

# Global Stakeholders and Cultural Diversity

## Future Challenges for Business<sup>\*#</sup>

Ladies and Gentlemen, esteemed colleagues, dear friends,

In the following 40 minutes, I will address the thematic questions outlined in the program for this conference. (I quote): *“What is Europe’s part in the creation of global standards in business and culture? Does a “Cultural Europe” already exist, one that influences European actors on the world stage more than they are aware?”*

My response to these questions will proceed in five steps. First, I shall briefly highlight some present and future challenges that arise from the fact that ever more businesses operate with a global network of stakeholders and their culturally diverse expectations. Second, I will reflect on two core values from the history of European thought – namely, liberty and dignity – and on the role they can play in the ever tighter woven fabric of global economic relations. Third, I try to establish a healthy relationship between unity and diversity in European values. I tackle this problem by introducing a distinction between quantitative and qualitative forms of corporate freedom. Fourth, I apply the concepts of quantitative and qualitative freedom to corporate strategy, governance, leadership, and culture. Last, in a brief conclusion, I will sum up my findings.

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Prof. Claus Dierksmeier: Keynote at EBEN Conference, June 14th 2014; On Freedom and Dignity as Central European Values: Implications for Business and Business Ethics.

## I) Challenges of Global Business

We are all witnesses of the rapid transformations of our life-world: With breath-taking speed the global exchange of people and commodities changes the face of the earth. In addition to tribal leaders and local communities, regional subcultures and nation states, communes and clans, sheikdoms and states, ever more and novel kinds of actors appear upon the world stage: Media and militia, social networks and civil society movements all enter in the action and re-define what it means to do business in this, our, globalized world.

Although there has long since existed a cross-cultural exchange of commodities and information, our age differs clearly from previous epochs. We live in a world not only of *globalization*, but increasingly also of *globality*, i.e. within a world that is already cosmopolitan. Whether we like it or not, our individual and institutional interests are intertwined with those of other persons and states.<sup>1</sup> We increasingly devise local activities, regional business dealings and national politics with reference to their global reception. Ever more businesses are facing global stakeholders. Managers today have to deal with people from all around the world; whether in negotiating *directly* with suppliers from sundry regions, or *indirectly* in touch with all who impact the prices for their production factors, whether in voluntary service to globalized markets or in involuntary obedience to the global financial system. History has thus made us all cosmopolitans.

Business has long since been a facilitator and a driver of these processes. Nowadays, however, corporations also find themselves on the recipient side, i.e. a victim of forces it helped to install, as a patient of structural illnesses it, too, spread. Hence managers all over the world turn into hobby philosophers pondering the whence and whither of globalization, trying to formulate boardroom metaphysics about the world and its future for lack of dependable economic models or reliable crystal balls. The task to make rhyme or reason out of the rhythms of these new realities makes many a manager dizzy. Educated to reduce complexity, they are now being tasked to embrace it. Incentivized to focus on one-dimensional success metrics, suddenly they are to display multi-dimensional perspicuity. Hitherto lauded for smart agency for *shareholders* alone, henceforth they are beholden to wise practices on behalf a wide array of *stakeholders*. Trained for short-term performance measurement, currently they are to ponder the long-term consequences of their actions and

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<sup>1</sup> **Dierksmeier, Claus.** 2011b. *Humanistic Ethics in the Age of Globality*. Basingstoke: Palgrave Macmillan.

omissions. Not a few, therefore, long back to yesteryear, when the world was, allegedly, much simpler.<sup>2</sup>

But let us be clear. Although *particular* processes of globalization can still be slowed, stopped and even reversed, this is hardly to be said of the *general* trend. The breadth and depth globalization has already assumed make the terms of globality all but inevitable: A calculation on the planetary scale, the assessment of long chains of consequences, an anticipation of world-wide developments, and a hedging against global financial fluctuations. There is no denying that what we do here, impacts people out there. And although the true meaning of our present legacy will be fully deciphered only in the future, the responsibility for this very message to future generations rests already with us. This situation – the globality and intertemporality of our actions and their consequences – changes dramatically our conception of corporate responsibility<sup>3</sup> and, by extension, our ideas of corporate agency, organizational self-determination, and managerial freedom.<sup>4</sup> These days, managers are constantly being hit over the head with the message that their economic freedom will be durable only at the price of its morally, socially, and ecologically sustainable use. The cosmopolitan and intergenerational extension of responsibility has already imposed itself on the present corporate consciousness, albeit willy-nilly.

Hence, whether we slow or stop future thrusts of globalization, there remains that fundamental paradigm shift *from* locally confined economic bookkeeping *towards* the broader perspective of globality.<sup>5</sup> In this ongoing and ever-accelerating transformation not only of economics but also of ethics into a worldwide endeavor, the European nations, both singly and together, play a very conspicuous role. Their often-noted economic prowess combines with the much notable “soft power” of European culture<sup>6</sup> to a formidable force of transformation, within the European community and without. Not only from the angle of business ethics, this begs the question about the core values that inspire the action and provide the direction for the European player. To this I shall now turn.

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<sup>2</sup> **Amann, Wolfgang.** 2011. *Business Schools under Fire : Humanistic Management Education as the Way Forward.* Houndmills, Basingstoke, Hampshire: Palgrave Macmillan.

<sup>3</sup> **Jonas, Hans; Dietrich Böhler; Jens Peter Brune and Hans Jonas-Zentrum.** 2004. *Orientierung Und Verantwortung : Begegnungen Und Auseinandersetzungen Mit Hans Jonas.* Würzburg: Königshausen & Neumann.

<sup>4</sup> **Dierksmeier, Claus.** 2011a. "The Freedom–Responsibility Nexus in Management Philosophy and Business Ethics." *Journal of Business Ethics*, 101(2), 263-83.

<sup>5</sup> **Stiglitz, Joseph E.** 2007. *Making Globalization Work.* New York: W.W. Norton & Co.

<sup>6</sup> **Reiser, Oliver Leslie.** 1961. *Man's New Image of Man; an Interpretation of the Development of American Philosophy from Puritanism to World Humanism.* Pittsburgh,: Boxwood Press.

## II) European Core Values: Liberty and Dignity

“On Saturday, February 15<sup>th</sup>, a new nation was born on the street. This new nation is the European nation.” In 2003 Dominique Strauss-Kahn interpreted with these words the huge Europe-wide demonstrations against US preparations for the Iraq war. And, at that time, pro-European sentiment was indeed strongly to be felt throughout the continent. The committedly modern German philosopher Jürgen Habermas and the decidedly post-modern French literate Jacques Derrida issued joint statements; as did many politicians from all over the ideological spectrum and from everywhere in Europe; all raising their voices together on behalf of a different, a *European* path towards the future.

In the early years after 9/11, this was neither a singular, nor a surprising sentiment. It flowed freely from an abundance of best-selling books expressing and embracing similar notions, such as Jeremy Rifkin’s “*The European Dream – How Europe’s vision of future is quietly eclipsing the American Dream*”, T.R. Reid’s “*The United States of Europe – The New Superpower and the End of American Supremacy*”, or Mark Leonhard’s “*Why Europe will run the 21<sup>st</sup> century*”, to name but a few. All these works endorsed one basic idea: Europe had, in the words of Peter Sloterdijk, found the very “Post-heroic cultural style” that the times so sorely needed. Such was then the predominant intellectual penchant.

Now, some ten years later, and after the experience of the prolonged European economic crisis, such triumphalist tones are aired less. What remains though is the underlying idea that, in the past decades, Europe has indeed managed to brand itself as a genuine alternative to the US, as a safe haven of freedom *and* a continent of promise. Egon Bahr’s distinction between a *European West* and an *American West* condenses an impression still shared by many: Whereas the self-proclaimed “land of the free” seeks to be militarily invulnerable, politically independent, and uniformly popular, this, our, European community is said to be strong through the mutual vulnerability of its members, free because of their interdependence, and attractive thanks to diversity. Where the American Dream lured with the possibility of acquiring belongings, the European Dream promises belonging.<sup>7</sup> Europe’s power does not intimidate; its strength does not provoke. Hence many share Ulrich Beck’s high hope that a “Cosmopolitan Europe” could show the world the path into a better future.

As all coarsely contrastive oppositions, these depictions unveil as much as they obfuscate, and should be taken with a grain of salt. What remains convincing, however, is that, over time, a recognizable European identity built out that, although often overlooked in the day-to-day of

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<sup>7</sup> Rifkin, Jeremy. 2004. *The European Dream : How Europe's Vision of the Future Is Quietly Eclipsing the American Dream*. New York: Jeremy P. Tarcher/Penguin. p. 192.

our mundane affairs and struggles, yet orients European actors –, in subtle, often intangible ways. Despite its all-too-apparent diversity, there might well be a normative unity within the European community; a unity, however, that comes not at the cost of cultural diversity but, as it were, on its tails.

How is this point to be grasped? Too often the concepts of unity and diversity are placed on one and the same plane – like points connected by a line – and then, naturally, they relate to one another such that a gain in unity would mean a loss of diversity, and *vice versa*. Yet, could we not also see unity and diversity differently, e.g. as dialectical concepts that mutually bring forth and support each other? Then, European unity could grow in line with an increase in the cultural diversity of its members. The conceptual condition under which this result could be had is that unity not be sought so much in the *substantial outputs* but rather in the *procedural inputs* of European policies, less in the WHAT of governance and more in the HOW. The unity in and behind the diversity of European life would thus be visible not so much *directly* through *descriptive facts* but more *indirectly* via the *prescriptive factors* that guide it.

Is it reasonable to support such high expectations for Europe? Can we identify the *implicitly* operative values of Europe so as to put them *explicitly* to use? Now, I hope it is not just the professional deformation of the philosopher’s mind in me that makes me think that in the midst of all the divergent aspirations in the manifold European cultures, two core ideas have long since been standing out as orienting all others: *freedom* and *dignity*.

Even to the casual observer it is obvious that these ideals have much purchase in the European Community. While there are other regions in the world that also set great store by the idea of freedom, Europe is probably first among those equals in its firm intent to marry individual *liberty* with the social aspects of *dignity*. In Europe, *liberty* is typically being understood as to comprise also the societal conditions needed to allow for a life in *dignity*. For many Europeans, the call for freedom thus includes a concern for both the objective capacities and the subjective capabilities of people.

Inversely, there are multiple regions of the world where religious, metaphysical, and political ideologies have forever sought to assure the *dignity* of human life, albeit not always with an equivalent respect for individual *liberty*. Guided by what John Rawls tagged as “comprehensive doctrines of the good life,” many communities have forever prioritized certain *objective* strictures of decency over the *subjective* quest for autonomy.

As a consequence, where Europe aims at a balance of either value, other regions of the world tend to pursue freedom at the expense of dignity or *vice versa*; and, as we all know, there are also some sad places on this planet, where neither freedom nor dignity is secured.

Europe's effort to integrate *both* liberty *and* dignity has a long history. This holds true in regard to the *spiritual* as well as to the *secular* of Europe's traditions. In terms of faith, the three defining religions of Europe – Judaism, Christianity, and Islam – all converge in the following: The human being is seen as created in the image of God, equipped hence with an unconditional freedom and dignity. All their sundry differences notwithstanding, therein the three Abrahamic religions fully concur: Humanity is responsible to use its freedom in accordance with the inherent dignity of all human life.

Likewise sound *secular* pronouncements of Europe's philosophers. I will select but a few. From the 15<sup>th</sup> century Italian renaissance thinker Pico della Mirandola via the 18<sup>th</sup> century German enlightenment philosopher Immanuel Kant up to the 20<sup>th</sup> century French existentialist John Paul Sartre, there is a long chain of arguments that links, time and again, liberty to dignity. Pico *describes* man as a “*plastes et ficator*” (former and maker) of himself. Kant *prescribes* to human freedom a duty onto itself; and Sartre *ascribes* to humanity the power to choose itself through the choices made about its life-world. Thus they emphasize in unison as indissoluble the unity of *liberty* and *dignity*, with freedom being the origin of dignity and dignity serving as the end of liberty.

### III) Quantitative versus Qualitative Freedom

What we have just garnered *historically*, we can and should also sort in a *systematic* fashion. In essence, this intimate unity of freedom and dignity can be reformulated as a notion of *responsible* freedom. It portrays freedom as *reasonable* autonomy, readily aligned with moral demands. As such, the European ideal of freedom differs, arguably, from merely *negative* notions of liberty that ascertain freedom only via the absence of outward coercion. Also, I would hold, it contrasts with purely *quantitative* concepts of freedom that identify liberty with a maximization of options, following a calculus of “the more, the better”.

Rather, a unified conception of liberty and dignity leads us to, what I have elsewhere termed, a conception of *qualitative* freedom, i.e. one that heeds the call of “the better, the more”, asking us to protect and promote certain freedoms the stronger, the surer they contribute to the

freedom and dignity of all, including people far removed in time and space. Before answering the quantitative question of *how much* liberty each is *exclusively* to have, we are to consider qualitatively *which* and *whose* freedoms have priority, acknowledging that the liberty of everyone is imperfect as long as certain freedoms are not *inclusive* for all. Prior to the *quantitative maximization* of one's own liberties, we must thus assure a *qualitative optimization* of dignified freedom for all – this is, in my eyes, the core of the European *vision*; from this conviction derives its distinctive *mission*.

Yet, what difference do these differentiations really make? This comes out once we apply those two concepts to business ethics. For a *quantitatively maximizing* corporate freedom, societies and their demands appear as fetters to corporate liberty. Stakeholders appear thus as a nuisance, with which firms have to deal, if and insofar otherwise they'd incur prohibitive costs or endanger their license to operate.<sup>8</sup> The exact same relationship appears wholly inverted, however, looked at from the perspective of a *qualitatively optimizing* corporate freedom. Here, suddenly, business recognizes itself as a stakeholder of society, on whose sound functioning it depends. Where in the quantitative view, business aims for an unobtainable *independence* from society, in the latter, business realizes its deep *interdependence* with its surroundings.

This shift in perspective impacts our entire conception of business ethics: as either marginal or central to corporate strategy. In the quantitative scheme, the economic field appears to be subjected to market mechanisms with corporations as profit-making machines and individuals as utility maximizing robots, altogether entrapped in clockworks of inescapable regularity and necessity. As a consequence, moral values appear at best as costly side-constraints on the path toward profit-maximization, and, at worst, as but naïve and feckless dreams. The viewpoint of qualitative freedom, however, allows alternative ways of perceiving and perfecting the business/society-interface. From the angle of qualitative freedom, social interests may again appear as the first and foremost objective function of business, as its primordial path, reminding us of Peter Drucker's adage that "*every unsolved social problem is an untapped opportunity for business.*"

In sum, the European ideal of freedom seeks thus not the *maximization of options for some* but the *optimization of chances for all*. Hence its ideal of liberty is a morally responsible and thus socially and ecologically sustainable autonomy. If, therefore, European business ethics is to be more than just "business ethics done in Europe", we ought to investigate inasmuch we

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<sup>8</sup> **Brickson, S.L.** 2005. "Organizational Identity Orientation: Forging a Link between Organizational Identity and Organization's Relations with Stakeholders." *Administrative Science Quarterly*, 50, 576-609.

can revise our modes and models of business ethics in the light of this idea of qualitative freedom.

#### IV) Practical Applications

The aforementioned arguments do not deny or diminish the extant diversity of moral views and cultural customs in Europe. Solely based on, not backing off from diversity, a European unity in values can be construed, i.e. not by eliminating, but by celebrating difference. We must, in short, introduce diversity into the very notion of unity itself. This lofty goal can be reached only, however, by an ethos, which neither capitulates in the face of divergences, nor simply aims to level them.

On one hand, we have to hold fast to the unifying vision of marrying freedom with dignity, while, on the other, we need to set the various local, national, and regional institutions of governance free to accomplish said marriage in their own special way. We are to distinguish the formal *idea* of qualitative freedom from the various *concepts* for its material realization. Because to insist THAT the quality of our freedoms be considered, is not the same as dictating WHAT given groups should prioritize, or WHICH liberties they have to promote the most.<sup>9</sup> Thus we can preserve the *unity* of the stated *principles* in the *variety* of the *practices* that realize them. Hence we do not need uniformity in order to achieve unanimity.

Applied to the realm of business this means, we can allow for divergence in *norm interpretation* and *norm application* without losing sight of the underlying convergence in *normative orientation*. European business ethics should thus prioritize *procedural forms* over *substantial norms*. Henceforth, we do not need so much *paternalistic* as *participatory* ethical models. Instead of giving *specific dictates* to each and everyone, we must find *structural mandates* that are inclusive enough for all. In the interest of diversity, Europe requires a business ethics that *coordinates* rather than *commands* behavior.

For this reason, we should be wary of purely quantitative notions of freedom, as they tend to force upon the world a “one size fits all” maximization paradigm that closes any and all space for cultural specificity. The perspective of qualitative freedom better serves us here.<sup>10</sup> It

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<sup>9</sup> Dierksmeier, Claus and Michael Pirson. 2010. "The Modern Corporation and the Idea of Freedom." *Philosophy of Management*, 9(3), 5-25.

<sup>10</sup> Since Gilbert Ryle first introduced the terms “thin” and “thick” descriptions in his lecture *The Thinking of Thoughts; What is 'Le Penseur' Doing?* ([http://lucy.ukc.ac.uk/CSACSA/Vol14/Papers/ryle\\_1.html](http://lucy.ukc.ac.uk/CSACSA/Vol14/Papers/ryle_1.html)), later published in his *Collected Works*, and after Clifford Geertz then popularized this distinction in the early 1970s (Geertz, Clifford. *Thick Description: Toward an*



allows an inter-culturally operative business ethics to reconcile *unity in its “thin” prescriptions* with *diversity in the “thick” descriptions* for practice. Hence, in light of the qualitative conception of corporate freedom, values (such as liberty and dignity) can be universally employed, as “thin”, i.e. abstract and general prescriptions, while leaving their “thick”, i.e. specific and contextual, implementation to the respective cultures and communities. To define adequate corridors for such norm specifications, such that those implementations do not contradict the very norms they are to realize, may thus be considered ‘the’ task of future business ethics, (as argued, for example, Klaus Leisinger here on Thursday).

For instance, let us look at the *protection* versus the *promotion* of human dignity through managerial freedom: The mere *protection* of human dignity may be entrusted to codes of *human rights*, possibly accomplished through standard compliance and CSR-programs. Philosophically speaking, the firm needs to employ but “determining judgment”<sup>11</sup> that subsumes cases at hand under rules, and given situations under accepted standards; that’s it – whereupon the firm then “only” has to incentivize its employees properly to follow suit.

Things get more complicated though, once we are talking about the *promotion* of human dignity, as e.g. currently tried out by Bayer in India in its “CropScience Model Village“, where Bayer committed to the long-term *capability enhancement* of its rural stakeholders.<sup>12</sup>

Yet to identify what is to be done positively, rather than negatively, an altogether different type of managerial thinking, “reflective judgment,” is needed.<sup>13</sup> Maintaining the *self-same vision* in light of *changing contexts* requires continuous re-designs of the business model. Firms who, like Bayer, accept that challenge will have to find different solutions from culture to culture.<sup>14</sup> Therefore, in *outlook* their operations will differ from place to place, while, or,

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*Interpretive Theory of Culture*. In: Gertz: *The Interpretation of Cultures: Selected Essays*. New York: Basic Books, 1973. 3-30) it gained much currency also in economics, as e.g. in the works of Deirde McCloskey (McCloskey, Deirde *Thick and Thin Methodologies in the History of Economic Thought*; In: McCloskey: *The Popperian Legacy in Economics*. Cambridge: Cambridge UP, 1988. 245-57.) In ethics, it is employed e.g. by Michael Walzer, see his: *Thick and Thin: Moral Argument at Home and Abroad* (Notre Dame Press, 1994).

<sup>11</sup> **Bartuschat, Wolfgang and Immanuel Single Works Kant**. 1972. *Zum Systematischen Ort Von Kants Kritik Der Urteilkraft*. Frankfurt am Main: Vittorio Klostermann.

<sup>12</sup> Strotmann, Harald; Volkert, Jürgen (2013): **Transnational Corporations: Driving, Ignoring or Violating Sustainable Human Development?** in: HS Pforzheim, Fakultät Wirtschaft & Recht (Hrsg.): 50 Jahre - 50 Thesen: Bd. 2: Thesen zu Wirtschaftspolitik, Wirtschaftsethik & International Business, Pforzheim, Juni 2013; Volkert, Jürgen; Strotmann Harald (2013): **Potential Corporate Impacts on Sustainable Human Development**. The Case of Bayer CropScience’s cotton seed production in rural Karnataka (India); empirical analysis on behalf of Bayer CropScience; forthcoming in a report of the GeNECA project (FKZ 01UN1015A) on behalf of the Ministry of Education and Research’s focus “Economics for Sustainability”

<sup>13</sup> **Beiner, Ronald and Jennifer Nedelsky**. 2001. *Judgment, Imagination, and Politics : Themes from Kant and Arendt*. Lanham, Md.: Rowman & Littlefield.

<sup>14</sup> Volkert, Jürgen (2013): **Capability Approach Applications in Germany: Official Poverty and Wealth Reporting and Beyond**, in: Solava Ibrahim and Meera Tiwari (2013): *The Capability Approach - from Theory to Practice*, London: Palgrave, in print; Volkert, Jürgen (2013): **Governmental Poverty and Wealth Reporting based on the Capability Approach**, in: Hans-Uwe Otto und Holger Ziegler (eds.): *Enhancing Capabilities. The Role of Social Institutions*, Opladen and Farmington Hills: Barbara Budrich Publishers, pp. 89-108; Volkert, Jürgen (2013): **Concepts of Agency, Sustainable**

strictly speaking, precisely *because* they hold fast to the same *procedural* mandate of enabling their stakeholders to live a dignified life.

With this shift from a uniform and substantial to a more procedural and diversity-affirmative approach come, of course, new roles for business ethics. Our discipline would then serve less as a modest corrective to “business as usual”, and ever more become an inspiration of novel forms of business. In particular, this shift transforms our conception of corporate strategy and changes in tandem ideas about corporate governance, leadership styles, and organizational culture. Before coming to my conclusion, I shall touch on these dimensions and sketch a few applications for management.

Beginning with **strategy**: As I said, the concept of quantitative freedom is built on the notion of maximization. Corporate freedom is thus pitted against limiting factors, such as the state, and management is seen as striving to maximize institutional interests while minimizing external interference. On an organizational level this translates into the ambition to maximize aggregated utility in terms of financial assets. Not incidentally, ‘shareholder value’ has been an accepted goal for long: It corresponds ever so neatly to the still widely popular notion of a quantitatively maximizing freedom,<sup>15</sup> while being simple enough to allow for actionable decision support (or so it seemed to some).<sup>16</sup>

In contrast, the idea of qualitative freedom endorses limits, as it aims for a balance of qualitatively desirable outcomes. Central to this notion of freedom is a discursive evaluation of results in terms of a dignified freedom for all. Instead of *maximizing* but one outcome, the aim of qualitative freedom is to integrate multiple objectives. Hence it suggests *satisfyzing* or *optimizing* strategies, which allow for a broadly shared value creation.<sup>17</sup> This, admittedly, makes corporate decision-making processes more complex,<sup>18</sup> which, however, need not be a disadvantage. It might also nudge corporations in exactly the right direction, i.e. towards more inclusive and more participatory forms of governance which are also in the long-term interest of the involved firms.<sup>19</sup> Taking your employees and your stakeholders *that* seriously, may direct you to revise and transform your entire business strategy. *Social Entrepreneurs* all

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**Human Development and Collective Abilities**, in: Ortrud Leßmann and José Manuel Roche (eds.): *Collectivity in the Capability Approach*. E-Bulletin of the Human Development and Capability Association, June 2013.

<sup>15</sup> Friedman, M. 1962. *Capitalism and Freedom*. Chicago: University Of Chicago Press;

<sup>16</sup> Jensen, M.C. 2002. "Value Maximization, Stakeholder Theory and the Corporate Objective Function." *Business Ethics Quarterly*, 12(2), pp.235-57, Sundaram, A.K. and A.C. Inkpen. 2004. "The Corporate Objective Revisited." *Organization Science*, 15(3), 350-63.

<sup>17</sup> Rangan, K.; J.A.; Quelch; G.; Herrero and B. Barton. 2007. *Business Solutions for the Global Poor: Creating Social and Economic Value*. John Wiley & Sons, Sharp Paine, Lynne. 2003. *Value Shift: Why Companies Must Merge Social and Financial Imperatives to Achieve Superior Performance*.

<sup>18</sup> Charreaux, G. and P Desbrières. 2001. "Corporate Governance: Stakeholder Value Versus Shareholder Value." *Journal of Management and Governance*, 5(2), 107-28, Freeman, E.; Andrew C. Wicks and Parmar. 2004. "Stakeholder Theory and “the Corporate Objective Revisited”." *Organization Science*, 15(3), 364-69.

<sup>19</sup> Sharp Paine, Lynne. 2003. *Value Shift: Why Companies Must Merge Social and Financial Imperatives to Achieve Superior Performance*..

around the world are have been successfully scouting this path of ethically motivated strategy innovation for quite some years now; it is high time that conventional businesses begin to track their trail by ways of *Social Intrapreneurship*.

Likewise, the stated notions of freedom make for divergences in **corporate governance**. As the quantitative view is based on the *homo oeconomicus*, who will act opportunistically if that increases his or her gain, the concomitant governance adheres to principal/agent-theory. Persons are viewed as self-serving, extrinsically motivated agents, aiming mainly at fulfilling material needs, and valuing the short term over the long term.<sup>20</sup> Agency theory holds accordingly that employees only loosely identify with organizational norms or ethical goals. Governance has to focus therefore on creating control mechanisms that keeps those opportunistic, self-serving agents in check.<sup>21</sup>

As has long since been pointed out, this ‘opportunism assumption’ creates and increases, by way of self-fulfilling prophecies, the very opportunistic behavior it declares to combat.<sup>22</sup> But due to template, increased opportunism necessitates even more use of “carrot and stick”. Ironically, therefore, abiding by the notion of quantitatively maximizing freedom, creates a downward spiral effect, which eventually undermines the discretionary freedom of each and everyone in the firm. Yet, with the eclipse of *freedom*, the sense of personal *responsibility* wanes. In light of recent scandals, not a few management scholars have therefore developed qualms about the viability of such governance systems.<sup>23</sup>

In contrast, we find increasingly theories that construe governance in reference to the olden but golden notions of the individual as a *zoon politikon* or a *homo sapiens sapiens*, i.e. as inherently social persons who, at times at least, critically reflect and morally transform their preferences. Such concepts align with the ideas of qualitative freedom and human dignity, because here individuals are characterized as optimizers who seek their advantage in concordance with their social relations. Viewed from this angle, managers might even *want* to

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<sup>20</sup> **Davis, James H. and F. David Schoorman.** 1997. "Toward a Stewardship Theory of Management." *Academy of Management Review*, 22(1), 20- 48, **Donaldson, Lex and James H. Davis.** 1991. "Stewardship Theory or Agency Theory: Ceo Governance and Shareholder Returns." *Australian Journal of Management*, 16(1), 49-66.

<sup>21</sup> **Eisenhardt, K.** 1989. "Agency Theory: An Assessment and Review." *Academy of Management Review*, 14(1), 57-74, **Fama, Eugene F.** 1980. "Agency Problem and the Theory of the Firm." *Journal of Political Economy*, 88(2), 288-307..

<sup>22</sup> **Argyris, C.** 1964. *Integrating the Individual and the Organization*. New York: Wiley, \_\_\_\_\_. 1973b. "Some Limits of Rational Man Organizational Theory." *Public Administration Review*, 33(May/June), 253-67, **Davis, J.H.; F. D.; Schoorman and L. Donaldson.** 1997. "Toward a Stewardship Theory of Management." *Academy of Management Review*, 22(1), 20-47, **Nguyen-Huy, Q.** 2000. "Do Humanistic Values Matter?" *Academy of Management Best Paper Proceedings*, ODC, A1-A6.

<sup>23</sup> **Brickson, S.L.** 2007. "Organizational Identity Orientation: The Genesis of the Role of the Firm and Distinct Forms of Social Value." *Academy of Management Review*, 32(3), 864-88, **DiTomaso, N.;; R.; Parks-Yancy and C. Post.** 2003. "Structure, Relationships, and Community Responsibility." *Management Communication Quarterly*, 17(143-150), **Ghoshal, S.** 2005. "Bad Management Theories Are Destroying Good Management Practices." *Academy of Management Learning & Education*, 4, 75-91, **Mintzberg, H.;; R.; Simons and K. Basu.** 2002. "Beyond Selfishness." *Sloan Management Review*, 44(1), 67-74.

take on social, moral, and ecological responsibilities, as they understand them as core enablers of everyone's freedom, including their own.

*Stewardship theory* is a good example for what I have in mind here.<sup>24</sup> This theory postulates that each individual has internally endorsed limits of agency, so that fewer external controls are required and more trust is possible.<sup>25</sup> In fact, some control mechanisms may even be downright detrimental to motivation and performance.<sup>26</sup> So, why not invert corporate governance, diminish control and increase support instead?<sup>27</sup>, as did the since extremely successful firm *Jungfalk Allsafe* in Southern Germany, a winner of multiple management awards.

Not surprisingly, either view of freedom also translates into contrary **leadership styles**. Consider, the concepts of *transactional* vs. *transformational* leadership theory, for instance.<sup>28</sup> Transactional leadership aligns with a conception of quantitative freedom. Leaders follow a *homo oeconomicus*-anthropology and assume their employees are out to maximize but their own utility. Hence such leaders appeal to everyone's extrinsic motivation using mainly monetary rewards. They clarify goals and desired outcomes to ensure compliance and reward followers for their achievement, while installing close controls against opportunistic followers.<sup>29</sup>

The qualitative view of freedom, in contrast, supports a transformational leadership style that is participative and relationally oriented. Leaders should *respond* to followers and stimulate them not so much by barter for benefits but through jointly created visions. Such leaders base their power less on hierarchy and more on competence and care for their followers.<sup>30</sup> They refuse to treat followers merely as means to ends (of power, profit, or prestige) and not, at the same time, as ends in themselves.<sup>31</sup>

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<sup>24</sup> **Davis, J.H.; F. D.; Schoorman and L. Donaldson.** 1997. "Toward a Stewardship Theory of Management." *Academy of Management Review*, 22(1), 20-47.

<sup>25</sup> **Argyris, C.** 1973a. "Organization Man: Rational and Self-Actualizing." *Public Administration Review*, 33(July/August), 354-57.

<sup>26</sup> **Donaldson, Lex and James H. Davis.** 1991. "Stewardship Theory or Agency Theory: Ceo Governance and Shareholder Returns." *Australian Journal of Management*, 16(1), 49-66, **Muth, Melinda M. and Lex. Donaldson.** 1998. "Stewardship Theory and Board Structure: A Contingency Approach." *Corporate Governance: An International Review*, 6(1), 5-29.

<sup>27</sup> **Donaldson, Lex and James H. Davis.** 1991. "Stewardship Theory or Agency Theory: Ceo Governance and Shareholder Returns." *Australian Journal of Management*, 16(1), 49-66, **Macus, Marc.** 2002. "Towards a Comprehensive Theory of Boards - Conceptual Development and Empirical Exploration," St. Gallen: HSG, 1-37.

<sup>28</sup> **Bass, B. M. and B. J. Avolio.** 1994. "Transformational Leadership and Organizational Culture." *International Journal of Public Administration*, 17(3), 541-54.

<sup>29</sup> Ibid.

<sup>30</sup> **Bass, B. M. and B. J. Avolio.** 1994. *Improving Organizational Effectiveness through Transformational Leadership*. Thousand Oaks, CA: Sage.

<sup>31</sup> **Bowie, N.E.** 1999. *Business Ethics: A Kantian Perspective*. Oxford: Blackwell, **Stroud, S.** 2002. "Defending Kant's Ethics in Light of the Modern Business Organization." *Teaching Ethics*, 2(2), 29-40.

Likewise, *self-management oriented leadership styles* are congruent to qualitative freedom.<sup>32</sup> Instead of setting up a strict and absolute distinction between leaders and followers, they speak of the inherent responsibility of all and the dominance of none. Coordination results from representative and participative forms of decision-making. Leadership roles are temporarily assigned functions only; power is intentionally being devolved. Firms such as Semco in Brazil or Morning Star in California are well-known examples for this leadership style.

Thus, the stated notions of freedom eventually contribute to dissimilar **corporate cultures**. In the logic of quantitative freedom, organizational cultures follow the transactional image of the individual as a *homo oeconomicus*. Externally, they adopt an adversarial view of their environs – as forces that can curb and disturb their maximization programs – and deal with them antagonistically and competitively.<sup>33</sup> Internally, their culture is based on *contractual* relationships. Job assignments are explicitly spelled out along with disciplinary codes and benefit structures. Stories, rites, jargon, and reinforcement systems all depend on monetary rewards.<sup>34</sup> Commitments are short-term and predominated by fluctuating self-interests. People work detached from their colleagues, whom they view as competitors for rewards. In-house cooperation depends on explicit negotiations, not an implicit quest for problem solving, or a shared mission. In short, the organization is turned into a marketplace.

In contrast, organizational cultures guided by notions of qualitative freedom articulate a common, oftentimes moral purpose, shared by most members. Relationships are viewed as interdependent and commitments to the organization are more long-term oriented. Norms and goals are continuously being revised in light of the common purpose. Trust is internalized rather than dependent on formal agreements and contracts. The need for controls is lower. Through continuous discourse, stakeholders influence the organizational development. In order better to process both inside and outside critique as inspiration for internal action, the organizational culture is open, dynamic and ever evolving. Corporations so organized seek out stakeholder feedback, as they wish to engage in as much “network governance” as possible. They would, e.g., view corporate reporting standards such as the ISO 26000, SA 8000 or the GRI-principles not as infringements on their rights to corporate privacy but instead as helpful ways to inform and improve their business through outside intelligence.

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<sup>32</sup> **Manz, C.C. and H.P. Jr Sims.** 1993. *Business without Bosses: How Self-Managing Teams Are Building High Performance Companies*. New York, NY: Wiley, **Politis, J. D.** 2001. "The Relationship of Various Leadership Styles to Knowledge Management." *Leadership & Organization Development Journal*, 22(8), 354-64.

<sup>33</sup> **Collier, J. and R. Esteban.** 1999. "Governance in the Participative Organisation: Freedom, Creativity and Ethics." *Journal of Business Ethics*, 21(2/3), 173-88.

<sup>34</sup> **Bass, B. M. and B. J. Avolio.** 1994. "Transformational Leadership and Organizational Culture." *International Journal of Public Administration*, 17(3), 541-54.

In short, qualitative freedom inspires corporate cultures that are communally oriented.<sup>35</sup> While firms under the spell of quantitative freedom try to minimize the impact of outside demands, e.g. through lobbying or shirking, companies directed by notions of qualitative freedom seek out those responsibilities as markers and milestones of their mission.

The morale of this story is as patent as it is pertinent: If we do not wish to confine business ethics to the role of the eternal naysayer to “business as usual”, but desire business rather to be part of the solution than part of the problem, we have to align it with models of qualitative instead of quantitative freedom. That is to say, we need to let go of the *mechanistic* management models of the past, while ushering in novel forms of *humanistic* management as an idea whose time has truly come.

## V) Conclusion

We noted how the globalized economy forces a cosmopolitan perspective onto management and inspires a search for values to orient business across cultural divides. In a next step, we asked how Europe’s *historical* orientation at liberty and dignity could provide conceptual unity to European business ethics while at the same time allowing for sufficient cultural diversity. I advanced that agenda by the *systematic* distinction between quantitative and qualitative types of corporate freedom. Whereas quantitative freedom follows an ever less realizable dream of *independence* through *exclusion*, the European Dream is one of autonomy through *inclusive interdependence*.

Looking at their practical consequences, it became apparent: Quantitative notions of corporate freedom suffer from self-defeating assumptions, which contribute to the erosion of trust and to a culture of opportunism. Also, through the lens of quantitative freedom the corporation appears as if in unavoidable conflict with society. This proves detrimental to corporate freedom itself, not to mention human dignity.

Instead, the idea of qualitative freedom demands that corporate and societal liberties be coordinated from the outset. For this reason, the viewpoint of qualitative freedom is amenable to the multifarious social, cultural, and environmental challenges business has to meet today. In short, the business of business is not business but – ultimately – society. And as a result, business ethics is no longer confined to set up a number of cumbrous side-constraints but can rather put out welcome guideposts for the future course of sustainability management.

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<sup>35</sup> **Brickson, S.L.** 2007. "Organizational Identity Orientation: The Genesis of the Role of the Firm and Distinct Forms of Social Value." *Academy of Management Review*, 32(3), 864-88.

While this may be convincing in abstraction, the concrete proof, is, as the saying goes, yet “in the pudding”. Although, as a “thin” prescription, a theory of qualitative corporate freedom has much in its favor, we, as business ethicists, have still to work out the details; i.e. the requisite “thick” descriptions for its context-specific and culture-adequate implementation. The translation of the European ideal of a unity of liberty and dignity in diversity, I argued, must be accomplished procedurally: with all affected parties as effective co-determinants. Instead of more and more substantial decrees, we need intensified dialogue between all concerned, coupled with academic analysis, for the ongoing deliberative determination of future business models.

European business ethics, looked at from this angle, should identify innovative practices and novel theories that help us proceduralize and concretionalize our European value basis with a view to our shared cosmopolitan responsibility. And, as I (for one) see it, this very task has indeed been taken on by the presenters and panelists of this conference. The current work of EBEN scholars and practitioners is in fact but a manifestation of the quest for a *realistic* implementation of the *idealistic* European vision into corporate practice. I am proud to be part of that noble endeavor and grateful for having been asked to comment on its course. Thank you for your attention.

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