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CHAPTER 15

Revolution and Evolution in Economics, Business Management and Leadership Theory

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Introduction

There have been major changes in economics, business management and leadership theory over the past 100 years. This applies to both the principles of the market and the principles of organization. Rather than a traditional one-sided focus on growth in GNP, profits and consumption, the tendency today is to pay increased attention to the public and private sectors' social and environmental responsibility. An indication of the emerging and exponentially accelerating momentum of fundamental changes in economics, business administration and leadership can be found in Harvard Business Review, Oct. 2011. Here, Chouinard, Ellison and Ridgeway (2011) note the growing acceptance that change in economics, business administration and leadership is necessary in order to handle the environmental challenges of today:

No one these days seriously denies the need for sustainable business practices. Even those concerned about only business and not the fate of the planet recognize that the viability of business itself depends on the resources of healthy ecosystems – fresh water, clean air, robust biodiversity, productive land – and on the stability of just societies. Happily, most of us also care about these things directly (Chouinard, Ellison and Ridgeway 2011)

Despite the fact that many serious companies have “gone green”, social and environmental problems continue to grow. It is hard to measure any progress with regard to reduction of the negative environmental effects of today’s economic practice. The consequence is that economists and business managers and leaders today must accept that they have to deal with environmental and social responsibility, food security, climate change, poverty, corruption and other ethics-related topics. According to Max-Neef we are going through a crisis of humanity; it seems that for the first time in human history several “crises converge to simultaneously reach their maximum level of tension” (Max-Neef 2010, p. 201). To address these questions it is not sufficient to merely alleviate the symptoms; it is necessary to make changes at the ontological level. We argue that both economics, business administration and leadership theory have to change from a mechanical to an organic worldview. Economics without implications for business administration, and leadership without a basis in economics, are inadequate to cope with current issues.

At the one end of the scale, we find the idea that the economy is a large machine driven by physical laws. The mechanical ontology of neoclassical economics presupposes the existence of discrete, well-defined, rational, self-interested, and autonomous agents. Both the producer and the consumer manipulate the mixture of the means in order to maximize profits and utility. Action is mechanical; it is simply a reaction to a stimulus, for example a change in the prices of products. Little attention is paid to the formation of these agents. In the 1930s, Friedrich Taylor published “Principles of Scientific Management” (Taylor 1931/2011) a booklet in which he described scientific management as a mechanical management theory in accordance with the principles of neoclassical economics.

Neoclassical economics and scientific management are both based on mechanical worldviews characterized by causality and determinism. Based on this perspective, corporations cannot be socially and ecologically responsible because economic law dictates that they must maximize profits.

At the other end of the scale we find economics and leadership theory based on organic worldviews. Ecological economics views human activities within the broader context of complex and fragile planetary eco-systems and addresses some of the most profound failures of neoclassical economics, namely the failure to deal adequately with resource depletion and environmental destruction, both locally and globally. Ecological economics simultaneously raises all the basic questions about the nature of knowledge and science, of physical existence, of life, of humanity, of society and of the individual.

Using a similar source of inspiration, spiritual leadership is an evolving perspective on leadership. In the harmony existing between Self, Society and Nature lies the basis for the organic approach to leadership. Spiritual leadership is characterized by process, creativity and meaning. The focus is on ethics, corporate social responsibility and concern for the natural and social environment.

In this article, we focus on two related topics: Firstly, we argue that development of economics can be described as being revolutionary, whereas it is more appropriate to characterize development in business management and leadership theory as being evolutionary. The difference can be explained by reference to paradigmatic presuppositions in economics and the influence of practical experience on leadership theory. Secondly, we argue that the success of economics, business management and leadership theory in practice depends on harmony at the ontological level. Neoclassical economics and scientific management are both based on mechanical worldviews, whereas ecological economics and spiritual leadership are based on organic worldviews. If economics and leadership theory are based on different ontological preconditions, the implementation process becomes problematical at both levels. This is partly due to the phenomenon of incommensurability between the two paradigmatic worldviews. Barricades of counterforces hold back the driving forces of development and change.

In the first section of this chapter, we will elaborate on these topics by delving deeper into the revolutionary paradigmatic change from neoclassical economics based on a mechanical worldview to ecological economics based on an organic worldview. In the second section, we elaborate on the evolutionary development of business management and leadership theories from the mechanical to the organic worldviews. In the third section, we discuss in more detail the evolutionary change process from the perspective of Taoist yin-yang philosophy and will thereby shed light on how the process of change can be limited by rigid mental structures. In the last section, we reflect on some challenges associated with the interrelatedness of economics, business management and leadership theory. At the heart of these reflections lies the knowledge of how the different worldviews establish different frames of reference for understanding reality and change processes.

A Revolutionary Change from Neoclassical to Ecological Economics

The Greek philosopher Democritus stated 2500 years ago that everything in the universe could be explained in terms of imposed physical laws;

It became natural, to conceive of the world as made up of discrete components, which fit together like the parts of a machine. The behaviour of atoms was conceived as tiny bouncing balls whose behaviour could be predicted, as could the behaviour of more complex objects assembled from them (Xie, Wang and Derfer 2005, p. 87).

Since the start of the 18th century, physics has been the most important role model in economics. Consequently economic activity is understood, explained and predicted by causal theories and mathematical formulas. A consequence of the mechanical worldview is that the whole universe is completely causal and deterministic. “All that happened had a defined cause and gave rise to a definite effect, and that the future of any part of the system could – in principle – be predicted with absolute certainty if its state at any time was known in detail” (Capra 1997, p. 120).

Economics based on the mechanical perspective is characterized by the idea that bits of matter are isolated individuals (atomism), related to one another only externally. Through natural laws, society represents no real unity in itself and the market is nothing more than a mere mechanism based on the interplay between egocentric individuals seeking their own ends. The parts of a machine (market) have purely external relations with one another; hence the market can be completely understood from the outside.

This tendency was reinforced by the breakthrough of logical positivism in 1930. The language of physics became the only scientific language, with science based on observation in the physical sense representing the only accepted methodology. The goal of economic science was to discover the most reliable general laws, in the sense of natural laws. The laws should preferably be formulated in quantitative terms.

Today, the mechanical worldview still forms the basis of many scientific disciplines, including economics. In lifeless nature problems can be solved within the framework of physical laws. Inspired by this metaphor, agents in the market are supposed to act independently of one another, in order to optimize their own interests. Market theory presupposes that economic agents act rationally in most market transactions. The assumption that economic rationality largely excludes other-regarding behavior has deep roots in the Western theoretical understanding of human nature.

Another presupposition is that the dominating value in economics is “profit”. Today there is expanding pressure for higher short term sales rates and profit maximization. This is justified by economists such as Friedman, who argues that “few trends could so thoroughly undermine the very foundations of our

free society as the acceptance by corporate officials of social responsibility other than to make as much money for their stockholders as possible" (Friedman 1963, p. 133).

In the last twenty years these mechanical assumptions have been challenged: economic theories have not been able to predict, explain or prevent any of the economic downturns we have been through. The theories seem to be less applicable to understand an increasingly complex reality. The ontological explanation of the misfit is that neoclassical economics is based upon metaphysical preconditions not in harmony with real world conditions. Georgescu-Roegen (1971) argues that we cannot arrive at a completely intelligible description of the economic process as long as we limit ourselves to purely physical concepts.

According to Georgescu-Roegen the true economic output is "enjoyment of life" (an immaterial flux), not growth in GNP. As an illustration, "enjoyment of life" does not correspond to "an attribute of elementary matter [n]or is it expressible in terms of physical variables" (Georgescu-Roegen 1971, p. 282).

Ecological economics is a transdisciplinary field of science studying the conflict between the growth of the economy and the negative modification of the social and environmental environment. Boulding once said that "the pursuit of any problem of economics draws me into some other science before I can catch it" (Kerman 1974, p. 6). He was looking for connections between different fields of knowledge, for the threads of theory that would tie together economic man, biological man, sociological man, psychological man, perhaps even cosmic man. Ecological economics presupposes that economic activities are in constructive interplay with the cultural and natural effects that originate from them.

The methodology of investigation should depend heavily on the nature of the system that is being investigated. A lot of wasted effort, especially in biological and social sciences, has been spent on attempts at applying a methodology that is quite appropriate in mechanics (a system where the basic parameters do not change) to social and natural systems that are highly stochastic, probabilistic, and in which parameters change (Boulding 1981).

The exclusion of wisdom from economics, science and technology was something we could get away with for a little while, as long as we were relatively unsuccessful, but now that we have become successful, the problem of spiritual and moral truth moves into the central position (Schumacher 1993). Referring to Lovelock's Gaia hypothesis, it is reasonable to argue that ecological economics recognizes that economy, nature and culture are integrated parts within a "living" organism (Lovelock 1979). In this perspective the interplay possesses

properties such as dynamism, evolution, integrity and change. The art of progress is to preserve order amid change (Whitehead 1978). Ecological economics is a branch of economics bringing the economic and ecological crisis down to earth by putting forward three propositions.

Firstly; the scale of production and consumption must be sustainable in the long run. The worship of economic growth as an end in itself is based upon the questionable assumption that; “there are no limits to the planet’s ability to sustain it” (Pearce 2001, p. 7). Instead sustainability implies recognition that natural and social capital are not infinitely substitutable by built and human capital, and that “there are real biophysical limits to the expansion of the market economy” (Costanza 2008, p. 33). Hence, a sustainable economy must at some point stop growing, but it need not stop developing. In other words, there is no necessary association between development and growth, and conceivably there could even be development without growth (Georgescu-Roegen 1975).

Secondly; the distribution of resources and wealth must be fair. Fairness implies recognition that the distribution of wealth is an important determinant of social capital and the quality of life (Costanza 2008, p. 33). We must move from an economy oriented toward satisfying the wants of the rich part of the world to an economy committed to satisfying the basic needs of all human beings. Instead of focusing on economic growth and increasing profits, the global economy must include moral considerations and equity.

Thirdly; the allocation of resources must be efficient. Real economic efficiency implies the inclusion of all resources affecting sustainable human well-being in the allocation system, and not just making goods and services available on the market. “Our current market allocation system excludes most non-marketed natural and social capital assets and services, which are huge contributors to human well-being” (Costanza 2008, p. 34). Boulding introduced the metaphor “Spaceship economy” to illustrate the conclusion saying that the only way “[m]an can survive is by recycling earth’s resources after use instead of continuing to exhaust its mines and pollute its reservoirs” (Kerman 1974, p. 14).

In an organic perspective the global ecosystems and social systems are comprised of closely interacting and interdependent subsystems based upon dissipative structures. We have to accept that the earth itself and all its living and non-living components are interrelated and that the human being is a member of this integral community and must find its proper role in it. Berry concludes in the following way: “There can be no sustained well-being of any part of the community that does not relate effectively to the well-being of the total com-

munity” (Fabel and St. John 2007, p. 63). Since every system is connected to and depends on all others, everything evolves together over time. Accepting the fact that the ecosystem’s source and sink capacity is limited, an increase in the enjoyment of life must be combined with a reduction in the consumption of natural resources. This makes it relevant to question two long-lived principles in economics; firstly, to be healthy, the economy must constantly increase the amounts of energy and raw materials that flow through it in order to generate ever greater wealth, and secondly: in order to be happy, people must have more and more of this wealth to have access to consumer goods.

Throughput of material and spiritual energy affect the integrating structures and processes. Economy has the ability, through human action, to restructure and reform processes in ecosystems and societies of which they are a part. Ecological economics presupposes that economic activities are in constructive interplay with the cultural and natural effects that originates from them.

In Figure 15.1, we carry out a systematic comparison of some key dimensions, in the mechanical and the organic perception of reality.

Mechanical worldview / Neoclassical economics	Organic worldview / Ecological economics
Atoms	Relations
Causality	Patterns
Instrumental values	Inherent values
Physical laws	Co-creation
Determinism	Creativity
Substance	Process
Individualism	Collectivism
Objectivism	Subjectivism
Ego centered self	Extended self
Materialism	Spiritualism
Top down	Bottom up

Figure 15.1 Revolutionary change in economics

According to Kuhn, the choice between competing paradigms; “proves to be a choice between incompatible modes of community life” (Kuhn 1970, p. 94). The proponents of different paradigms often disagree about the list of problems that the paradigms should resolve; the result is that paradigms often differ in methods, problem-field, and standards of solution accepted by the scientific community at any given time. Accepting a new paradigm often necessitates a redefinition of the corresponding science. Therefore, when paradigms change, “the world itself changes with them” (Kuhn 1970, p. 111). In other words, the paradigm is the prerequisite to perception itself.

In line with this argumentation the proponents of the mechanical worldview represent a counterforce preventing a shift toward an organic worldview. Since the proponents of the two paradigms use their own paradigm to argue in that paradigm's defense, the communication is very problematic.

Evolutionary Development in Leadership Theory

In this paragraph we give an evolutionary description of four different leadership theories referring (explicitly or implicitly) to the key dimensions used to distinguish mechanical and organic paradigms as described in Figure 15.1. We argue that there is a smooth transition between the extremes; scientific management (mechanical) and spiritual leadership (organic).

Scientific Management

In "The Principles of Scientific Management" (1931/2011) Frederick Taylor introduced a management philosophy in which the goal was to contribute to a more effective utilization of human resources. The theory was developed in an era of industrial development based on major technological advances. According to Taylor the workers represented a potential that could be exploited through individualized training based on specific principles of action. The principles were developed through scientific studies of how different tasks could be performed more effectively.

The theory is based on the assumption that workers are lazy by nature. Workers dislike working and they would prefer to avoid working if possible. This tendency was reinforced when several workers came together in groups. By individualizing the work tasks and assigning each worker to one manager, it was possible to reduce this kind of organized laziness. The result was an authoritarian, hierarchical organizational structure in which the assumption was that everyone obeyed the orders of his or her senior manager.

According to Taylor, salary was the most important and perhaps the only motivation to work, therefore it was important to ensure that workers benefited from a portion of the efficiency gains in the form of increased salary. The workers' motivation was that they could increase their remuneration by following the leaders' work instructions.

Human Relations

Partly due to the development of humanistic psychology in the 1960s, the idea of the worker changed along with a more positive image of man. Authoritarian management models were replaced by democratic models based on participation and co-responsibility. In his book “The human side of enterprise” Douglas McGregor (1960) argued that governance based on democratic principles would provide increased efficiency and increased profitability. The explanation was that the rewards in terms of increased self-esteem and respect from colleagues were at least as important as the increases in salary. McGregor assumes that efficiency depends on management’s ability to enhance conditions for the workers.

Management is severely hampered today in its attempts to innovate with respect to the human side of enterprise by the inadequacy of conventional organizational theory. Based on invalid and limiting assumptions about human behavior, this theory blinds us to many possibilities of invention, just as the physical science theory of a half century ago prevented even the perception of the possibility of radar or space travel. (McGregor 1960, p. 245)

According to McGregor, workers under favorable conditions not only accept, but also want, responsibility. Basing his concept on humanistic psychology, he believed that the ability to use imagination, ingenuity and creativity in solving organizational challenges exists in nearly all people. This potential is not part of the authoritarian management systems. The consequence was that management must create stimulating conditions so that workers identified with corporate objectives and were given opportunities to affect how their work tasks should be solved.

Participative Management

In the USA during the 1980s, manufacturing problems arose (at least partly) as a result of the increased importation of products made by efficient and quality-oriented Japanese companies. The American professor of management William Ouchi (1981) published the book “Theory Z” as a recipe for American businesses to meet this challenge. Ouchi was inspired by Japanese management philosophy which is based on the assumption that people in the organization are interdependent. Developing a feeling of community helps counteract selfishness and dishonesty in the firm. Care and altruistic behavior are natural results of close social relationships. Japanese organizational practices are forcing us to rethink

long-held perceptions of what are the appropriate sources of intimacy in society. “Americans may be a bit too narrowly focused in interpreting our economic and social life” (Ouchi, 1981, p. 9). Ouchi refers in this context to sociologists who argue that intimacy is a necessary ingredient of a healthy society. “Organizations can be effective economically and satisfying emotionally only by maintaining a delicate balance between intimacy on the one hand and objective and explicitness in the other” (Ouchi 1981, p. 53–54). To achieve dynamic interaction in the company, confidence and experience-based “tacit” knowledge are of great importance.

Profitability is perceived as a reward for offering customers high quality products, helping employees in their personal development and practicing social and environmental responsibility. Values are communicated to the employees through symbols and myths; in this way the values are more reliable and they are easy to remember. The collective values in the organization help the employees to experience and practice co-responsibility. In these kinds of organizations the only way to change human behavior is through cultural change. Therefore it is difficult to implement rapid changes in organizations of type Z.

The process of participative management, once begun, is largely self-sustaining because it appeals to the basic values of all employees. And in fact the process promotes greater productivity and efficiency through better coordination (Ouchi 1981, p. 110).

In much the same time period as Theory Z was published, a value-based perspective emerged on leadership theory. This perspective was first voiced in the late 1960s and gained momentum in the 1980s and 90s (Miller and Miller 2008). The increased attention on the importance of values inspired extension of several versions of network- and stakeholder theories and value-based leadership theories. The recognition that the principle assets of wealth creation are in fact people led to changes whereby management was replaced by stewardship. According to Miller and Miller, “management is the act of ‘handling’ things, while stewardship is the art of taking care of what’s been entrusted for safekeeping: in this case, the interests of customers, employees, society, future generations, and nature itself” (Miller and Miller 2008, p. 12). In this perspective a common purpose or value-system is more advantageous for “controlling” these kinds of complex ecosystems in which businesses in networks are to be seen, rather than commanding or convincing or even managing with participative management styles as postulated in Theory Z. One of the key characteristics of the value-based leadership perspective is that all employees are encouraged to question the company’s core values, strategies and concrete actions. A new

perception of the relationship between the employer and employee occurs. Each person is treated as an “individual company” where positions and promotions are no longer the focal point for career development, but where variety and personal development are assumed to be superior appraisals.

Instead of unilaterally giving priority to profits and return on owners’ capital, value-based leadership gives priority to responsibility towards all internal and external stakeholders. The goal in value-based leadership, according to Miller and Miller, is “wealth creation for the optimum benefit of all stakeholders” (Miller and Miller 2008, p. 13).

The new science keeps reminding us that in this participative universe, nothing living lives alone. Everything comes into form because of relationship. We are constantly called to be in relationship – to information, people, events, ideas, life. Even reality is created through our participation in relationships. We choose what to notice; we relate to certain things and ignore others. Through these chosen relationships, we co-create our world. (Wheatley 2006, p. 166).

Value-based leadership requires that the company is able to establish and develop mutually binding cooperative relations, by establishing foundations for the organization’s creativity through stimulating cooperative interactions between the individuals. There is no “us” against “them”, the main goal is doing business and acting as ethical stewards for the good of the larger whole.

Spiritual Leadership

Over the past few years interest in spiritual leadership has increased significantly. Spiritual leadership is rooted in an organic interpretation of organizations. Unlike management philosophies based on a mechanical worldview, spiritual leadership understands reality as an integrated union of spirit and matter. Deeper understanding of the interaction between prosperity, quality of life and natural conditions in recent decades has contributed to changes in leadership philosophy.

Many empirical studies show that the increase in material consumption does not contribute much to improving quality of life when consumption exceeds a certain level (Max-Neef 1995). From an organic perspective, prosperity, quality of life and natural conditions are interconnected. An increase in materialism does not lead to satisfaction of the desire for inner coherence and meaning. According to humanistic (Maslow 1971) and positive psychology (Seligman 2003) people have spiritual needs in addition to physical, mental and emotional

needs. People long to experience coherence and meaning in their work more than increased purchasing power.

In their book “Leading with Wisdom: Spiritual-Based Leadership in Business”, Pruzan and Pruzan Mikkelsen (2007) called for leadership anchored in a spiritual perspective transcending the individual company. Corporate goals cannot be isolated from objectives concerning positive social development.

Spirituality can be defined as the “breath” animating the individual and the community. The pervading breath of the human and the physical existence of aspiration, adventure and creative powers, “energy and consciousness are qualities of the ‘common ground’ of creation” (Miller and Miller 2008, p. 17). “Spirituality (e.g., prayer, yoga, meditation) is the source for one’s search for spiritual survival – for meaning in life and a sense of interconnectedness with other beings” (Fry 2003, p. 705).

Spirit stimulates our abilities, draws us towards the edge of our comfort zone and challenges us to reflect on our basic assumptions and worldviews. It can also imply a sense of living in a direct relationship with the source of creative power, whether this is God, Allah, Brahman or other religious sources, and to live life in the light of religious principles. Being aware of impulses from a spiritual source of life, having a consciousness other than the ego, living and acting in an expanded presence can also be understood as spirituality.

Spirituality connects individuals, organizations and society, “spirituality is simply a part of what it means to be human, inseparable from the human enterprise in business” (Miller and Miller 2008, p. 20). The connection between spirituality and leadership is rooted in “the recognition that we all have an inner voice that is the ultimate source of wisdom in our most difficult business and personal decisions” (Fry and Cohen 2009, p. 270).

In this way, the spirituality of individuals, organizations and communities are essential ingredients in developing viable communities based on empathy, an ability to immerse ourselves in the experiences, thoughts and feelings of others. Pruzan (2012) argues that we should develop our ability as human beings to be empathetic, and to promote the common good. Then a person’s spirit is vitalized into “a state of intimate relationship with the inner self of higher values and morality as well as recognition of the truth of the inner nature of people” (Fry 2003, p. 702). In this way spiritual leadership transforms economics’ basic image of the economic man.

Exploration, reflection and dialogue with the environment are central parts of the process. Spiritual leadership is based on a worldview characterized by

equality, reciprocity and continuous development, leading to the emancipation of creativity and social co-responsibility. It is therefore important to develop the ability to transcend the limited ego-mind (consciousness). Spiritual leadership leads to fundamental changes in the organization's self-understanding. Productivity, profits and GNP are no longer ends in themselves. According to Miller and Miller; "wealth creation is simply a natural result of excellence in living and working from a spiritual context" (Miller and Miller 2008, p 20).

This therefore means a change in the primary goal of organizations, "spiritual fulfillment and service to society, where both are derived from and motivated by a transcendent consciousness" (Miller and Miller 2008, p 19). The aim is to develop creative visions and values that unite the interaction between the various people in the organization and between the organization and its external stakeholders.

According to Fry (2003), spiritual leadership is developed within a model in which intrinsic motivation is more important than external motivation related to efficiency and profitability. The relationships within this model are characterized by altruistic love, hope and faith. Altruistic love is defined as a sense of wholeness, harmony, and "well-being" based on selflessness and thoughtfulness towards oneself and others. Hope refers to a desire that one expects to be fulfilled; faith is stronger and implies that one is sure that something will happen even if no evidence of this actually exists. People with hope and faith have a vision of "where they are going, and how they get there, they are willing to face opposition and endure hardship and suffering, to achieve their goals" (Fry 2003, p. 713). Hope and faith are thus the source of the belief that the organization's vision, purpose or mission can be fulfilled or achieved. When these values are integrated parts of an organization's culture, the dimension of trust extends. Confidently indulging in acts of faith to eternal organic life processes gives spiritual fullness of life.

The leaders' view of employees as being affected, reciprocative and in a process of continuous development is grounded in a vision where creativity, environmental and social responsibility is inherent in every human being as well as in the organization.

In Figure 15.2, we illustrate the evolutionary development of leadership theory based on the same dimensions as described in Figure 15.1.

Mechanical worldview	Scientific management	Human relations	Participative management	Spiritual leadership	Organic worldview
Atoms					Relations
Causality					Patterns
Instrumental values					Inherent values
Physical laws					Co-creation
Determinism					Creativity
Substance					Process
Individualism					Collectivism
Objectivism					Subjectivism
Ego centered self					Extended self
Materialism					Spiritualism
Top Down					Bottom Up

Figure 15.2 Evolutionary development in management and leadership theories

Reflections on the Development of Leadership Theory

To elaborate on the development of leadership theory we use the metaphor “yin-yang” as a gateway. In Taoism the world is characterized by cyclical patterns of motion between the forces “yin” and “yang”. Yin and yang are generalizations of the antithesis or mutual correlation between certain objects or phenomena in the natural world, setting limits for the cycles of change by creating a unity of opposites. All manifestations of Tao are generated by the dynamic interplay between these two polar forces. The two poles of nature can be exemplified by opposites such as:

Yang	Yin
Bright	Dark
Male	Female
Active	Passive
Movement	Rest
Rational	Intuitive
Upward-seeking	Downward-seeking
Heaven	Earth

Figure 15.3 Yin and Yang

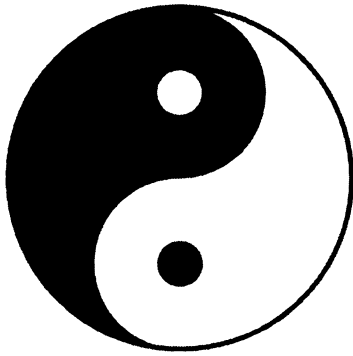


Figure 15.4 The yin-yang symbol

Yin and yang are descriptions of complementary opposites rather than absolutes. Any yin/yang dichotomy can be viewed from another perspective. All forces in nature can be seen as having yin and yang states and the two are in a constant state of movement rather than remaining in absolute stasis. The dynamic character of yin and yang is illustrated by the ancient Chinese symbol called T'ai-chi T'u, or "Diagram of the Supreme Ultimate" (Capra 1975, p. 107).

The bright and dark dots in the diagram illustrate the idea that the extreme positions always contain the opposite forces. In the dark yin there is a bright dot, and in the bright yang there is a dark spot. The symmetry refers to a rotating cyclical movement. "The yang returns cyclically to its beginning, the yin attains its maximum and gives place to the yang" (Capra 1975, p. 107).

To illustrate our arguments we refer to the yin-yang symbol in a simplified way. The principle states that the seed of the opposite, always existing in the extreme positions, is of great importance. In our context this means that there always exists an organic potential in mechanism and a mechanistic potential in organism.

From the brief overview in the preceding paragraph it becomes clear that the development of theories in business management and leadership, as Figure 15.2 illustrates, cannot be understood as a theory consisting of clear-cut stages. Instead we find elements of all dimensions in the different theories. For example we can find a spiritual dimension within scientific management, human relations and participative management, but often as a subset or subsystem and not as the dominating context of interpretation. The hallmark of spiritual leadership is the spiritual dimension forming the core and the overall involving dimension alight through all the different subsystems within the organization.

In each theory we find elements opposite to the key dimensions. As examples we will comment on perception of reality and on images of man and structure.

It is possible to identify a stub of organic understanding in scientific management, which is dominated by a mechanical worldview. Conversely, there are also mechanical elements within the organic, basic understanding of spiritual leadership. The same duality can be found along the dimensions pertaining to images of man and structure. In other words, there is no management and leadership philosophy without inherent contradictions. This duality also illustrates the dynamic interplay between the cultural driving forces and their counterparts.

In a Western perspective, the forces that need to be dealt with are those in favor of the values and principles characterizing the mechanical worldview. We are frequently and to varying degrees unaware of the inheritance of our materialistic culture.

In line with the processes of change in the perception of reality, theories in business administration and leadership have moved from the hierarchical and authoritarian to the more democratic. This process of transformation has been very slow, partly due to a need for a change in mindset in order to develop new forms of interaction. When top-down based control is reduced, it is necessary to count on the employees' sense of responsibility. In this process many managers often find it difficult to let go of their power.

The perception of reality ranges from the mechanical in scientific management, via the network of participative management and the organic in spiritual leadership. A mechanical perception focuses on the individual actors; effectiveness is to make work more efficient. Change is initiated by the leaders in a direction determined by the mechanical principles laid down by physical laws. Improved efficiency through linking motivation to work and the development of new relationships are characteristics within human relations and participative management. In an organic understanding of reality, the company is understood to be part of a self-organizing living whole characterized by dynamism and creativity grounded in inner-motivated actors. In this process it is important to strengthen a holistic view of the organization, where chaos is not the opposite of order, but where order arises without predictability. With a mechanical perception of reality, most managers will fear that their ends will never be achieved in such a context, where causality and determinism are no longer used to elucidate demanding situations and plans.

Images of man are also characterized by major changes. This varies from distinct instrumentalism in scientific management to the intrinsic and inherent values of spiritual leadership. This means that management in the first case is a means by which to increase efficiency and profits for individual companies.

In the second case, the goal is to help create societies of high quality of life and of a sustainable nature. In terms of profitability, the situation is reversed. Scientific management perceives profit as the ultimate goal, whereas spiritual leadership perceives profitability as a natural reward for altruistic social engagement. Scientific management is based on a negative image of man, where human beings are lazy by nature and want to avoid doing any work. Human relations have a positive image of man in which the individual seeks responsibilities and challenges. Participative management perceives the individual as a social being dependent on social ties and views leaders as moral actors with social responsibility. In spiritual leadership, the person is defined as being integrated into social and ecological networks. The perception of dignity as a core value is strengthened in the process, so that the instrumental values of alienated employees become less important. However, in the process of change it is relevant to take account of society, where the economy is partly shaped by market forces and where efficiency is a mechanism for survival. As examples of this, large and complex social institutions are managed in line with a kind of bureaucratic rationality in order to protect the collective interests. The result is that some types of instrumental rationality must be accepted. Taylor (1991) argues in this regard that the only way to avoid any instrumental sense would be to go into inner exile.

The organizational structure of scientific management is hierarchical and rooted in top-down decisions. To a certain extent this is the ingredient in human relations. Although the structure is still characterized by hierarchy, the bonds within the organization are looser, with greater consideration being paid to the individual employee's skills and motivation. Participative management is drawn more toward bottom-up solutions, working like a compass, with values, paths of action and decisions based on dialogue within the company and in relation to the enterprise's environment. In spiritual leadership there is a flatter organizational structure characterized by bottom-up initiatives and with processes of co-creation and creativity. The pendulum moves from a materialistic and atomistic view of organizations toward an emerging understanding of patterns and relations. A prerequisite for this movement is trust and reliance within the relations.

Pruzan and Pruzan Mikkelsen (2007) argue that the role of spirituality in business can be structured in three ways. The first approach designates business as the context for spirituality. Spirituality is of interest if it contributes to improvement of performance and bottom-line results. "Very similar inquiries have characterized developments in the field now referred to as corporate social

responsibility (CSR), where attempts at justifying responsible behavior/ethical behavior by an economic rationale have been referred to as ‘the business case’ for CSR.” (Pruzan and Pruzan Mikkelsen 2007, p. 287). This “business case” perspective dominates at present and can be connected to an unconscious “inheritance” from cultures dominated by materialism, for example narrowly focused MBA programs and business reward systems focusing on extrinsic motivation disregarding intrinsic values and personal and social well-being. The second approach is to give business and spirituality a certain equality through which business serves spirituality and spirituality serves business. Integrating spirituality into values alignment, stress management and job enrichment can bridge the gap between work and personal life. These attempts to balance business and spirituality lack a spiritual basis: “spirituality is not the basis and is not, so to speak, ‘in the driver’s seat’” (Pruzan and Pruzan Mikkelsen 2007, p. 288). In the third approach, spirituality is the context for business. Spirituality is the quintessence and nature of business and from which the profession of leadership is conducted. Leaders and executives have a spiritual view of life, operating and leading in accordance with this view and thereby gaining their insights, perspectives and experiences, and not vice-versa as in the first approach (Pruzan and Pruzan Mikkelsen, 2007).

Despite major changes in the three first management perspectives, the process is characterized by a focus on efficiency and profitability. The success of these models of business management is evaluated based on criteria indicating how well they serve the corporate financial objectives. They can also be linked to Pruzan and Pruzan Mikkelsen’s (2007) first and second approach of implementing spirituality as a sub-system in business management.

In the fourth perspective, spiritual leadership, there is a change in the primary goal of organizations, as profit and income are natural consequences of authentic individual actions in contact with a spiritual dimension, where their extended self connects them to both nature and culture. This is coherent with Pruzan and Pruzan Mikkelsen’s (2007) third approach. Fry (2003) agrees that these arguments indicate that previous management theories in varying degrees include one or more aspects of the physical, mental or emotional elements of human existence. But focus on the spiritual components has been ignored and clouded.

Although it is not possible to prioritize the various management and leadership theories, it makes sense to comment on the characteristics that typify the different approaches. Such a view makes sense when considering the extent to which the theories are adapted to the challenges they will handle. If we connect the dif-

ferent approaches with the complex challenges we face today it seems clear that not all approaches are equally relevant. However, although some of the theories can be considered adaptable to another era, they may have the potential to handle special challenges today as well. More specifically, we can say that scientific management can provide important input for improving the efficiency of many companies. The positive image of man in human relations provides an important impetus for the development of organizational culture. Participative management is based on network theory, which provides important input to an understanding that the company is inextricably linked with cultural and ecological conditions. Focus on relations also contributes to further development of the knowledge of change processes. Spiritual leadership represents a more profound change since the company is perceived as an integral part of a larger community where the objective is beyond the company's traditional boundaries. It appears that within spiritual leadership we find elements from all other management types. What is important is that the context for understanding changes in a fundamental way. Spiritual leadership requires a radical change in the way reality is understood. This implies that elements from all other forms of management get a "second opinion" within spiritual leadership. Management with spiritual grounding assumes a thoroughgoing change mentally which, among other things, causes one to understand mechanical solutions in terms of an organic worldview (spiritual leadership). There is a profound difference between interpreting the organic solutions based on a mechanical perception of reality – as in the case of scientific management – and interpreting solutions from a spiritual leadership perspective. Nevertheless, it makes sense to interpret the change process as a development in evolutionary consciousness (Figure 15.5).

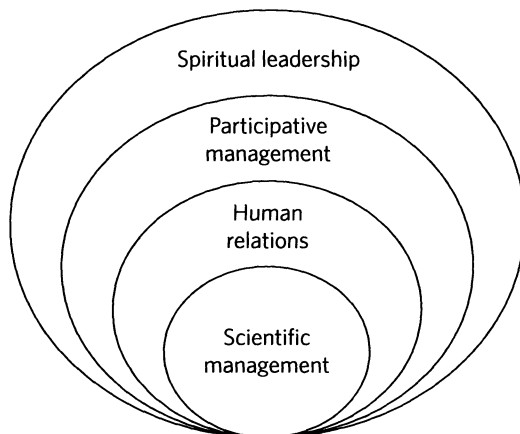


Figure 15.5 Evolutionary contexts of management and leadership theories

Reflections on the Interconnectedness of Economics and Leadership Theory

In the preceding paragraphs we have argued on the one hand that the process of development from scientific management to spiritual leadership can be described as evolutionary, and on the other hand that the change from a mechanical to an organic worldview in economics can be characterized as revolutionary. According to this line of argument, it is much easier to implement spiritual leadership within a context of ecological economics because the ontological preconditions are similar. Conversely, the organization has to deal with a number of challenges when trying to implement spiritual leadership within a neoclassical economic system based on a mechanical worldview. The cognition of how worldviews make different frames of reference for understanding reality and processes of change is fundamental.

On the one hand; cultural driving forces and the barriers of counterpart forces are concepts that originate from a deterministic and objective mechanical worldview. On the other hand, experiencing meaning, patterns and wholeness promotes changes in an organic perspective.

To implement spiritual leadership it is necessary to reflect on the following challenges. The organization must be willing to undertake a critical reflection of its established understanding of reality. This means that there must be room for thoughts and ideas which cut across accepted knowledge and values. There are relevant arguments for not including spirituality in business, if the economic context is characterized by mechanic presuppositions. For spiritual leadership to succeed it is also important to make changes in the economic system.

In addition to making changes in the external conditions, the leaders and employees are responsible for implementing an inner development striving toward a desired future. By stretching the moment out in space and time, leaders become aware that the choices they have made require awareness about the encounter between experiences and visions. Business is no longer bound by a recipe-related response pattern bound by time, money, physical circumstances, rigid beliefs or adverse reactive response patterns. Spiritual leadership is characterized by encouraging all internal and external stakeholders to reflect on their own intrinsic nature and purpose, and on the mutual interaction with other human beings and nature. These changes are at the same time essential for implementing ecological economics. Ecological economics and spiritual leadership therefore mutually depend on and reinforce each other. Implementing

ecological economics makes it easier to develop and practice spiritual leadership; conversely, by introducing spiritual leadership in business, ecological economics becomes more appropriate than neoclassical economics.

The interconnectedness between ecological economics and spiritual leadership can be illustrated in the following way. One of the key characteristics of spiritual leadership is the change in focus from personal gain to serving the common good. This means that the company's goal is to contribute to positive social development. The consequence is that businesses producing goods or services with negative effects on society or nature should be closed down, even if their profitability is high.

In accordance with our argumentation, Pruzan concludes that there is no empirical basis either to state that "people will be more successful in business (however one may define success) if they are spiritual" or to consider that "spirituality is the royal road to the top of the corporate pyramid" (Pruzan 2008, p. 112). The reason is probably that it is not relevant to measure spiritual leadership based on an organic worldview using a "mechanical" scale. The results are positive if an organic scale is used as a yardstick. Spiritual leadership leads to "deeper meaning in their work as well as personal and professional satisfaction, recognition, happiness, peace of mind and the feeling of being whole – of living with harmony with their values, thoughts, words and deeds" (Pruzan 2008, p. 112).

This kind of success incorporates activities in relation to inner values. In other words, spiritual leadership leads to a coherence of inner values and corporate activities. These are harmonized in such a way that the focus is directed more toward the company's long-term social mission than toward short-term profit goals.

The conclusion is that ecological economics and spiritual leadership are based on organic contexts of interpretation, which represents a more profound change since the company is perceived as an integral part of a larger community where the ends lie beyond the company's traditional boundaries. The spiritual dimension of life and meaning is the context of understanding reality. This anchoring requires a pervasive change in consciousness whereby mechanical solutions are understood from an organic perception of reality, and not the inverse, whereby organic solutions are interpreted in a mechanical perception of reality.

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