of one or the other moral phase, heteronomy or autonomy, is dependent on its adaptive function in a certain area of activity. A reasonable assumption is that different levels of hierarchy in business organizations pose different demands on moral thinking that lead to differences in moral phase. More specifically, persons at a higher organizational level should show higher ethical levels of autonomy because they usually do not have the opportunity to find satisfying solutions to their moral problems by relying on some authority, or because the frequency of new unanticipated problems does not allow the recourse to existing knowledge. On the other hand, persons at lower levels have at least the possibility to rely on their superiors or on organizational processes and routines for satisfying advice and support as well as the possibility to use previous knowledge because of a supposed higher recurrence frequency of the same problems. For them, therefore, an ethical problem solving process that is more heteronomous than autonomous may be more adaptive in many occasions. People with little or no experience in business and working life should also show lower levels of autonomy since they had not the chance to evaluate autonomy in these areas of activity.

26.5 Acquiring Ethical Competence

A person who is handling his/her moral problems autonomously is unconstrained by fixations, authorities and uncontrolled or automatic thoughts and reactions. He or she is able to start the thought process of considering and analyzing critically and systematically all relevant values in a moral problem situation. This may sound trivial since everybody would agree that this is exactly what one is expected to do when confronting a moral problem. However, this skill is not so easy to use in real situations. Psychological research has shown that plenty of time and certain conditions are demanded before people can acquire and use the ethical ability of autonomy (Sunstein 2005).

Nevertheless, there are people who have learnt to use autonomy more often, usually people at higher organizational levels or people with higher responsibility (Kavathatzopoulos and Rigas 1998, 2006). Training and special tools do also support the acquisition of higher ethical competence. Previous efforts have shown that it is possible to promote autonomy, and thus ethical competence. The results are positive regarding the acquisition and use of ethical autonomy, both longitudinally and in real life (Kavathatzopoulos 1993, 1994a, 1994b, 2004, 2011).

In accordance to what has been said before, heteronomy is inherent in our way to handle moral problems. Autonomy is the difficult part. Therefore, we have to train and support it in education programs. We have ethical competence when a decision maker is not bound to the exclusive use of heteronomy but is ready to use autonomy when this is required by the moral problem at hand. Ethical competence is here defined as the ability of a person to use a suitable problem-solving and decision-making method when facing a moral problem, and the ability of an organization to

build, maintain and use suitable processes, tools and mechanisms in handling relevant moral issues. Focus is on the processes themselves, whether they are psychological or social, and not on their results.

Decision makers and leaders need the ability to handle moral issues satisfactorily, and this means that they need a high level of competence and skills. Ethical competence consists of a number of skills at personal and group levels such as high awareness about ethical and sustainability issues, personal ability to handle and solve problems, ability to participate in the construction and management of appropriate organizational processes, ability to create, apply and revise rules and principles, ability to explain, communicate and participate in dialog with stakeholders, and also high ethical confidence and trust to own skills and competence.

Indeed, an education program based on the above philosophical and psychological principles and with the above aims has been developed and applied in courses where people with different backgrounds participated. Previous research showed clearly that we can achieve the educational goals (see for example Kohlberg 1985).

These education programs are 3-day classical workshops of 10 to 12 participants with at least one one-day follow-up, approximately a month later. The program focuses primarily on the difference between heteronomous and autonomous thinking which participants have to learn by practicing on a number of moral problems. Participants have been practicing by the using 17 exercises allocated in four different training blocks focusing on ethical awareness, on personal ethical skills, on organizational principles and processes, and on application in real-life professional contexts.

In the workshops of the education and training program, autonomy training was based entirely on participants' personal and organizational moral values. During training participants learned how to use autonomy in order to identify pertinent values and weigh them against possible actions. They focused primarily on the difference between heteronomous and autonomous thinking which participants had to learn by practicing on a number of moral problems. Participants worked through different blocks of exercises covering all aspects of ethical competence as well as its application in real life.

In the workshop participants were encouraged to identify real problems from their own professional life: problems they felt were important or problems they were concerned about. Practicing autonomy on real-life moral problems is a presupposition for learning. It has been reported that practicing on hypothetical problems, for example at university courses, does not lead to ethical competence in real-life professional activities (Sims 2002; Weber 1990). Furthermore, learning is facilitated if instructions are adapted to the zone of proximal development (Vygotsky 1962, 1978) or the extension of cognitive schemata (Piaget 1962), and this happens when instructions are about real problems. Practicing on one's own real moral problems gives participants the chance to experience directly the value of autonomy in decision making and problem solving. Experiencing the value of instructions is the necessary precondition for learning and using what is learned in real life.

After a short introduction during which autonomous thinking was demonstrated, participants were placed in small groups of three to four persons to work together on

moral problems which they formulated themselves from their own professional life. After working with the exercises in small groups, participants gathered again in the whole group where they presented and discussed their group work.

Understanding that moral problems may arise or being able to recognize them once they are there is very important. We cannot handle a moral problem if we do not perceive it. The first block of exercises was focused on stimulating participants' ethical awareness. There were three relatively provocative exercises. The first one urged the participants of the small groups to put on a list real-life situations which have no moral implications whatsoever. Of course they never managed to create such a list. By failing to find morally neutral situations they got the insight of the omnipresence of possible moral problems, even in situations they previously thought were not related to morality. The second and the third exercises were about identifying risks with morally correct principles, like friendship and love, and identifying possibilities with morally incorrect principles like war and torture. By managing to identify several such risks and possibilities participants understood that many things that are taken for granted can be questioned. However, handling moral problems in an ethically competent way may also stimulate ethical awareness as well as the other way around.

Personal ethical skills are the basis of ethical competence. Persons have to know how to treat a moral problem, how to think, how to analyze it and how to make a decision. After the awareness exercises participants turned to the training of their ability to handle moral problems. This block contained six exercises focused on the ability to recognize the different ways of handling moral problems, and on the ability to use autonomy. The first exercise was the formulation of a relevant moral dilemma and its preferred or possible solution. Participants were building on their experience from previous awareness exercises and they were training their ability to identify and express in a clear way moral problems that were important to them. The second exercise focused on the difference between heteronomy and autonomy. In small groups participants gave examples of thinking that was heteronomous and autonomous, while they were attempting to find a solution to the problem. By juxtaposing these two ways of thinking they were able to perceive and internalize their difference. It is important for them to be able to recognize how they think when they face a moral problem. The third exercise trained the autonomous way of thinking. Autonomous analysis of a moral problem is a necessary ability for ethical competence. It is therefore important for the participants to have a complete mastery of it. The fourth exercise was about making a decision based on an autonomous analysis of a moral problem.

Even though the focus of the whole program is on the process of solving moral problems it is necessary to supplement it by coming eventually to a conclusion and by providing arguments to support it. The fifth exercise was about making a choice between heteronomy and autonomy. Actually most of moral problems can be resolved by a simple heteronomous way although some more complex ones demand the adoption of the more laborious autonomy method. In that sense decision makers have to have the ability to choose which method is more suitable in a certain case. The last sixth exercise of this block was about dialog, explanation and argumentation.

In a role play groups of participants made decisions affecting each other and used arguments based on heteronomy and on autonomy. By that they were able to experience the much higher convincing power of autonomy as well as to perceive its ability to start and maintain a good dialog atmosphere.

Acquiring the ability to handle personal moral problems only is not satisfactory in professional life. One needs the ability to solve moral problems of the group or of the organization, for example, how to handle moral conflicts or how to create and apply ethical principles. This training block contained six exercises as the previous one did. In the first exercise participants identified and described situations in which moral problems and conflicts were more likely to occur. In the second exercise participants made a list of moral conflicts and scandals that had been encountered previously by their organization as well as efforts that failed to solve moral problems. In the third exercise participants created a list of successful solutions given to moral problems and conflicts by their organization. These three exercises helped participants to get a picture of the ethical condition of their organization, and to acquire information which could be used as the basis to develop ethical guidelines and to propose relevant organizational changes in a later phase of the training.

The fourth exercise of this training block was about using the autonomous method to create ethical principles. The focus was on the method itself, on the analysis of the situation, and on how to express and state an ethical principle. Ethical principles were created in an autonomous way and they were expressed in such a way as to stimulate autonomous thinking, when one had to interpret and apply them in real life situations. The fifth exercise implied the creation of a complete ethical code for the organization. And the last sixth exercise was about the formulation of a plan for organizational change to heighten the ability of the organization in handling ethical issues.

The last training block focused on the application of what had been learned during education to real-life activities. This training block contained two exercises. The first exercise took place at the work place of the participants after finishing the first part of the education program. It was a practice of moral problem solving, construction of ethical guidelines, proposition of organizational changes, and dialog/argumentation on situations that emerged during participants' everyday activities. All this was also documented by each participant. The second exercise took place during the follow-up occasion approximately one month after the first training period. Participants presented their homework, reflected on the results, and received support by the trainers and by each other.

Ethical competence and its component skills were assessed using the different versions of ECQ as well as additional self-report and other complementary questionnaires and interviews. They were also independently evaluated by the participating organizations. The results showed clearly that the participants used their new skills in their real professional life and that they were very satisfied. After training they had higher ethical awareness, it was easier for them to handle ethical problems at a personal level, ethical argumentation and communication was more effective, and their ethical confidence was higher.

26.6 Conclusion

Ethical competence is not the acceptance or application of this or that moral principle, but the ability to use the suitable thought or organizational method during the effort to handle a real-life moral problem. To do this one has to be able to see the difference between different ways of handling moral problems, and to be a master of thinking and acting in a way that independently, systematically and critically considers all stakeholders' relevant values, principles, interests, feelings, duties, needs and beliefs. Ethical competence, then, is someone's ability to think in the most suitable way along the heteronomy-autonomy dimension that is demanded by the moral problem at hand. It is important, nevertheless, to underline the fact that since heteronomy is the default method the difficulty lies with learning to use autonomy, i.e. to think in a rational way.

Leaders need high ethical competence and confidence in working with moral issues in their organizations. Defining ethical competence as process ability, i.e. philosophizing, allows us to construct tools to assess it and methods to train it. That is necessary in order to solve moral problems effectively and satisfactorily, and to make moral decisions in accordance with relevant values, principles and interests. We have seen that training can help leaders to acquire the skills and to apply them in handling real-life moral problems. Spontaneous subjective and knee-jerk reactions to moral issues may give solutions to problems, which probably satisfy the people's moral feelings. However, with such more or less emotional reactions or with such uncritical following of a strong idea, the relevant factors of the particular moral problem are certainly not fully taken into account. Besides, uncontrolled reactions and dogmatic fixations are not acts of leadership. What leaders need is an approach that focuses on ethical competence and skills. Suitable assessment tools, training programs and support methods can help leaders to handle moral problems and to provide ethical guidance to their organizations.

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Chapter 27

Aligning Business Education with Ancient Chinese and Greek Philosophy: The Andrews University's Leadership Program

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Abstract The Leadership Program at Andrews University is a 15-year experiment in graduate leadership education. It allows participants to create their own individualized course of studies to develop and demonstrate competency in specific areas associated with leadership. Undergirded by a philosophy that favors holistic learning by experience, the program embraces the paradoxical unity of theory and practice creating a rich environment for exchange of ideas, cultural values and perspectives, experiences and practices. A central feature of the program is the development and presentation of the 15 competency-based portfolio related to the every-day workplace of the participant. In this paper, dominant values and principles of ancient Chinese and Greek leadership philosophies were identified and compared with the Leadership program's philosophical underpinnings and structure. The results indicate that the Program strongly reflects Chinese and Greek philosophical values, such as, self-cultivation and transformation through learning, reflection and practice, servant leadership, collectivism and love and inclusive care.

27.1 Introduction

Many Chinese principles and values are discussed and emphasized in the contemporary and Western management and educational leadership literature (Fan 1995; Liu and Mackinnon 2002; Parnell et al. 2003; Tsui et al. 2004; Baskin 2007; Lin 2008; Fan et al. 2008; Ho and Nesbit 2009). Similar values and principles, as will be noted later, are embedded in the Andrews University Leadership Program's structure. The competencies are outlined as being the ones required by leaders to reach their own personal and professional growth so they can, as a result, transform their environment.

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The objective of this paper is to identify to what extent the Andrews University's Leadership Program is aligned with the values and principles of Chinese and Greek leadership philosophies. First, a list of Chinese and Greek values and principles were compiled from the literature on Chinese, Greek, and Eastern management and leadership philosophies, values and principles. Second, a content analysis of the Program's philosophical underpinnings and structure was conducted, identifying its core values and principles. And lastly, these core values and principles which reflect the Program's philosophy, were compared with the list of Chinese and Greek values and principles thus making the link between them. This allowed us to determine to what extent the Andrews University's Leadership Program is aligned with the values and principles of Chinese and Greek managerial and leadership philosophies.

Eight of the Chinese/Greek philosophical principles and values found in the literature, which matched principles and values embedded in the Leadership Program's structure and philosophical underpinnings, will be presented next. A description of the Leadership Program emphasizing its main pedagogical and philosophical foundations is presented, followed by a discussion section, which will compare, in the form of a table, quotes taken from the sources used in this paper to depict the Leadership Program's philosophical principles and values with the principles and values of Chinese and Greek philosophies. The paper will end with concluding remarks and the observation that the Leadership Program offered at Andrews University is aligned with the most altruistic principles and values of Chinese and Greek philosophies.

27.2 Chinese and Greek Philosophical Principles and Values

The Warring States period (cc 481 B.C.E. - cc 206 B.C.E.) is celebrated as the foundational era of Chinese philosophy. During this period, Chinese society was, and still is in many aspects, greatly molded and influenced by several dominating schools of philosophy, such as Confucianism, Daoism (or Taoism), Mohism, and Legalism. Buddhism, which began around the third century, also played an important part in molding the Chinese thinking and life style. In one aspect or another, these philosophies, accompanied by its societal, religious, and political values and principles, prevailed with different strengths in Chinese society for centuries. Many of these values and principles are still practiced today in modern China ([New World Encyclopedia](#), (a), 2010). Several of these values were found to be highly embedded in and emphasized by the Leadership Program.

27.2.1 Self Cultivation and Transformation Through Learning

Self-examination and the correcting of mistakes are important themes of Chinese philosophy. The noble and sage are differentiated from the small-minded people to

the extent that they attained the highest standards in the process of self-cultivation and its results (Knoblock 1998). Confucius advised leaders to have a sense of shame and to be courageous to acknowledge and correct their mistakes (Yang et al. 2008, p. 41). Therefore, a major aim of Confucius' path to leadership is the individual perfection through the practice of self-cultivation (Fernandez 2004, p. 23). Xunzi also emphasized the necessity of the leader being transformed inwardly first and foremost, differently from Western theories which heighten mostly outwardly transformations for the organization as a whole (Peng et al. 2008, p. 75). Thus, Chinese leadership philosophies put "self-transformation of the leader as the prerequisite and the foundation of the followers and the organizational transformation" (Chen and Lee 2008, p. 18). According to Confucius, if you know how to cultivate your own character, you will know how to shape others and how to lead the family and the state.

The essence of knowledge is thus symbolized by the Lung. However, this knowledge is not stagnant but ever growing and changing. It is particularly associated with the ability to recognize the needs for "transformation", i.e. changes. This is why the Yi Jing is the "Canon of Change", indicating and reflecting that the heights of its wisdom have to do with change (Hean-Tatt 1998). In summary, Confucius, Mencius, Daoists, and even Xunzi, although coming from a different perspective on human evilness, promote continuous learning as a major means of self-cultivation. To these philosophers, one becomes a sage through learning (Yang et al. 2008; Chen and Lee 2008; Peng et al. 2008). Therefore, noble-mindedness and "sageness" result from continuous and conscientious mental and behavioral exertions, which involve continuous learning, thinking, and performing goodness (Knoblock 1998). Based on Aristotelian wisdom, "leaders need to have a healthy vision of self which can only be forged in a combination of knowledge and experience" (Korac-Kacabadse et al. 2001).

27.2.2 Reflection and Practice

Confucius highlighted methods of learning, as he emphasized the importance of combining independent thinking and learning. Self-improvement and becoming a "humane sage" is central to Confucius' philosophy, thus, self-examination and self-criticism are indispensable for self-improvement (Yang et al. 2008). Munro (1985, p. 7), states that "Even in Confucianism there exist individualist beliefs such as the importance of introspection (*nei xing*)."

However, according to Xunzi, it was too idealistic to place too much emphasis on the self-consciousness of human nature. This would be almost impossible to apply in social practices. Thus, Xunzi turned philosophical and intellectual discussions into social practice thereby contributing to a Chinese philosophical tradition of being practical-oriented (Peng, Chen and Lee 2008).

Thus, early Chinese thought was more concerned with practical utility and performance. Theoretical description or representation was used to lead to a more

effective practice. Anything that guides practical performance effectively can serve as *fa*. According to Peng et al. (2008, p. 60), “Wisdom is one of the main four virtues ingrained in Chinese philosophy.” Wisdom is conceived as knowledge that is harmonious with experience. Knoblock (1998) affirms that Xunzi sees wisdom resulting from continuous practical applications of rules of proper conduct and morality in emergent and changing circumstances.” After discussing the relation between reflection and practice in Chinese philosophy, Hean-Tatt, (2000, p. 2) concludes that “The starting point of having an adequate pool of capable men is that the education system must be able to prepare such men. Practicality is a necessary prerequisite of each educational subject taught.”

Plato’s philosopher-king model of leadership, based on Socratic teaching, could be regarded as an analogous to Kobe’s learning cycle, where both reflection (philosophy) and practice (governance) are necessary to reach effectiveness, and why not, wisdom? For Aristotle, moral leadership requires ‘practical wisdom’ which is concerned with action. According to Pashiardis (2009, p. 3), the Greeks emphasized that leaders should develop a self-reflective stance, a reflective ethos that is known by the term ‘Socratic elenchus’. “Epicurean philosophy made this state of calmness (*ataraxia*) its highest goal. Each of these schools of philosophy encouraged the ‘care of the self’ – introspection and reflection, among others.”

Aristotle developed different concepts of human action blended with reflection, or theory. Ramo (2004, p. 763) asserts that:

The theoretical activity (*theoria*) and its ‘results’ (episteme) may gradually filter down into a twofold domain of practice: to the making part of practice (*poiesis*), which promotes skillfulness and proficiency (*techne*); and to the acting part of practice (*praxis*), which in turn promotes wisdom and judgment (*phronesis*). . .the term activity is not limited to denote intentional physical movements only but is also extended to the activity of thinking, which precedes any intentional physical movements.

27.2.3 *Love and Inclusive Care*

Mohists advocated the practice of “inclusive care” or universal love, declaring that the same degree of care and concern felt for family members should be extended to all of mankind.

Inclusive care is one of the ten Mohist Doctrines. This doctrine states that people should care as much for other’s lives, families, and communities as for their own, showing the same love for all of mankind as they do for their own children. One should always seek to benefit others. The Mohists are most well known for the ethical principle of “*jian ai*” sometimes translated as “universal love”, but probably better understood as “inclusive care.” It refers to a dispassionate concern about the welfare of an object. In this sense, people should follow the *fa* of inclusively caring for each other and in interaction benefiting each other. In practice, then, the slogan called for reciprocally beneficial interaction with the immediate society around you, while maintaining an attitude of concern for all mankind (New World

Encyclopedia, (a). Yang (1958, p. 189) states, “The most important component in governing is to love people.”

The Greeks also emphasized love (*filotimo*) as a means to secure loyalty in their business (Papalexandris 1992). In an earlier study, Bourantas’ (1988, p. 130) investigation confirms that “*filotimo* ranks very high in the hierarchy of values of Greek managers and plays a central role in Greek culture.”

27.2.4 *Servant Leadership*

Service as the main function of a leader is a common theme in Chinese philosophy. Chen and Lee (2008, p. 17) present the relationship between Chinese humanism and the leader as one who serves his fellow men. They observe that:

Chinese humanism stresses kindheartedness in one’s relationship with other fellow-beings in the social and natural world. In leadership, its straightforward application is being sensitive and attentive to the basic needs of the followers. More importantly, it means a commitment to building and maintaining a humane organization in which members’ livelihood is provided and their social-psychological well-being is taken care of. . .to the extent. . .or a leader is believed to be humane, that is, putting priority on serving the long-term interest of the employees.

Daoism recognizes that the ultimate goal of an altruistic leader is to serve the people without the desire to gain personal benefit or to receive gratitude. According to Lee et al. (2008), Laozi stated, “in the opinion of Laozi and many other Daoists, leaders are those who are actually no more than servants or followers. The more one serves, the more one leads. Leadership first means follower-ship or service-ship, just like water.” Thus, to Laozi, modesty or humbleness, willingness to help and benefit others, and the ability to maintain a low profile (just like water) are essential qualities to a leader who desires to influence others. True sage-kings love the people and provide them with benefits without asking anything in return. These kings will win the world (Yang et al. 2008, p. 59). Sunzi sees military leadership “not merely about winning victories but about serving the nation and the people” (Sun et al. 2008, p. 155).

A Confucian leader serves his people from the lowest level with a high sense of equity and equality. This places the Chinese organizational leaders as guardians and providers of the subordinates’ welfare. According to Wah (2001, p. 79), the leader is therefore “willing to work long hours and yet remain enthusiastic and dynamic. This great sense of achievement has developed into high entrepreneurial spirit.” Hean-Tatt (1998, p. 42) observes that “The great leader must always be thinking of the needs of the people and how to swiftly fulfill them. . . .A person with great ability and resources but not having any loving care for the people does not qualify to be Lung. Concern for the people is one of the two major qualities of the Lung.”

Aristotle stated that “He who knows how to govern like a free man and how to obey like a free man is the best to become a leader.” Commenting on this concept, Pashiardis (2009, p. 7) declares that “In essence, Servant Leadership is the call of

the day for this piece of wisdom on leadership for Aristotle.” This concept further proposes that, in order to become a good leader, one needs to learn first how to be led. It is Aristotle’s belief that “virtue is displayed in doing good rather than in having good done to one and, of all virtuous people, the liberals are perhaps the most beloved, because they are good to others” (Aristotle 1894).

27.2.5 *Collectivism*

Chinese culture places emphasis on social affinity and communities over either individuals self-interest or the collective interest of large and impersonal collectivities. In other words, the Chinese collectivist perspective views people as either individuals or as members of communities or both, but it places priority on the interest and welfare of sub-ordinate communities (Brewer and Chen 2007).

According to Wah (2001, p. 73), “The influence of Chinese cultural values on managerial practices is so significant that it has created the distinguishing characteristics of the Chinese managerial system. The unique characteristics of Chinese organizations include strong emphasis on collectivism and group behavior.”

Pericles, in Thucydides’ famous descriptions of the idealism of democracy, declares “We Athenians, in our own persons, take our own decisions.” Aristotle defines the basic idea of the citizen as the person entitled to participate in decision-making and authority. For the Athenian democracy, it means that decisions ought to be taken at the collective level (Pashiardis 2009).

The decision to build the Parthenon, one of the most potent symbols of democracy, was approved by a citizens’ assembly. Manville and Ober (2003) accentuate that the Parthenon remains a product of thousands of people working together to create something of lasting value and excellence. Reviewing Manville and Josia’s book, Donkin (2003) comments that “The achievement of such excellence was founded on a strong emphasis on the involvement of citizens in decision-making, the system of *politeia* that embodied a sense of civic duty, common purpose, learning, governance and community values.”

27.3 Andrews University’s Leadership Program

The roots of Andrews University date back to a small nineteenth century school of just 12 students – one of which was the breakfast-cereal-genius-to-be John Harvey Kellogg. Through the leadership of a teacher, Goodloe Harper Bell, the Battle Creek, Michigan-based school expanded quickly and, in 1874, took the name Battle Creek College. By 1901, the school’s administrators had decided to experiment with a non-classical concept for education that fused traditional academia with a practical approach to learning. Thus, the college moved to Berrien Springs,

Michigan with a new name-Emmanuel Missionary College (EMC). In 1959, the Potomac University based in Washington D.C. merged with EMC. The combined institutions were chartered as Andrews University, honoring the first Adventist missionary, John Andrews.

The Leadership program is housed in the School of Education. It is a field-based and flexible program. Although specific courses are required, the Program is developed under a collaborative structure, which promotes ongoing communication among all participants through technology, annual round-tables and attendance to regional group meetings. Participants are required to take part in regularly scheduled meetings and conferences to exchange ideas and to provide support for each other. These are opportunities the Program provides for participants to discuss scholarship and practice. The Leadership Handbook (2010, p. 12) states that “The program develops a community of scholar-practitioners who transform the power of knowledge into service. Its core values include: community, service, integrated life, and human dignity.”

The values and principles outlined are infused as the students develop a portfolio demonstrating competencies in 15 different areas. Thus, the development of this portfolio based on real experience in the field is the instrument by which the candidate demonstrates how and to what extent the principles and values promoted by the Program were developed and actualized in practical terms.

Competency is defined in the Leadership program as a complex skill undergirded by a knowledge base. It is not a static concept but is based on the dynamics of experiential learning which encompass the dimensions of (1) practical experience, (2) reflective observation, (3) abstract conceptualization, and (4) active experimentation leading to the implementation of new insights learned. The evaluation of competency, therefore, must also include dialogue about appropriate knowledge bases and experiments of learning.

Three major types of artifacts ensure that the portfolio clearly demonstrates competencies in the given area. They can be:

1. Things created, such as organizational manuals, web pages, videos of presentations, policy descriptions, books, articles and reports;
2. Verification from others, such as letters, cards, evaluations, and annual reports;
3. Reflective journals/papers where growth in a particular competence connects with the knowledge base or theoretical underpinnings of that experience, such as values and principles.

The student’s participation in a Regional Leadership and Learning Group (RLRG) also provides a means or opportunity where he/she can develop the required competencies in a very practical way. It is within the group process that participants increase and enhance significant competence in leading, setting goals, evaluating progress, solving problems, resolving conflict, and providing support.

The Leadership Program seeks to incorporate this ongoing learning process by allowing participants to use their work and life context as the laboratory for the development of leadership competence, for experimentation with new leadership insights and skills, and for developing a knowledge base rooted in theory and

practice. Thus, all learning activities are designed to facilitate the development of the required leadership competencies and the portfolio.

The School of Education Leadership Handbook (2010, p. 12) describes the Program as being “A participant-driven program based on the idea of developing and demonstrating competency in 15 areas associated with leadership in all fields.” The Leadership Program, thus, is structured around theoretical knowledge and practical application of five core competencies, namely:

1. *Leadership and the self*, which focuses on the self awareness and the personal and professional identity required when practicing leadership. This core competency encompasses competencies such as philosophical foundations, ethics, values and spirituality, and learning and human development. Students develop these competencies by: attending or teaching philosophy classes; preparing a reflection paper on their own worldview; conducting research and interviewing specific groups about their worldview; developing case studies with diverse groups; Charring or being a member of diversity councils or committees; developing or participating in diversity awareness programs, initiatives, projects and training; developing a set of organizational values for the work place; participating in ethics training and workshops; read extensively about organizational ethics; prepare an ethical conduct manual and guidelines for the organization; developing course objectives, reporting and synthesizing learning experiences; mentoring students and staff; developing and participating in team building projects and activities; developing and conducting training programs; advising subordinates or students, and etc.
2. *Leadership with others*, which focuses on the interpersonal aspects of leadership. The competencies for this cluster are: effective communication, mentor/coach, and social responsibility. Students acquire these competencies by: creating marketing materials; developing intranet and organizational communications systems; conducting oral presentations of projects and plans; participating in negotiation meetings; conducting employee intervention processes; chairing and participating in the recruitment and selection initiatives; advising prospective students and employees; providing support for entry level employees and students; serving as liaison for the organization; participating in public relations efforts and initiatives; conducting training workshops and sessions; mentoring and coaching employees or students; participating in new student or staff orientation programs; developing and participating in community development projects; developing and evaluating adequate workload and job description; assessing and developing adequate organizational benefits packages that attend to the workers needs; participating in non-for-profit organizations and the like.
3. *Leadership through organizations*. This cluster of competencies focuses on the organizational aspects of leadership. Leadership sets direction in ways that facilitate achievement of organizational goals. The competencies required are human and financial development, legal and policy issues, organizational behavior and development, and change implementation, evaluation and assessment.

These competencies are infused in students as they: attend workshops on human development; present seminars, classes, and workshops or training sessions in human development; participate in staff development committees; develop performance evaluation strategies that value learning and development; conduct staff satisfaction level surveys and research; conduct orientation and training initiatives; assess employee's or student's personal and professional needs; understand budgetary issues; plan and allocate budget; lead teams; lead and chair committees; develop group activities and initiatives; develop and lead organizational change management projects; develop strategic plan; chair and participate in strategic planning committees; assess needs for organizational development; implement change projects; chair or participate in assessment and evaluation committees; evaluate employee performance; create and develop evaluation and assessment instruments and tools; assess resources needs, amongst others.

4. *Leadership and research* focuses on the need to use data to communicate, persuade, and make decisions, and to contribute to the knowledge base for leadership. Reading, evaluating, conducting, reporting, and implementing research are the competencies required in this cluster.

The participants of the Leadership Program can demonstrate their performance on these competencies, by: attending and preparing research seminars and workshops; preparing research tutorials for students and staff; make decisions based on research data; write research proposals; prepare literature reviews; participate in proposal defense committees; conduct proposal and project evaluation; conduct orientation and training surveys, interviews, and experiments; develop research instruments, such as questionnaires and surveys; collect data through observation, interviews, focus groups, and case studies; formulate hypothesis for research; determine research design methodologies; analyze and synthesize research data for decision making; conduct field and organizational development research; report research findings; implement projects based on research findings; attend or teach scientific writing labs or classes; engage in ongoing program assessment using various assessment tools and instruments.

5. *One individually chosen option is required.* Additional options may be chosen, if needed (School of Education 2010, p. 36).

Thus, competencies instead of courses are emphasized, and therefore, the Program is job-embedded and work-related, although some specific courses are required.

27.4 Discussion

The comparison outlined in Table 27.1, "Alignment of the Leadership Program with Chinese and Greek Philosophies Values and Principles" reveals that the Leadership Program is strongly aligned with five principles and values embedded in Chinese and Greek philosophies. The first column of the table indicates the

Table 27.1 Alignment of the leadership program with Chinese and Greek philosophies values and principles

Chinese and Greek philosophy	Leadership program	How the values and principles are infused (competencies)
Self-cultivation and transformation through learning	“Leadership fosters an understanding of the principles of learning and commitment to continuous personal, interpersonal, group, and organizational learning” (School of Education 2010, p.36)	<i>Leadership and the self:</i> Learning and human development
	“The Leadership and Educational Administration Department develops a community of scholar-practitioners who transform the power of knowledge into global service” (School of Education 2010, p. 11)	Leadership fosters an understanding of the principles of learning and commitment to continuous personal, interpersonal, group, and organizational learning
	“Engender transformational learning” (School of Education 2010, p. 21)	
	“The Program “gives self-directed, self-motivated individuals a way to take charge of their own education while incorporating professional experience” (School of Education 2010, p. 12)	
Reflection and practice	“The learning theories undergirding the Leadership program are inter-related so as to engender the development of reflection as a life principle” (School of Education 2010, p. 34)	<i>Leadership and the self:</i> Philosophical foundations Leadership functions within the context of multiple perspectives and understands how individual worldview influences practice
	“Our definition of reflection is that it is a thought process whereby one enters a dialogue about one’s beliefs and practices” (School of Education 2010, p. 34)	
	Each aspect of the Leadership program develops reflection ability in	<i>Leadership and the self:</i> Ethics, values, and spirituality

(continued)

Table 27.1 (continued)

Chinese and Greek philosophy	Leadership program	How the values and principles are infused (competencies)
Collectivism	participants; together they represent our unique ‘pedagogy for reflection’ (School of Education 2010, p. 34)	Leadership functions from a set of principles and standards that guides work and relationships
	“Leadership involves working with others in order to collaboratively shape the vision and strategy for change. . .” (School of Education 2010, p. 36)	<i>Leadership with others:</i> effective communication Fosters effective communication in all internal and external interactions, to establish and maintain cooperative relationships
Loving and inclusive care	“Leaders understand that human beings need to be in relationships with others. Therefore, they encourage collaboration, cooperation, and dialogue so that groups may accomplish common goals” (School of Education 2010, p. 37)	<i>Leadership with others:</i> Mentor/coach Promotes relationships that are trust-centered, providing the kind of empowerment that results in personal and performance improvement toward satisfying mutual objectives
	“Leaders help other people realize their unique purpose in life and help unleash their capacity to serve and lead” (School of Education 2010, p. 25) “Leadership understands social systems and is accountable to others and endeavors to see that family, community, and environmental needs are met in local and, as appropriate, in global ways” (School of Education 2010, p. 36)	<i>Leadership through organizations:</i> Organizational behavior, development, and culture Leadership understands personal, group, and inter-group behaviors, and how they impact organizational history, needs, and goals <i>Leadership with others:</i> Social responsibility Leadership understands social systems and is accountable to others and endeavors to see that family, community, and environmental needs are met in local and, in global ways

(continued)

Table 27.1 (continued)

Chinese and Greek philosophy	Leadership program	How the values and principles are infused (competencies)
Servant leadership	“We believe in a holistic approach to life. . .in such a way that students are fully prepared to serve the world when they finish their studies” (School of Education 2010, p. 16)	<i>Leadership with others:</i> Social responsibility
	“The essential, unique dimension of acting is captured in the notion of servant leadership” (School of Education, 2010, p. 33)	Leadership understands social systems and is accountable to others and endeavors to see that family, community, and environmental needs are met in local and, in global ways

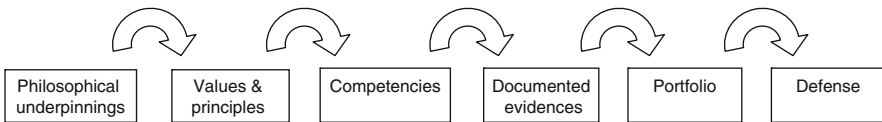


Fig. 27.1 Portfolio Development and Presentation Process

Chinese and/or Greek philosophy. The second, is a citation from the Program’s handbook describing an equivalent philosophical underpinning, and the third column presents how the given value or principle is infused. As mentioned before, this is done as the student develops in his work setting different competencies and reports its progress in a portfolio which will be evaluated by a committee composed by three faculty members. Figure 27.1 demonstrates this process.

The Leadership Program emphasizes the need and importance of self-cultivation by education. The first group of competencies required from students of the Leadership Program is “Leadership and the self.” This cluster of competencies focuses on the self-awareness and the personal and professional identity required when practicing leadership.

According to Chinese philosophy, as seen above, the results of the self-cultivation process through education is change and transformation. As shown in Table 27.1, The School of Education fosters this ideal. Element III, embedded in the mission statement, addresses principles of group behavior, which affects positive change for individuals and organizations. Thus, transformation is embedded in the program and shows the competencies outlined as being the ones required by leaders to reach their own personal and professional transformation so they can, as a result, transform their environment.

The learning theories undergirding the Leadership program are inter-related so as to engender the development of *reflection* as a life principle. Change is the essence of leadership and, without reflection, change will not occur. The definition

of reflection adopted is that “it is a thought process whereby one enters a dialogue about one’s beliefs and practices” (School of Education 2010, p. 34). D. A. Schön’s (1987) idea of reflection is that it is “on practice, during practice, and for practice.” The reflective process in the program is intentional and the students are required to involve themselves in several reflective activities. The School of Education Leadership Handbook (2010, p. 34) describes how students participate in such activities:

The Leadership program assures a unique “pedagogy for reflection” (1) by requiring an essay during the orientation process describing the participant’s leadership vision and participation in the Leadership and Learning Regional Groups and during the annual Roundtable conference; (2) the 15 competencies portfolio is based on the participant’s reflection about their performance in the field, and (3) the final synthesis paper and oral presentation give each participant an opportunity to reflect and articulate how they have changed and grown and to identify further possibilities for growth.

Kolb’s (1984) experiential learning theory is used as the basis for the Program’s job-embedded, competency-based experience to connect to theoretical ideas. Thus, in each cycle, the learner moves from concrete experience to reflective observation, theoretical analysis, and application. This process needs to be described in the student’s Portfolio for each of the competencies developed.

Reflection and critical thinking that leads to change and practice is profusely emphasized by Andrews University. Its motto is “Seek knowledge, Affirm faith, Change the World” as ingrained in its mission statement. Seek knowledge is viewed as a commitment to a “mindset of intellectual discovery” and a demonstration of the “ability to think clearly and critically” (Andrews University 2007, p. 1). The Leadership Program adheres to this mission. The reflection process that leads to improved practice and ultimate learning is the core of the Leadership Program’s pedagogical philosophy as it requires and emphasizes activities that involve dialogue and writing which require participants to reflect – to think critically about who they are and how they practice leadership.

Furthermore, as pointed out earlier, the Leadership Program is job-embedded and work-related, and thus, the Leadership Program’s design embeds practice in a theoretical knowledge base. As part of the *Leadership and Learning Plan* development, students are engaged in the reflection and evaluation of their own practice in order to implement changes and improvements. This process is documented in a *Portfolio*, which includes the 15 competencies, and is presented in an oral defense to a Committee as part of the Program’s requirements.

Seventh-day Adventists are well advised by many writings from the pen of Ellen G. White (1925) regarding inclusive care and love. She wrote profusely about the importance of those who follow Christ to demonstrate love to one another, be it in the family context or community, and even to the “world.” She strongly advised that Christians should demonstrate unselfish love because this would shed a refining influence on others. The Leadership Program requires that students be a member of a Regional Group which meets a few times a year. The objective is for them to share concerns and experiences; help and learn from each other. This works along the lines of a support group to motivate and strengthen each of the components of the group. This is inclusive care in action.

One of the core values of the Leadership Program is ‘*Service*’. The ‘*Ethical Principle*’ attributed to ‘*Service*’ is that leaders should help other people succeed in life. Social responsibility is a competency within the core competency “Leadership with others.” Thus, it is expected that leaders be accountable to others and see that the needs of their community and circle of influence are met in appropriate ways. Servant leadership is a common theme at Andrews University and in the Leadership program. Andrews University prepares students to serve the world. When I was interviewed 4 years ago for the position I hold at Andrews, a member of the selection committee asked me, “Dr. Oliveira, what are your beliefs about servant leadership and how do you plan to work based on this philosophical principle?” The description of AU’s mission highlights the commitment to generous service and appeals for students to “become competent to serve humanity in their chosen profession” (School of Education 2010, p. 17).

The leadership and Educational Administration Department develops a community of scholar-practitioners who transform the power of knowledge into service. This ideal can be verified by the fact that the School of Education’s mission is well tuned with AU’s mission in achieving this greater purpose, that is, to prepare professionals for global services. Furthermore, one of the six elements which reflect the ideal development for students, based on the School’s mission, is “Groups, Leadership, and Change.” Under this heading, the School of Education Leadership Handbook (2010, p. 220) states that, among other things, “Graduates will be able to demonstrate servant leadership.”

The philosophical underpinning of the Leadership program and its competency structure also emphasizes the importance of servant leadership. Three philosophical dimensions are foundational to the Leadership program; *being* (ontology), *knowing* (epistemology), and *acting* (ethics). The explanation of the acting dimension includes servant leadership. Servant leadership is further emphasized as inherent to the ‘*Leadership with others*’ core competency. The description of the ‘*Social responsibility*’ competency highlights servitude to others in the community.

Servant leadership places the promotion of follower’s interest in the first place (Barbuto and Wheeler 2006; Greenleaf 1977; Manz 1998). Such leadership is not to serve followers in a subservient way. Rather, “the servant notion in . . . leadership means encouraging followers to grow, be creative and intelligent, and serving people, and at herby better the society. For this purpose, servant leadership advocates acceptance, tolerance, empathy, love, forgiveness, and adherence to the Golden Rule of giving benefits to others just like to oneself” (Cheung & Chan, 2008, p. 479).

27.5 Conclusion

To effectively lead and manage in this new environment, the divergent Chinese and Greek philosophies of leadership provide both challenges and opportunities for organization and management scholars and practitioners. In this sense, for Tsui

et al. (2006, p. 121), “The major challenge is how, in the midst of diversity, change, and global competition, to create a relatively coherent and unifying philosophical vision for the organization and for the majority of its members.”

As the Andrews University’s Leadership Program subscribes, intentionally or not, to salient Chinese and Greek philosophies, principles and values, blended with contemporary adult learning theories undergirded by reflection that results in change through practice, faces today’s cultural and global challenges and effectively taps the opportunities this new environment provides.

The result is the development of leaders who are self-conscious of their role in society, without forgetting the dyadic relationship indispensable for the success of any organization.

Confucian leadership builds community starting from the bottom. Therefore, the focus is the individual, considering that he is the smallest unit of society. Thus, Confucius and Mencius held that leadership originates from leaders’ own characters, and extends to dyadic interactions with others. Therefore, begins to manifest more comprehensively in the basic unit of a community, and ends with a harmonious and benevolent world (Yang et al. 2008).

The Leadership Program at Andrews University is on par with this altruistic goal and mission, as it places great emphasis in humane love and inclusive care, self-actualization and transformation through learning, morality and character building, leading by example, reflection that leads to improved practice, and values communication, trust, harmony, and collectivism. In the center of the program, is a leader who serves individuals, communities, society, and thus, changes the world.

In a paper providing an over-view of the traditional interpretations of Taoism, Ming (2008, p.9) concluded that the Taoist concepts can be fruitfully utilized by establishing “a good management system guided by modern principles of management first, then follow Taoist principles to free oneself from rigid rules and regulations, over-reliance on the use of forceful actions, etc. A Taoist without knowledge of modern management does not make a good CEO, but a CEO taking up Taoist principles will become a great CEO.”

Anyone who is determined to “Seek Knowledge, Affirm Faith, and Change the World” is well on the way to becoming a “Humane Sage.” The Leadership Program at Andrews University with its philosophical underpinnings and program structure aspires and prepares students to become exactly that.

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Chapter 28

Reflections from Indian History: Story-Telling for the New Age Mentor

Lipi Das

Abstract This article seeks to trace the concept of ‘Mentoring’ as a channel of communication through a ‘Conversation Schema’ and a ‘Mentoring Story-Telling matrix through Indian Historical Cases/Traditions’. Although lot of work has been done in the past in silos, the author tries to draw newer interpretations of Indian classics for modern management education and Philosophy. Insights are offered into the practices adopted by some of the Indian Kings and Historical leaders to enhance individual competencies in various domains. We strive to highlight the development of ‘mentoring as a channel of communication’ in the Indian past and draw lessons to be learnt for the new age mentor. Some of the traditions and legends discussed in the article are indicative of the author’s effort to co-relate the evidence in the past Indian tradition to the modern management practice.

28.1 Introduction

With the world becoming a global village, the challenges faced by individuals working in organizations are manifold. They relate to instability, how to ensure a life-long career, increased and discontinuous competition – all in a cross-cultural environment. There are other forces also at work which threaten an individual’s employability. For example, how the employers view the job market of today taking into consideration the economic viability of a hiring decision. There is always a trade-off in terms of ‘Talent’ and the ‘Cost’ involved with employers looking at procuring best talent at minimal costs. Trends like ‘Temporary staffing’ or ‘Contract-Staffing’ is a reality. Countries like U.S and U.K are constantly in the process of hiring from countries like India, China, and Philippines due to the cost factor. In developing countries like Brazil, Russia, India, China and South-Africa (BRICS),

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the challenge is to constantly ensure that the blue-collared work force keeps pace with the emerging needs and challenges that arise with growing economy.

Once an employee joins an organization, it is imperative to create a unique 'brand equity', developing a brand 'I' by differentiating from peers within and outside the organization on a continuous basis. This is only possible if one is aware of the key areas (skills) to improve upon, the contemporary realities, and enhancement of emotional intelligence quotient apart from gaining the technical know-how of the job undertaken. This is where Mentors play an important role.

28.2 Literature

A study conducted by Harvard professor Linda Hill during the late 1990s (Coaching and Mentoring 2004) pointed to three characteristics of 'Mentors':

- They set high standards,
- They make themselves available to their protégés – in other words, they are willing to invest the time and effort required for good mentoring,
- They orchestrate developmental experiences for those they counsel. This is accomplished by steering protégés onto important projects, teams, and into challenging jobs.

Other critically important characteristics mentioned suggest that mentors:

- Are successful and respected citizens of their organization,
- Demonstrate good people-development skills,
- Understand how their protégé learns best,
- Have access to information and people who can help others in their career,
- Are transparent in their dealings.
- Have good "chemistry" with their protégé,
- Are solidly linked to the organization.
- Reflect a high level of Integrity.

Psychologists Timothy Butler and James Waldroop have described this type of person as one who has an embedded life interest in coaching and mentoring others. For some people, nothing is more enjoyable than teaching, which in business usually translates into coaching and mentoring. These individuals are driven by the deeply embedded life interest of counselling and mentoring, allowing them to guide employees, peers, and even clients to better performance (Harvard Business Essentials 2004).

Megginson and Clutterbuck (2008) discussed the portfolio of techniques and approaches for coaches and mentors, in helping others. They focused on a long list of situations, through their own coaching and mentoring activities and enriched it further with the help of other experienced professionals in the field. The techniques they focused on are:

1. Establishing and managing the coaching or mentoring relationship,
2. Setting Goals,
3. Clarifying and understanding situations,
4. Understanding other people behaviour,
5. Dealing with roadblocks,
6. Stimulating creative thinking,
7. Deciding what to do,
8. Committing to action,
9. Managing the learner's own behaviour,
10. Building wider network of support, influence and learning,
11. Review and ending the coaching or mentoring relationship,
12. Building your own technique.

Effective communication plays an important role in nurturing the existing human capital and talent towards achieving the individual and organization goals through Mentoring. According to Chaturvedi et al. (2009) effective Communication (efficient process of sending and receiving messages) helps business in numerous ways, for example:

- Stronger decision making,
- Early warning of potential problems,
- Increased productivity and steadier workflow,
- Stronger business relationships,
- Clearer and more persuasive marketing messages,
- Enhanced professional image for both employees and companies,
- Lower employee turnover and higher satisfaction,
- Better financial results and greater return for investors.

Conversely, when communication breaks down, the results can be just the opposite. At every stage of an individual's career, communication is the key to success, and the higher you rise in an organization the greater its importance grows. Top management spend as much as 85 % of their time communicating with others (Jones and George 2003, 512, 517).

Successful Communication is result of a stronger connect with the audience under any circumstance. If one keeps in mind 'the communication process' as the base, one can improve the chances of success as a mentor by using 'Story-Telling' as a tool. The original version of the communication process was created to describe electronic communication (Baldwin and Roberts 2006, 5), but this model has been further developed (by Chaturvedi et al. 2009, 11). I have used 'Story-Telling' as an *alternate channel* while communicating with the 'mentee' in this new model given below. (Fig. 28.1)

The above process is based on a 'Conversation Schema' which uses a 'Story-Telling' tool. The word **schema** comes from the Greek word "σχῆμα", which means *shape*, or more generally, *plan*. The plural is "σχῆματα" (schemata). In English, both *schemas* and *schemata* are used as plural forms. The first half of the paper seeks to explore a communication framework –*the conversation schema*– which uses 'Story-Telling' as a tool for effective mentoring.

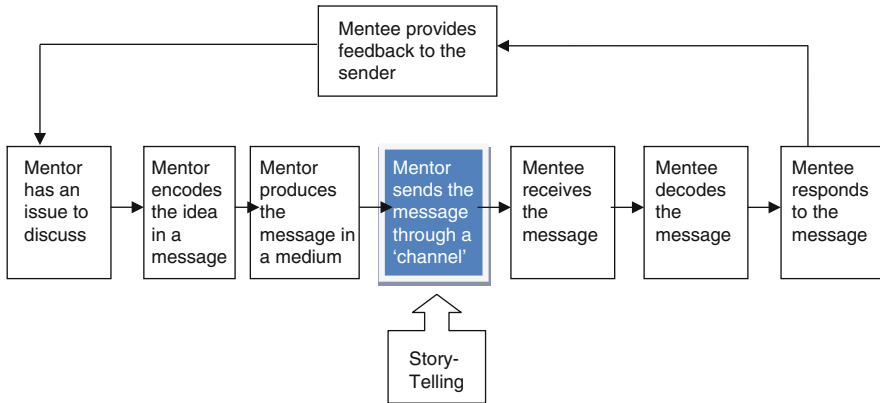


Fig. 28.1 Conversation schema using 'story-telling' as a mentoring tool (sender = mentor, receiver = mentee)

The steps to be followed are:

1. The mentor decides on the specific issue to be communicated. The issue could be relating to General Management, Socialization, Administration, Soft-Skills, People management etc. . . ,
2. The mentor encodes the idea in a message,
3. The message is communicated through a channel (the tool used is **Story-Telling**),
4. The mentee receives the message, decodes the message through the 'cues' present in the story narratives,
5. Mentee responds to the message and gives feedback to the mentor on his understanding,

Upon feedback, if the mentor feels that his message is not fully decoded then he/she must have an alternate similar story to cite and reinforce the idea.

28.3 Story-Telling as a Tool of Communication

Michael Hattersley (1997) highlights story-telling as one of the talents important for 'managerial success'. His article focuses on Sheldon A. Buckler who worked with Edwin Land in the early days of Polaroid and Karen Anne Zien, a cultural anthropologist, who set out to find what made innovative corporations like HP and Gillette remain innovative. A substantial part of the answer was story-telling. Their innovation processes almost always were influenced by stories about great corporate successes, total failures, or failures that turned into successes.

Douglas A Ready (2002) describes story telling as an approach that is as old as Homer, which can be one of the most effective means of developing successful

managers and leaders. Story-telling by a company's senior-executive is a way of providing potential leaders with the necessary and relevant contextual inputs from successful role-models. Story-telling has been an effective means of communicating important substantive and cultural messages for thousands of years. The Bible is one of the best examples of story-telling which has been used to shape behaviour, cultural norms and core values. Ready states "Great stories create a visual imagery in our minds, and great story-tellers invite us to walk the landscape that is created by this imagery". The various elements of effective stories are:

- Context specific
- Level appropriate
- Told by respected role models
- Drama
- High learning value

The above mentioned elements get explicitly reflected, through cases like Continental Tyre, RBC Financial Group. Ready also explains the strategy of implementing a 'Story-Telling Leadership Programme'. The Companies should be prepared to follow these steps:

1. Get the top team actively engaged,
2. Develop a collective point of view,
3. Consider all available alternatives like structured coaching, action-learning, university sponsored programs, benchmarking etc. in conjunction with story-telling,
4. Get the right team in place to carry out the program,
5. Coach the story-tellers and orient the participants,
6. Use stories to stimulate, dialogue, for reflection and action.

Barbara Kaufman (2003) refers to story-telling as one of the oldest, powerful modes of communication. She laments, in the world of corporations and non-profit organizations, how this highly effective tool has taken a back seat to the more efficient electronic means of communication such as email and teleconferencing. Though savvy leaders are now adding storytelling to their toolkits to "sell" organizational goals and priorities to employees and other stakeholders. Through stories, these leaders align organizational mission and values with people's intrinsic needs to belong and to contribute. Storytelling is far more convincing to an audience than rational arguments, statistics or facts.

In 'Corporate Legends and Lore: The power of storytelling as a management tool', Peg Neuhauser outlines the results of a study with MBA Students, which demonstrates the power of a story. Statistically oriented students were divided into three groups. The first group was given only statistics related to the potential success of a winery. The second group was given statistics and story. The third group received only the story. The story ended with "And my father would be so proud to sip this wine". The findings revealed some curious results. Majority of students in the third group believed that the winery would be successful, while in

the other two groups sceptics dominated. So the group which was persuaded was done so through story not statistics.

Having explored and understood ‘Story Telling’ as a tool of communication, it is important to seek answer to the question: What type of stories to use? Barbara Kaufman focuses on finding stories with impact. The task is to observe day-to-day activities in the present and look for stories that answer the following questions:

1. Who are the risk-takers in the organization?
2. Who are the informal influence leaders?
3. What are the average employees doing that really makes a difference?
4. Who are the organization heroes, the people who walk that extra mile?

The South West Airlines is very good in story telling that demonstrate employee commitment. Finding even a failure makes a good story when it is positioned to focus on the learning experience derived from it. Kaufman (2003) highlights the story of a creative Southwest Airlines mechanic who demonstrated his commitment to customer service by walking that extra mile. During a blizzard in Buffalo, the employee used his snowmobile to drive seven miles in 20 ft of snow to get to the airport to free up a plane for take-off.

Though there are enough concepts relating present management to past classical traditions, most of the story-telling cases are contemporary and thus there is a need to explore the classical traditions which brings us to the second part of this research paper.

28.4 Exploring Stories from Classical Tradition

I have explored the concept of mentoring as a channel of communication, through Indian classical traditions like the ‘Guru-Shishya’ Parampara, historical figures and legends. The question might arise as to what is the need to go back to Indian historical traditions?

The prime consideration would be referring to current trend of looking at the past to draw management lessons for the present. Rakesh Khurana and Nitin Nohria in a 2008 issue of Harvard Business Review state that “Managers have lost legitimacy over the past decade in the face of a widespread institutional break down of trust and self-policing in business”. They came up with a rigorous code of ethics –A Hippocratic Oath for Managers – inspired by Hippocratic Oath of Doctors. Management Leadership lessons have been drawn from Greek history by authors like Lance Kurke (2009) who relates riveting episodes from Alexander’s expansion, while imparting valuable lessons from the timeless legend of one of the greatest leaders in history. Thus I seek to draw newer interpretations from Indian history classical traditions, legends etc for the modern management education and Philosophy.

I have reviewed literature and created a **Mentoring Story-Telling matrix through Indian Historical cases/traditions** (Fig. 28.2). This gives insights into the practices adopted by some of the Indian Kings, Historical leaders, to enhance

	Case/Tradition	Mentoring Implication Through Communication
1	Guru – Shishya Parampara	Achieve potential, Talent Development
2	Krishna Arjuna – <i>The Bhagavatha Gita</i>	Persuasive Communication, Problem Solving and Decision Making, Conflict Management, Crisis Management
3	Duryodhan /Danveer Karnan	Increase in Self-Esteem, Recognition, Socialization
4	Abhimanyu’s Chakravyuha	Failure due to incomplete mentoring
5	Theravada Buddhism – Eight fold path	Developing Action-plan, Disciplined approach
6	Kautilya’s <i>Arthashastra</i> during reign of Chandragupta Maurya	Virtues of a leader, Guide for organizational effectiveness
7	Akbar/Birbal	General Administration and Polity, Reverse Mentoring
8	Stories from 19 th Century Indian History: Bhairabi Bramhani, Ramakrishna Paramhansa, Swami Vivekananda	Relationship Management with Mentee, Unique Communication Style, Presentation Skills

Fig. 28.2 Mentoring story-telling matrix through Indian historical cases/traditions

individual competencies in various domains. The mentor may use this to create a ‘conversation’ with the mentee by using these cases/traditions as stories to focus on the ‘Mentoring Implication through communication’.

The purpose of the below mentioned matrix is precisely to give an indicative tool to the new age mentors and to inspire the readers to create their own inventory of stories from the rich Indian classical traditions. The mentoring implications may go beyond the mapped parameters in the matrix and gives credence to the sustainability factor of this perspective research paper.

The boundaries of the review have been defined period wise, with major focus on cases/traditions from Ancient Indian History. Stories from the Medieval and Modern Indian history have also been included. The cases /traditions have been selected taking into consideration the implications for the new age mentor. This being an indicative matrix, the new age mentor may be further motivated to explore other stories from the Classical traditions in India.

The above matrix indicates how the traditions, legends of ancient, medieval and modern Indian history relate to the modern management practice.

Let us discuss each in greater detail:

28.4.1 *Guru: Shishya Parampara*

This concept of lineage or parampara is traced to the traditional Indian culture and dharmic traditions of a succession of teachers and disciples. The basis of the spiritual relationship is mentoring in Hinduism where the sacred teachings were passed on from the guru (the teacher) to the sisya (the disciple) or chela. The continuous enriching relationship between the guru and the disciple is the ‘funnel’ of knowledge transmission.¹ The earliest literary sources in Indian civilization are the Rig-Veda, parts of which were originally composed in 1000 B.C. (Romilla Thapar 1966). It is believed that a seer called Ved Vyas compiled the content of the Vedas into four major books: Rig Veda, Yajur Veda, Sama Veda, Atharva Veda. Each Veda consists of poems that glorify god; brahmanas that enumerate procedures for carrying out rituals, Aranyakas (Forest Books) developed primarily for the forest dweller, and the Upanishads or Vedanta considered to contain the essence of the Vedas. Upanishadic thoughts have influenced Western philosophers significantly in both ancient and modern times.²

According to Eknath Easwaran (1996) etymologically the word “Upanishad” suggests “Sitting down near”, i.e., at the feet of an illumined teacher in an intimate session of spiritual instruction, as aspirants still do in India today. Often the teacher is one who has retired from worldly life to an ashram or “forest academy” along the banks of the upper Ganges, to live with the students as a family, teaching in question and answer sessions and by example in daily living. Other settings are explicitly dramatic: a wife asks her husband about immortality, a king seeks instruction from an illumined sage; one teenage boy is taught by death himself, another by fire, beasts, and birds. The New age Mentor can relate the Upanishadic traditions to the mentee to enhance the self-confidence of the mentee by focussing on individual’s strength. Another learning for the new age mentor is to motivate the mentee to learn from surroundings, failures, successes and most importantly from the mentor.

There are conversations/dialogues which may be used as reference ‘stories’ to inspire mentors in a modern organization, who are constantly faced with dynamic and volatile situations. Amanda Wood (2000) states how some ideas from Upanishads can be translated into modern terms. Philosophical questions are often discussed by telling a story, in which someone approaches a teacher and receives instructions. The new age mentor on being approached by the mentee can use story-telling in a similar fashion during the mentoring sessions.

The Puranas (18 books) contain examples and stories to illustrate the concepts found in the Vedas in much simpler language. The two major epics – Ramayana and Mahabharata, the historical narrations of Lord Rama and Lord Krishna serve as a guide for the common man to live a moral life. The implication for the mentee would be to lead a disciplined and focussed life to achieve professional success.

¹ Guru-shishya tradition http://en.wikipedia.org/wiki/Guru-shishya_tradition

² Hinduism.pdf *Essentials of Hinduism (Sanatana Dharma)*, The Bharatiya Temple Detroit.

Balakrishnan A/L Muniapan (2007) refers to the ‘transformational leadership style’ demonstrated by Sri Rama in Valmiki Ramayana which has transformed and continues to transform millions of Indians even today. Burns (1978) characterized transformational leadership as a process that motivates followers by appealing to higher morals and values. The transformational leaders are able to define and articulate a vision for their organization; society, country and their leadership style can transform their followers towards higher performance. Balakrishnan’s paper relates the transformational leadership style demonstrated by Lord Rama, 1,000 of years before the introduction and the development of TL model by Burns (1978) and later by Bass and Avolio (1994). Various episodes are narrated reflecting Lord Rama’s style which can inspire a modern day mentor. The new age mentor in the modern context who seeks to focus on achieving potential of the mentee and develop talent may refer to Lord Rama’s leadership style to inspire and suggest a role-model.

28.4.2 *Krishna Arjuna: The Bhagavatha Gita*

Pujan Roka (2008) quoting Peter Senge, Renowned Management Guru, states “In these times of unprecedented global stress, leaders of all sorts need to achieve deeper levels of clarity and connection (with nature and their higher selves) than traditionally required in order to do business as usual”. So it is not surprising that many are renewing serious study of ancient wisdom traditions of all sorts, including timeless texts like the *Bhagavad-Gita*. Both ancient and modern wisdom still boil down to a wisdom, which is the most precious commodity of all times of profound change. Roka (2008) emphasizes on how the *Bhagavad Gita* is predominantly considered as a work of ancient wisdom and yet to be explored in the context of leadership. The *Bhagavad-Gita* is known as the “the sacred song of the god”. It presents the dialogue between the two prominent leaders –Lord Krishna and the Warrior Prince Arjuna– before the Battle of Kurukshetra in the epic of Mahabharata.

The original Sanskrit text of the *Bhagavad Gita* has been translated in many languages. Scholars like Ralph Emerson, Henry D. Thoreau, and T.S Eliot have studied Gita with great interest. Leaders like Gandhi and many scholars throughout the ages have considered the *Bhagavad Gita* as a practical guide to leading a meaningful and fulfilling life. The Gita espouses Arjuna’s journey of leadership when he is confronted with the challenges of a war. As a leader, he is faced with the challenge of leading his organization –the clan of the Pandavas. The teachings of Krishna transforms Arjuna in embarking on that leadership journey and take up challenges of a leader. As Arjuna laments his dilemma of fighting the battle of Kurukshetra, Krishna tries to console him by saying (translated):

It is not wise for an intelligent being like you to lament at the time of crisis. You should not be weak at the time of adversity; you should fight the adversities with a brave heart.

Avoiding actions and work does not give a person his freedom. Excellence cannot be attained by inaction or by giving up work.

Krishna counsels when Arjuna asks him about the path to the supreme state:

It is wise to be proactive when it comes to fulfilling responsibilities.

Roka stresses that apart from being friends, Krishna and Arjuna had a mentor-mentee relationship. These conversations/dialogues are indicative of Krishna's persuasive communication style. Parallel for the new age mentor would be to relate these conversations when the mentee faces self-doubt and challenges in corporate life. Modern Management can also draw inspiration from this persuasive communication for problem solving and decision making while handling situations of conflict and crisis.

28.4.3 Duryodhan: Danveer Karnan

One of the famous stories in Mahabharata relates to Karnan who was the son of Kunti and the Sun God but due to certain circumstances, Karnan was forced to be given away and grew up as a charioteer's son. Duryodhana and his 99 brothers were jealous and sworn enemies of their cousins, the Pandava Brothers (King Pandu's sons). Meanwhile Duryodhana, the son of Pandu's brother (and now king) Dhritarastra patronized Karnan and made him the king of Angadesh. Duryodhana, in fact positioned him up as a counterweight to Arjuna. In fact, Duryodhana was responsible for his 'socialization' into the warrior community. So indebted was Karnan that he lay down his life in the famous battle of Kurukshetra. He is also referred to as "Danveer Karnan", a man who would never refuse the request to make a gift or donation, howsoever costly that might be and irrespective of the consequences of giving to his own well being and security. So the lesson for the mentor is to build mentee relations by developing self-esteem, recognizing talent and induction into socialization, especially when the employee joins the organization to such an extent that when required the mentee would go beyond the call of duty to perform.

28.4.4 Abhimanyu's Chakravyuhu

Abhimanyu is a tragic hero in the Hindu epic -Mahabharata. He is the son of Subhadra, who is the half-sister of Krishna. He was killed in the Mahabharata war and there is a legend relating to his mentoring. Abhimanyu learnt the tricks of warfare, especially how to break through the battle formation called Chakravyuhu, while he was inside his mother's womb! The failure of his medium – his mother not absorbing the key to exiting the Chakravyuhu led to his death-rendering the

learning process incomplete. So this story implies that if mentoring is incomplete it leads to harmful consequences. At any given point of time, the new age mentor should ensure that the Conversation/Dialogue with the mentee relating to issues/actions, should be complete in all aspects. Otherwise the repercussions could be different than anticipated, in conflict with organization goal and objective.

28.4.5 Theravada Buddhism –Eight Fold Path

“Focussing on trends from the religion”, Buddhism (2,500 year old), John Bullitt³ states in his article -Theravada (pali: therā”elders + vada” word, doctrine), the ‘doctrine of the elders’ is the name of the school of Buddhism that draws its scriptural inspiration from the Pali Canon, or Tipitaka. The Pali Canon is Theravada’s scriptures. After delivering his first sermon, shortly after his awakening, he laid out the essential framework upon which all his later teachings were based.

As a story-telling case, this is important because, the truths are not fixed dogmatic principles, but living experiences to be explored individually in the heart of the sincere spiritual seeker. Buddha taught to his followers through the Eight-Fold-Path, a ‘gradual’ system of training, beginning with the development of sila (virtue – right speech, right action, right livelihood), followed by the development of Samadhi (concentration and mental cultivation – right effort, right mindfulness, right concentration), culminating in the development of panna, or wisdom (right view, resolve). The inference for the modern mentor is to draw and develop an action plan for the mentee. This can be achieved by appropriate training, and inculcating virtues like continual focus towards achieving deadlines through a disciplined approach towards life.

28.4.6 Kautilya’s Arthashastra

L.N Rangarajan (1987) raises the question as to ‘Who was Kautilya, this mastermind, who could write a definitive treatise on economics and government at a time when large parts of the world were steeped in intellectual darkness?’ All sources of Indian Tradition –Brahmanical, Buddhist and Jain –agree that Kautilya (also known as Vishnu-Gupta) destroyed the Nanda dynasty and installed Chandragupta Maurya on the throne of Magadha. Thus he was a King-Maker. Dhana Nanda, the king in whose court Kautilya came to approach him to build a powerful Magadha dynasty and unify India, was considered evil and disliked by his subjects. He was a king who was deeply immersed in the pleasures of life and was least concerned about his

³ <http://www.buddhanet.net/e-learning/buddhistworld/whats-thera.htm>

kingdom or the country. The arrogant king insulted Kautilya who vowed revenge. As Alexander was advancing towards India in his pursuit of conquering the world, there was no powerful Indian King who could unify India. Kautilya thus wandered disguised as an ascetic in search of a suitable individual who could help him achieve his objective of building a powerful and unified India. He came upon the boy Chandragupta, of royal line but fostered by a cowherd, playing with his companions on the village grounds. The boy was acting the role of a king, dispensing justice and giving orders to his 'ministers'. On the ascetic beseeching him for alms, the 'king' grandly gave away a herd of someone else's cows! Kautilya was so impressed with the boy's leadership qualities that he bought the boy then and there for a 1,000 panas, took him to Taxila and gave him an education fit for the king by acting as his mentor. The modern age mentor can take cue from this story to give evidence, especially while identifying leadership potential talent and grooming him for position of responsibility within an organization.

Kautilya's *Arthashastra* (c.350–283 BC) is an ancient treatise on state administration, polity, warfare, economic policy, is mainly in prose of the sutra form, with only 380 slokas. Though Sutra can be translated as 'maxim', it is for sake of convenience also referred as 'verse'. The *Arthashastra* is, by nature, instructional. For, e.g., The *Arthashastra* focuses on the qualities and the disciplined approach expected of a Rajarshi (a virtuous king). A 'Rajarshi' is one who has qualities like self-control (having conquered the temptation of senses), keeps his eyes open through spies (network), a good role-model, through knowledge of all branches inculcates discipline etc. Kautilya says: artha (sound economics) is the most important for both dharma and kama are both dependent on it.

28.4.6.1 Arthashastra (Duties of King)

If the king is energetic, his subjects will be equally energetic. If he is slack [and lazy in performing his duties] the subjects will also be lax, and thereby eat into his wealth. Besides, a lazy king will easily fall into the hands of his enemies. Hence, the king should always be energetic

The modern management mentors may emphasize on the qualities of a good leaders through the duties of the King highlighted indicated in *Arthashastra*. The *Arthashastra* is also a treatise for leadership, organizational effectiveness and a Soft-Skills/Employability skills guide for continuous learning, self-management, initiative/enterprise, planning and organizing, problem-solving, decision-making and above all team building.

28.4.7 The Legend of Akbar-Birbal

Exploring the 'Akbar-Birbal Relationship' which existed during the Mughal period of Indian History, one senses a story with evidence of 'Reverse Mentoring'

a concept revolutionized by the legendary Jack Welch in the modern day management. Birbal was the Grand Vizier of Akbar's Mughal court and also one of his trusted advisors (part of the Navaratna-inner circle of advisors, i.e., nine jewels). Going beyond his courtly duty of military and administration, he gave Akbar friendly and genuine advice through humorous exchanges which reflected his sagacity and problem solving acumen, and have become part of folklore and legend.

The exchanges between Akbar and Birbal have been recorded in many volumes. Mrinalini Pandey (2008) examines the problem solving technique of Birbal and evaluates his thinking habits with that of 'lateral thinking'. The tools on lateral thinking given by Edward De Bono are used as a base to analyze the thinking and problem-solving technique of Birbal. The author highlights how Birbal's stories, enumerate tools and their meanings like 'Alternatives, focus, challenge, Random Entry, Provocation & Movement, Harvesting Treatment'. These stories could be used by the modern age mentor to demonstrate the 'Problem solving Techniques' and encourage 'Lateral Thinking'. With modern organizations embracing 'Reverse Mentoring' as an accepted platform for organization communication and innovation, the Akbar-Birbal relationship explored through the stories and tools provided by Pandey give valuable insight for both mentors as well as mentees.

28.4.8 Stories from Nineteenth Century Indian History

Religious traditions in Hinduism lay emphasis on intuitive knowledge 'realization' of God, perception of truth through the guidance of a guru-mentor who himself has realized God and truth, knowing the pathways to such knowledge and realizations. Sadhana (constant practice) is the essentiality and such practitioners (Sadhakas) are the fearless souls who can submit themselves to a system of application and rough discipline having the sanction of age-long experiment behind them.

Against this backdrop a figure whose role has been analysed is Ramakrishna Paramahansa, famous mystic of nineteenth century India. His school of thought led to the formation of Ramakrishna Mission by his chief disciple Swami Vivekananda.

- (a) **Bhairabi Bramhani & Ramakrishna:** Ramakrishna followed the way of Bhakti by blind instinct first without any guidance/assistance, exhausted himself through superhuman effort, maddened with solitude, almost lost himself when help came to him through a woman. She was a Brahmin of a noble family, a devotee of Vishnu, highly educated and very learned in holy texts, in the bhakti- scriptures; she was looking for the man inspired by God whose existence had been revealed to her by the Spirit. She became the spiritual mother to whom Ramakrishna confided all his tortured experiences of his life in God and of his sadhana. She comforted him and told him of having reached one of the highest states of Sadhana and his sufferings as measures of his ascent. She was conversant with the roads of knowledge and showed him all its phases and their

import including the tantras. His mentor recognized in him an incarnation of the divinity and accordingly called a meeting after learned discussions by Pundits, she insisted that the theological authorities should give public recognition to the new Avatar. Then Ramakrishna's fame slowly began to spread.

The take away for the new age-mentor is to show the similar passion in channelizing the competencies of the mentee, by being a confidante first. Then the mentor by sharing knowledge of similar experiences shows the right path and direction in achieving the full potential of the mentee. The mentor should also become a strong advocate of the mentee irrespective of the situation being favourable or unfavourable. This would in turn inspire the mentee to be steadfastly loyal to the mentor and the organization.

- (b) **Ramakrishna and Vivekananda:** Let us now explore what did Ramakrishna, the Guru/Mentor teach his disciples and what were his methods and teachings. In India till then, the word of the master was law. Gurus extracted deeper respect from disciples than the parents but Ramakrishna would have none of it. He put himself on a level with his young disciples; he was their companion, brother, talked familiarly without any trace of superiority. His advice was not his own but came directly from Mother Goddess, through his lips. He believed that true instructions does not consist in inculcating doctrines, but in 'communicating' the 'inner abundance of the vital and digested riches' called the spirituality as a flower might be given in the same way that a good gardener dispenses the sun and the sheltering shade to the budding souls entrusted to him. He propounded 'Let the lotus of character expand naturally'. The moral is in times of need if the mentor comes down to the level of the mentee through communication, the mentee's potential is maximised without inhibitions. On account of being a mentor, the superiority feeling should be done away with, for high impact mentoring in a modern day management scenario.

The Disciple Naren (later Vivekananda) was his beloved disciple and Ramakrishna treated him in an exceptional way. He had chosen him at the very first glance for what he was and what he might become- a spiritual leader of humanity. With his intuitive genius for souls, he could discern in adolescent Naren, his great disciple the future leader of his evangelist mission. Naren was eighteen, then preparing for his first University examination and the mentor saw him in the house of a friend singing a religious hymn. Ramakrishna asked Naren to come to see him at Dakshineswar. Naren made a number of visits to his would be mentor and initially he was ambivalent in his views about his mentor (Rolland, 1929).

During his third visit, Naren was on the defensive with all his critical faculties on the alert. The Master asked many questions about his antecedents, mission in this world and Naren dived deep into himself, gave fitting answers which only confirmed the inferences of his master about him. Ramakrishna then knew that Naren had a privileged place among the disciples. But Naren did not want to be the disciple of anyone and his reason would not submit to domination. However, he was struck by the incomprehensible power of Ramakrishna. It attracted him as a magnet attracts iron. The implication for the new age mentor is that the mentor

should evolve to be such a role-model that the mentee accepts the mentor without any hesitation.

A strange relation was established between the disciple and the master, which lasted for about 5 years. He alone doubted and weighed all Ramakrishna's words. Far from being shocked, the mentor loved him. Before meeting Naren, he would pray 'O Mother, send me someone to doubt my Realizations'. He would often say to his disciples, 'Do not accept anything because I say so. Test everything for yourself'. Naren's keen criticism and his passionate arguments filled him with joy; his knowledge caused him such intense joy. The modern day mentor can draw inspiration from this story by testing new grounds with mentee and expect critical analysis which could add value to the new concepts.

Ramakrishna used rustic colloquial Bengali in his conversations. His unique linguistic style interspersed with philosophical Sanskrit terms and references to the Vedas, puranas, tantras. He was extremely skilled with words and had a unique style of preaching and instructing. His teaching style has been compared to Socrates. The point to be noted for the new age mentor here is that developing a communication style (like Ramakrishna) which is unique to the mentor is critical in developing the mentor-mentee relationship and creating a long-lasting impact.

It was Ramakrishna's chief disciple, Swami Vivekananda, who took the World of Religion meeting in Chicago in 1893 by storm and electrified his audience with his exemplary speech and powerful oratory. He started his speech with 'Sisters and Brothers of America' instead of the typical 'Ladies and Gentlemen' which made him famous overnight. Then new age mentor can illustrate this as a case for reflecting the power of persuasive communication inspiring through exemplary presentation skills using unconventional approach, much sought after in the corporate world.

28.5 Discussion and Implications

The challenge is to achieve potential and develop talent in a protégé irrespective of the environment. It is important to understand the role of the 'oral tradition' (a channel of communication) between the mentor and mentee.

Douglas A. Ready in 'How Story Telling builds next generation leaders' suggests that Story Telling can be an effective tool for developing leaders, but companies need to do the following in a nutshell:

- (a) Get the top team actively engaged,
- (b) Develop a collective view on leadership effectiveness,
- (c) Consider all possible alternatives,
- (d) Get the right team in place to carry out the program,
- (e) Coach the story tellers and orient the participants,
- (f) Use stories to stimulate, reflection and action.

The study of Classical Indian Traditions reveals certain trends:

- (a) The building of a communication framework (THE CONVERSATION SCHEMA) which can be developed as a 'Story-Telling' tool for effective mentoring.
- (b) Benchmark best-practices from Indian historical traditions through the "Mentoring Matrix", builds a 'Mentor Mentee Role- Inventory' which could serve as a roadmap for modern day mentoring to build winning organizations or entrepreneurship ventures.

The 'Conversation Schema' and the proposed "The Mentoring Matrix" is based on extensive literature review and analysis of Indian History across three timelines; Ancient, Medieval and Modern Indian History. The practical implications need to be tested in an actual organization setting.

To summarize:

28.5.1 Ancient Indian Cases/Traditions

While the Guru-shishya parampara (tradition) has the following implications for 'Socialization' of a new employee in a organization:

1. Through 'esoteric' wisdom -During 'Induction'
2. Initiation Ceremony -Understanding the organization vision, mission and culture
3. Meditation Techniques -Work-Life Balance
4. Guru-Dakshina- Going out of the way for the organization, beyond the call of designated duty

Krishna Arjuna conversations in the 'The *Bhagavatha Gita*' could inspire the new age mentor to consul the mentee when faced self-doubt and challenges in corporate life. The case of Duryodhana/Danveer Karnan may help the mentor to be daring in taking certain decisions while developing self-esteem, recognizing special talent and ensuring socialization of the mentee, especially when the employee joins the organization. Abhimanyu's Chakravyuha story has implications for the new age mentor by way of highlighting the harmful effects of incomplete mentoring. The eight-fold path of Theravada Buddhism could inspire the modern mentor to draw and develop a sustainable action plan for the mentee's development. Kautilya's *Arthashastra* may serve as a bible for the mentor in developing leaders for organizational effectiveness.

28.5.2 Medieval Indian Cases/Tradition

The Akbar/Birbal Relationship can be bench-marked in modern day management to supplement stories for 'reverse mentoring'.

28.5.3 Modern Indian Cases/Tradition

The nineteenth Century stories of relationship between Ramakrishna and his Guru Bhairabi Bramhani and between Ramakrishna and Vivekananda reflect facets in the context of Mentor-Mentee Relationship Management interspersed with Unique Communication Style.

Thus the Conversation Schema and Mentoring Matrix seeped in Indian historical traditions may be used as a mentoring tool and guide for critical reflection through communication to build trust, stimulate, reflect and act. This would also provide opportunities for the new age manager-mentor, a framework to develop competencies in the mentee. The opportunities to be explored are to practically implement the two concepts within the boundaries of a organizational mentor-mentee program. This would add a new dimension to the existing action research on Mentoring, leading to further exploration and inspiration from stories rooted in Indian Classical Traditions.

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Chapter 29

Professionalism in Business: Insights from Ancient Philosophy

Lila Despotidou and Gregory P. Prastacos

Abstract Business schools have the responsibility to inspire professional culture in future managers. This means that they have to provide them not only with the expertise, knowledge and skills required in their field of specialization, but also with a sense of responsibility toward others and society at large. This need has been increasingly evident during the period of the global financial crisis, and a number of initiatives have been reported by business schools worldwide to address the issue.

In this paper we examine the issue of professionalism in business management from two perspectives: business practice, and relation to ancient philosophy. Drawing from the literature, we propose a framework defining professionalism as composed of three patterns: (a) possession of a systematic body of knowledge, (b) commitment to a good broader than self-interest, and (c) an overall ethical character of the activity and ethical conduct. We show how these patterns are reflected to the expectations that corporations have from business practitioners. We further demonstrate that substantial elements of business professionalism are strongly related to core values and principles introduced in the social and political thought of ancient philosophers, and thus suggest that ancient philosophy could be used as a means for inspiring professionalism in business managers.

29.1 The Notion of Profession and Business Management

Over the last several decades, a substantial amount of literature has emerged related to professionalism. Researchers use a wide range of criteria to evaluate the professional quality of an occupation in order to define it as a profession. Most of them agree on the following set of elements:

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- *Possession of a systematic body of special knowledge.* Professionals possess expert knowledge in their area of specialization. This knowledge is based on a well developed and widely accepted theoretical base, can be further extended by research and is passed on through institutions of formal education. Formal training in a profession includes the development of certain skills as well as the mastery of the traditions of this particular occupation, an appreciation of its contribution and the will to continue this tradition. Therefore it also entails the need for professionals to remain informed of the latest developments in the field and be engaged in continuous learning (Andrews 1969; Barker 2010; Blackburn and McGee 2004; Donaldson 2000; Donham 1962; Duncan 1971; Hooker 1996, 2007; Khurana et al. 2005; Khurana and Nohria 2008; Parkan 2008; Pelegrino 2002; Purkerson Hammer 2000; Shah et al. 2008; Trank and Rynes 2003).
- *Commitment to a good broader than self-interest.* Professions are institutions designed to address identified social needs and accomplish specific social goods. Members of a profession have knowledge and skills on a specific field that other members of the society do not have. Thus, they are entrusted by the public to provide services or products that the public cannot create on its own. The public depends on professionals and trusts them as members of the profession. Therefore, professionals are characterised by a motive of service to other members of the society and committed to a good broader than self-interest (Andrews 1969; Blackburn and McGee 2004; Donaldson 2000; Donham 1962; Khurana et al. 2005; Parkan 2008; Pelegrino 2002; Purkerson Hammer 2000; Shah et al. 2008; Trank and Rynes 2003).
- *Ethical character of the activity and ethical conduct.* Professionals are also characterised by a disposition and commitment to apply their expertise responsibly. Their activity is practiced within an ethical framework that sets standards of conduct which govern professional relationships and influence behaviour, while disciplining poor or improper performance. That is why a number of researchers include adherence to a code of ethics among their criteria for qualifying an occupation as a profession. Such codes articulate the profession's higher aims and social purposes, and propose ways in which they must be pursued. As a consequence, some researchers also presume that each profession has mechanisms to control professionals' behaviour and competence and discipline poor performance (Andrews 1969; Barker 2010; Duncan 1971; Hooker 1996, 2007; Khurana et al. 2005; Khurana and Nohria 2008; Parkan 2008; Pelegrino 2002; Purkerson Hammer 2000; Shah et al. 2008; Trank and Rynes 2003).

There has been significant debate over the years on whether business management can be characterised as a profession. Comparing management with other acknowledged professions (e.g. medicine, law), some researchers have claimed that there is no consensus on the requisite body of knowledge that the managers should possess, there is no professional body to grant control over managers, and no formal certification is required for someone to become a manager. Furthermore, they doubt if business management is oriented toward the needs of the society or whether it serves the public good, while it lacks a code of ethics to guide professionals' performance (Donham 1962; Khurana et al. 2005; Barker 2010).

On the other hand, many researchers (e.g. Brandeis 1912; Andrews 1969; Hooker 1996; Donaldson 2000; Parkan 2008) believe that the knowledge base of the field provides business practitioners with the knowledge and skills required to be qualified as professionals. They also claim that managers serve a good broader than self-interest, since recent management theories (e.g. Stakeholder Theory, Social Contracts Theory, Corporate Social Performance) posit a broader good as part of the function of a successful corporation, and managers' skills affect the function of the corporate organization.

In this paper we argue that business management is indeed a profession, as corporate expectations for their executives coincide with the three-fold definition of professionalism proposed above. These requirements have been increasingly evident, especially during the period of the global financial crisis, driving business schools worldwide to take initiatives to inspire professional principles to future business managers. We further demonstrate that these patterns of behaviour coincide with core values and principles introduced in the social and political thought of Aristotle and Confucius. We thus show that the qualities of professionalism have their roots in ancient thought and, therefore, that ancient philosophy could be used as a means for inspiring professionalism in business managers.

29.2 The Threefold Substance of Professionalism in Business

Managers, as described in the literature, have four principal functions: they plan, organise, lead and control the human, financial, material and other resources of the organisation, in order to increase its effectiveness (George and Jones 2004; Bartol and Martin 1998). To perform these four functions, managers adopt specific roles, i.e. sets of behaviours associated with their position. Mintzberg (1990) identifies three general types of roles: interpersonal, informational and decisional roles. To correspond to the duties and tasks of these roles professionally, we argue that managers should have adequate knowledge and skills; their activities should aim to respond to identified needs and interests of the society and their actions and conduct should be characterized by an ethical disposition.

29.2.1 The “Knowledge and Skills” Criterion

To perform their functions and roles, managers have extensive knowledge and certain skills related to their field. Bartol and Martin (1998) explain that managers should have knowledge of technology, industry, organizational policies and practices, goals, plans and culture, as well as knowledge of the personalities of organization members and other important stakeholders (suppliers, customers). Furthermore they claim that managers should have certain skills that allow them to perform effectively in their roles: technical, human, and conceptual skills.

Technical skills are the ones that reflect an understanding and a proficiency in a specific field (e.g. accounting, finance, marketing). They depend on the organization the manager works for and his/her position in this organization. *Human skills* are related to managers' ability to communicate with others, understand them, work with them as a member of a group, or lead, control and motivate them to develop themselves and reach their best performance. *Conceptual skills* allow managers to visualize the organisation as a whole, analyse organisational settings, recognise the interrelationships among organizational parts, and identify the dynamics of individual and group behaviour. They also help managers understand the role, position and connections of the organization in relation to the wider context of the industry, community and world (George and Jones 2004; Bartol and Martin 1998). In addition, they need to be aware of the developments in best management practices and further develop their skills in order to face effectively the rapidly and continuously changing corporate environment.

29.2.2 The “Broader Good” Criterion

Hooker (1996) argues that even though business people are not generally viewed to have a service mission, they generate wealth by creating value. Business managers take raw materials, capital and human resources and transform them into valuable goods and services. Moreover, their decisions affect the economic growth and prosperity (or the decay) of the employees, the organisation, and its stakeholders. Their personnel-related decisions influence the livelihood of their employees and therefore, affect the economic and social health of the community. Thus, by performing their professional duties well, business managers fulfil the managers' professional obligation, i.e. the expectations that the public has from the members of the profession. For Hooker this obligation can be summarised as follows: to create wealth, to provide gainful and meaningful employment, and to contribute to social order and stability.

As Donaldson (2000) further notes, current management theories (e.g. Stakeholder Theory, Social Contracts Theory, Corporate Social Performance) posit a broader good as part of the function of a successful corporation. Social Contract Theory positions the responsibility of the corporation in the context of its implicit contract with society. Stakeholder Theory recognises that all persons or groups of persons who have legitimate interests in an organisation should obtain benefit from their association with it (Donaldson and Preston 1995). Wood (1991), revisiting Corporate Social Performance, argues that business and society are not distinct entities, but are interwoven. Thus, managers, as the individual human actors by whom the company's social responsibilities are met, are obliged to exercise their discretion toward socially responsible outcomes through their decisions and choices.

The fact that organisations and their management have a service mission is also reflected in managers' professional codes of conduct. As we have mentioned before, such codes establish the profession's higher aims, the social purposes that

members of the profession embrace, and provides guidelines for how an occupant of a role ought to behave. Khurana and Nohria (2008) argue that management lacks such a code, so they propose “A Hippocratic Oath for Managers”, that management could embrace. According to the code, manager’s role is to serve the public’s interest by enhancing the value created by the enterprise for the society. This value has to be sustainable and that is achieved when the economic, social and environmental output that the organization creates is greater than the inputs it consumes for this purpose. Managers should take into account and balance the different or even conflicting interests of all constituencies with whom the organization’s activity is connected. Personal benefit should never supersede or harm the interest of the organization or the society, in which they operate.

29.2.3 The Criterion of “Ethics”

In current management textbooks, both the challenge of creating an ethical organization and the need for managers to be ethical are presented. At the organization’s level, corporate social responsibility is related to the well-being of corporations and the societies in which they operate, while at the individual’s level, ethics of managers are discussed (George and Jones 2004; Bartol and Martin 1998). Managerial ethics, as standards of behaviour and moral judgment used by managers when carrying out their roles, are proposed to satisfy the expectations of the individual, the organization and the public.

In this context, Bartol and Martin (1998) emphasize the importance of managers’ obedience to the letter and the spirit of the law; telling the truth in order to build trust with stakeholders; treating others with fairness and respect; learning about the needs of stakeholders, rather than deciding what is best for them; and taking action whenever managers have the capacity and resources to do so.

Professional codes, as statements of civic expectations that express the moral standards of behaviour with which professionals need to comply as members of a profession (Gilman 2005) can also be used as a source for defining the ethical component in business activity. Khurana and Nohria (2008) describe managers’ behaviour as an example of integrity. Managers are expected to place great importance on transparency and disclosure, understand and fully comply with the laws that govern the enterprise and the society, and report violations. Their behaviour towards colleagues should be unbiased by any considerations of race, gender, sexual orientation, religious beliefs, social status etc. They are also expected to provide fair opportunity to all, and wield their power with humility and respect, ensuring that the interests of those who do not have power are protected and the voices of those who may not enjoy decision rights are heard. At the same time, recognising that they owe their status and privileges to the trust that the society places on their profession, they are supposed to honor and preserve its reputation and advance its standards.

Having identified the basic qualities of professionalism in a business environment, we proceed to examine whether business practitioners are expected to reflect these qualities in practice.

29.3 How Do Organizations Define Business Professionalism? Evidence from Practice

A number of interesting studies have been conducted during the last decades regarding the principles that organisations embrace and apply to their business affairs (e.g. Stevens 1994; Gordon and Maiko 1999; OECD 2001; Kaptein 2004; Gilman 2005). These principles, either explicitly expressed in the organization's code of business conduct or implicitly contained in other corporate reports, reflect the organisations' mission, values and policies with which the members of the organization are expected to comply.

An interesting approach related to business professionalism was proposed by Palencia (2006) who analyzed the business principles of a number of well-known organizations (Goldman Sachs, Nestlé, Nigeria LNG Limited, Shell, Maersk, ING, Heineken, Unilever, HSBC, Telefónica Europe) to achieve a set of desirable professional patterns. The characteristics that he found common for most organisations were then divided into three categories, i.e. habits, virtues and skills. Habits include excellence, intense effort, meritocracy, confidentiality, power of good examples, minimal bureaucracy, conflict personal-business, speed, and involvement in community. Virtues include trust, never denigrating others, integrity and honesty, respect, accountability, and whistle-blowing. Finally, skills include creativity and teamwork.

To further enrich Palencia's findings, we analysed the content of corporate reports and codes of the organisations included in the list of World's Best Multinational Workplaces¹ for 2011, recognised by the Great Place to Work Institute.² This list includes companies that have appeared on at least five national Best Workplaces lists, operate in 10 countries on average, are active in a variety of sectors (information technology, professional services, manufacturing, telecommunications, biotechnology and pharmaceuticals, hospitality, food and beverages, financial services and insurance, transportation, consulting, etc.), have at least 5,000 employees worldwide, and average annual revenue of US\$24.5 billion. Using the data collected, we identify the qualifications and skills that business professionals are expected to have, the objectives the firms set for business activity, as well as the standards of behaviour they expect business professionals to adopt.

¹ <http://www.greatplacetowork.com/best-companies/worlds-best-multinationals/list-of-the-25-best-from-2011>

² Great Place to Work Institute, <http://www.greatplacetowork.com>

29.3.1 *Knowledge and skills' Requirements*

To be professionally competent, employees should have *expert knowledge*. Expert knowledge entails excellent technical *skills*, as well as functional and industry skills. As Accenture cites³:

We expect our people to actively build market-relevant skills. Accenture seeks people with the right combination of technical, functional and industry skills for client roles.

Knowledge, experience, skills and competence are tested before recruitment to ensure that employees have the expertise required for a particular position. SAS⁴ states:

To be considered for an open position, all applicants must meet the specific education, training, and experience qualifications for the open position. . . . Competency-based interviewing is used to identify the ability, experience, and knowledge needed for a particular position.

Intense effort to provide best *quality* and *excellent performance* should also be pursued. According to Accenture's statement:

A company-wide focus on Performance Excellence helps us continuously raise our game and take our execution discipline to new levels. . . . We start with quality in mind to ensure superior execution and deliver Accenture on its best day, every day to our clients.

Soft skills, such as *teamwork*, *creativity*, *innovation*, and *flexibility*, are also critical, as they facilitate the application of technical skills and knowledge (Moss and Tilly 1995; Kantrowitz 2005). As stated by the same company:

Creativity feeds delivery, which feeds innovation. Accenture depends on the innovative spirit of our people to generate improvements. . . . We create competitive advantage and differentiated thought leadership by collaborating, teaming and sharing our knowledge and expertise across our global organization.

Organisations themselves take initiatives to advance knowledge and skills of their employees. As Atento⁵ quotes:

Atento makes the best talent available at the service of the client to provide care for their customers. To do this we have introduced advanced training programs specially designed to help individuals to develop and give their best, both during their time at Atento and in their future careers.

³ Accenture's Code of Business Ethics: Our Core Values in Action, http://www.accenture.com/SiteCollectionDocuments/PDF/219006_CoBE_OnlineRVN_v03_Englishv5.1.pdf

⁴ The Quality Imperative: SAS Institute's Commitment to Quality, http://www.sas.com/resources/whitepaper/wp_4152.pdf

⁵ Atento Report 2010: Happy Customers, Healthy Businesses, <http://www.atento.com/Midia/Library/fc47bd2b-b346-4204-a364-4143e185c8d8.pdf>

29.3.2 Value Creation to Stakeholders

Value creation for all *stakeholders* appears to be an end of organizational activity. It doesn't apply merely to shareholders, but to employees, consumers and business partners, and to society at large as well. As stated by Diageo⁶:

Diageo's business activities directly affect the lives of millions of people around the world. This brings a responsibility to ensure that all those with a stake in Diageo can benefit from the relationship,

and Telefonica⁷:

Our Vision

Improving people's lives around the world by transforming possibilities into reality – building a better future for everyone: our customers, employees, society, shareholders and partners.

This mission reflects on and guides decision making. Novo Nordisk⁸ quotes:

Every day we must make difficult choices, always keeping in mind what is best for patients, our employees and our shareholders in the long run.

Creating value for shareholders and working for the best interest of the company is regarded as one of the major responsibilities of employees. This principle must guide decisions, especially in cases of conflict of interest. As quoted by American Express⁹:

We are all expected to act in the best interests of our Company and to exercise sound judgment when working on our Company's behalf. This means that business decisions should be made free from any conflict of interest. Even the appearance of a conflict can damage your or American Express's reputation.

Employees' and organizations' obligation toward the society entails *involvement in the community(-ies)* where they operate. According to Intel's statement¹⁰:

Intel intends to be a leader in encouraging education and enhancing the communities in which we do business. We do this by challenging ourselves and others to continuously improve, inspire, and strengthen our communities, as well as enabling technologies that improve the lives of people around the world.

⁶ Diageo's Code of Business Conduct: The way we work, every day, everywhere, http://www.diageo.com/Lists/Resources/Attachments/500/Code%20of%20conduct_10_v25_NoSpeakUp.pdf

⁷ Telefonica, Our Business Principles, http://www.telefonica.com/en/about_telefonica/pdf/OurBusinessPrinciples.pdf

⁸ Novo Nordisk Annual Report 2010, <http://annualreport2010.novonordisk.com/web-media/pdfs/Novo-Nordisk-AR-2010-en.pdf>

⁹ My Company, My Code, <http://ir.americanexpress.com/phoenix.zhtml?c=64467&p=irol-govConduct>

¹⁰ Intel Code of Conduct, <http://www.intel.com/content/dam/doc/corporate-information/policy-code-conduct-corporate-information.pdf>

Concerning *customers*, value creation entails providing safe, high quality products and services, building lasting relationships, and corresponding to their needs effectively. As stated by McDonald's¹¹:

Our customers are the reason for our existence. We demonstrate our appreciation by providing them with high quality food and superior service, in a clean, welcoming environment, at a great value.

or by Quintiles¹²:

Quintiles is dedicated to:

... Building lasting customer relationships by focusing on customers' needs and striving to exceed their expectations through flexible, customer-driven solutions...
Developing a reputation for quality; delivering services and information that meet or exceed the quality standards demanded by customers...

As far as it concerns *suppliers* and other partners, mutual benefit is pursued. As quoted by Hilti¹³:

We develop win-win relationships with our suppliers and partners. We carefully select our suppliers and support their development in order to build a win-win business relationship.

On the other hand, creating value for *employees* means that they work in a healthy and safe environment, they are provided with opportunities for skills' and professional development, and their rights are respected. As FedEx¹⁴ quotes:

In return for your talent, we provide a dynamic work environment that supports you in building your career, and a comprehensive compensation and progressive benefits program that rewards your contributions to the business...
(Diversity is)... about understanding the different cultures of our employees to ensure we're nurturing an inclusive environment.

29.3.3 Ethical Standards of Behavior

Higher ethical standards steer professional behavior and decision making. Taking into account that their activity and actions affect others and the world in general, business practitioners are supposed to be *socially and environmentally responsible* and promote *sustainability*. Marriott quotes¹⁵:

¹¹ McDonald's Standards of Business Conduct, http://www.aboutmcdonalds.com/etc/medialib/aboutMcDonalds/corporate_governance/standards_of_business3.Par.98276.File.dat/9497_SBC_International_EN-US%20v2%20final%20061311.pdf

¹² Doing the Right Thing: Your Resource Guide to Responsible Business Practices: <http://www.quintiles.com/elements/media/brochures/doing-right-thing.pdf>

¹³ Hilti Code of Conduct for Suppliers, http://www.hilti.com/fstore/holcom/LinkFiles/Hilti_code_of_conduct_for_suppliers_en.pdf

¹⁴ FedEx Careers, http://fedex.hodesiq.com/careers/about_us.aspx?User_ID=&Locale=en

¹⁵ Marriot Business Conduct Guide: Our Tradition of Integrity, http://files.shareholder.com/downloads/MAR/509713320x0x153737/BC21397A-7576-4F6D-B870-22EDEC6BF9A/conduct_guide.pdf

Marriott has a social responsibility to serve the greater community. Marriott is committed to minimizing the impact of our operations on the environment and to promoting environmental sustainability in partnership with conservation organizations around the world.

Environmental sustainability presumes efficient use of natural resources or use of renewable resources, support of initiatives that promote environmental responsibility, and solutions to minimise the impact on the environment. As declared by SC Johnson¹⁶:

As a family company, we're always looking at ways to protect the earth's critical resources for generations to come. . .

At SC Johnson, we use garbage, waste palm shells and wind to help power our facilities, cutting greenhouse gas emissions and our use of fossil fuels.

Organizations expect their employees to act ethically in their business transactions, as well as in their relationships with other members of the organization and business partners. Ethical behaviour presupposes that employees cultivate and maintain the core values of *integrity and honesty, mutual respect and respect of human rights, trust, meritocracy, fairness, transparency and openness*. As stated in Coca Cola's Code of Business Conduct¹⁷:

Always deal fairly with customers, suppliers and consumers, treating them honestly and with respect; Do not engage in unfair, deceptive or misleading practices; Always present Company products in an honest and forthright manner,

or in Kimberly-Clark's Code of Conduct¹⁸:

Hire . . . Train, promote, and compensate based on the ability, achievement, experience, and conduct of the employee without regard to race, color, sex, sexual orientation, age, religion, creed, national origin, gender identity, disability, veteran status or other categories protected by applicable law.

Ethical conduct is also related to the organization's success. As Cisco states¹⁹:

Several of these values, including trust, integrity, inclusion, empowerment, and open communication, remind us that preserving an ethical workplace is critical to our long-term success as a company. The message for each employee is clear: Any success that is not achieved ethically is no success at all.

Doing the right thing also involves *complying with laws*. Organizations stress the importance of legislation and action in accordance with the laws as a means of

¹⁶ SC Johnson on Sustainability, <http://www.scjohnson.com/en/commitment/focus-on/conserving.aspx>

¹⁷ The Coca Cola Company, Code of Business Conduct: Acting with Integrity Around the Globe, http://www.thecoca-colacompany.com/ourcompany/pdf/COBC_English.pdf

¹⁸ Kimberly-Clark Code of Conduct, http://www.cms.kimberly-clark.com/umbracoimages/UmbracoFileMedia/code_of_conduct_fileUpload.pdf

¹⁹ Connecting with our Values – Cisco Code of Business Conduct, http://files.shareholder.com/downloads/CSCO/963117229x0x387353/97e5e9eb-b4e4-472c-8bc6-9241cc73be5c/Cisco_2010_COBC_external.pdf#page=50

preserving interest of the community and as a characteristic of responsible behaviour, e.g. Roche Group quotes²⁰:

We want to maintain high ethical and social standards in our business dealings. . . We will maintain these standards by adherence to local, national and international laws and cooperating with authorities and in proactively communicating with the public.

Finally, as members of the organization, employees are expected to *preserve and advance the reputation of the organization*. As described in 3 M's commitment statement²¹:

. . . , we must always keep paramount in our minds the importance of advancing our outstanding reputation through our personal integrity, our shared values and through our consistently ethical and honest business conduct.

Adopting the above mentioned patterns to shape the framework of professionalism in a business environment, we now proceed to examine core tenets of Aristotle and Confucius that could further enlighten this three-fold substance of professionalism in business. Our aim is to suggest that ancient philosophy could be used as a means for inspiring professionalism in future business managers.

29.4 Aristotle's and Confucius' Views Related to Leadership and Management

Aristotle is regarded as one of the most influential thinkers of western civilization. His interests were varied and included ethics, economics, politics, logic, metaphysics, etc. Especially during the last decades there has been an increased interest in his views related to leadership and management studies, mainly presented in his *Politics*, *Nicomachean Ethics*, *Metaphysics*, and *Eudemean Ethics* (Nurmi 1984; Collins 1987; Bragues 2006).

Aristotle believes that, "one has to think of oneself as a member of the larger community – the *Polis* for him, the corporation, the neighbourhood, the city or the country (and the world) for us – and strive to excel, to bring out what is best in ourselves and our shared enterprise. What is best in us – our virtues – are in turn defined by the larger community, and there is therefore no ultimate split or antagonism between individual self-interest and the greater public good" (Solomon 2004, p. 1021).

One's life is not separated in personal, professional or public spheres, but viewed as a whole. Aristotle believes that what makes life worth living is *eudaimonia*, often translated as happiness, human flourishing, living well, doing well (Solomon 2004;

²⁰ Roche Group Code of Conduct, http://www.roche.com/about_roche/corporate_governance/code_of_conduct.htm

²¹ 3 M: Our Commitment to Legal and Ethical Business Conduct, http://solutions.3m.com/wps/portal/3M/en_US/businessconduct/bcmain/ceo/ceochairman/

Flynn 2008). *Eudaimonia* entails activity that helps one make use of his/her capacities to achieve his/her full potential, to fulfill his/her responsibilities and obligations, to fit into a world of other people and share the good life (Taylor 1995). It is also deeply social, as it depends on social relationships and friendship (*philia*) among individuals sharing common interests (Yu 1998).

Moreover, Aristotle equates virtue (*arête*) with excellence and emphasizes virtuous activity, as the source of happiness. He distinguishes two sorts of virtues: the moral virtues (*ethike arête*) and the intellectual virtues (*dianoetike arête*), the former belonging to moral character, the latter belonging to one's skill of thinking (Flynn 2008).

Moral virtues include *courage*, *self-control*, *generosity*, *magnificence*, *magnanimity*, *sociability* and *justice* and they are learnt through practice and habituation. *Courage* is defined as conduct that regulates fear. *Self-control* regulates attraction to pleasure, while *generosity* controls one's desire for wealth and characterizes a person who is careful about keeping expenses proportional to receipts. *Magnificence* is the virtue of a human who spends large sums in the right way for a worthy purpose. *Magnanimity* is a mean between lack of ambition and excessive ambition and refers to the use of the appropriate attitude towards great honors, while *sociability* reflects a good-natured disposition in interacting with others. Finally, *justice* characterizes a person who obeys the law –designed to promote a shared good within a political community- and treats others fairly (Bragues 2006).

Justice is considered to be the “perfect virtue”, as it requires that one thinks of oneself as a member of a “larger community” and “requires both the capability to engage in fair relationships with others, and the responsibility for our actions and their effects on others” (Giovanola and Fermani 2011). Aristotle distinguishes two kinds of justice, namely distributive and rectificatory justice. Distributive justice is related to the fair distribution of material goods, in accordance with the merits of the recipients, while rectificatory justice governs transactions and is practiced after injustice is done to restore the inequality brought about (Mintz 1996).

On the other hand, Aristotle describes five intellectual virtues: *technical knowledge* (*techne*), *scientific knowledge* (*episteme*), *philosophical wisdom* (*sophia*), *intuitive reasoning* (*nous*) and *practical wisdom* (*phronesis*). *Technical knowledge* is the knowledge of how to make things, aiming at producing a good or providing a service. *Scientific knowledge* is the knowledge of theories and methods, as well as the capacity to come to conclusions based on analyses. *Philosophical wisdom* is the knowledge of universals and what follows from them (Kodish 2006). *Intuitive reasoning* is that by means of which we are able to understand fundamental principles concerning how things are and why they are.

Practical wisdom (*phronesis*) is a critical virtue for Aristotle defined “as the capacity for deliberation, judgment and discernment in difficult moral situations. Practical wisdom unites the moral and intellectual virtues, and helps the moral agent to resolve conflicts among virtues, put them in the proper order of priority, and make the right and good decision in the most difficult situations” (Pelegri 2002, p. 382).

On the other hand, Confucius and his value system have greatly influenced Chinese culture and managerial practices. Managerial practices are mainly

influenced by the *Five Virtues*, providing a moral framework for society and stressing the importance of harmony, and the *Five Relationships*, dictating appropriate behaviour and roles of members within an organisation (Rarick 2007).

Confucius' *Five Virtues* are core tenets of Confucian ideology, and are fundamental for the establishment of harmonious societies. They include *ren* (benevolence), *li* (propriety), *yi* (righteousness), *xin* (trustworthiness) and *zhi* (wisdom).

According to a Chinese phrase, "the meaning of person is *ren*". *Ren* is a core notion of Confucian ethics. As described by Melé (2012), '*ren* is based on human relationability and sociability, and represents a sense of concern for others and altruism', and 'includes the idea of interconnection of people'. 'It is a key foundational principle in interpersonal relations' (p. 85). *Ren* is also translated as benevolence, goodness, humaneness, humanity. As such, it includes the ability to feel and respond to the needs and desires of our fellow humans, thus creating conditions for each and every person to exercise freely within individual and social boundaries.

Ren needs to be constrained by *li*. *Li* (often translated as rites, propriety, ceremony, decorum and manners) refers to the rules concerning rituals, but it also contains both abstract principles and detailed forms of social regulations. Thus it can be considered to include "the totality of socially acceptable behaviour patterns and lifestyles, including both moral and non-moral norms"; one should conform to social values, in order to be accepted and respected in the society he/she lives in (Yu 1998).

Furthermore, Confucius relates humanness to appropriateness (*yi*), which dictates what is right or wrong in a well defined context, including laws, justice, institutions, as well as prominent examples of conduct. *Yi* is considered to be an important quality in personal cultivation and to be prioritized against profit. Profit should be pursued in the right way – with morality and justice – and should be made without damage or harm to others or the society. Honesty is considered to be the best policy and one of the key values in Confucianism. It is prerequisite for one to live in society and means that one should keep the promises he makes and avoid clever talk (Zhang 2011).

Individuals are also expected to possess *xin*, or trustworthiness. Trustworthiness indicates loyalty to moral principles, ritual and social rules of propriety, as well as to one's superiors in hierarchical relationships, but mainly it emphasizes being a dependable support for others (Woods and Lamond 2011). Trust is a core notion of Confucius philosophy. It begins with the leader and is facilitated by maintaining a harmonious organization.

Finally, *zhi* (translated as wisdom, knowledge, intelligence) concerns correct judgment in Confucian thought. *Zhi* includes learning, as well as the ability to perceive situations accurately in order to take the right decisions based on a wise evaluation of options (Woods and Lamond 2011), thus *zhi* is essential for business professionals involved in the decision making process.

Confucian thought is also strongly related to relationships and pursues balance and harmony within all relationships, in order to obtain prosperity. *Five Relationships* originally refer to one's relationship with superiors, parents, husband/wife, elders and friends, but can be translated in modern organizations, to refer to the relationships

between leaders and their followers, among the members of an organisation, and among members of an organisation and the organisation's stakeholders.

Finally, the philosophical foundations of Confucianism have created the *Confucian Work Ethic* which consists of a belief in the value of hard work, loyalty to the organization, thrift, dedication, social harmony, a love of education and wisdom, and a concern for social propriety (Rarick 2007).

29.5 Inspiring Business Professionalism Through Ancient Philosophy

Going back to the threefold definition of professionalism in business, we find much in common with core principles introduced in the teachings of the above mentioned philosophers.

Concerning the '*knowledge and skills criterion*' for business practitioners, we find that Aristotle's intellectual virtues reflect expert knowledge: scientific knowledge, concerning theoretical *know why*, addresses the need for professionals to acquire the scientific knowledge of their field, which is universal, invariable and context-independent; technical knowledge denotes technical *know how* and corresponds to the need for professionals to have the knowledge of technology related to their field, as well as the skills to perform and use their knowledge effectively; it is pragmatic, variable and context-dependent, and is oriented toward production (Billsberry and Birmik 2010); practical wisdom, as quoted by Kodish (2006) "...is based on the fusion of knowledge and experience, on theory as action, and on the constant mediation between the universal and the particular". It is essential as it highlights the importance of experience and reflection on experience as a component of management training, something that should be of great value for business. Practical wisdom is also critical for decision making, as it ties together knowledge with ethical behaviour to take proper action, thus helping professionals act in the right way in complex and often controversial circumstances. It involves deliberation about actions based on what is good or bad for mankind, thus is highly ethical and connected both to the end to which an activity should aim to and the ethical conduct required to reach this end. Practical wisdom is also essential in everyday life as it "...entails an appreciation of the difference between what is good and bad in order to live a worthwhile life, and necessitates virtue of character in the sense that it cannot function properly without correct habits" (Flynn 2008).

Confucius' *zhi* is in line with this view of Aristotle, as it includes learning along with the ability to perceive situations accurately and evaluate options wisely, to reach decisions. *Li* enriches this knowledge, as it entails understanding of forms of social regulations, of socially acceptable behaviour patterns and lifestyles, and of moral and non-moral norms. Thus, it corresponds to the need for business professionals to have a wider knowledge of the community(-ies) in which they operate, including the organization, the local community, and the world in general.

Regarding the second criterion, *value creation to multiple stakeholders* (shareholders, society, employees, customers, suppliers, etc.) is considered by both academics and organizations as the mission of business professionals. Aristotle's view on the purpose of human activity can further explain why this should be their mission: individuals constitute an integral part of their communities (i.e. organizations, society etc.), and there is an interconnection of personal, professional and public life. Thus, there should be no conflict between personal or organisational and social interests, and individuals' purpose, achieved as a result of excellent performance, should be to serve and promote the well being of these communities.

Aristotle's justice, as well as Confucius' *ren* both entail concern for others and interconnection of people, and emphasize on the importance of the ability to feel and respond to the needs and desires of our fellow humans. Thus, they direct attention to the responsibility of firms and managers toward stakeholders, whose interests should also be taken into consideration: quality products and services should be provided to customers to ensure their long-term trust, holistic concern for the welfare of employees must be pursued and harmony in groups must be cultivated.

Justice, along with the rest of Aristotle's moral virtues, portrays desirable *ethical conduct in business*, and corresponds to the third component of business professionalism. Justice promotes meritocracy and refrains professionals from discrimination or mistreatment of fellow employees or other stakeholders, addresses the need for professionals to comply with the laws, be just and fair in their relationships; sociability reflects respect of others, and is vital in business, as it helps maintain an amenable work environment and build up trusted, enduring relationships with clients and other stakeholders; courage restrains business people from being over-optimistic, while encouraging them to involve in situations that are uncertain but where a realistic view of potential risks and returns suggests that it is a chance worth taking. Moral virtues can also be used as a guideline for avoiding decision making traps, as they regulate human characteristics that influence decisions, such as fear, attraction to pleasure and wealth, ambition, etc.

Ethical orientation, as defined in Confucius' *Five Virtues*, incorporates the critical values of morality, justice, honesty and trust. It is essential for personal cultivation and provides professionals with the framework within which profit should be pursued. According to *Yi*, profit must be pursued with morality and justice and without causing damage or harm to others or the society. *Yi* combined with *li* promotes action by business professionals in accordance with the laws, as well as with the acceptable patterns of behaviors as dictated by the community. *Yi* highlights the importance of responding to society's expectations with creativity.

Trustworthiness, as defined by *xin*, promotes the need for the manager to be a dependable support for others. It is a core quality of managers as leaders and helps maintain a harmonious organization. Trust can also be identified in the notion of *guanxi* or connections that characterizes Chinese worldwide networking. It is related to the Confucian view of individuals defined as a link in a broad social network of morally binding, mutual dependent relationships. *Xin* refers to the close relationships that provide information, contacts and financing to the members of the

network, relationships which are based on mutual trust, mutual obligations and shared experience (Rarick 2007; Chen and Miller 2011).

Ren can be applied to the relationships that managers have in the organisation. Following *ren*, a manager is expected to manage with kindness, focus on relationship building, and maintain harmony and goodwill throughout the organization (Rarick 2007). A manager's priority should be the creation of an environment in which each and every person will be able to exercise freely his/her potential, within individual and social boundaries. Leader should also be able to understand others' ambitions and perceive them contextually. If these pursuits are destructive or disruptive and do not promote general well-being and a harmonious, prosperous and happy living, then the leader should be reluctant to their promotion (Benetatou 2011).

On the other hand, applying the Confucian *Five Relationships* to a business environment, we expect managers to act in the best interest of their subjects, to promote trust, harmony, respect and cohesion among members of the organization, while acting as positive role models for employees. Collective responsibility is preferred over individual responsibility. Individuals are treated as a group working together to maintain group harmony, thus cooperation and mutual trust are essential. Each employee has a particular duty, plays a specific role, and is expected to perform to the best of his/her abilities, to work for the good of the group and to be loyal and devoted to the organization. In return, organization is expected to take good care of each employee (Rarick 2007). Confucian thought on relationships could therefore be used to stress the importance for business professionals to cooperate, build trusted relationships, based on mutual trust and respect, and inspire employees' commitment to the mission and values of the organization.

Finally, the Confucian *Work Ethic* has positive aspects for economic as well as societal development and is in line with the need for professionals to give intense effort to their jobs, be loyal and dedicated and pursue team interests and continuous education.

29.5.1 Application in Business Schools

Incorporating ethics into their curriculum and identifying the role that philosophy can play in the cultivation of managers' character, business schools have already started to adopt innovative ways to incorporate philosophy in management education. An interesting initiative is "The Online Ethics Quiz", implemented by the Howe School of Technology Management at Stevens Institute of Technology.

This quiz is used as a tool to develop students' ability to reason ethically. All students enrolled in a first-semester core course are requested to read a short introduction to three well-known approaches to ethical reasoning: deontology, teleology and virtue ethics. Then they are asked to express their level of agreement concerning actions that managers have taken in four short business cases, based on

real life situations, and explain the reasons that support their choice. Afterwards, they are able to see a “model solution” that discusses the case from the three different ethical viewpoints, and have access to bar charts that show how other students have responded to each case. In this way, students are introduced to the major normative ethical theories that philosophers have developed to address ethical issues, and raise their awareness on such ethical issues related to managerial decisions (Guth et al. 2011). Stevens Institute of Technology has undertaken a number of other actions in this area, including a new masters program in ‘Technology, Policy and Ethics’, an undergraduate course offered to all schools on ‘Ethics on Business and Technology’, a module on Business Ethics incorporated in a number of executive programs, as well as other initiatives.

29.6 Concluding Remarks

In today’s global network economy, business management is becoming more and more complex. The sheer size of the world “increases”, thus increasing the impact of decisions, while changes and crises make managers’ decisions more difficult and complicated. Managers have to have expert knowledge in their field of specialization and develop multiple skills to address these needs. Furthermore, recent corporate scandals prove that the success or the failure of an organization cannot be measured merely with reference to the profit created for its shareholders; business activity extends beyond the confines of special groups, thus, it has to foster value creation for multiple stakeholders. In this context, ethical cultivation and behavior of managers plays an important role.

In this paper, these requirements for managers were linked with the notion of “profession”. After defining the notion of “profession” in general, as described in the literature, we identified the core components of professionalism in a business environment. This analysis led us to a threefold definition of professionalism in business, as indicated both by academics, as well as by organizations in their corporate codes of conducts. According to these two sources, business professionalism entails expert knowledge, dedication to a good broader than self-interest and ethical behavior.

These characteristics were then related to core principles introduced in the social and political thought of Aristotle and Confucius. Ancient philosophy connects expert knowledge with experience to guide actions; identifies the importance of the interconnection of people and views individuals as members of a larger community, who should strive to bring out what is best in them to achieve common interest; and highlights the importance of one being ethical to act ethically. Thus, ancient philosophy can provide managers with the essential guidelines for decision making and for ethical business activity and lays the ground for the cultivation of professionalism in modern managers.

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Part VII
Concepts from Philosophy
in Contemporary Management Challenges

Chapter 30

Disorder and Management: Approaching Computer Software Through Lao Tzu, Heraclitus and Gorgias

Jonathan P. Marshall

Abstract We live within a time of intense flux and unpredictable change. It is doubtful whether our techniques of management deal with such times very well, as they tend to look for eternal truths and forms of action and control. This paper asks whether our situation might be improved by looking to pre-Platonic philosophical sources for guidance; in this case the writings of Lao Tzu, Heraclitus and Gorgias. After exploring this background the paper considers the ways that people manage software installations, as these are exemplars of chaotic systems with unintended and often disruptive effects. The conclusion is that these ancient philosophers have something to say to us about the way our attempts to create order actually create disorder. Order and disorder are not opposites which negate each other, but are intertwined in an ‘order/disorder’ complex.

30.1 Introduction

It is clichéd to say we live in times of tempestuous change, and that old solutions to problems no longer work and can misdirect our energy. We often seem guided by what sociologist Ulrich Beck (in Beck and Beck-Gernsheim 2001) calls ‘zombie categories’; relics of previous modes of social organisation that refuse to die. Some of the zombie categories used in the West, stem from Plato and Aristotle’s attempts to depict the conditions for knowledge and organisation, although Plato and Aristotle may not have held quite these positions themselves. Such misdirecting ideas include abstractions such as: (a) the necessary separation of order and disorder; (b) that disorder is always destructive; (c) that an organisation requires harmony, integration and single purpose with competition and conflict relegated to external people and organisations; (d) that virtue and purpose are shown by bringing

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the world (*kosmos*) under the control of mind and our categories; (e) that the chain of command in the organisation should mimic the flow of instruction from mind to limbs; and (f) that the *kosmos* is indeed orderly in its nature so an elite can rationally deduce what will be a good social or work system. Order tends to be valued as an exemplar of the Eternal, the Real and the Good. Here, I present another view based upon the writings of Lao Tzu, Heraclitus and Gorgias to show how these counterpositions can help us deal with the problems found in the management of computer software installations more constructively. This is part of a general project investigating the necessary presence of disorder in social, ecological and psychological organisation (e.g. Marshall 2009).

30.2 Order and Disorder as Opposition

The general theme of this paper is simple: modes of ordering produce disorder, and consequently management undermines itself. Management can even be dangerous if it does not bear this principle in mind. This was a problem recognised in the ancient world. In the *Tao Te Ching* Lao Tzu points out that the unintended consequences of attempted control are often not just random, but directly opposed to the intended consequences.

Recognise beauty and ugliness is born
Recognise good and evil is born (1993:§2).¹

To collect, first scatter
To weaken, first strengthen
To abolish, first establish
To conclude, first initiate (ibid:§36).

The more laws the more criminals (ibid:§57).

When rulers are active
People are rebellious (ibid:§75).

Trying to control the World?
Can never be done. . .
Those who control fail
Those who grasp lose (ibid:§29).

Heraclitus says, “the way up and down is one and the same” (Sweet 2005:§60). Although we frequently only want to go upwards, it is easily observable that, in ordinary life, when a path goes upwards it is only because it goes downwards as well. By analogy Heraclitus implies this is a general principle and ‘oppositions’ exist together. We may dispute the universality of the analogy but the original case is surely true, and the up and down do define each other. If we only want one side in such a situation then we are gripped by paradox. Carl Jung (1953), borrowing from

¹ All translations modified by consultation with the Chinese Character and English text in Hatcher 2005.

Heraclitus, suggests that our psyche proceeds by what he calls *enantiodromia*; the tendency of something to turn into, or be balanced by, its opposite. Jung quotes a saying of Heraclitus preserved by Stobaeus, seemingly unacknowledged in most collections of fragments, which states that: “fate is the logical product of enantiodromia creator of all things” (1953:425n37). ‘Fate’, in Jung’s interpretation, implies the uncontrollable processes of the psyche and the world, which the person experiences as an external force. He writes:

I use the term enantiodromia for the emergence of the unconscious opposite in the course of time. This characteristic phenomenon practically always occurs when an extreme, one sided tendency dominates conscious life; in time an equally powerful counterposition is built up, which first inhibits the conscious performance and subsequently breaks through the conscious control (ibid:426).²

While Jung’s use of the term enantiodromia may not be Heraclitan, many genuine fragments imply the intertwining of opposites, and the play of conflict in making the whole of life.

What is in opposition is in agreement and the most beautiful harmony comes out of things in conflict. All happens [or, ‘is born’] according to strife (Sweet 2005:§8, cf. §80).

The remarks of Lao Tzu and Heraclitus suggest that order and disorder are not separate *entities*, but are intertwined in an order/disorder complex. Attempts to separate one from the other, or to make a formal order last, will fail. However, we generally do not postulate order without postulating a disorder which must be suppressed. Indeed, we frequently engage in ordering because of fear of disorder, yet as Jung suggests the more we emphasise the ordering the more likely we will be undermined by disorder. Complexity increases because there is no necessary universal determination of ‘order’; one person’s order or mode of ordering is frequently another person’s disorder or disordering. Most of our political disagreement turns on what counts as evidence of disorder, what is correct order, and what is the correct way of ordering. Gregory Bateson (1972:3 ff.) suggests that we may find it easier to agree about what we label as disordered, as there are more ways disorder can occur than ways we call order. Yet even so, one person’s riot will be another person’s heroic popular movement opposed to oppressive order. When we agree on what we label disorder, then we might be even more surprised and disrupted to find we completely disagree about what is appropriate order. As sociologist Emile Durkheim pointed out (1982:99–100), high levels of agreement on what is ordered, or correct, behaviour may increase the range of behaviours labelled as deviant, because the more we agree on what behaviour is correct, the smaller the transgressions we notice, and the more we will attempt to control and punish them. The more intense our order, the smaller the infractions of that order that become threatening and disruptive. Again, intense order creates reaction.

² English language expositions of Chinese medicine or Tai Chi often make a similar point: “excess yin becomes yang, and excess yang becomes yin”. However I cannot find a Chinese original. Perhaps the message is implied in the moving lines of the *I-Ching*, when the ‘extreme’ 6 or 9 lines move into their opposites?

Heraclitus argues that suppression of the supposedly unpleasant opposite is impossible. One translation has him saying: “the opposite is beneficial” (Jones 1931:§46). Aristotle remarks: “Heraclitus blamed the poet who said, ‘Would that strife were destroyed from among gods and men’. For there could be no harmony without sharps and flats, nor living beings without male and female, which are contraries” (Patrick 1969:§43). Plutarch elaborates:

To wipe out [gloomy experiences] and be rid of them altogether is impossible. For the harmony of the world is a harmony of oppositions, as in the case of the bow and of the lyre. And in human things there is nothing that is pure and unmixed. But as in music there are low notes and high notes, and in grammar there are vowels and consonants, yet a musician or a grammarian is not the man who dislikes and avoids the one or the other, but rather the man who knows how to use all and to blend them properly so also in human affairs, which contain the principles of opposition to each other; since, as Euripides has it, The good and bad cannot be kept apart, But there’s some blending, so that all is well (*de Tranquill.* 15, Plutarch 1939:219. Modified by Patrick 1969:§56).

Rather than eliminate disorder the point is to recognise it and use it as it *can* be used. We must play with the opposites not suppress them. The *Chang Tzu* likewise contains a parable:

The Ruler of the Northern Ocean was Shu (Heedless) the Ruler of the Southern Ocean was Hu (Sudden), and the Ruler of the Center was Chaos (*hun tun*). Shu and Hu were continually meeting in the land of Chaos, who treated them very well. They consulted together how they might repay his kindness, and said, ‘Men all have seven orifices for the purpose of seeing, hearing, eating, and breathing, while this (poor) Ruler alone has not one. Let us try and make them for him’. Accordingly they dug one orifice in him every day; and at the end of 7 days Chaos died (Legge 1962:I:266–267).

Legge takes the standard Western position here and writes: “But surely it was better that Chaos should give place to another state. ‘Heedless’ and ‘Sudden’ did not do a bad work”. However, something they valued had been destroyed by their imposing normal order. The effects were not as they expected. It illustrates how, when ‘managing’, we can impose our own order on the ‘real’, if temporary, order of things and lose something important.

30.3 Flux: the Unpredictable Flow of Life

Attempts at control can be further undermined by the flux of life. Before quoting Heraclitus, Marcus Aurelius writes:

Observe constantly that all things take place by change, and accustom yourself to consider that the nature of the Universe loves nothing so much as to change the things which are and to make new things like them. For everything that exists is in a manner the seed of that which will be (Long 1940:513–14).

Plato states that “Heraclitus is supposed to say that all things are in motion and nothing at rest; he compares them to the stream of a river, and says that you cannot

go into the same river twice” (Patrick 1969:§41). Seneca comments on this saying of Heraclitus, by writing that “And I, while I say these things are changed, am myself changed. . . This in the case of the river is more evident than in case of man, but none the less does the swift course carry us on” (ibid:§81). Simplicius says that philosophers who follow Heraclitus “claim that all things are always in flux” (*panta rhei*), and that all “corporeal things are coming to be and departing and never really are” (McKirahan 2001:96; cf Peters 1967:178).

Nineteenth Century philosopher James Ferrier explains the significance of this. Heraclitus was the first Western philosopher “who elevated change to the rank of a principle, who made it in fact *the* principle, the universal in all things. Previous philosophers had made change derivative” and thus failed to account for change (1888:110–11). As a result of Heraclitus’ emphasis on flux, everything both *is* and *is not*. It is constantly changing and never remains the same; it is ‘becoming’ while the ‘is’ of being, and identity, implies stability.

Becoming. . . in our ordinary conception of it, is merely a succession of states of Being, a series of existing changes which any object undergoes, and each of which lasts for some definite period of time. . . [But according to Heraclitus] A thing never rests at all in any of the changing states into which it is thrown. It is in the state and out of it in a shorter time than any calculus can measure. . . If the change could be arrested for a single instant, that would yield a moment of what might properly be called Being; but inasmuch as no change can be so arrested, the universe is a continual creation, a continually varying process (Ferrier 1888:116–17).

Flux can be orderly and predictable, but Heraclitus suggests that it might not always be so. Proclus says: “some, as for example Heraclitus, say that the creator in creating the world is at play”. In a satirical context Lucian has a Heraclitan philosopher say “And what is time? A child at play, now arranging his pebbles, now scattering them” (Patrick 1969:§79). Theophrastus writes: “Heraclitus says, the fairest *kosmos* is random pile of sweepings” (Sweet 1995:§124). Yet, at the same time, Heraclitus implies the *logos* (like the tao) orders all. Whatever the truth, flux does not follow our order and does not settle into fixedness; it has a degree of spontaneity. Peace can be death, or a fossilisation of old strategies which no longer work – however war can also be the forcible extension of old strategies that no longer work – there is no easy guarantee.

Living requires that parts of you are constantly dying. “Living and dead. . . are the same”, they are intertwined and not separable in flux (Patrick 1969:§78; cf §41). The same kind of ideas of flow seems apparent in Lao Tzu. Nothing is ever fixed. Therefore, the categories we use to explain the world are themselves deceiving, because they attempt to stop flow.

Tao called Tao is not ongoing Tao
Names can name no ongoing name (1993:§1).

Such a claim is not ‘mysticism’ but a claim about the limits of language’s ability to represent the world flow. Language, at best *points*. At the end of the *Cratylus* (§440), Plato has Socrates argue that this view of flux and language cannot be true as it implies there is *no* knowledge at all if everything is in a state of transition and nothing abides:

For knowledge too cannot continue to be knowledge unless continuing always to abide and exist. . . and, according to this view, there will be no one to know and nothing to be known. . . [therefore] no man of sense will like to put himself or the education of his mind in the power of names: neither will he so far trust names or the givers of names as to be confident in any knowledge which condemns himself and other existences to an unhealthy state of unreality (Jowett 1952:113–14).

However, because an argument has unpleasant consequences does not mean that it is not true, and indeed Socrates does not persuade Cratylus either.

Nowadays, if we accept that all things flow, we will also note that ‘things’ interact with each other and that the current set of interactions feeds into the ‘next’ set of interactions. This is particularly so with social and living systems. These observations open any such system to the so called ‘butterfly effect’, in which small changes in the accuracy of our measurements, or in our choice of ‘initial conditions’, lead to massive differences in the predicted results (Eigenauer 1993). Furthermore, initial conditions are extremely hard to specify, being largely arbitrary attempts to select stability out from the ongoing flux, as something has always happened beforehand.

With flux and the butterfly effect, the social and living world is shifting and unpredictable in the long term, affecting attempts to manage it. Managers may not even know much about what is going on in their organisation. Starbuck (1992) and Mezias and Starbuck (2003) describe research which suggests that managers have little ability to plan or predict the consequences of their decisions, and that a lack of strategic planning makes little difference to an organisation’s performance. Tetlock (2005) researched the predictions of 284 experts, and found that, on the whole, experts could not predict the future more accurately than non-experts. Indeed the better known, and more quoted they were, the less reliable their predictions. Predictions from some experts were generally less reliable than random choice. Experts tended not to change their minds when their predictions failed, being more likely to change their recollection of their prediction. They valued their order more than they valued adjusting to reality. However, Tetlock did detect a difference in accuracy, which did not depend on what the expert believed, or on their caution, but on their style of thought. Those who held one position strongly, and saw the world totally in that position’s terms tended to do worse than those who could tolerate ambiguity and paradox, who knew lots of little things and tended to be sceptical of single theory approaches to the world. The more you reduce the world to order, the less likely your predictions will come true.

30.4 Is Contrast Real?

Commenting on Aristotle’s *Physics*, Simplicius writes: “All things are with others identical, and the saying of Heraclitus is true that the good and the evil are the same” (Patrick 1969:§57). Hippolytus referring to the same remark of Heraclitus, elaborates: “physicians. . . cutting, cauterizing, and in every way torturing the

sick, complain that the patients do not pay them fitting reward for... effecting these benefits” (ibid:§58). Similarly, “sea water is very pure and very foul, for, while to fishes it is drinkable and healthful, to men it is hurtful and unfit to drink” (ibid:§52).

Protagoras also implied this kind of instability of opposites, by alleging that there are two possible positions on every question, opposed to each other (Dillon and Gergel 2003:3). This, according to Seneca, includes the question of whether both sides of any question can be argued (Sprague 1972:13). Cicero tells us that Gorgias “considered that the most appropriate function of rhetoric was to be able to magnify something by praising it, and to bring it back down again by blaming it” (Dillon and Gergel 2003:64). The remark may imply that he would do both in a single speech. These positions sound like the ones that Socrates, Plato and Aristotle berated sophists for, as they undermine sure knowledge and argument. Again this bad consequence is not a case against its possible truth. Sadly, we have lost Protagoras’ and Gorgias’ arguments, but it may be feasible to remake them.

Most propositions in the West can be reduced to the form ‘A is B’, (or ‘A is like B’) where ‘A’ and ‘B’ represent categories of things, concepts or events.³ In many cases, either ‘A is B’ is true by definition (for example ‘1 is a number’ or ‘ $1 + 1 = 2$ ’),⁴ or A and B are different. Both A and B are categories abstracted from the flux of reality and ignore the mess and rough edges of the ‘things’ they refer to. While categories imply their members are all similar, they are not always similar in the same way, and are different in the first place. As Wittgenstein (1968) points out, category members are linked by different kinds of resemblances, like the resemblances between members of a human family. As soon as we say ‘A is B’, then we can usually find examples within the categories which undermine the assertion.

Thus taking a relatively uncontroversial proposition, such as ‘the USA is a capitalist country’, we are able to open the category of ‘capitalist country’. What does this mean? How do we define it? If we take capitalism as meaning free and open markets then we see tariffs, restrictions on trade and association, socialisation of business losses, taxpayer subsidies of ‘essential business’, uneven tax concessions and so on. People could, and do, argue that the USA is not really capitalist, or is even the opposite of capitalist. Then, moving to the category of ‘the USA’, do we mean that every person and institution in the USA is capitalist or capitalistically inclined? Are families run like businesses, and so on? Going into many of the words used above, we could dissolve them similarly, and thus open us up to further quandaries. This results from the nature of language and flux. The ‘logos’, ‘kosmos’ or ‘tao’, is not what we can say about it, and changes as we say it.

³ In contradistinction, we might think of the kinds of description in Newtonian mechanics which do not seem to be of this general form. However, in any particular case, the predicted values may not be entirely accurate.

⁴ The definitionality is shown when mathematicians define things differently. Thus in Modulo2, $1 + 1 = 0$. This is perhaps not very interesting, but it does define a possible system.

The sophist tract *Dissoi logoi* develops a similar position, suggesting that the same act can be good or bad, just or unjust. “A thing might be good for some persons but bad for others, or at one time good and at another time bad for the same person”, but this does not mean that you can reward people by giving them something ‘bad’, as we usually can distinguish between the two in a particular situation. Differences can depend on customs or *nomos*. Whether a statement is true or not, can depend upon when it is said and who says it. “A talent is heavier than a mina and lighter than two talents; therefore the same thing is both heavier and lighter”, and thus because most evaluations are comparisons, such states of affairs “both are and are not” (Sprague 1972:279 ff.). Evaluation will be almost inevitably consumed by politics, different interests, different contexts and by different modes of assessing the results. What we determine to be ‘truth’ or ‘justice’ arises out of strife and contention.

The point here is not that statements do not have degrees of truth, probability or plausibility, but that: (a) we cannot decide truth by argument alone, and; (b) most statements are limiting, they direct attention away from significant features of flux, and away from what we perceive as disorder. Through this process disorder is rendered minor or suppressible, and is not implicated in our preferred order, producing the illusions attacked by Heraclitus and Lao Tzu. Being aware of the ‘opposite argument’ will increase our perceptions.

Heraclitus says that although the *logos* is common, the majority of people live as though they had *phronesis* (practical understanding) of their own. Similarly although the *logos* is common, the people must fight for their customary law (*nomos*) as for their city wall (Patrick 1969:§100). The relation between *logos* and the particular, or a particular decision, is ambiguous.

30.5 Rhetoric and the Moment

Rhetoric has a dubious position in post-Platonic philosophy. Plato has Socrates say sarcastically that Gorgias “realised that probability deserved more respect than truth” making trifles seem important and important things trivial (Dillon and Gergal 2003:63). Aristotle (1926) argues that rhetoric is the process we use when we are not arguing logically from propositions which are certain. Rhetoric inherently involves comparisons, probabilities, plausibility’s and so on – it is a ‘make-do’ in his ordered world. However, given the world is both ordered and disordered, then rhetoric is necessary for nearly all persuasion and communication; it is not extraneous to exploring reality.

According to Philostratus, Gorgias’ main innovation in rhetoric, apart from sensitivity to *paradoxologia* (moving out of the commonplace, and being aware of the arguments on both sides), was the capacity to improvise. He spoke extempore, trusting to *kairos*, the moment or opening (Dillon and Gergal 2003:45–7). In keeping with this sensitivity to *kairos* and context Gorgias argued that there was no generalised and definable *areté* (excellence, virtue), because as reported by

Plato, he argued “there is an excellence for each of us in each activity and in each time of life in regard to each action” (Sprague 1972:65). This is an observation implied in Lao Tzu; a generalised and clutched-at virtue is not a virtue, virtue depends on the moment. Likewise for Gorgias truth is of the moment; a drama, for example, produces “a deception in which the deceiver is more justly esteemed than the non-deceiver, and the deceived is wiser than the non-deceived” (ibid:65). Nevertheless one needs caution, as he argues in the *Encomium of Helen*, words alter the soul as if by witchcraft. We cannot see the whole truth of all the past or the present (memories are not the past), and so words are what make the situation real to us, or present it to us, and bind the soul. Similarly in the tract on Non-being, he argues that if things exist they are not re-presentable, because words are not the things themselves. Being, or beings, are outside words. We are always dealing with approximations, swayings and inclinations, hence the importance of rhetoric. We might be said to be building the *nomos* and context as we speak, while at the same time relying on the established *nomos* and context to make sense. Speaking has the potential to disorder us.

McComiskey writes that “Gorgias’ epistemology is relativistic, and his corresponding rhetorical methodology works to seize the opportune moment (*kairos*) in which certain kinds of language can be used to unite subjective consciousness into a communal desire for action” (2002:18). If Gorgias was to admit to Socrates that rhetoric creates opinion not knowledge, as he does in the dialogue named after him, he would be far more reluctant to concede that anyone can teach much in the way of universal and unchanging knowledge about the world. However, as McComiskey suggests witnessing something (*eidosin*), for Gorgias, does have more impact than mere opinion, as is shown in his *Defence of Palemidas* which demonstrates how to argue by plausibility (ibid:24–5). Language at best explores things and this is not easy. Good has to be found, it does not exist clearly for all to see, and it may well change.

Summarising, the position taken here is that: (a) reality flows, so nothing ever simply ‘is’; (b) linguistic categories fail to match completely with this reality making ‘mess’; (c) the world escapes our minds; (d) consequences of actions can be unpredictable; (e) conflict and discomfort are natural; (f) disorder can be productive; (g) context and local customs (*nomos*) are important for understanding what goes on; and (h) that opposites are intertwined, so that our attempts at ordering, or emphasising one side of an opposition, frequently produce what we call disorder. It may even be that the order we promote depends on the disorder it creates for its appeal. In such a world the best we can do is be attentive to the moment and its openings (the *kairos*), deal with the moment as it is, and accept it will pass away, and that we will have to attempt again. Different situations and different people may require different orders. Imposed uniformity of order is often harmful. There is no definite form of evaluation, so evaluations will be a product of *nomos* and politics. Success in prediction depends on a degree of tolerance for ambiguities and disorder, and a refusal to reduce the *kosmos* to one theoretical order. There is no overall plan, or truth, to which we can stick. We may even have to ignore the ‘truth’ argued here on some occasions.

30.6 Management Theory and Disorder

In contrast, the fundamental ideology of the contemporary Western world is that problems can be solved through management and the direct imposition of correct order and efficiency. This is despite continuing evidence of management failure, even in the commercial world which provides management's basis and current theory. Corporations frequently collapse, or face crisis (the number of Western corporations over 60 years old is fairly small), and economies face upheaval. As the manager is thought of as the mind of the organisation, the highest status information worker, explanation for this failure is usually reduced to bad decisions, or character flaws such as greed, inability to listen and so on. For example, Dotlich and Cairo (2003) argue that corporations fail because of the personality traits of CEOs. By rendering failure individual the system escapes criticism and we do not discuss the disordering effects of particular orders. However, a more ambivalent point made in their book is that the 'personality traits' which are useful getting a person to the top are often harmful once they get there. In the terms we have been discussing, what makes for good orderers in one context makes for disorder in another.

Although, ideas of low hierarchies and worker responsibility are often promoted, it is doubtful whether in functional terms this distributes the mind in the organisation or not. Hierarchies may be less deep, but the power differences between layers can increase, with the increased responsibility not actually enabling workers to make significant decisions, but functioning as a way to shift blame for failure from upper managers to the less powerful.

Some modern theory implies that chaos or disorder is part of life but the general aim seems to be to suppress it and introduce the right kind of managerial order. Tom Peters in his *Thriving on Chaos* (1987) gives an obsessive list of things managers should do, with the implication that everyone should be ordered similarly as part of a uniform system. There is little sense we could use different kinds of order in different situations. Nothing is to exist in a productively broken form; it has to be fixed to mesh perfectly with his all-encompassing capitalism. While Pascale et al. (2001) do imply that a business which promotes stability and order at all costs will die, they somewhat naively recommend upsetting equilibrium to gain adaptivity. They again neglect the problem of an ordering system (in this case the aim of making everyone adaptive and having to work hard) having disordering effects. People are squeezed into a uniform ideal.

There is a strand of management theory which does recognise that managerial structures can create both disorder and pathological order. It names paradoxical and undermining principles such as Parkinson's multiple 'Laws' ("work expands to fill the time available", "expenditure rises to meet income" 1958, 1960), the Peter Principle ("in a hierarchy people will be promoted to their level of incompetence", with its corollary that people who know what they are doing will have less recognition and power, Peter and Hull 1969), Celine's Law ("hierarchies prevent good communication" Wilson 1980), Haga's Law ("organisation reduces anxiety and increases the ease of doing things, until it does the opposite". This can be

generalised into the fallacy that if some amount of something is necessary and good, then more is better. Haga and Acocella 1980) and so on. These ‘laws’ all suggest that organisation ends up disorganising, but these principles are generally ignored, reduced to jokes, or magically said to only occur in government bureaucracy and thus exclude private enterprise where most managers dwell.

I suggest that these paradoxes, or subversions, of order are as fundamental to the discipline of management, as paradoxes such as the Liar paradox are to philosophy and mathematics. Philosophers might rather ignore the liar paradox (“I am now telling you a lie”) but Russell and Gödel have shown that such trivial statements can undermine our standard conceptions of logic and mathematics. Similarly, by facing rather than ignoring these paradoxes and approaching them through thinkers who make paradox, opposition, and ambiguity, central to their thought we can approach management in a more productive manner.

30.7 Management and Software

The approach outlined is illustrated by considering the implementation and change of software systems. Under current management theory and process, software provides an ongoing exemplar of disorderly systems with unintended and often disruptive effects. In 2003 Saran wrote that:

In a survey of 450 IT directors across the UK, Germany and France, 73 % said they had suffered major faults in their IT systems. Respondents said the lack of quality in software had a direct impact on their business. Thirty six per cent reported that IT failures had led to ‘considerable reduction in turnover’, and 43 % said poor software quality led to a substantial drop in staff productivity. Forty five per cent said poor software quality had damaged the company’s image among clients and prospective clients.

Joe Harley, CIO of the UK Department for Work and Pensions, estimated that only 30 % of the Government’s IT projects were successful (Collins 2007).

Similar claims are common, with bad management frequently blamed for failure, and good management recommended. Yet this has been happening for over 50 years. The frequency of disorder suggests there is a fundamental problem which conventional ‘good management’ cannot solve. Heraclitus, Lao Tzu and Gorgias, may be able to help.

What follows is an abstraction arising from a study of the Australian Customs Integrated Cargo system, observation of a software upgrade in an anonymous organisation, and a series of interviews with people about their experiences of software installations.

The purpose of software is to bring about order and to facilitate work. Software is as much about social process as it is about technical process. Applying the principles just discussed we should look for the opposites, rather than accept the perfect truth and stability of the anticipated result. From the research my colleagues and I have carried out it seems exceedingly rare for the managers responsible to posit that a case should be made for not altering the existing software. In failing to

take the 'opposite position', as recommended by Gorgias and Protagoras, there is less sense of the complexities and drawbacks of the project. As suppression of reality and information is the starting point, it is not surprising that the finish is difficult. Suppression is often intensified by those profiting from the change, or because the software is being changed for reasons that have more to do with 'keeping up to date', 'knowing computers are good', over-organising to reduce anxiety (Haga's law), or showing some manager's power to make change.

Software is almost always embroiled in politics. The existing order has conflicts, oppositions, and competing requirements which impact on the decision, and the software can be being promoted to 'end' conflict by procuring a part of the organisation's dominance. As Heraclitus implies harmony cannot be complete. The accounts department will not have the same 'impulses' as research and development, and this conflict may be necessary. Suppressing it can cause disturbances. Perception of unreal wholes disrupted the Australian Customs installation. Customs assumed the interests of customs brokers were uniform, rather than riven by commercial struggles, particularly between large and small brokers and the companies they represented. Large brokers and companies used the change to disrupt their smaller rivals, while smaller brokers were threatened by new software allowing small companies to broker themselves. As the large organisations were more obvious, customs saw them as *the* important stakeholders. Yet, small brokers had more access to the media, and so tales of the problems were widely spread, and lead to people expecting delays, not being ready on time, and breaking attempts at co-ordination. Similar rivalries affected contracting programmers. Failure to recognise ongoing oppositions, politics and manoeuvrings during the process, promoted failure.

Those interviewed had often just settled in after the last change and frequently implied that the system was kept working by unofficial work-arounds or unacknowledged social networks. Thus, while they might appreciate improving particular work processes, they were reluctant to face another overall change, which would require inventing many new work-arounds, interfere with their existing social networks and status, and cause work delays. Over time, work builds a *nomos*, and people will fight for that *nomos*, as it underlies their life, work ability and understanding.

Requirements engineering involves discovering what a particular software system should do. Ideally it involves elicitation of actual work practices and refinement of those practices. Actual practices have, however, developed under the necessities of the old system while *refinements* of those practices are usually impositions which disrupt the natural flux, and enforce a disordering and simplifying uniformity. No person interviewed, other than those who gathered requirements, felt involved in a requirements gathering process that took any notice of them.

This should be unexpected, given the recognised importance of requirements engineering. However, as management wishes to improve the ordering system, they may feel no need to find out what is happening now, and assume that abstract reasoning can figure out the necessary work processes. Such idealism ignores: (a) the opposites in the current situation; (b) the conflict between the current and

planned situation, and; (c) the fallibility of pure reasoning. Similarly, given the multiplicity of the workspace it can be difficult to identify knowledgeable people. Those who know may not have the status or the political ability to be noticed (Peter Principle). Our interviews also imply that many managers mistakenly think they know how work is done, neglecting the failures of communication in a hierarchy (Celine's law), or refusing to recognise the difference between their *nomos* and their underlings' *nomos*. Rather than allowing requirements engineers to investigate, they insist on the validity of their knowledge. Managing (ordering) gets in the way of gaining knowledge and produces disorder. Abstraction also leads people away from studying the *kairos* which could motivate those using the system.

Management may intend to 'rationalise' work, by dismissing some workers and making others do more work. The benefits may not be distributed functionally, but according to political victory. This leads to workers being reluctant to cooperate with the requirements process, as they may lose their job. Consequently some managers we interviewed recommended lying to staff. However over time, this increases the breakdown of communication, and even if some of managers are not using the new software to remove people and increase the work of others, people may suspect that 'management as a whole' is, and management cannot show otherwise, as it *does* intend change the workspace. This compounding breakdown of knowledge and communication, then affects communications necessary for organisational survival. Increasing efficiency disrupts trust, producing general disruption.

Requirements engineers are also generally outsiders with greater loyalties to what they or their company can do than to the workspace. Consequently information which complicates things for them can be ignored, so communication is again disrupted. Without routine attention to oppositions this may not be obvious. Consultants can even be overseas, and have even less knowledge of the *nomos* of the workspace, and no practical way of uncovering it. Management may find this ignorance simpler in the short term.

Even with adequate requirements gathering, software change is a complex and interactive process, involving flux. During the process, the interactivity and context will be constantly changing, meeting resistances and previously unconceived interactions. At any time, the workspace will not be as it was when those involved began exploring what they needed to do. Seeing change as a transition between two fixed points rather than as a process changing as it goes, produces disruption. We need to cultivate more sense of flux, the importance of disorder, contrary positions, and the difference of moments.

30.8 Back to the Beginning

What can we take from these ancient philosophers and apply to modern management? Firstly we should not always suppress oppositions and conflicts. Secondly, we should be aware that attempting to produce one thing will likely produce

another. We can look for evidence of this opposite rather than looking for confirmation of our intention. Lao Tzu suggests:

Act and you ruin it
 Grasp it and lose it
 Therefore the sage does not act,
 And so does not ruin (1993:§64)
 Banish benevolence, discard righteousness
 People will return to duty and compassion (ibid:§19)

Such instructions are counter to the normal common sense of management, which insists good people should be rewarded and achievement grasped; and yet perhaps these common sense actions do undermine the intention? If we are to manage according to Lao Tzu, we must do it lightly with attention to what is happening:

Govern a large country as you would cook little fish (1993:§60)

These philosophers accept there is a limit to our intellectual understanding of any situation:

Naming is necessary for Order
 But naming cannot order all things. . .
 Know when to stop (ibid:§32)

The categories of naming cannot grasp the flux fully. Gorgias implies that naming is a magic that hides as much as it reveals, and that what truly *is*, cannot be communicated. Ignorance is part of any human process. Heraclitus and Gorgias also reject the idea of simple harmonious wholes: if there is a whole, it is paradoxically many:

Wholes and non-wholes, being combined and differentiated, in accord and dissonant: unity is from everything, and from everything is unity (Sweet 1995:§10).

Heraclitus goes on to compare 'order' (*kosmos*) to fire flickering on and off and never still. This symbolises the flux (Sweet 1995:§12, §91). Recognised order is a passing emergence. Disorder is not always to be suppressed; it can be fruitful because the world is, in its nature, "a random pile of sweepings" (ibid:§124). These ideas sensitise us to the uniqueness of every situation; there is only a partial recurrence and hence what worked previously may not work this time. In a like manner, Gorgias recognises no excellence or virtue (*areté*) can be defined to be the same everywhere; *areté* depends upon person, environment and aim.

By generally holding to the principles of oneness, uniformity, efficiency, direct action and the universal virtue of profit, modern management ignores the *techné* of management, the sense and feeling present in the occasion, or what Gorgias called the *kairos* as well as the multiplicity of excellence, and the importance of the probable, as opposed to the absolute.

While we can never gain total order, we can approach the orders we have as if they were temporary islands amidst the flow, which we may destroy by our attempts to preserve or improve. We can see that order taken too far can become disordering,

or may itself need to be disordered. Rather than suppress disorder perhaps we can work with it. Software, exemplifies these issues as it interlinks ongoing changes, order and disorder, people and occasions, different groups with different aims, hopes for the future with the interactions of the past, and the need for flexibility in plans as further learning arrives. Stasis is unreal, but sensitivity to the moment, to complexity, the situation and flow, can be learnt and cultivated, and this we can discover from Lao Tzu, Heraclitus and Gorgias.

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Chapter 31

The Yin and Yang of Change: Systemic Efficacy in Change Management

Louis Klein and Thomas S.L. Wong

Abstract Efficacy in change management is an issue. Western change management approaches are well elaborated in the mechanics of change. A broader perspective on efficiency and effectiveness is rare. The “Yin and Yang of Change” brings together systemic approaches and Chinese philosophy to draft a broader perspective on efficacy, sustainability and viability of change processes. The research on systemic efficacy in change management starts with the five Tai phases leading to Tai Chi and the model of Yin and Yang. The systemic counterbalance focuses on distinction theory in reference to George Spencer-Brown’s *Laws of Form* and Niklas Luhmann’s *Theory of Social Systems* (TSS). As a first result we can distinguish between:

- Yin-Change: cold change, continuous improvement, integration
- Yang-Change: hot change, innovation, transformation

Change management, as a conclusion to this first finding, needs to distinguish and to balance the two sides of change, innovation and continuous improvement, to realise efficacy, viability and sustainability.

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31.1 Sustainability in Change Management

31.1.1 *The Management of Change*

Efficacy in change management is an issue. Western change management approaches are well elaborated in the mechanics of change (Kotter 1996; Holman et al. 2007). A broader perspective on efficiency and effectiveness is rare. Change management is usually offered and contracted as a service which is rather determined by the selected toolkit than by a broader consideration of effects and implications. Goals are difficult to define and results are hard to measure. The linear perspective of scientific management is still the dominant paradigm. Systemic perspectives are hardly found. Yet they offer valuable insights.

Systemically there are two crucial aspects to consider for the management of change. First is to acknowledge that change is the distinction of an observer. Development of social systems is continuous. To stay the same systems have to renew themselves. It is the observer who cuts into this continuum to address a specific section in the systems development to focus attention and resources to direct the development into a specific direction. Change as we know it is an active decision.

Second is the systems autonomy and idiosyncrasies. This is where aiming at best practice approaches fails. Change transfers one systemic practice to another systemic practice. And every systemic practice comes with its own specific possibilities. A possibility is as much an idiosyncratic feature of a system as its practice. Accordingly a next practice approach acknowledges a systems sense of its own possibilities – like in Robert Musil's *Man without Qualities* – based on the distinction between a sense for reality and a sense for possibilities. Systemically change is successful, when it bears sufficient complexity to fit to the system's possibilities in terms of the desired outcomes and in terms of the change process itself. Our research and findings are based on this hypothesis. Successful – effective, viable and sustainable – change depends on the requisite variety of the concept of change which qualifies the achievable outcomes and specifies the qualities of the change process as such.

31.1.2 *Continuous Improvement and Innovation*

Looking at successful management of change we see two prominent approaches in the last three decades: continuous improvement and innovation. Very much under Japanese influence the 1980s saw the rise of total quality management. A rich tool kit gave structure and substance to the notion of continuous improvement. The consequences especially for Japanese manufacture are well-known (Ishikawa 1981; Deming 1986). The 1990s saw further development of the idea of continued improvement in the philosophy and the tool set of Six-Sigma (Harry 1988). General

Electric had been one of the prominent promoters in the US. And it had been General Electric being one of the leaders of their industry to discover the diminishing returns of continuous improvement. The answer, almost as a systemic imperative, is innovation. Companies like IDEO engaged in the idea that innovation is strongly related to creativity and channelled this towards an approach labelled as design thinking (Jones 2008; Brown 2009; Martin 2009; Lockwood 2010). Prominent tools of design thinking like for example rapid prototyping ventured to inverse the classic western approach of planning followed by implementation and put the action first. Action followed by reflexion allows for a learning cycle which promises to be more effective than the approach of the classic western strategy. We may want to call this cycle *reflection-in-action*.

31.1.3 Strategy and Efficacy

There has always been a contrast of a western and eastern philosophy when it came down to strategy. For the western classic strategy thinking von Clausewitz (1832–1834) is prominently referenced. His works *On War* engaged in the technical idea of planning and implementation. It is no wonder that his ideas could flourish in a historic context of the wide-spread successes of science and engineering. The contrasting eastern philosophy is equally prominently referenced by Sun Zi's *Art of War* (ca. 500 B.C.). At the very heart of his works we find the 36 strategies which do not refer to clockwork mechanics. They are rather illustrations for behavioural opportunities in complex contexts (Sun Zi 1999).

François Jullien (1996) focused on efficacy as the relevant notion behind strategy concerns. In reference to eastern philosophy he brought forward the notion that efficacy is all about improving the potential of the situation and seizing the advantageous moment. The aim of the following shall be to bring forward an idea of increasing the efficacy of change by changing the change and composing new possibilities of change by engaging in the notion of Yin and Yang on the one hand and the calculation of form on the other hand. It is the idea to use eastern philosophy as in the *I Ching* (Cheng 1988) to contrast, balance and enrich this with western distinction theory and qualitative mathematics as in the *Laws of Form* (Spencer-Brown 1969).

31.1.4 Yin and Yang of Change Management

Yin and Yang are seen as the two distinct qualities of a system's activities. Yin, in the notion of ancient balance medicine, supports the system of the living body while Yang operates the system of the living body. When Yin is relatively more than Yang, the system becomes hot. And when Yin is relatively less than Yang, the system becomes cold. As it comes to change management the simple idea it is to

align the notion of Yin and Yang with a notion of continuous improvement on the one side and innovation on the other side. This would bring forward the idea that we have a Yin side of change which very much equals continuous improvement. It would be the stiff, hard and cold side of change. It would be an integrating approach of change which would on the long run marginalised the effects. Especially the latter very much relates to the experiences with continuous improvement. Entering the improvement cycle for the second time will yield diminishing returns. Tidying our desks just after you've tidied it is a futile exercise with a marginal benefit. The Yang side of change relates to innovation, this could be seen as the hot side of change. It is volatile, erratic and sometimes over-excited. The dynamics are very much transformative, enlarging the terrain, a dissipative structure. If this approach holds change management is very much about balancing both sides of change, the Yin side and the Yang side, continuous improvement and innovation. And you can easily translate this into the notion that sometimes it is necessary to do what you do in an improved fashion to yield and sometimes it is necessary to do something different, something new to yield. And we can think of an oscillating dynamic between the two sides engaging with something that is new which is improved in the further until it is more profitable to start with something new again.

31.2 Drawing Distinctions

The idea of Yin and Yang of change is certainly very appealing for the issues of efficacy, sustainability and viability of change. Yet before jumping right into the search for practical evidence, we may want to explore a little bit further what it actually is we are looking for and explore a little bit further the complexity that comes with the combination of Tai Chi and the calculation of form, of eastern philosophy and western qualitative mathematics.

31.2.1 *The First Distinction*

Exploring the philosophical implications of George Spencer-Brown's *Laws of Form* (1969) will guide to the constructivists' idea of creating world out of drawing a distinction. This very much is a notion of Gregory Bateson's (1972) idea of information. Information is a difference that makes a difference. Drawing a distinction provides a difference which allows us to make a difference. George Spencer-Brown ventured in his *Laws of Form* the idea to reduce the Boolean algebra to just one operator. He called the operator a marker (Fig. 31.1) consisting of a vertical line marking the distinction and a horizontal line, starting at the very top of the first marker towards the left, attributing value to one of the two sides which come into existence through the distinction. We could call this the primary distinction which, as an operation, creates world as the asymmetry of a marked state

Fig. 31.1 The marker

on the inside and an unmarked state on the outside. So it is the distinction between world and not-world, between awareness and non-awareness. While the marked state can be named, the unmarked state remains without name. Thus only the marked state can enter and be processed in communication. What cannot be named is not. Drawing a distinction and naming the marked state creates world, its substance, colour and richness.

The idea of creating a world based on drawing a distinction resonates very much to the idea of Tai Chi. In eastern philosophy the birth of the world is described as the sequence from Wu Chi to Tai Chi. The Wu Chi state, the not even nothingness, resembles very much the truly unmarked state, the so to speak not even un-marked state. In this sense the birth of the world can be seen as the becoming of the world by drawing distinctions, by marking and establishing the world by naming.

1. Wu Chi: boundless, the primordial universe, unsupported not even nothingness
2. Tai Yi: vanity, non-entity
3. Tai Chu: with flow of energy
4. Tai Shi: with shape, without substance
5. Tai Su: with shape and substance without form
6. Tai Chi: super ultimate, the cosmic first principle

The Tai Chi, the primary distinction, allows distinguishing between two sides, a Yin side and a Yang side. The idea is to distinguish the two contrasting dynamics of one subject. For example referring to a weather system we would have a Yin component which is the landscape (matter) of the region which supports the weather. Yang is the energy stored in or being pumped into the region which operates the system. When Yin is more than Yang, the weather is dark and cold. And when Yin is less than Yang, the weather is sunny and warm. In reference to human reproduction system, we could have a Yin side which is feminine supporting the system and a Yang side which is masculine operating the system. So in terms of the laws of form Yin and Yang are not primary distinctions. Both of them are marked states and the distinction of two marked states always requires what Matthias Varga von Kibet (1993) would refer to as the dotted marker. A marker which distinguishes these two marked states from the rest of whatever is, could be, or is not.

In reference to Niklas Luhmann (1984) we could call this the unity of the distinction. Tai Chi is the unity of the distinction of Yin and Yang (Fig. 31.2). In distinction theory we have to carefully note that as soon as we enter the realms of naming and semantics, the word functions as a token, indicating the value and the prior distinction (Spencer-Brown 1969). If we name both states, the marked state and the unmarked state, we actually deal with two marked states which indicate the distinction which gives unity to them and distinguishes them from the rest of whatever is, could be, or is not (Klein 2002).

Fig. 31.2 The unity of the distinction of Yin and Yang

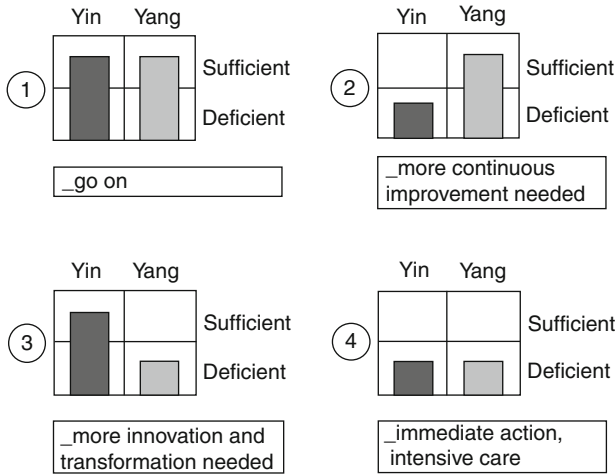


Fig. 31.3 The four field matrix of Yin and Yang, sufficient and deficient

31.2.2 The Second Distinction

The first distinction allows the naming of two states. If we add a second distinction this would allow four states or four directions like north, south, east and west. If we refer to traditional Chinese medicine we learn that the second distinction reads as deficient and sufficient (Wong/Pavlika 2007). If you would engage in a four field matrix of Yin and Yang, sufficient and deficient, we could distinguish four situations (Fig. 31.3). The first situation would be a situation of sufficient Yin and Yang. This is the healthy state; there are enough of both energies to maintain a healthy viable organism. The second situation may be characterised by deficient Yin and sufficient Yang. This would read as a tendency to the hot Yang side. The therapy would be to improve the cold Yin side, i.e. nurturing instead of burning. Or in our change analogy more continuous improvement is needed in the system. The third situation is characterised by sufficient Yin and deficient Yang. The system is getting stiff and cold. The warm and hot side need to be enforced. More innovation and transformation is needed. Finally there is a fourth situation characterised by a deficient Yin and deficient Yang. Immediate action and intensive care are required. A system in situation four is not viable. There is a lack of both energies.

So when it comes to change management we are looking to support deficiencies towards a state of sufficient Yin and Yang, towards a state where continuous improvement and innovation are well applied. This promotes viability and sustainability. And we should beware of a situation of the system where we do see little or no change. A system needs to change continuously to remain healthy, viable and sustainable. In practice, we have to diagnose a company by observing its behaviour, determining the state of the company in terms of cold, hot, deficient, and sufficient. Then we need to formulate strategies to maintain the company's Yin and Yang levels remaining within the sufficient regions, and continuously iterating the whole process. A good illustration for a Yang deficiency could be seen in the companies which engaged in the Six Sigma approach. This was Yin based, cold change. After a few iterations the effect was marginal. The swing of the pendulum afterwards went to the Yang side fuelling the innovation hype. Another example for a Yin and Yang deficiency is any depression caused by the lack of investment. If a company neither invests in innovation nor in continuous improvement it is eating up its substance and eventually cease to maintain its further existence.

As for change management it becomes evident that the distinction of Yin and Yang combined with the sufficient deficient distinction allows for a better foundation of a change strategy: stress innovation, stress improvement or intensive care stressing both.

31.2.3 The Third Distinction

With the third distinction we are looking at a dynamic notion beyond more, less and plenty, empty towards a notion of growing and shrinking. Referring to Spencer-Brown's marker it is possible to recompose arrangements which apply the same distinction or same mark over and over again. This is based on the figure of the re-entry (Fig. 31.4) which is applying the distinction upon the distinction. A good illustration for the re-entry figure is in the academic world referring to empirical research as the re-entry of the distinction of theory and practice on the side of the theory.

By entering the marked state and re-enter the very operation of applying the same distinction again and attributing a value, we can think of a primary distinction of Tai Chi producing Yin and Yang being applied to either sides in a second distinction and if we want in a third distinction. The third distinction would lead to the eight trigrams of the Bā Guà (Table. 31.1).

Philosophically it is important to accept that we are looking at one and the same distinction. We may want to venture the purity of Spencer-Brown's marker to grasp that, although we have a variety of words to describe the different marked states, the Tai Chi remains the same. The complexity is with the re-entry, not with the distinction. With the eight trigrams of the Bā Guà we generate complexity upon the re-entry and attribute meaning. And again it is important to note that meaning is social construct, which needs to prove viable over time (Wittgenstein 1953; Foucault

Fig. 31.4 The second distinction is the re-entry of the first distinction in itself.

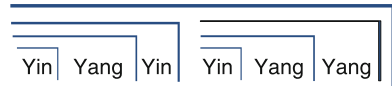


Table. 31.1 Bā Guà – The eight trigrams

Ba Gua		Distinction	Character	Meaning
	Qián	Yang Yang Yang	乾	Expansive energy, the sky
	Duì	Yin Yang Yang	兌	Joy, satisfaction, stagnation
	Lì	Yang Yin Yang	離	Rapid movement, radiance, the sun
	Zhèn	Yin Yin Yang	震	Excitation, revolution, division
	Xùn	Yang Yang Yin	巽	Gentle penetration, flexibility
	Kǎn	Yin Yang Yin	坎	Danger, rapid rivers, the moon
	Gèn	Yang Yin Yin	艮	Stillness, immovability
	Kūn	Yin Yin Yin	坤	Receptive energy, that which yields

1969). Substituting Yin and Yang in the analogy of continuous improvement and innovation allows for a broader and more complex characterisation of the relation of continuous improvement and innovation (Table. 31.2). Concerning the implications for change management it will not be enough to produce a simple $2 \times 2 \times 2$ -table. We need to explore the meaning these distinctions bring to the world. And then we are looking at the unity of the distinctions and the art of balancing.

Improvement of improvement and innovation of innovation are figures of intensification. Improvement of innovation and innovation of improvement are figures of counter-balance. We can think of a meta-level on which a certain paradigmatic or disciplinary set (Kuhn 1962) is either reinforced or an alternative set is applied. Reaching out for the third distinction,

- Qián: Innovating the innovation of innovation, and
- Kūn: Improving the improvement of improvement,

describe extremes;

Table. 31.2 The Bā Guà of change management

Ba Gua		Distinction	Meaning
	Qian	Yang Yang Yang	Innovating the innovation of innovation
	Dui	Yin Yang Yang	Improving the innovation of innovation
	Li	Yang Yin Yang	Innovating the improvement of innovation
	Zhen	Yin Yin Yang	Improving the improvement of innovation
	Xun	Yang Yang Yin	Innovating the innovation of improvement
	Kan	Yin Yang Yin	Improving the innovation of improvement
	Gen	Yang Yin Yin	Innovating the improvement of improvement
	Kun	Yin Yin Yin	Improving the improvement of improvement

- Lí: Innovating the improvement of innovation, and
- Kǎn: Improving the innovation of improvement,

describe symmetries.

There is no inert evidence that either extremes or symmetries are preferable in change management. The notion that more of the same creates more of the same could in a cybernetic sense be interpreted as a positive feedback that endangers the viability of a system.

Counter-balancing on the basis of reinforcement are

- Duì: Improving the innovation of innovation, and
- Gèn: Innovating the improvement of improvement,

Giving a direction to a balance are

- Zhèn: Improving the improvement of innovation, and
- Xùn: Innovating the innovation of improvement.

Practically we are looking on two different paradigmatic sets for continuous improvement and innovation. The combination as brought forward in the Bā Guà table allows for distinction, emphasis and sequence. This lays the foundation for a conceptual framework for change management that gives an inner structure to the practice of change management, for research, description and planning.

As a basic road map for an initial review of change management practices it may be as simple as to distinguish practices, models, methods and instruments of continuous improvement in contrast to practices, models, methods and instruments of innovation. In a second step it shall be interesting to apply the first set of improvement on the second set of innovation; we improve the innovation-toolbox,

Fig. 31.5 Generating systemic complexity



and then vice versa we innovate the improvement-toolbox. Six Sigma can be innovated and Rapid Prototyping can be improved.

31.3 Requisite Variety

At this point we may want to come back into the realms of systems thinking. When it comes to complexity in the context of viable systems Ross Ashby’s law of requisite variety” (1965) gives a good idea of the beneficial aspects of increased systemic complexity as brought forward in the Bā Guà. The law of requisite variety states that to control a system it is necessary to provide requisite variety, which is to say, more possible states than the system or the situation which is to be controlled, handled or influenced.

In generating systemic complexity we are referring to a Bā Guà and its three applications of the primary distinction. We could easily think of a fourth distinction or a fourth iteration, a fourth re-entry, however for the purpose of exploring the possibilities of combining eastern and western philosophy, science and thinking we come to a situation where the single, or shall we say, simple notion of change is enriched with a deeper complexity that allows to distinguish different compositions of continuous improvement and innovation.

Overall this provides a fruitful perspective supporting the practice of change management with regard to efficacy, sustainability and viability of change processes. And there is always another distinction to explore (Fig. 31.5).

31.4 Discussion and Conclusion

The beauty of the Yin and Yang approach to change is balance. Concentrating too much on either side, in this case either continuous improvement or innovation will result in imbalances and the disintegration of the company. Therefore continuous assessment of the state of the company and formulation of strategies to maintain the balance is the key to the sustainability in change management.

The management of change is systemically addressed in terms of requisite variety. Increasing variety absorbs complexity. The Yin and Yang of Change approach improves on efficacy, sustainability, and viability on the level of the system and the level of the change process. The Yin Yang-homeostasis is a desired outcome of the change which allows for sustainability and viability of the system. Yet, the Yin and Yang of Change approach is meant in equal terms to be applied within and for the change process as such. Efficacy and viability shall be qualities of the change effort in order not to fall short like we have seen with best practice approaches.

The systemic benefit of the Yin and Yang of change management lies in increasing systemic complexity. The challenge at hand lies with understanding this complexity and attributing practical meaning to it. This indicates two directions for further research, first towards theoretical understanding and second towards practical application in the field.

The first and greater challenge for the theoretical understanding is related to finding an adequate language for complexity. Since with semantics we enter the realms of tokens there is always the danger of losing complexity in language. Language tends to disguise the generic distinction that created world. We may want to look at an equivalent to the calculation of form that allows calculating with tokens.

Field and action research is the second, more practical research direction we are looking at. On the one hand it relates to the conceptual side of reviewing the change management toolboxes. Which are the paradigmatic models, methods and instruments of the Yin and Yang of Change approach which go with either continuous improvement or innovation and create the balance we are looking for? And what are the practical benefits of increasing complexity in change management and the change management toolbox? They are certainly not with the extremes of innovating the innovation of innovation and improving the improvement of improvement. More of the same is a recipe for failure. The other options allow for the art of balancing and enrich the paradigmatic approaches to change management.

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Chapter 32

How Managers Make Sense of CSR: The Impact of Eastern Philosophy in Japanese Owned Transnational Corporations

Sharon Jackson

Abstract It is widely acknowledged that organisations are struggling to integrate their espoused Corporate Social Responsibility (CSR) principles into business processes. There is cynicism of organisations which publicly state a commitment to society and environment but whose business behaviours are not aligned with the expressed CSR commitment. This paper draws from a two stage study with two global consumer electronics companies to explore the influence of Japanese business philosophy on how managers make sense of their organisation's commitment to CSR.

The method adopted is a case-study approach using Conversation Analysis to analyse data collected from recorded interviews and focus groups.

Findings suggest that organisational culture, underpinned by Japanese philosophy, can impact on how managers make sense of CSR. However, what is not clear is what triggers alignment of managers' sensemaking between business philosophy and CSR. Limitations to this study include a small sample in only two companies in one sector over a short time span. The recommendation of this paper is the need for further longitudinal study with a broader sample at multiple organisations to corroborate or refute these initial findings, and to explore the triggers for managers to link interpretation of CSR with underpinning business philosophy. The practical outcomes of this research can help address the management problem of how to embed CSR in business operations.

32.1 Introduction

Corporate Social Responsibility (CSR) is evolving as a relatively new management phenomenon, driven by demands for greater responsibility in business (Waddock 2000; Zadek 2004). The CSR domain is wide and fragmented, encompassing

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theories such as Stakeholder Engagement and Business Ethics (Freeman 1984; Clarkson 1995; Mitchell et al. 1997).

Overarching principles of CSR include businesses being held accountable for their impact on society and the environment in which they operate, and that the responsibility of a business extends beyond a single financial focus of maximising shareholder return (Margolis and Walsh 2003). A key challenge for CSR practitioners is to bridge the gap between business objectives of ‘profit’ (Freidman 1970) and an extended focus on responsibility for their combined performance in social, environmental and economic matters (Elkington 1997).

Practitioner and academic literature is critical of organisations promoting themselves as a ‘responsible business’ where there is a perceived gap between rhetoric and action (Conley and Williams 2005). The challenge of aligning CSR intent with action can be complicated because organisationally espoused CSR aspirations are often produced in isolation from the operational managers who are expected to make sense of the aspirations. It is, therefore, quite possible that the architects of organisational CSR initiatives and those who are expected to enact them may not share the same interpretation of the CSR intentions (Jackson 2009).

Further challenges to embedding CSR in organisations include influences such as cultural narratives impacting on managers’ interpretations of CSR (Jackson 2009).

This contemporary business problem prompted the author to undertake an empirical research study to explore the impact of organisational culture and business philosophy on managers’ interpretation of espoused CSR aspirations in their organisation (Jackson 2009). This paper discusses a two stage study, conducted between 2008 and 2011, to investigate the impact of organisational cultural narratives on how managers make sense of CSR. The research was conducted in two case studies (Yin 2003), with operational managers from cross-functional roles at the European headquarters of two Japanese owned transnational corporations in the global electronic consumer products sector. The second stage of study adopts a deeper exploration, longitudinal approach, with just one of the research companies. A literature review was conducted to gain insight about the influence of Japanese business philosophy on the narratives which managers engage in to make sense of CSR. Research method is explained further in Sect. 3.

The next section introduces the research cases. To protect anonymity the companies are referred to in this paper through pseudonyms, Alpha Electronics and Delta Electronics.

32.1.1 Alpha and Delta Electronics

Alpha Electronics was founded in Japan in 1918. Before establishing the firm at a young age, the founder of Alpha spent several years in a Buddhist retreat and was strongly influenced by the traditional teaching of Kaitokudo Merchant Academy of Osaka (see Sect. 32.2.4). Alpha’s products include televisions, audio video equipment, home appliances and digital cameras. They have a turnover of US\$ 81.9

billion and employ around 327,000 people globally. The President and CEO of Alpha are both Japanese and both publicly espouse the company philosophy which puts the importance of people and society above the importance of their products. The culture of Alpha is underpinned by the belief that the success of the organisation is dependent on their responsibility as a public entity (Jackson 2009). Delta Electronics was founded in Japan in 1946 as a telecommunications engineering company and built Japan's first tape recorder. Today Delta's products include televisions, audio video equipment, digital cameras and personal computers. Delta has a turnover of US\$ 78.9 billion and employs around 180,500 people in approximately 100 countries. The Chairman and Group CEO at Delta is one and the same, a British person. The founding spirit that defines Delta is to contribute to society through its products and innovations (Jackson 2009).

Global electronic consumer products manufacturers were selected for this study because the industry has a significant impact on society and the environment (Babu et al. 2007). The sector has an average growth rate of 12.6 % per year, (BCC Research 2009) and several organisations in the sector are beginning to proactively espouse CSR principles and engage with environmental NGOs (WWF 2009).

32.1.2 Structure of This Paper

Section 2. discusses the literature informing the research question for empirical study. Section 3. goes on to explain the research methods engaged to address research questions emerging from the literature review. The results and implications from empirical study are discussed in Sect. 4. This paper concludes with Sect. 5. which discusses the conclusions and limitations of the study with recommendations for further research.

32.2 Literature Review

A systematic literature review (Tranfield et al. 2003) was conducted between Stages 1 and 2 of the study to develop the research question from a general focus on managers' sensemaking and CSR to a more honed focus on the impact of business philosophy, through cultural narratives, on managers' sensemaking of CSR. The review was guided by the question: 'What does academic literature suggest about the impact of Japanese business philosophy on managers' sensemaking of CSR in organisations?'

To address this question literature was reviewed from the following fields of theory:

Sensemaking (Weick 1995), to understand how managers make sense of CSR.

Organisational culture (Schein 1985), with a focus on the impact of culture on sensemaking in organisations through 'organisational cultural narratives' (Boje 1991).

Stories and narratives are said to be a core component of sensemaking (Chia 2000) and as human sensemaking is represented by 'words' (Weick 1995), it is widely recognised that the 'common currency' for analysing sensemaking is through storytelling and narrative (Chia 2000). Therefore, the body of literature on narratives contributes to insight for developing the research question underpinning this study, and also as a method of analysis.

Academic literature on CSR and Japanese business philosophy provide a contextual background for this study.

The next section discusses an interpretation of what academic literature suggests about the influence of Japanese philosophies on business and the perceived overlaps between Japanese business philosophy and contemporary CSR.

32.2.1 Japanese Philosophy of Business and CSR

Japanese organisations greatly value their 'company philosophy', and most traditional Japanese companies have a 'company philosophy' which is perceived to be fundamental to corporate strategy (Yoshida 1989). These philosophies vary according to differing values orientations, with some philosophies representative of unique company identity (Wang 2009, p. 1).

The philosophies of Japanese companies are regularly disclosed through in-company documentation and on websites, for example; Toyota's publicised philosophy states a commitment to 'collaborative and shared responsibility' towards customer, employee, community and the greater environment (Wang 2009, p. 2). There seems to be a great deal of similarity between statements of Japanese business philosophy and the principles of CSR as discussed in the introduction to this paper, including the importance of long term, trustworthy relationships in relation to society and the environment (Koehn 1999; Lee and Trim 2008).

The influence of both Confucianism and Buddhism, introduced to Japan through trade relationships at roughly the same time, had a profound impact on society and the underpinning cultural philosophy of Japanese organisations (Lee and Trim 2008, p. 64).

Buddhism proved to be very popular with the leaders of Japanese business (Boardman and Kato 2003, p. 320) and became firmly established as many Japanese leaders became attracted to the religion. Buddhist influence on Japanese philosophy can be seen from the 'Eightfold path' which translates to 'right view, right mindedness, right speech, right action, right livelihood, right endeavour, right mindfulness and the right concentration' (Lee and Trim 2008, p. 64).

From another perspective, Confucianism is concerned with five criteria of 'benevolence, righteousness, decorum, wisdom and trustworthiness' which are deemed to influence relationships in society (Boardman and Kato 2003, p. 320). Once again, there appear to be parallels with the espoused CSR aspirations of global corporations.

Increasingly, organisational theory has applied Japanese philosophies to CSR. Findings from a quantitative study to explore the impact of Japanese philosophy on corporate performance conducted with 152 Japanese electrical machinery companies suggest that Japanese business philosophies can contribute positively to long term non-financial performance, including CSR (Wang 2009). The study observed improved CSR performance where values reflected in the code of conduct were broadly representative of the values of key stakeholders such as employees (Ibid, p. 6). The study also found that companies with a 'harmony-oriented' management philosophy were more likely to engage in CSR related activities with long term performance potential (Ibid, p. 9).

Codes of conduct for responsible business in Japanese corporations usually reflect ancient codes of business ethics. Today, many statements in Japanese corporate management philosophies are reflections of those ancient codes (Boardman and Kato 2003, p. 317), such as the traditional Japanese philosophical concept *Kyosei*, meaning 'cooperative living'. The application of *Kyosei* in business can be traced back to Confucianism ideals. According to storytelling, in the early part of the seventeenth century 'a Japanese trader teamed up with a famous Confucian scholar, Fujiwara Seika, and together they created a set of guidelines for ethical trade known as *shuchu kiyaku*. The overarching principle of the guide was that trade must not be conducted for individual gain but for the benefit of broader society (Boardman and Kato 2003, p. 318).

Today *Kyosei* has been internationally introduced into mainstream CSR and ethical business programmes and has evolved to become a 'significant descriptor of corporate behaviour in Japan' (Ibid, p. 317). In 1987 the Chairman of Canon, introduced the concept of *Kyosei* as a 'spirit of cooperation in which individuals and organisations live and work together for the common good'.

Several themes link the fields of CSR and Japanese philosophy literature, including Watsujian and Confucian perspectives on the importance of long term business relationships, not only in the interest of shareholders but also in consideration of broader stakeholders (Koehn 1999, p. 75). Many Japanese business philosophies, including *Kyosei*, endorse a macro view of corporate responsibility over and above 'pursuit of profit' in terms of respecting the interests of stakeholders (Wang 2009, p. 3), and establishing harmonious relations with suppliers, competitors, governments and the natural environment (Boardman and Kato 2003, p. 318).

Similarly, CSR literature has a strong theme of responsibility to broad stakeholders (Freeman 1984; Clarkson 1995).

Another common theme between Japanese business philosophy and CSR is the notion that business is not just about selling products or services, but is about developing relationships and 'customers for life' (Koehn 1999, p. 75).

This study is interested in how the influence of Japanese philosophies can impact on how managers make sense of CSR in their organisation. The next section explains the theoretical process of sensemaking.

32.2.2 *Sensemaking*

Sensemaking is considered to be a subliminal process which plays a core role in human behaviour (Weick et al. 2005). The theoretical underpinning of sensemaking is that understanding is reached through a process of scanning and interpretation (Daft and Weick 1984; Thomas et al. 1993). The human desire for sensemaking is particularly prevalent when a perceived world-view is at odds with an expected world-view or there is anxiety due to no clear path to engage with the social world (Weick et al. 2005).

Language is considered to be a prevailing means for ‘codifying and articulating’ the sense-experience (Chia 2000, p. 515) as words ‘run to and fro’ to create a path for sensemaking in organisations (Ibid, p. 517). This study is interested in how the words managers ‘notice’ from the business philosophy of their organisation influence their sensemaking and interpretation of CSR.

Figure 32.1. illustrates the theoretical sensemaking process that people engage in a subconscious, ongoing and iterative way to interpret and find meaning of social situations (Weick 1995). The ‘scanning’ stage of the process is the point at which people cognitively ‘collect’ data through noticing and selecting cues for ‘interpretation’ to give meaning to those data.

Human sensemaking is the process through which information is given meaning and action is chosen accordingly (Daft and Weick 1984, p. 294). This is the process people use to find meaning for themselves (Rouleau 2005), through subjectively selected details which they normalise to a simplified, plausible norm. People fill ‘gaps’ in the interpretive process through stories, gossip, rumours and folklore (Starbuck and Milliken 1988; Balogun and Johnson 2004).

Organisations are socially constructed interpretive systems from which cues and stimuli impact on how people find meaning (Daft and Weick 1984, p. 294). Furthermore, organisational philosophies are usually embedded in cultural identity and interpreted through cultural narratives which provide the ‘cues’ to guide human interpretation (Daft and Weick 1984, p. 286). The next sections discuss possible influences of organisational identity and cultural narratives on managers’ sense-making of CSR.

32.2.3 *Organisational Identity and Cultural Narratives*

Literature reveals a consistent theme that understanding is reached through words (Weick 1995) and that conversations and narratives act as key mechanisms for sensemaking. This seems to be particularly so when the language used is explicitly associated with values and beliefs emanating from organisational culture and identity (Morgan 1986). Furthermore, literature suggests that organisational values are central to the creation of organisational management philosophy (Picken 1987) and culture (Schein 1985).

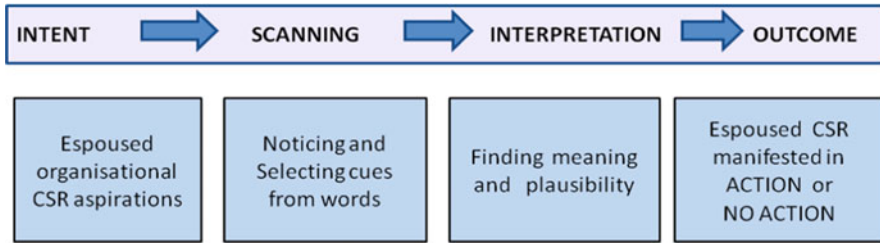


Fig. 32.1 The sensemaking process – applied to CSR (Jackson 2009) (Adapted from Daft and Weick (1984), Starbuck and Milliken (1988), Thomas et al. (1993))

In terms of Japanese organisational identity, the cultural value systems which contribute to a Japanese organisation and organisational identity include ‘loyal staff’ (Lee and Trim 2008, p. 74). The value of ‘loyal staff’ is said to include the personnel system of *Syojokukata no sosiki*, which broadly means that employees dedicate themselves to the organisation (Lee and Trim 2008, p. 72). If this proposition is considered to be true, it might be reasonable to believe that employees would engage in the enactment of the organisation’s CSR aspirations through a sense of loyalty to the organisation. However, even if this system is applicable to companies in Japan, in a transnational Japanese corporation the cross cultural differences (Hofstede 1996) impacting on non Japanese managers’ sensemaking (Weick 1995) may mean that *Syojokukata no sosiki* is not so effective. This suggests a need for alternative sensemaking guidance to encourage European managers to engage in CSR aspirations.

One possibility might be cultural stories and narratives acting as a trigger to link individuals’ sensemaking of CSR with organisational culture and unifying statements of ‘collective identity’ (Brown et al. 2008, p. 1046).

‘Cultural repertoires and narrative structures’ are considered to be the principle way in which people in organisations create a coherent frame of identity from which they select cues to make sense of the organisation they are part of (Ibid, p. 405; Humphreys and Brown 2008, p. 413). From within that frame of identity the ‘truth’ that people experience, through their own sensemaking, is influenced by the overarching culture in which the experience is embodied (du Toit 2003).

Organisations are socially constructed ‘storytelling systems’ (Boje 1991, p. 1000), in which people make sense through ‘jointly negotiated narratives’ (Brown et al. 2008, p. 1040). In particular, people select ‘interpretation’ cues from conversations and storytelling when they are ‘bound together’ by a common aspiration (Balogun and Johnson 2004; Weick 1995).

Communities in organisations tell multiple stories about themselves, which become lived out in daily reality, as a vehicle for the construction of ongoing interpretation and meaning (du Toit 2003 p. 32; Humphreys and Brown 2008, p. 413). Furthermore, narrative is at the core of how people find meaning (Ibid, p. 1039) and the sharing of narratives is a key part of organisational members’

sensemaking (Boje 1991, p. 1000). Therefore, cultural narratives are likely to have an impact on managers' sensemaking about CSR.

In their study on how narratives influence interpretation of CSR, Humphreys and Brown (2008, p. 414) found that employees struggled to make sense of CSR when the 'narratives and labels' did not align with their own preferred version of organisational identity.

The next section discusses more specifically the narratives which can influence sensemaking in Japanese organisations.

32.2.4 *Japanese Philosophical Stories and Narratives*

Ancient philosophies are mainly kept alive in modern Japanese business and embedded in corporate culture through the prevailing narratives and writings of the founders of the corporation (Boardman and Kato 2003; Lee and Trim 2008; Wang 2009).

Many founders of Japanese companies were strongly influenced by the traditional teaching of Kaitokudo Merchant Academy of Osaka (1726–1868), where merchants from across the country discussed the philosophical aspects of commerce (Boardman and Kato 2003, p. 325). It is very common for the founders of the transnational Japanese corporations to have had a significant influence on the original company philosophy; for example, the corporate philosophies of companies such as Canon, Sumitomo and Panasonic can be traced back to their founders and the teaching of Kaitokudo (Ibid, p. 327).

At Alpha Electronics the founder formulated a 250 year business plan and a mission that reflected his deeply held belief that the purpose of business is to 'relieve poverty and to create wealth, not only for shareholders but for society'. Today this belief is reflected in Alpha's business philosophy (7BP) which is referred to throughout this paper.

A particularly strong narrative, communicated through the stories of several Japanese company founders, is that business does not operate in an economic vacuum which is cut off from society (Koehn 1999, p. 76). A further consistent narrative is that ethical worth comes from individual understanding and interpretation in respect to the whole of humanity. It is believed that this understanding will make that person 'true hearted' - *makoto*, or 'spirit of equity' - *jen*. Acts of *makoto* or *jen* are ethically good (Ibid) and are encouraged in Japanese companies through cultural narratives.

32.2.5 *Summary*

In respect to the impact of Japanese business philosophy on managers' sensemaking of CSR in organisations, themes emerging from the literature review suggest many overlaps between the principles of CSR and ancient Japanese philosophy. Japanese philosophies embedded in management systems of organisations have usually been

kept alive through the continual telling of stories which have emanated from a founder with strong beliefs and values. Furthermore, literature suggests that organisational cultural narratives can be inextricably linked with managers' sensemaking and their interpretation of CSR.

The next section explains the methods employed for an empirical study to explore the research question about how Japanese philosophy can impact on managers' sensemaking of CSR in their organisation.

32.3 Research Method

Since 2008 research has been conducted through two stages of study. At the time of writing the second stage is still an ongoing longitudinal study.

Stage 1 adopted a two case- study approach (Yin 2003) with 15 operational managers from cross- functional roles, at Alpha and Delta. As the research question evolved to focus more specifically on the impact of Japanese philosophy on how managers make sense of CSR, Alpha was selected as a single case study. Alpha was selected for Stage 2 because Stage 1 revealed a stronger identity around an underpinning Japanese philosophy than Delta.

The study adopts a retroductive exploratory stance to build theory for new understanding (Blaikie 2007, p. 9).

Data from Stage 1 were collected through video and audio recordings of two focus groups (Macnaghten and Myers 2007), one at each site, and follow up semi-structured one-on-one telephone interviews with each participants to cross check interpretation and retrospective sensemaking. In total, 3.5 h of focus group dialogue and 12 h of telephone conversation were recorded and transcribed.

To check researcher interpretation, an independent observer attended both focus groups and recorded her observations, also during analysis of transcripts parts of the text were given to two peers for their interpretation.

Stage 2 data were collected through informal conversations and semi-structured interviews with 35 of Alpha's pan-European CSR champions, plus one CSR representative from Alpha's Japanese HQ. The purpose of the meeting was to discuss a corporate stakeholder engagement plan as part of their CSR strategy. Recordings were made of people talking about their interpretation of CSR in Alpha.

Throughout the study data were analysed using Conversation Analysis (CA), a subset of discourse analysis (Sacks 1984; Jefferson 2004) to gain insight into 'sensemaking process through which reality is constructed' (Clifton 2006).

The next section discusses findings from the study.

32.4 Results and Implications

A key finding from the empirical study is that through a sensemaking process (Weick 1995) the words that managers 'select and notice' from their organisation's underpinning Japanese philosophy can impact on their interpretation and enactment of

organisational CSR aspirations. The finding suggests that ‘no action’, status quo is a possible outcome of managers’ sensemaking when they do not cognitively associate CSR aspirations with the organisation’s business principles or bedrock organisational culture (Schein 1985). This finding is discussed in detail throughout this section.

32.4.1 Alpha and Delta CSR Aspirations

Alpha and Delta both publish annual CSR reports which include references to their business philosophy. Links between Alpha’s espoused commitment to CSR and ancient Japanese philosophy are clearly apparent.

From Alpha’s 2008 CSR report:

- A public institution is only able to exist if it receives the support from society.
- Alpha has been doing CSR for 70 years -Inheriting our Founders’ Philosophy of Living in Harmony with Global Environment.
- CSR management is founded on the company as ‘public entity of society’, the company does not exist solely to make money.

Overall Alpha’s CSR report espouses a business philosophy underpinned by a moral code which includes a belief that money and profit are not their only business goals.

From Delta’s 2008 CSR report:

- To pursue CSR with an emphasis on realising a sustainable society through great innovations, industry leading product.
- Committed to integrity and sound business practice.
- Founding spirit was, and still is, to contribute to society through business and to enrich society by supplying radio, communications and technology to people.

Delta adopts a more commercial, business case approach to CSR, whereas Alpha adopts a more moral case which is more aligned with ancient Japanese philosophies including the responsibility of business to contribute to the whole.

32.4.2 Finding; Managers’ Sensemaking of CSR Can Lead to an Outcome of ‘No Action’ When Not Aligned with Cultural Narratives

The outcomes from this study suggest that business philosophy can influence how managers make sense of CSR, with managers’ interpretations of CSR becoming clearer when linked to culturally embedded business principles. In particular, the cultural narratives of organisational identity with which managers associate themselves, appear to be a link for making sense of CSR in organisations. This is not surprising as identity is considered to have a significant influence on sensemaking

(Weick et al. 2005, 416) as managers select sensemaking cues from the prevailing cultural identity and business philosophy (Ibid, p. 410).

When Alpha managers shared stories about their founding Japanese business philosophy (7BP) which still underpins their corporate culture today, they appeared to have a clearer sense of CSR in their organisation. Findings suggest that at the 'scanning' stage of the sensemaking process (see Fig. 32.1.), where managers 'notice' cues and words from their underpinning business philosophy, they can find a meaningful and plausible interpretation of CSR which can result in enactment of the espoused CSR aspirations (Jackson 2009). This suggests that where there is alignment of managers' sensemaking between CSR and 7BP, the CSR aspirations are more likely to be enacted in daily operations.

However, if at the scanning phase managers do not notice cues and words which align CSR narratives with cultural narratives, managers can follow an alternative sensemaking path through selecting cues from their own tacit knowledge and experience which can lead to CSR 'no action'.

Fig. 32.2. builds on Fig. 32.1. to illustrate how the scanning stage of sensemaking can be influenced by the 'cues' that managers notice resulting in an outcome of CSR 'action' or 'no action'. The next sections provide examples from empirical study of how the influence of business philosophy and cultural narratives can lead to CSR action or SR no-action as illustrated in Fig. 32.2.

32.4.2.1 No CSR Action Today

A fascinating observation of this study was that even though 10 Alpha managers agreed (in a focus group) that their organisation expects them to act to reduce CO² emissions and indeed mentioned on 10 occasions (over a period of 90 min) that there were too many lights on in the room, not one person acted to turn off unnecessary lights. The following section of dialogue illustrates how the managers did not select cues from cultural narratives about 7BP, but instead followed a different sensemaking path which resulted in an interpretation that appears to be accepting that there will be 'no action' in the present.

A. "You see the funny thing is [...] straight away you said we should reduce our carbon, [and] first thing people talk about is carbon, but absolutely everyone is sitting in this room with all these lights on [...] do we need them on? Could we not have had half of these lights on?"

B. "come back in 5 years time [and] I think you will have a different story, because one of us would have come in and turned the back lights off or something similar like that."

(C gets up to walk to the back of the room)

A. "Are you going to turn the lights off?"

C. No, I am going to get a cup of tea to sustain myself."

In follow up one-on-one telephone interviews the managers were asked about this scenario. One manager said that he had noticed this, but did nothing because he wanted to see if someone else would turn off the lights. Other participants were oblivious to it, with the main response being that they guessed that everyone expected someone else to do it (Jackson 2009).

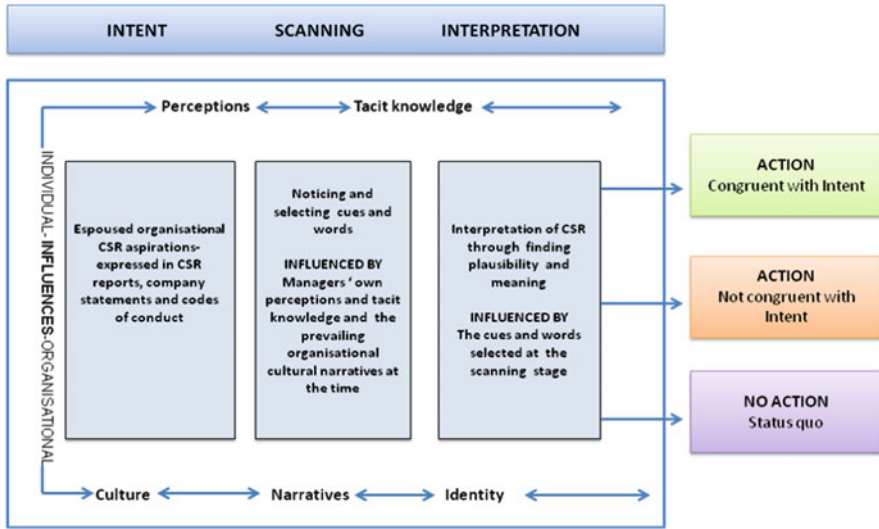


Fig. 32.2 Influences on managers’ sensemaking of CSR (Jackson 2009, p. 61)

32.4.2.2 Influence of Narratives on CSR Interpretation and Action

From an early point of data collection, Alpha managers referred to their 7BP business philosophy which is kept alive through stories from their Japanese founder. These stories have become embedded as cultural narratives in the organisation over 70 years.

If you read any history on our founder and you go back in time you will see the business principles our company has been built on, ethically.

In terms of enacting CSR, managers in both cases appear to take their codes of responsible conduct for granted, however, there is a strong sense that Alpha managers enact their code of conduct in alignment with their 7BP and cultural stories. For example, the premise of one Alpha story about responsible business is that the sale of a product must be at the true value of the product and not for gaining excess profit, the moral of the story being that excessive profit is not ethical and society suffers as a result. The enactment of the message of this story is illustrated by the following quotation. The manager explains how he was instructed to sell a valuable company asset at a lower price than offered because it was deemed to be more fair.

Last year we sold a site . . . it was a closed book tender, we had an offer on that building for \$X million more than it was valued. I was asked to explain why the profit we were making on this building was so high and I was not actually allowed to sell it at that profit level.

This action appears to be fully aligned with both the organisation’s CSR report, ‘The company does not exist solely to make money’ and with the founders’ story about the ethics of selling a product for its real worth.

At Delta, longstanding philosophical narratives are less prevalent as a sensemaking influence. Where the language of CSR does not align with the prevailing cultural narratives, managers notice alternative sensemaking narratives to guide their interpretation. This is illustrated by the following quote from an Information Systems Manager who was asked, in a one-to-one telephone interview, to explain his interpretation of 'ethical business' in his organisation.

When we are driving around the country we don't deliberately target cats to run over, you know I don't need to go on a course to tell me to do that.. you know it is obvious, we are not going to try to do anything which is illegal or immoral or you know, unethical.

The cultural narratives at Delta use the term 'code of conduct' when discussing responsible business, rather than 'ethical business'. The quote suggests that the manager has not made a link between the interview question about 'ethical business' and the company 'code of conduct'. Instead, he has cognitively selected sensemaking guidance from his own personal interpretation of ethics, i.e. not running over cats, which is disconnected from the issue of business ethics in his organisation.

In both of the study cases, through their sensemaking process (Weick 1995), the words that managers 'selected and noticed' from their organisation's cultural narratives and business philosophy appeared to impact on their interpretation and enactment of organisational CSR aspirations. A similar finding is emerging from stage 2 of the research.

In stage 2 of the study, where managers cognitively link the issues of stakeholders to their organisation's 7BP, they relate stakeholder engagement to their daily operational activities. However, when stakeholders were discussed in a way which was not explicitly connected with 7BP the managers did not engage with the discussions and appeared to struggle to justify why they should engage in such activity.

When trying to make sense of stakeholder engagement, they 'noticed and selected' specific words from the organisational narratives about their Japanese business philosophy. In particular, telling stories about the philosophy of a business responsibility to the 'whole', became a sensemaking 'anchor' for managers to link stakeholder engagement with 7BP. After this point conversations about stakeholder strategy flowed more easily, with some evidence of shared understanding about stakeholder engagement in relation to 7BP.

I hadn't thought about it that way before... I guess stakeholder management stuff is about our responsibility to society.

As more stories were shared and embellished the more a collective interpretation appeared to unfold through dialogue and a new collective identity of 'CSR warriors' emerged. This suggests that story telling and cultural narratives might be a trigger not only to individual sensemaking but also collective sensemaking of CSR.

32.4.2.3 CSR Alignment with Business Philosophy

Schein (1985) suggests that it is only when organisation members make sense of espoused intentions in relation to the bedrock values of the organisation that espoused intentions can become embedded and taken for granted. This was illustrated at Alpha, where managers cognitively linked CSR rhetoric to their culturally embedded Japanese 7BP, then they could relate CSR to their daily operational activities. However, when CSR aspirations could not be explicitly 'labelled' and connected with 7BP, the concept of CSR became a confusing and a nebulous construct (Jackson 2009).

The following quote illustrates how one manager struggled to make sense of Alpha's CSR aspirations at a point when he had not linked CSR with 7BP. Through his own sensemaking process he appears to be searching for narratives and labels for CSR which are meaningful to him.

I am still totally confused about the whole thing about CSR where everything sits, because to me it sits across so many different areas that you know... call it CSR if you like, but I might want to call it cost saving, I might want to call it health and safety. How can people be reasonably expected to understand CSR if it is so woolly.

Later in the focus group, the same manager did make cognitive links between CSR and 7BP and then he spoke congruently about the organisation's commitment to the environment and community (Jackson 2009).

A further example is the following quote from a one-to-one telephone interview in which a Finance Manager was asked to reflect on the focus group discussion about CSR in Alpha which took place 2 weeks previously.

We aren't really sure what CSR was for us, or what is its boundaries, what is its scope, and despite that we all had a similar view of what we thought it was.

This suggests that the managers at Alpha shared a common understanding of CSR in their organisation when their interpretation was aligned with their 7BP (Jackson 2009).

32.4.3 Implications

Alpha's 7BP appears to be the common lynch pin for managers' interpretation of CSR. The 7BP philosophy, underpinned by ancient Japanese philosophies and writings of Alpha's founder, is so strongly embedded in the organisational culture that it is generally taken for granted as the way business is conducted. Alpha's 7BP has an internal image, internal 'labels,' and an identity with which people in the company passionately associate themselves.

This study suggest that cultural narratives about 7BP have a direct influence on how managers make sense of Alpha's CSR aspirations. An implication of these

findings is that cultural narrative and storytelling could be an important ‘anchoring mechanism’ for managers to align their interpretation of CSR with their business philosophy. This could make a contribution to addressing the organisational problem of engaging managers in CSR so that they are more likely to enact CSR aspirations.

32.5 Conclusion

The introduction to this paper discusses the contemporary business problem of a gap between rhetoric and action in the commitments organisations espouse towards the environment and society. This ongoing study provides some insight into how the alignment of managers’ sensemaking processes with organisation philosophy, through cultural narratives and storytelling, can play a vital role in them enacting CSR aspirations.

The findings of this empirical study support a literature review which suggests a strong alignment between Western CSR aspirations and Japanese business philosophy, and that Japanese philosophy and organisational cultural identity can influence how managers make sense of CSR. Furthermore, literature suggests that organisational cultural narratives can be inextricably linked with managers’ sensemaking, which supports this study findings which suggest that culturally embedded Japanese business principles can have a significant influence on how managers make sense of espoused CSR (Jackson 2009).

Managers appear to share similar interpretations of their organisation’s CSR when they draw on cues, ‘words and labels’ from the prevailing identity (Greenwood and Hinings 1993). If that prevailing identity is underpinned by a moral framework, as opposed to a business case CSR focus, then enactment of CSR appears to be more likely (Frederick 1994).

The practical outcomes of this research can help address the management problem of how to embed CSR in business operations, however, limitations to this study include a small sample, in only two companies, in one sector, over a short time span.

In terms of further research, what is not clear from this study is what triggers managers to notice cultural narratives which align their sensemaking of business philosophy with CSR. It would be interesting to understand what factors guide managers to notice cues from cultural stories.

A further new line of enquiry emerging from this study is to understand the possible role of cultural narratives as a trigger for collective sensemaking in organisations.

A recommendation of this paper is the need for further longitudinal study with a broader sample, at multiple organisations, to corroborate or refute these initial findings and to explore the new emergent questions.

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Chapter 33

Developing Corporate Entrepreneurial Cultures: Inspirations from the Confucian Gentleman

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Abstract This paper presents those corporate entrepreneurial cultural dimensions, which seem to have the greatest importance and relevance in explaining the differences in outcomes of productivity, satisfaction and motivation of the staff in different types of private and public organizations. The method used is a scientific concept analysis mixed with a constructive approach of business sciences. Referred literature indicates that the “Confucian gentleman” would still give remarkable inspirations for a present leader or corporate entrepreneur. As an outcome, we interpret that “motivating” organizations, where both corporate entrepreneurial aspects and cultural effects are apparent, best represent business cultures where the entrepreneurial consequences of innovating, risk managing and catalyzing are emphasized. As a result, we have also formulated a model for “motivating” organizations, to analyze and to further develop those entrepreneurial consequences in the orientation within the following dimensions:

- Considered time period (long-term orientation – short-term orientation),
- Preferred target (risk avoiding orientation – growth orientation) and
- Cultural personality (external orientation – internal orientation).

With operational solutions, it will be possible to test these dimensions statistically. These can also be used as pragmatic tools for analyzing cultural aspects in expert organizations, both to discuss the business strategy and alternative development tendencies. This can be a step towards changing organizational culture when needed.

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33.1 Concepts Related to Corporate Entrepreneurial Cultures

We will use the concept “corporate entrepreneurship” as a synonym to the term “intrapreneurship” or “internal entrepreneurship”, which means simply entrepreneurship within an organization (Hornsby et al. 2002). In the Finnish research and business practice intrapreneurs are also called inside entrepreneurs. According to Professor Koironen (Koironen 2011, 2), intrapreneurship can be defined as entrepreneurship practised by people within established organisations or as an entrepreneurial operation mode of an organisation.

Some meaningful phenomena in the creation of business culture are the social interaction within the company and the history of the company and its staff (Seeck 2008). Thus, the intentional tendency for developing the business culture would require social interaction, new interpretations of the relevant business story and setting targets for planned changes in the modes of action. These kinds of actions are important when the company wants to motivate and engage its personnel. In the extant literature it is still somewhat unclear how much of the set of the business culture features can be affected by management actions. We assume that at least a part of the organisational culture will be internally created by the wholeness and variety of the staff of the organisation.

Professor Kari Ristimäki (2004) points out in his analyses that intrapreneurship always has a strong relationship to three factors, innovating, risk managing and catalysing. Ristimäki has allocated remarkable effort in order to collect all possible Finnish results on this topic.

This article concentrates mostly on intrapreneurship within organizations. Earlier research and definitions of entrepreneurship within companies (e.g., Shane and Venkatamaran (2000) and Gartner (1990) and Ucbasaran et al. 2001) have concentrated on entrepreneurship within companies usually owned by the entrepreneur. Pinder (1998) describes work motivation as the set of internal and external forces that initiate work-related behaviour and determine its form, direction, intensity, and duration. This definition recognizes the impact of environmental factors such as organizational incentives or HRM practices as influencing the motivation of employees, which is particularly relevant for our approach. Dess et al. (2002) emphasize the significance of management support in forming and maintaining intrapreneurial organisations.

33.2 The Target

Many of the existing theories classify organizational cultures in structural dimensions. From the point of view of causality (causes and effects), the structural kind of dimensions represent, however, (only) cultural causes. From our point of view, there are both evident *dependences* and evident *differences* between

- (a) Causal dimensions of the culture (causes) and
- (b) Consequential cultural dimensions (effects).

These have not yet been examined enough in the literature.

The three factors pointed out by Ristimäki (2004), innovating, risk management and catalyzing, are strongly related to productivity, satisfaction and motivation of the company staff. This has been shown by many studies in the literature (for example, Carmazzi 2007; Cook 2007 and Senge 1990). According to Dess et al. (Dess et al. 2003), intrapreneurial organizations are typically learning organizations, which are able to adopt and implement fast new strategies.

The early economists Say, Schumpeter and Menger, pointed out the importance of active entrepreneurs in the development of western economies, by emphasizing the achievements and the results of entrepreneurial behavior. For example, Menger says, “the entrepreneur acts as an economic agent who transforms resources into products and services” (Martin 1979). On the other hand, a very general statement on the crucial importance of consequences in general exists – “. . . you will recognize them by their fruits” (Matthew 7:15–21). In general, business culture’s causal impact on business results is more commonsense than a scientific concept. That is why we choose to formulate the following hypothesis based on the examination and qualitative analyses of the consequential cultural dimensions (cultural effects) within an organization:

Motivating organizations, where both intrapreneurial aspects and cultural effects are apparent, best represent business cultures where the intrapreneurial consequences of innovating, risk managing and catalyzing are emphasized.

While concentrating on cultural dimensions representing (1) entrepreneurial activities – innovating, risk managing and catalyzing, as well as (2) consequential cultural dimensions (effects) we are able to formulate a hypothetic cultural analyzing model for several kinds of expert organizations.

The model developed in the following, also sets apart different types of Motivating organizations, based on the orientation on dimensions of

1. Considered time period; long term orientation – short term orientation (Hofstede 1980),
2. Preferred target: risk avoiding orientation – growth orientation (Hofstede 1980 and Tenhunen 1992) and
3. Cultural personality: external orientation – internal orientation (Cameron and Quinn 2005; see also Scheider and Barsoux 1997).

The dimensions above are chosen based on the analyses of recent literature. From the literature, we have been able to distinguish some interesting cultural polarities, which deepen and give reasons to our analyses of organisational cultures.

With operational solutions, it will be possible to test these dimensions statistically. These can also be used as pragmatic tools for analyzing cultural aspects in expert organizations, both to discuss the business strategy and the alternative development tendencies.

Western economical thinking is strongly based on the ideas of Adam Smith (1723–1790). According to Smith, people who target to improve their own

Cultural Dimensions

	Other Dimensions	Intrepreneurial Dimensions
Causal Dimensions	Formal Structures and Behaviour	Supportive Structures and Behaviour
Consequential / Effective Dimensions	Demotivation	<ul style="list-style-type: none"> • Motivation for • Innovative solutions • Catalyzing “Buzz” • Risk Managing

Fig. 33.1 Classification model of organizational cultural dimensions

businesses, also produce welfare for everybody in society. Societies in general represent some kind of balance between individualism and holism. Political issues and political philosophy seem to define the degree of integration between the citizens in society.

33.3 The Approach

We will first divide the set of organizational cultural features into (a) *causal dimensions* of the culture and (b) *consequential dimensions* of the culture (cultural effects). This can be done by analyzing the models presented recently in the literature. Secondly, we will also divide the dimensions of the culture into (1) dimensions measuring *intrepreneurial* properties (innovating, risk managing and catalysing) and (2) dimensions measuring *non-intrepreneurial* properties (such as power orientation, tacit information, rituals and routines).

The kind of cultural environments, where both the entrepreneurial aspects and the cultural effects are simultaneously apparent, form the box of *Motivating organizations* in Fig. 33.1. Motivating organizations also catalyze active, spondaic and enthusiastic activities and cooperation, which is called “Buzz”. The term “Buzz” has been used by some researchers who have examined innovation environments and their properties -“Buzz” meaning enthusiasm, activity and spontaneity, for example, see Bathelt et al. (2002) and Ståhle et al. (2004). In the Confucian sense, the “Buzz” seems to have been called also “Propelling” (He et al. 2009, 330; see also Fig. 33.1 and Table 33.1).

On the other hand we can separate an area of ‘demotivating’ organizations, where neither task orientation nor people orientation are prevailing; caused by, for example, too strict structural forms and control (Blake and Mouton 1989; Blake and Mouton 2010 and Niittymäki 2009, 266).

In the following section, we will shortly refer to some existing models of organizational culture, to motivate the dimensional selections we make in the analyses. We will pick up cultural features from the existing theories based on the groups of concepts given above.

33.4 Inspirations from the Confucian Gentleman for an Entrepreneur

Comparing entrepreneurial features in western practical business science and the features of “Confucian gentleman” (He et al. 2009) as described by Confucius, show that they are quite similar (Table 33.1). For example, features like taking responsibility, learning from mistakes, respecting criticism and obeying team rules are still prevailing virtues.

The most evident differences between the concepts seem to be in the fact that the “Confucian gentleman” has more acquired (learned) personal properties than the western “entrepreneur” has. Based on this observation we might evaluate that there are many important features still missing in the western entrepreneurial analyses. For instance, it looks evident that the following key features of the “Confucian gentleman” should more intensively be considered in the western analyses of an entrepreneur: Shares success with the team, understands the limits of knowledge, never lies, identifies flunkies, is capable of seeing priorities, selects talented subordinates and relies on them, keeps his word, and so on.

During the Athens conference in June 2011, the concept of the Confucian Gentleman was taken up in many presentations: For example, Zhang Cuiping defined noble features of Confucianism quite exactly and showed that some Chinese enterprises are flourishing while their leadership is following Confucian principles. She states “It should be noted that the success of all the five CEOs is not a coincidence. The key to their success is that they are not only talking and communicating but also practicing Confucian values.” (Zhang 2011, 10). Also, critical view concerning Confucianism was brought up: “Confucianism is not good for the development of individuals. Its morality- and family-centered ethics provide a hotbed for cronyism and corruption.” (Zhang 2011, 11).

33.5 Selected Models of Organizational Culture

Hofstede’s (Five) Cultural Dimensions (Hofstede 1980) include at least two dimensions, which are loosely related to entrepreneurial behaviour. These are (a) **Individualism** on the one side versus its opposite, collectivism, that is the degree to which individuals are integrated into groups; and (b) **Risk Avoidance**, which deals with an organization’s tolerance for uncertainty. Risk avoiding organizations try to

Table. 33.1 Comparison of features of an entrepreneur in western business science (e.g. Casto 2011) and the features of a gentleman defined by Confucius (He et al. 2009, 329–330)

Western practicalities “Intrepreneurial Features” (Michelle L. Casto 2011)	Eastern philosophy “Gentleman’s features” (He et al. 2009)
Responsible	Benevolent
Hard Worker	- Ability to deal with problems
Risk Taker	- Shares success with the team
Creative	- Identifies flunkies
Flexible	Righteous
Follows through with ideas	- Cares about the team
Personable	- Takes the profits belonging to him
Optimistic	- Selects talent subordinates
Perceptive	- Always ready to remedy unjustness
Self-confident	- Loyal to the organization
Determined	Courteous
High degree of energy	- Respects team members and gives them opportunities
Innovative	- Respects team rules
Independent	- Obey rules at any time
Ability to anticipate needs	Wise
Effective communicator	- Learning and practicing
Responsive to criticism	- Avoids making decisions with extreme views
Able to take the lead	- Understands the limits of knowledge
Learn from mistakes	- Be modest and willing to learn from everyone
Self-directed	- Capable to see priorities
	- Willing to see mistakes and reflect himself
	- Looks before leaps
	Sincere
	- Keeps his word
	- Thrusts his subordinates
	- Never lies
	Brave
	- Reforms abuses
	- Propels organization development with outer environment
	- Takes responsibilities
	- Willing to earn thrust from superiors and subordinates
	- Brave to be innovative
	- Don’t fear failures
	- Brave to face problems and dig opportunities from them

avoid unstructured situations, because they are new, surprising, and different from the usual. That is why those situations may be avoided by a high amount of formal instructions and rules.

Business cultures accepting uncertainty are also more tolerant for different opinions. Those are used to having as few rules as possible. These cultures are quicker in developing their strategies and ready for changing drive when needed.

Hofstede (1980) demonstrated that there are national and regional cultural groupings that affect the behaviour of organizations. For example, there are many characteristics of western, individual-based culture in Finnish society. Finns endeavour to make a sensible use of their time. They follow timetables and other plans faithfully and expect the same from others. Finns are careful and gather background information in advance, but they make decisions quickly. Power distance is quite low. The Finnish way of thinking and working is very consistent. In Finnish society, all are treated equally. Power distances are low, the use of first names universal, and men and women equal. There is a desire to solve conflicts by negotiation, seeking a result that is the best possible for all parties.

Ways to link organizational structure to organizational culture are shown by Roger Harrison (Harrison 1972) and Charles Handy (Handy 1985). They identified four theoretical cultural types: *power orientation, role orientation, task orientation and people orientation (a person culture)*. These culture types differ, for example, in control and the way which information is used among the staff.

Edgar Schein's organizational model (Schein 1985–2005) illuminates corporate culture from the standpoint of the observer, described by three cognitive levels of organizational culture. The cognitive levels in Schein's model are (I) *artifacts* (the facilities, offices, furnishings, visible awards and recognition, the way that its members dress, how each person visibly interacts with each other and with organizational outsiders); (II) *values* and at the deepest level an organization's (III) *tacit assumptions*. Tacit assumptions within the culture are often taboo to discuss inside the organization. However, many of those may be driving elements in the organization's culture. Using Schein's model, understanding paradoxical organizational behaviours becomes more apparent. For instance, an organization can profess highly aesthetic and moral standards at the second level of Schein's model while simultaneously displaying curiously opposing behaviour at the third and deepest level of culture.

In his analysis, Arthur F. Carmazzi (Carmazzi 2007) seems to concentrate on the cultural consequences (caused by some unknown structural facts). He calls these as follows:

- Blame culture, which shows itself in *distrust and fear*
- Multi-directional culture, which shows itself in minimized cross-department communication and *minimized cooperation*
- Live and let live culture, which shows itself in *mental stagnation and low creativity; in a word passiveness*
- Brand congruent culture, which is driven by *believe in the product or service* of the organization

- Leadership enriched culture, where people feel good about what they personally achieve through the organization and have *exceptional cooperation*

Robert A. Cooke (Cook 2007) defines culture using 12 behavioural norms that are grouped into three general types of cultures:

- In Constructive Cultures members are *encouraged to interact* with people and approach tasks in ways that help them meet their higher-order satisfaction needs for affiliation, esteem, and self-actualization.
- Passive/Defensive Cultures, in which members believe they must interact with people in ways that will not threaten their own security. Members feel pressured to think and behave in ways that are inconsistent with the way they believe they should in order to be effective. People are expected to *please others* (particularly superiors) and avoid interpersonal conflict. Rules, procedures, and orders are more important than personal beliefs, ideas, and judgment. Passive/Defensive cultures experience a lot of unresolved conflict and turnover, and organizational members report lower levels of motivation and satisfaction. Sometimes these cultures prevail even in universities.
- Aggressive/Defensive Cultures members are expected to approach tasks in forceful ways to protect their status and security. Organizations encourage or require members to *appear competent*, controlled, and superior. Members who seek assistance, admit shortcomings, or concede their position are viewed as incompetent or weak. These organizations emphasize finding errors, weeding out “mistakes,” and encouraging members to compete against each other rather than competitors. The short-term gains associated with these strategies are often at the expense of long-term growth.

A belief that employees’ performance has critical implications for a firm’s performance has been common among academics and practitioners for many years (Huselid 1995). However, interest in which HRM practices facilitate maximum employee performance, and thus in turn organization performance, has intensified more recently as scholars have suggested that collectively firm’s employees can provide a key unique source of competitive advantage (Fey et al. 2007, see also Locke and Latham 1990 and Barrick and Mount 1993).

Robert Quinn and Kim Cameron (Cameron and Quinn 2005) researched what makes organizations effective and successful. They developed the Organizational Culture Assessment Instrument that distinguishes four culture types. They analysed competing values to produce polarities like *flexibility versus stability (control)* and *internal versus external focus*. They found these two polarities to be most important in defining organizational success.

As a summary of the chapters above, we can state that:

- Already Confucius identified many significant dimensions for corporate entrepreneurship, when presenting features of the Confucian Gentleman. The Confucian Gentleman is benevolent and supports team members (which corresponds to exceptional cooperation), is brave (which corresponds to personal responsibility

and **risk management**), is courteous, wise and willing to learn from everyone (which corresponds e.g. to **quick feedback**).

- Hofstede (1980) cultural dimensions – **risk taking or avoiding** and **individualism** – are essential dimensions when we are talking about corporate entrepreneurship or performance of business units or even performance of national economies. Later on, Hofstede’s Chinese partners brought up **long term orientation**, which nowadays is included into Hofstede’s cultural dimensions.
- Cameron and Quinn have found the meaning of **internal and external orientation** in explaining organizational success. They also point out the meaning of **flexibility versus control** in explaining business results.

In the following we will combine three of these dimensions into one structure, to formulate a model for developing corporate entrepreneurial (intrapreneurial) cultures.

33.6 Types of Business Cultures

Several methods have been used to classify organizational cultures. Some are described below.

Deal and Kennedy (Deal and Kennedy 1982) defined organizational culture as *the way things get done around here*. They measured organizations in respect of (1) *the speed of feedback* and (2) *the risk* representing the degree of uncertainty in the organization’s activities. Using these parameters, they were able to suggest four classifications of organizational culture:

- (a) The Tough-Guy Macho Culture. Feedback is quick and the rewards are high. This often applies to fast moving financial activities such as brokerage, but could also apply to a police force, or athletes competing in team sports. This can be a very stressful culture in which to operate.
- (b) The Work Hard/Play Hard Culture is characterized by a few risks being taken, all with rapid feedback. This is typical in large organizations, which strive for high quality customer service. It is often characterized by team meetings, jargon and buzzwords.
- (c) The Bet your Company Culture, where big stakes decisions are taken, but it may be years before the results are known. Typically, these might involve development or exploration projects, which take years to come to fruition, such as oil prospecting or military aviation.
- (d) The Process Culture occurs in organizations where there is little or no feedback. People become bogged down with how things are done not with what is to be achieved. This is often associated with bureaucracies. While it is easy to criticize these cultures for being overly cautious or bogged down in red tape, they do produce consistent results, which are ideal in, for example, public services.

G. Johnson (Johnson 1988) described a cultural web, identifying a number of elements that can be used to describe or influence Organizational Culture. These include paradigms, control systems, organizational structures, power structures, symbols, rituals and routines as well as stories and myths. These elements may overlap. For example, power structures may depend on control systems, which may exploit the very rituals that generate stories, which may not be true.

These polarities construct a quadrant with four types of culture:

- Clan Culture – Internal focus and flexible. A friendly workplace where leaders act like father figures.
- Adhocracy Culture – External focus and flexible. This forms a dynamic workplace where leaders stimulate innovation. (See also Burman and Evans 2008)
- Market Culture – External focus and controlled. This is a competitive workplace where leaders like hard drivers.
- Hierarchy Culture – Internal focus and controlled. A structured and formalized workplace where leaders act like coordinators.

According to Cameron & Quinn, each organization or team may have its unique mix of culture types. By assessing the current organizational culture as well as the preferred situation, the gap and direction to change can be made visible.

According to McGuire (McGuire 2003), the *entrepreneurial organizational culture* is a system of shared values, beliefs and norms of members of an organization. These include valuing creativity and tolerance of creative people, believing that innovating and seizing market opportunities are appropriate behaviours to deal with problems of survival and prosperity, environmental uncertainty, and competitors' threats, and expecting organizational members to behave accordingly. These properties correspond well to the definition of Ristimäki, who points out that entrepreneurship has a strong relationship to innovating, risk managing and catalysing (Ristimäki 2004).

The comparative work goals differ in Asia, Europe and America. This can be read from Table 33.2 (England and Misumi 1986, 399–416).

The results in Table 33.2 point out the importance of a good match between the worker and the job in Japanese working life. This may have something to do with the long-term Confucian Ethos; the same is not considered so important in Germany or in the USA. However, interesting work and good interpersonal relations are considered important for all of the nationalities in the examination. That is one reason why we think there is some generality in the classification we have used.

The analysis the two chapters above justifies choosing the mentioned three cultural dimensions to our model: (1) considered time period, (2) preferred target and (3) cultural personality. Our view is based on the following facts: These dimensions seem to best describe the differences between Eastern and Western cultures, they are independent from each other and they appear in the paradigms of Eastern and Western cultural research in many ways and forms within the models and definitions of recent literature.

Table 33.2 Comparative work goals in Germany (Europe), Japan (Asia) and USA (America) (1 = most important, . . ., 11 = least important). England according to Saeed (2005, slide 20)

Comparative work goals: German, Japanese, and American Respondents' rankings			
Work goals	Germany	Japan	USA
Interesting work	3	2	1
Good pay	1	5	2
Good interpersonal relations	4	6	7
Good job security	2	4	3
A good match between you and your job	5	1	4
A lot of autonomy	8	3	8
Opportunity to learn	9	7	5
A lot variety	6	9	6
Convenient work hours	6	8	9
Good physical working conditions	11	10	11
Promotion	10	11	10

Classification of Cultural Dimensions

	Other	Intreprenurial
Causal	Power orientation Given Values Masculinity Control	Shared Values People Focusing Emphasis on the future
Consequential / Effective	Minimized Cooperation Risk Avoidance Integration Distrust and Fear Mental Stagnation	Individual Freedom Quick feedback Risk Management Artifacts Exceptional Cooperation Personal responsibility

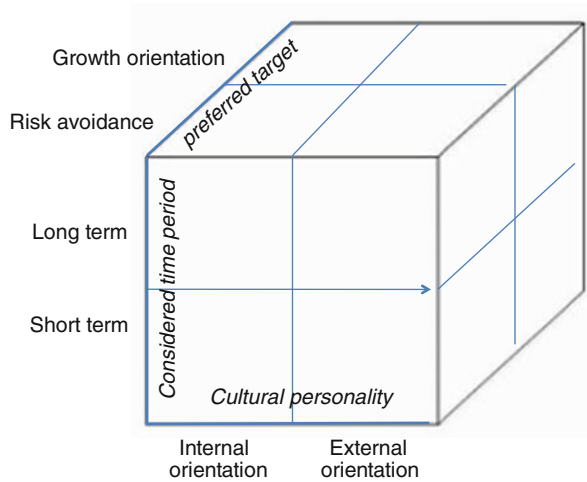
Fig. 33.2 Features of the cultural dimensions within the classification model

From the analyses of existing cultural models, we are able to derive such features of the chosen cultural dimensions, which illustrate in more detail the concepts of the used polarisation (Fig. 33.2).

33.7 Developing the Model

From the above analyses of recent literature, we are able to distinguish some interesting cultural polarities, which enrich and deepen our analyses of organisational cultures.

Fig. 33.3 The three orientating dimensions and their possible combinations (totally $2^3 = 8$ combination alternatives) of different types of Motivating organizations



The model developed in the following, also sets apart different types of Motivating organizations, based on the orientation on dimensions of

1. Considered time period; long term orientation – short term orientation (Hofstede 1980),
2. Preferred target: risk avoiding orientation – growth orientation (Hofstede 1980 and Tenhunen 1992) and
3. Cultural personality: external orientation – internal orientation (Cameron and Quinn 2005; see also Scheider and Barsoux 1997).

This model can be illustrated as a three-dimensional cubic (Fig. 33.3). It will be possible to test these three dimensions statistically with the appropriate operational measures. The model can be used as pragmatic tool for analyzing cultural aspects in expert organizations – both to discuss the organisational strategy and the alternative development tendencies.

Setting targets for the organisation is a phenomenon of management and leadership. Goals provide a sense of direction and purpose for the organisation. According to some philosophies, purpose is central to a good human life.

Psychological theories, such as goal setting theory and theory of planned behaviour, share the common feature that behavioural outcome is considered to depend on motivation and individual ability (Ajzen 1991). This fits organizations as well. The three dimensions of our model partially reflect the “big five factors” in western personality research. They were discovered and defined by several independent sets of researchers and they are widely accepted (Digman 1989). These are openness, conscientiousness, extraversion, agreeableness, and neuroticism. For example, Heikkinen shows that some dependence between the personality of the entrepreneur and the growth of the company exists (Heikkinen 2007). For example, to explain growth differences in terms of different motivation and ability related

factors especially in the case of small firms, the founder or entrepreneur may constitute a large part of the cultural personality of the company.

Short term targeting is very common in western economies. Profits need to be present constantly in order to keep the company highly valued. Long-term concepts are present throughout Eastern philosophy. Concepts like Tao or Dao exist. The word itself literally translates as 'way', 'path', or 'route'. It is generally used to signify the primordial essence or fundamental aspect of the universe. In Daoist philosophy (Chan 1963) the word Dao is not generally considered a 'name' for a 'thing': it is a reference to the natural order of existence in the long run.

The considered period (long-term orientation – short-term orientation) is one of the main cultural dimensions analyzed by Hofstede. Hofstede also discussed risk avoidance. According to the statistical analyzes of Tenhunen (1992), the growth and profit making possibilities are bigger, the bigger risk exists (when risk is measured with statistical variation). Therefore, this would be an important area of setting organizational targets as well.

The organizational personality reflects on the one hand to the internal orientation or on the other hand to external orientation. There may be some relationship between the individual personalities involved and the macro level cultural personality of the organization. In that case, a cultural change might be challenging. This cultural area has been examined by Cameron and Quinn (2005) and Scheider and Barsoux (1997), for example.

In fact the model described above includes $2^3 = 8$ alternatives. These are:

- Contented – Emotion – Employment
- Contented – Pride – Practice
- Value – Family – Employment
- Value – Status – Pride
- Enjoy – Emotion – Adventure
- Enjoy – Practice – Returns
- Wealth – Family – Adventure
- Wealth – Status – Returns

From the point of view of practical cultural development, however, using the three dimensions simultaneously may be too challenging. That is why we suggest a more simplified way for organizational analyses in the following section. This happens by examining pairwise each two orientating variables combinations with three combination matrices (Fig. 33.4).

33.8 How to Develop the Organisational Culture

Cummings and Worley (2005) present a six-stage guideline to accomplish cultural change:

1. Formulate a clear strategic vision for the organization. This includes the firm's new strategy, shared values and behaviours. The vision provides the intention and direction for the culture change.

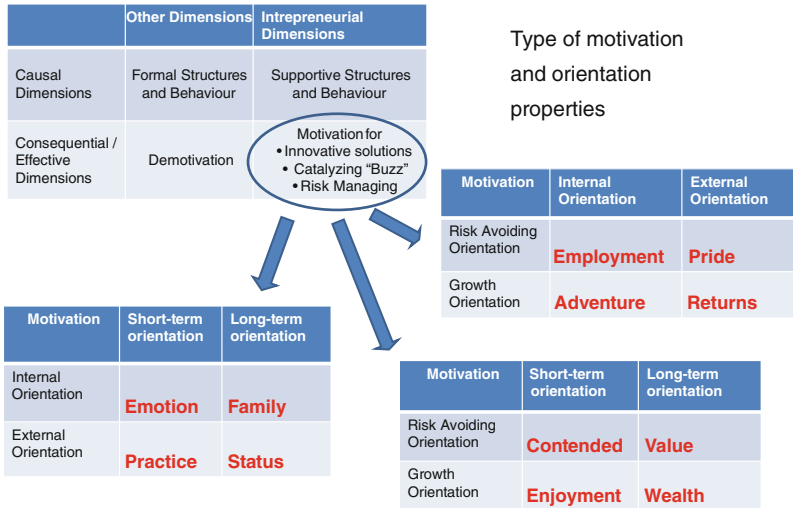


Fig. 33.4 Pairwise classification of orientation dimensions in motivating organisational cultures

2. Display Top-management commitment to the change. Culture change must be managed from the top of the organization.
3. Make a model for culture change at the highest level. The management needs to symbolize the kinds of values and behaviours that should be realized in the rest of the company. If possible, it should be made clear that the current organization does not need radical changes, but just a few adjustments.
4. Modify the organization to support organizational change.
5. Select and socialize newcomers and somehow terminate deviants. People can be selected and terminated in terms of their fit with the planned new culture.
6. Point out ethical and legal sensitivity. This is to avoid tensions between organizational and individual interests.

Also, other researchers have found similar stages in developing organizational change (e.g. Kotter 1995 and Bridges 2003). When the culture has been recognized to be “bad culture”, change of culture in the organization is important and inevitable.

Cultural development in Motivating organizations could be done as follows:

1. Analyze and find the current cultural position. This can be done by discussing with the staff and asking questions:
 - (a) “What is the most important target time period of your organization to succeed?”
(1 = very near future, 2 = near future, 3 = medium period, 4 = far future, 5 = very far future)
 - (b) “Is your organizations personality internally oriented or externally oriented?”

(1 = very internally, 2 = internally, 3 = medium, 4 = externally, 5 = very externally)

(c) “What is the most important goal of your organization? Growth or risk avoiding?”

(1 = especially growth, 2 = growth, 3 = mixed, 4 = risk avoiding, 5 = risk avoiding especially)

2. Find the position of your organization from the three matrices below.

Considered time period Cultural personality	Short-term orientation	Long-term orientation
	Emotion	Family
Internal Orientation		
External Orientation	Practice	Status

Cultural personality Preferred target	Internal Orientation	External Orientation
	Employment	Pride
Risk Avoiding Orientation		
Growth Orientation	Adventure	Returns

Considered time period Preferred target	Short-term orientation	Long-term orientation
	Contented	Value
Risk Avoiding Orientation		
Growth Orientation	Enjoyment	Wealth

3. Discuss through the strategy and alternative development tendencies of your organization.

4. Set new targets together with the staff and create examples to show the way for cultural development.
5. Discuss the cultural change, the targets and directions of orientation with the staff often and as long as needed.

One challenging situation is the merging of two or more organizations, which may take place, for example, in case of acquisitions. Each organization has its own unique culture and when brought together, these cultures clash. Organizational leaders must also be cultural leaders and help facilitate the change from the two old cultures into the one new culture. This is done through cultural innovation followed by cultural maintenance (Schein 1985–2005).

- Cultural innovation includes:
 - Creating a new culture: recognizing past cultural differences and setting realistic expectations for change
 - Changing the culture: weakening and replacing the old cultures
- Cultural maintenance includes:
 - Integrating the new culture: reconciling the differences between the old cultures and the new one
 - Embodying the new culture: Establishing, affirming, and keeping the new culture

33.9 Conclusions

In this paper, we have collected those organizational cultural dimensions, which seem to have the greatest importance and relevance in explaining the differences in outcomes of productivity, satisfaction and motivation of the company staff in different organizations.

While concentrating on cultural dimensions representing (1) intreprenurial activities – innovating, risk managing and catalyzing, as well as (2) consequential cultural dimensions (effects) we formulated a cultural analyzing model for intreprenurial organizations. We interpret that “Motivating” organizations, where both intreprenurial aspects and cultural effects are apparent, best represent business cultures where innovating, risk managing and catalyzing are emphasized.

For example, many universities seem to fall out from this range. They seem to be situated in the Demotivation box of our analyses. Inside many organizations (universities, companies, new enterprises etc.) there seems to be room for “Confucian Gentlemen” instead of skilful bureaucrats. On other hand, we assume that in universities scientific work with fascinating results covers a lot of the lacking support of the causal cultural dimensions.

The model developed here sets apart different types of Motivating organizations, based on the orientation on dimensions of

- Considered time period (long term orientation – short term orientation),
- Preferred target (risk avoiding orientation – growth orientation) and
- Cultural personality (external orientation – internal orientation).

With operational solutions, these dimensions will be possible to test statistically. These can also be used as pragmatic tools for analyzing cultural aspects in expert organizations, both to discuss the business strategy and to choose alternative development tendencies. This can be a step to changing organizational culture when needed.

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Chapter 34

Parallels of Diaspora Processes in Ancient Greece with Contemporary Greek Diaspora Centres: The Case of the Greek-Australian Diaspora

Graeme Hugo, Steve Bakalis, and Therese Joiner

Abstract In antiquity, many Greeks migrated to new Hellenistic cities founded in Alexander the Great's wake. The power of these cities was based on the spirit of *Alexander's Oath at Opis*, as it was based on their ability to be connected more by language, culture, and history than by law or a hierarchical relationship (Burn 1948). Homonoia, the pursuit of order and unity, which had been a growing preoccupation among the Greeks for some time is the central axon of *Alexander's Oath at Opis*. Xenophon's statement that Homonoia was the greatest virtue inside a City is known to have prompted Isocrates to use the word to urge Philip of Macedonia to unite the Greeks against the barbarians (De Mauriac 1949). Alexander, Philip's son, universalized the meaning of the word Homonoia by acting on his *Oath at Opis*. This approach was a significant contributor for Hellenistic cities in ancient times for the creation of social cohesion and the mobilisation of diversity, and paved the way for globalisation.

Today, important centers of the Greek Diaspora exist in New York, Chicago, London, Melbourne, Toronto, and other parts of the world. Multiculturalism, a significant contributor to diversity, is at the forefront of policy debates, including in Australian policy circles, driven largely by the Federal government's objective of

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social cohesion (Parliament of Australia 2010). In this paper, we argue that the Greek Diaspora in the Australian multicultural landscape mirrors mechanisms that were developed in the ancient Greek states, and that there is considerable scope to utilise today's dynamics of the Greek Diaspora more effectively by considering ancient developments and context, especially in the presence of the crisis of values emerging from the onset of the global financial crisis in 2008. This crisis has presented challenges for the irresistible forces of globalization, very much alike with challenges that Alexander the Great confronted when faced with the *Mutiny at Opis* in his pursuit of Homonoia consistent his *Oath at Opis*.

34.1 Introduction to Ancient Diaspora Mechanisms

As a result of globalisation one of the challenges confronting most nation states today is the rise of transnational communities and cities, which has blurred the distinction between foreign and local needs (Dade 2004). Although nation states have attempted to accommodate globalisation through making domestic structural economic adjustments to enhance international trade, they have been much slower to realise the potential of migration and people-to-people linkages to deliver wider dividends in a globalising world. This is despite a realisation among nation states that effective economic and social development strategies are not so much about allocation of existing resources but rather about mobilising resources that are hidden, scattered or badly utilised (Hirschman 1958).

Such hidden and scattered resources include diasporas, a term derived from the ancient Greek verb meaning to “sow over” (Cohen 1997, ix) which originated from the ancient Greek tradition of migration and colonization. Diasporas were active during ancient Hellenistic times, when the trading and colonising activities of the Greek tribes from the Balkans and Asia Minor spread people of Greek culture, religion and language around the Mediterranean and Black Sea basins, establishing Greek city states in Sicily, southern Italy, northern Libya, eastern Spain, the south of France, and the Black sea coasts. Greeks founded more than 400 colonies, during Alexander the Great's conquest which marked the beginning of the Hellenistic period. During this period the city-states began to give way to a more global culture, and the entire Mediterranean sea and the Middle East flourished in a background of conflict, commerce, and cross-cultural influence, with the Greek ideals and language dominating the scene. (see http://en.wikipedia.org/wiki/Greek_diaspora).

The rise of kinship networks is also a central element of the Hellenistic period and an integral part of Alexander's pursuit to universalize the meaning of the word Homonoia. Homonoia, a Greek term, was used by Isocrates in his lectures in Phillip's court to highlight the importance of peace and harmony between city-states in their struggles against the “barbarians” – barbarians meaning in ancient

Greece those who did not speak Greek. He also believed that although “barbarians” could not be made into Greeks, they could become of one mind with the Greeks, through nurture (Low 2007, 62). The universal application of order and unity, which did not exist in Greek history, was instigated by Alexander’s *Oath at Opis* in 324 BC:

Now that the wars are coming to an end, I wish you to prosper in peace. May all mortals from now on live like one people in concord and for mutual advancement. Consider the world as your country, with laws common to all and where the best will govern irrespective of tribe. I do not distinguish among men, as the narrow-minded do, both among Greeks and Barbarians. I am not interested in the descentance of the citizens or their racial origins. I classify them using one criterion: their virtue. For me every virtuous foreigner is a Greek and every evil Greek worse than a Barbarian. If differences ever develop between you never have recourse to arms, but solve them peacefully. If necessary, I should be your arbitrator. You must not consider God like an autocratic despot, but as a common Father of all; so your behaviour may resemble the life siblings have in a family. On my part I should consider all equals, white or blacks, and wish you all to be not only subjects of the Commonwealth, but participants and partners. As much as this depends on me, I should try to bring about what I promised. The oath we made over tonight’s libations hold onto as a Contract of Love (Burn 1948).

According to De Mauriac (1949), with the death of Philip the influence of Isocrates declined. Alexander, the pupil of Aristotle, naturally turned to the Aristotelian concept of Homonoia. “Aristotle told Alexander to treat Greeks as friends, but barbarians like animals; but Alexander knew better, and preferred to divide men into good and bad without regard to their race. . .”. Alexander probably realized that it would be easier, by treating the inhabitants of a conquered country as free men rather than as slaves, to deal with the problems of administration. For Alexander the Great the meaning of the term homonoia, encapsulated in his *Oath at Opis*, formed the basis for judging people on their virtues and not on their race, with the implication that non-virtuous Greek was more a barbarian than a virtuous Persian (or a foreigner).

To this end, Alexander was constantly informed by the scientists who followed him about all the ethnographic, geographic, zoological and botanical new encounters they came upon, during the expedition to the East. His attention to the importance of the economy as a vehicle for the pursuit of economic unity is illustrated by his interest in the economic problems of the new empire, with the separate treatment of taxation and finance being “an absolutely original idea of Alexander’s,” (Wilcken 1967). He made further efforts to standardize the economy of the empire by reserving for himself the right of coinage in both gold and silver. In the process he internationalized commerce, because he believed that commerce unites people and for this reason the use of a common currency became the means of commercial exchange amongst nations and people. These economic developments, together with the rise of kinship networks leading the way for safe intra-empire commerce, formed the basis of the Hellenistic period and an integral part of Alexander’s pursuit to universalize the meaning of the word Homonoia.

Yet, his ideas of unity and order presented one of the main challenges for Alexander the Great during the *Mutiny at Opis*, described by Greek author Arrian of Nicomedia in Sects. 7.8-9 and 7.11 of his *Anabasis* (Austin 2006), when his

soldiers revolted being discontent with their king's orientalism. The rise and expansion of pure Hellenic kinship networks, by including Persians and other foreigners, was a source of his soldiers' discontent, but for Alexander the Great it was consistent with his *Oath at Opis* which highlights one of the most intriguing aspects of Alexander. This was his vision of globalization and bringing people of all races together with a focus (at the same time) on a strong economy and international trade being the building blocks for integration. The two events together, *the Oath at Opis and the Mutiny at Opis*, highlight how challenges arising from the irresistible forces of globalisation can lead to a crisis of values. For Alexander the Great the *Mutiny at Opis* was a crisis of values for his people, but also an opportunity to reinforce and communicate his beliefs in a speech that has been acclaimed as one of the most inspirational speeches in history.

The benefits of kinship networks (as an integral part of *homonoia*) are also reflected in the role of the Greek diaspora during the eighteenth century, when Greek Phanariot merchants and traders dominated the commerce of the Ottoman empire, utilizing their kinship networks and social and religious institutions to maximize not only their business and assets, but also their cultural capital. Diaspora Greeks became especially prominent from the eighteenth century in the development of printing and the press, and experienced a major intellectual revival in cities as far afield as Vienna, Venice, Odessa, Paris, and Amsterdam (Smith 1999).

Furthermore, the importance of Greek kinship networks encouraged by Alexander the Great is also highlighted during the nineteenth century, when consortia of financiers who wished to invest in Greece were based on informal networking, with the Greek diaspora playing a cohesive role (Bitros and Minoglou 2006). Diaspora financiers through their informal network arrangements interlocked with elite western banks, extending the Greek kinship networks to also include Philhellenes in a strategic way, thus raising in collaboration with them substantial long term capital for the Greek government. These financiers were uniquely placed, as they were familiar with western business practices, while they also had efficient information channels and an intimate knowledge of local conditions, thus lowering the risk and transactions costs for foreigners. The strategic engagement of Philhellenes that have a love and respect for Hellenic values and display Pan-Hellenic anxieties can be traced back of Alexander's strategy to bestow the title of "kinsmen" to Persians and other foreigners described by Greek author Arrian of Nicomedia in Sects. 7.8-9 and 7.11 of his *Anabasis* (Austin 2006), consistent with his belief that "For me every virtuous foreigner is a Greek and every evil Greek worse than a Barbarian", thus extending the Hellenic kinship networks.

From another perspective, Bitros and Minoglou (2006) have asserted that on the basis of available evidence, another historical contribution of the Greek diaspora was associated with its role of an initiator/instigator for the spread of optimally adjusted institutions in business operations, since the state was weak and the supply of local entrepreneurship is limited. The authors have argued that in such case the diaspora acts as a 'third' party and substitutes the state in supplementing the market system with rules, enforcement mechanisms and institutional change. This type of indirect historical contribution of the Greek diaspora contributed to the development

of mechanisms that were prevalent in ancient Greek cities during the Hellenistic period, which were based on considering “the world as your country, with laws common to all and where the best will govern irrespective of tribe”.

However, despite the historical importance of Hellenic kinship or diaspora networks, during recent times the strength of these networks has diminished considerably, despite evidence that more recently a diaspora is evolving in the Balkans, Russia and Middle East areas with a geographical proximity to Greece, where from the late 18th and throughout the 19th centuries the Greeks had an important entrepreneurial presence (Petraikos and Totev 2000). Yet, the challenges and opportunities for the Greek Diaspora centres today, scattered across the world are encapsulated by Canada’s Governor General Michaëlle Jean comments on Canadians of Greek origin:

We see them active in every sector of the society: in research, new technologies, we have many Canadians of Greek origin who are parliamentarians, businesspeople, and teachers. They are presented and well integrated in every field. And it’s been so for generations. They are the perfect and natural bridge between our two countries. But we are still too comfortable about our good relations. We need to be more aggressive, more creative and more innovative. We must diversify our partnerships and our cooperation. I believe that the global financial crisis, which is also a crisis of values, is the perfect opportunity to rethink our ways of doing things and to revitalize our relationship. (Athens Plus 2009).

These comments present Canadians of Greek origin as individuals with a sense of cosmopolitanism, very much like in antiquity when cosmopolitanism opened up the opportunity, and the possibility, for Greeks to interact with other people and cultures, consistent with the thrust of *Alexander’s Oath at Opis*. This presence of cosmopolitanism is a virtue that can pave the way for the development of a more dynamic relationship between Greece and its Greek Diaspora centres, as cosmopolitan ideas encourage individuality and cultural diversity (Hansen 2008).

34.2 Parallels of Ancient Diaspora Mechanisms and Multiculturalism in Australia

Multiculturalism in Australia is manifested by a large number of ethnic diasporas, including the dynamic Greek Diaspora. The 2006 Australian census of 19.9 million residents indicates that more than 10 million people had one or more parent born overseas. Thirty ancestries each had a count of 50,000 people or more; many, like the English, considerably more. Another 200-plus ancestries not in those top 30 countries totalled a significant 1.3 million of the 10 million people. Hence there are a large number of ancestries, which can be considered to be a diaspora in Australia (Australian Bureau of Statistics 2006).

A significant contributor to diversity, the importance of multiculturalism is currently topical in Australian policy circles, having until recently been driven largely by the Federal government’s objective for social cohesion (Parliament of Australia 2010). This objective states that ‘*The People of Australia* policy embraces

four principles, including celebrating and valuing diversity; maintaining social cohesion; communicating the benefits of Australia's diversity; and responding to intolerance and discrimination' (Bowen 2011). This statement very much reflects aspects of Alexander's *Oath at Opis* which became an integral part of Alexander's pursuit to universalize the meaning of the word Homonoia. Although, Alexander's ideas of a unified world met with resistance and his experiment fell apart shortly after his death, his ideas of unity and order have formed the basis of nation building in the contemporary world.

Furthermore, the current inquiry into multiculturalism in Australia also places a focus on the importance of kinship networks as part of the review of the economic benefits associated with multiculturalism. The inquiry recognises that as a society, we all benefit from harnessing the skills, initiative and optimism of new migrants to this country, which has resulted in social cohesion, but there is also a need to look into how best to utilize the skills of migrants, and incentives to encourage entrepreneurship (Vamvakinou 2011).

From the entrepreneurial perspective of this inquiry, this is consistent with evidence that supports a strong pull of diasporas (or kinship networks) to their homeland that manifests itself as a strong social responsibility towards the homeland (Gillespie et al. 1999). Fostering "ethnic" altruism and the desire to put something more permanent back into the development process in the homeland, as well as the concomitant development of ethnic social networks is likely to benefit not only the individual ethnic person but also, more broadly, the host country through the potential for increased international business and entrepreneurial activity.

In this context, Bakalis and Joiner (2006) have explored in Australia the role of ethnic chambers of commerce and industry in promoting international business activity and opportunities for the development of effective partnerships with external stakeholders. Their research makes specific reference to [The Council for International Trade and Commerce SA Inc \[CITCSA\]](#), which is an example of a South Australian Government initiative aimed at assisting South Australian companies to take their goods and services to the world. Almost 40 International Chambers of Commerce are members representing countries and regions as diverse as Italy, France, Russia, South Africa, United States of America, Israel, Greece, China and Indonesia. The idea for the establishment of CITCSA is an example of homonoia through the effective use of diaspora (or kinship) entrepreneurial networks (<http://www.citcsa.org.au>).

Against this background, in Australia, sufficient research interest in this area is evidenced by a project which has recently been funded by the Australian Research Council (ARC). The project, a consortium of four universities being lead by Victoria University, is called "Australian Diasporas and Brain Gain: Exploring Current and Potential Transnational Linkages". It aims to investigate the current and potential future role of diasporas in Australia (and the Australian Diaspora overseas) in facilitating trade and investment as well as examine their political, cultural and kinship ties with their Homelands (Victoria University 2009). These are pivotal questions that are consistent with policy endeavours to promote unity and order in the contemporary world, consistent with "Alexander's attempt to draw

on all the resources at his disposal in order to create an empire rich in Homonoia” (De Mauriac 1949).

34.3 The Current State of Diaspora Linkages Between Greece and Australia

Greece is experiencing a crisis of values currently leading to a ‘contemporary’ *Mutiny at Opis* following the global financial crisis in 2008, and the uncertainty surrounding its position within the European Union. This is at odds with the Hellenistic origins of Homonoia and the ideas of a cohesive society expressed in Alexander’s *Oath at Opis*, especially the importance of an economic union being an integral part of the empire. At the same time, this provides an opportunity for the contemporary Greek Diaspora centres to form an integral part of Greece’s renaissance, consistent with the approach which was a significant contributor for Hellenistic cities in ancient times for the creation of social cohesion and the mobilisation of diversity.

Indeed, from a policy perspective (now more than ever) there needs to be an orientation towards issues associated with development that are not so much about allocation of existing resources but rather about using existing resources more efficiently since they seem to be hidden, scattered or badly utilised (Hirschman 1958). Greece clearly falls in this category as it needs to mobilise, like in antiquity, the Greek Diasporas consistent with the comments by Canada’s Governor General regarding the challenges and opportunities facing the cosmopolitan Greek Diaspora centres today, and Canadians of Greek origin in particular, that have the potential to become Greece’s new “Argonauts”.

In this context, there are good reasons therefore for Australia and Greece to work cooperatively towards the development of common policies that encourage and assist the development of these diaspora entrepreneurial networks. The two countries are “hard-wired” internationally both by their substantial communities of emigrants, immigrants and their descendents linking with their homeland and its expatriate community networks. From the Greek perspective, large numbers of Greeks migrated to Australia during the 1950s and 1960s; the 2006 Census records 109,980 Greece-born migrants, and 365,145 people of Greek ancestry living in Australia (based on country of birth of parents). Some estimates suggest the Greek community in Australia could be as large as 600,000. The Greek population is primarily concentrated in cosmopolitan Melbourne (41 %) and Sydney (30 %). Melbourne, Sister City to Thessaloniki, has been described as the third largest ‘Greek city’ in the world and is an important overseas centre of Hellenism (DFAT).

It is expected that following the great wave of post-war migration from Greece to Australia, the implications following from gradual variations in the generational make-up of the Greek Diaspora is of relevance since, other things being equal, the strength of linkages with the home country which are usually maintained by first

generation immigrants, are likely to attenuate with time. As with other European ancestry groups in Australia, the earlier European migration (especially of southern European groups) was overwhelmingly of unskilled and semi-skilled workers while in recent years the migrants have been more highly selected on the basis of education and skill (Hugo 2004). The “traditional” linkages built up by the first generation between the home country and Australia were also conduits for remittances and information, whereby migrants maintained strong ties despite the fact that in the early post-war decades visiting and communication with home was expensive and time consuming.

Indeed, according to the 2006 Census statistics the generational make-up trend continues to reflect European ancestry groups which involve dominant second, third and longer established generations. As it has already been noted, in the case of the Greek Diaspora in Australia according to the 2006 Census statistics 365,145 Australians claimed Greek ancestry, of which (only) 109,980 were born in Greece. The data released also indicates that in 2006, 109,980 Australians were born in Greece, a sharp drop from 1996 when 126,500 Australians were born in Greece, with the majority of them aged 50 years or older. These trends reinforce a shift of the generational composition towards a majority of second and third generation Greek ancestry groups in Australia, which should impact on the strength and the nature of linkages that are likely to emerge between these dominant Greek ancestry groups and their homeland.

Despite the strength of these ties, there is a dearth of interest in either set of networks among government, so much so, that virtually all the activity in both countries arises out of the communities themselves. In Australia, Greek-Australian based organisations are crucial elements in enhancing and developing diaspora linkages and trading networks while the same is true of an emerging group of Australian-Greek expatriate organisations in Greece (Hugo 2006). To a very large extent the bulk of networks linking diaspora and origin remain family-based, despite the evidence of a shift of the generational composition towards a majority of second and third generation Greek ancestry groups, which is likely to change the nature of these linkages and requires to be matched with appropriate policy intervention. From a policy perspective, we argue that much thinking about migration in Australia and Greece remains rooted in the outdated paradigm of permanent settlement, and a re-orientation is sorely needed as the Greek diaspora in multicultural Australia can be mobilised in a way consistent with the mechanisms that were developed in the ancient Greek states.

Furthermore, considerable intra- and inter-generational occupational mobility has taken place and the second and third generations are showing higher proportions as managers, professionals and associate professionals, consistent with the Canadian situation as described by Canada’s Governor General. Second and third generations are associated with occupational profiles which were much closer to the host society than the first generations (Burnley 2005), and they are usually associated with ethnic professional networks, originally founded for social purposes, which have evolved to become professional networks for advice, capital and know-how for immigrant entrepreneurs (Bakalis and Joiner 2006). They are

also tied into their home-countries' networks through alumni associations and family ties as well as with networks in their "host" country. The motivation of the second and third generations to maintain social networks and the importance of a strong social responsibility (or altruistic feelings) towards their "homeland" can become a stimulus for policymakers to develop effective linkages (Holeva 2004) in a way which is consistent with the mechanisms that were developed in the ancient Greek states.

Evidence also shows that many Australian small businesses and entrepreneurs are of Greek origin and descent, and with 50 % of all Australian small and medium sized exporting businesses having an overseas-born owner the Greeks have done a fair bit for export development as well. Is there potential to enhance trade spin offs from all this good Hellenic will? Can the second and third generation Greek-Australian entrepreneurs identify and mobilise business opportunities in their home countries and extend the networks to support these new ventures? (Harcourt 2007).

It is clear from evidence provided in the previous sections that consistent with antiquity, when many Greeks migrated to new Hellenistic cities founded by Alexander the Great, Greek Diaspora Centres today have parallels with the ancient diaspora process, and represent considerable potential for enhancing economic, social and cultural ties in a globalising world. From the Greek-Australian perspective, the unrealised potential of the Greek Diaspora entrepreneurial networks requires a different approach to immigration and settlement policies which for most of the post-war period have focussed on issues facing immigrants who settle permanently. For Australia, this means that although it has had a policy of multiculturalism for almost 30 years, the emphasis needs to shift from facilitating adjustment to Australia to encouraging cultural and language maintenance or on helping migrants keep their ties with their home country (Jupp 2002).

Furthermore, Australian cultural and education policies have an orientation towards the facilitating integration of diaspora cultures into Australia's dominant culture despite multiculturalism being the national overarching settlement policy. Consistent with some of the mechanisms that were developed in the ancient Greek states, there may be scope for some reconsideration, which seeks to encourage, develop and harness a diaspora culture, education and intellectual interaction with homelands (Bakalis and Joiner 2006). This should not be seen as being antithetical toward effective integration within Australia. To this end, the current inquiry into multiculturalism in Australia that has a focus on the importance of kinship networks is a step in the right direction as it provides the opportunity for a review that may address these policy gaps.

This gains greater importance, as we have already noted, given that the maturity and changing structure of the European ancestry groups in Australia, where the second and subsequent generations of the first European migrants are now requiring support not only in areas of culture and language but more so in areas of business, trade and entrepreneurship. There is a need to preserve and utilize effectively the first European migrants' access to tacit knowledge (technical and managerial), their common understanding of entrepreneurship, their shared language and culture as

they have all been considered factors that contribute to the success of regional economies. For these reasons, policies aimed at the cultivation of the self-efficacy of the dominant second and third generation Greek ancestry groups in Australia is very important so that they feel more confident and competent in developing entrepreneurial networks. Empirical research on self-efficacy has consistently found that it has a significant impact on performance on a variety of tasks as well as motivation (i.e., effort), emotional relations, and performance (Gist and Mitchell 1992).

34.4 The Ancient Diaspora Process and Current Policy Insights

The prevalent perceptions of certain of the members of the Greek diaspora seem to confirm that it has been largely relegated to playing the role of an economic and political “auxiliary” to both domestic and international aspirations, with the establishment of diaspora-engaging institutions appearing to be a matter of secondary importance (Vogli 2011). This coincides with Greece going through a crisis of values following the global financial crisis in 2008. The crisis is also an opportunity to rethink the role and significance of the Greek Diaspora to form an integral part of Greece’s renaissance, consistent with the approach which was a significant contributor for Hellenistic cities in ancient times for the creation of social cohesion and the mobilisation of diversity.

To this end, the [Council of Greeks Abroad](#) which was established in order to express the wishes and aspirations of the Greeks of the Diaspora, and propose solutions to their problems, is the main instrument of cooperation and dialogue with the Greek State (<http://en.sae.gr/>). The Council of Greeks Abroad which is recognized by the Greek State as the advisor and clearinghouse of information on issues involving the Diaspora and Greece is currently going through a review. This review ought to take into account (among other things) how Greek Diaspora Centres today mirror some of the mechanisms that were developed in the ancient Greek states as well as the generational make-up trends, so that an enhanced role of the Greek Diaspora Centres as a perfect and natural bridge with the “homeland” can lead to the diversification of partnerships and cooperation.

Consistent with the literature, in the late twentieth and early twenty-first century, Vogli (2011) notes that it is globalization that affects – or even defines – the political initiatives and practices of both host and sending states. So much so that one could also say that each country seems to adopt or imitate the policy of the other, which points to the need for countries to even consider “joint” bilateral or multilateral policies for their mutual benefit. In Greece’s case, these observations are somewhat paradoxical, given the evidence presented in this paper regarding the significance of ancient practices that provided a benchmark for energising effectively and efficiently kinship (or diaspora) networks in antiquity.

Elsewhere, contemporary diasporas (or kinship networks) have created enormous benefits for their countries of origin, evidenced in recent years through the

conspicuous contributions that large, highly skilled, and manifestly prosperous and well-organized Chinese and Indian diasporas have made to their home countries. Saxenian (2006) refers to these ethnic entrepreneurs as the new “Argonauts” (people who work in two or more regions, shuttling back and forth several times per month) that literally carry market and technological knowledge, contacts, business models and capital around the world. Such dynamic diaspora entrepreneurial networks are not evident in the case of contemporary Greek diasporas, including the Greek-Australian diaspora, which is not consistent with the Greek community’s significant contribution towards Australia’s overall economic development (Harcourt 2007).

This requires rethinking the policy and research agenda which remains predominantly locked in the paradigm of migration, which dominated in the first five post-war decades, and focused exclusively on permanent settlement of immigrants in Australia. Based on the evidence of a shift of the generational composition of the Greek Diaspora in Australia towards a majority of second and third generation Greek ancestry groups, there is a need to develop appropriate policy intervention measures, learning from ancient practices to energise the current diaspora networks, and taking into account that the current wave of globalisation which has greatly expanded the means through which people can remain actively involved in another country’s cultural, economic, and political life.

Against this background, what are some of the types of policy and program interventions which may be considered that can help energise current diaspora networks? How do they compare to ancient practices in this area? The following initiatives may be worth considering:

- Identify entrepreneurs in Australia with a particular heritage and establish the extent to which government intervention can assist them in trading with their homeland, in undertaking joint activity with communities in the homeland and the extent to which they can be conduits for investment from the homeland to Australia. This is consistent with the rise of kinship networks leading the way for safe intra-empire commerce, which became an integral part of Alexander’s pursuit to universalize the meaning of the word *Homonoia* by placing a focus on economic development.
- One area where there has been considerable mobility is in the area of academics, scientists, and researchers. To what extent can we identify programs to encourage linking them through programs of visits, joint research activity, cooperation in curriculum development, etc., which could result in rapid knowledge transfer and enhancement of innovation. We have already noted that Alexander was constantly informed by the scientists who followed him about all the ethnographic, geographic, zoological and botanical new encounters they came upon, during the expedition to the East. His civilizing program was further designed to benefit both Greeks and Persians through its scientific research, particularly in the fields of geography and cartography.
- Consideration of professional exchange service programs as an alternative to military service for second and third generation members of the Greek Diaspora centres. For Alexander the Great a convenient tool for the accomplishment of the

task of unification was aimed at drawing on all the resources at his disposal in order to create an empire rich in unity and order so that, “Now that the wars are coming to an end, I wish you to prosper in peace. May all mortals from now on live like one people in concord and for mutual advancement”.

- Rethinking the focus of communication solely in the Greek language, by considering the implications of a shift of the generational composition of the Greek Diaspora Centres and the decline on language maintenance. Communication should not be a barrier to fostering ethnic altruism and the desire on members of the Greek diaspora (including Philhellenes) to put something more permanent back into the development process in the homeland. Exclusion on this basis weakens the kinship or diaspora networks that were so pivotal during the Hellenistic period, when we also take into account that the concomitant development of ethnic social networks is likely to benefit not only the individual ethnic person but also, more broadly, the host country through the potential for increased international business and entrepreneurial activity.
- To what extent can ethnic based entrepreneurs and professionals be used to enhance economic activity with particular destination nations? Can their transnational dimensions be encouraged and expanded through their representation on Greece’s governance and business boards and their involvement in the development of strategic governmental and/or institutional relationships. It has been argued that in such case the diaspora acts as a ‘third’ party and substitutes the state in supplementing the market system with rules, enforcement mechanisms and institutional change, which is sorely needed in Greece. The realisation of the national strategy regarding Hellenism all over the world, consistent with Alexander’s universal vision of Homonoia, cannot be complete without the creation, development and good use of these networks.
- Strategic engagement of Philhellenes in the same way as the role given to “kinsmen” by Alexander the Great, which was at the forefront of his vision to draw on all the resources at his disposal in order to create an empire rich in unity and harmony.
- Rethinking of the composition of the Hellenic Parliament by considering representation of the Diaspora and providing diaspora members with the right to vote in homeland elections. This is consistent with the universal dimension of the *Oath at Opis* and the extensions given to the Persians by Alexander the Great of the privileges and advantages of his own country.

Finally, this is not an exhaustive list of the types of policy and program interventions which may be considered that can help energise current diaspora networks. There is a need for ongoing research in this area, which should investigate the current and potential role of the Greek Diaspora in facilitating economic linkages as well as to examine the role of political, cultural and kinship ties with their homeland. Such research would benefit by reviewing and learning from the benchmarks and the parallels of the ancient diaspora process.

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