

Klaus M. Leisinger

The Art of Leading

**The Significance of Personality and
Character in the Choice of Leadership
Personalities in the Economy**

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The present work was inspired by Karl Schlecht, the founder and chairman of the Karl Schlecht Foundation, who has done great service to the intellectual legacy of Erich Fromm and has extensively promoted the work and the endeavors of the psychoanalyst Rainer Funk, who was appointed by Erich Fromm as the executor of his literary estate.

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Foreword

Prof. Dr. Ulrich Lehner¹

Leading business enterprises is an art and consequently calls for skilled craftsmanship. It involves both the internal leadership of the company and responsibility for its effects in society at large.

Business leadership is, however, also concerned with the way a society leads its companies, the way it shapes business activities. These questions are a central part of our task of shaping society. Professor Leisinger approaches this issue in a very fundamental manner and thus makes a valuable contribution to reflection on and criticism of our activities, which often lack long-term, fundamental perspectives. In his approach he makes use of the world of thought of Erich Fromm, a professing supporter of socialist humanism with an ideal-socialist view of the world, who was profoundly critical of capitalism and strove for no less than the creation of a new, socialist society. Professor Leisinger thus sets the highest standards for business conduct.

At present the market economy is subject to severe criticism, although it can be described as the most effective economic system in history. But does it have a future?

The economy is the most important and certainly the most necessary sub-system of human society. In the shaping of this system of social welfare it is necessary to ensure effectiveness and efficiency. This is one of the pre-eminent tasks of politics. As a sub-system the economy has many complex relationships with the other sub-systems of society, which must be understood and molded. In

¹ Professor Dr. Ulrich Lehner is one of the most influential leadership personalities in the German economy. The offices he holds or has held include, among others, Chairman of the Supervisory Board of the Deutsche Telekom AG and the Thyssen-Krupp AG, former Chairman of the Executive Board and present member of the Shareholders' Committee of the Henkel AG & Co., President of the Düsseldorf Chamber of Industry and Commerce (-2016), President of the VCI (German Chemical Industry Association) (2007-2010), member of the Administrative Council of the Novartis AG (2002-2015) and its Lead Director and Interim President (2013). As an honorary professor of the University of Münster and co-creator of the Leipzig Leadership Model he is also closely associated with the academic world.

this context it can safely be assumed that a theory which regards the capitalist economic order as the whole of society and subsumes all human relationships under the economy is inadequate. What is the aim of society and what is the target function of good company leadership?

A business enterprise is embedded in the most various environmental segments, to which -if it is to be successful - it must have a well-balanced relationship. The most important environmental segment is the sales market, but is also necessary to deal with the expectations of the buying market, the labor market, the finance market, the tax market and increasingly the general, differentiated opinion market which determines the general reputation of the enterprise. Corporate Social Responsibility (CSR) and the related reporting obligation reveal the changed view of the social role of business enterprises.

In all relationships between companies and the various environmental segments we find expectation gaps which have to be managed, as it is not possible to live long-term with (open) expectation gaps. No matter how difficult business leadership can be in everyday practice, it should be simple when the question of style is at issue. The actors must behave with deportment, accepting responsibility for their company, their staff, and all other participants in their business. Their actions must continually confirm trust in the system - in this case the social market economy - both in their own interest and in the interest of society at large.

However, the market economy also requires well-informed and mature citizens, who also shape their demands in accordance with the interests of society.

The internal leadership of a company involves target-oriented communication between the leaders and their staff that is based on values. Entrepreneurial action only fulfils the self-interest of the actors when it also fulfils a social goal. Hence the communication of a mission or vision to society can only be the communication of a social purpose. The staff of the company will also desire such an approach in regard to their work content.

The need for this approach also applies to the question of the measurement of success, to the question of short-term and long-term success, the sustainability of the policies adopted, to the

question of suitable incentive systems and to the question of a salary system compatible with the incentives.

The most recent version of the German Corporate Governance Codex clarifies the issue. Corporations should be led in such a way that they achieve a benefit for both individual businesses and the overall economy. This is the core of the concept of the market economy. In his book Professor Leisinger deals with the manifold facets of this organizational task. I would like to appeal to the leaders of business enterprises to enter intensively into the discussion on the shaping of our economic system on the basis of their rich treasury of national and international experience.

Preface

That "money alone" does not bring happiness is a popular turn of phrase. It is also common knowledge that available income greatly influences people's feelings of happiness or at least contentment. Lack of money to cover basic needs causes stress and makes people unhappy. It is not easy to explain why people in modern societies are on the whole more skeptical, mistrustful and pessimistic than ever before in spite of steadily increasing income over decades and better social indicators (among other things expectation of life, health and education). They are particularly skeptical about those whose activities have contributed decisively to economic growth and the greater range of choices it has opened up to individuals - the entrepreneurs and their senior executives.

Something has gone wrong which cannot be explained by the "money alone" saying, but is related to the circumstances accompanying economic growth and increased income and to people's disappointed expectations in regard to the price paid for "more money". The destructive ways of dealing with the natural resources of the earth, with the perceived unfairness in the distribution of the surplus value created and with the emotional and spiritual needs of individuals is important in this context. As far as the human price for economic development in the last decades is concerned, the increase in depressions and burn-out syndromes speak for themselves.²

The increase in mental illness would be enough in itself to give rise to concern about the status quo of human happiness. However, according to the international community in a report of September 2015 people living today are also confronted with

² See Rebscher, H. (ed.) (2016): 36. He writes: "The increased importance of mental illnesses has already been taken into account by the DAK Gesundheit (German health insurance company) in special analyses presented in its health reports of 2002, 2005 and 2013. In 2015 mental illnesses accounted for 16.2 percent of all days absent from work. This group of diseases was the third leading cause of absence from work.."

challenges which go far beyond the neglect of individual psychological needs.

"Billions of our citizens continue to live in poverty and are denied a life of dignity. There are rising inequalities within and among countries. There are enormous disparities of opportunity, wealth and power. Gender inequality remains a key challenge. Unemployment, particularly youth unemployment, is a major concern. Global health threats, more frequent and intense natural disasters, spiraling conflict, violent extremism, terrorism and related humanitarian crises and forced displacement of people threaten to reverse much of the development progress made in recent decades. Natural resource depletion and adverse impacts of environmental degradation, including desertification, drought, land degradation, freshwater scarcity and loss of biodiversity, add to and exacerbate the list of challenges which humanity faces. Climate change is one of the greatest challenges of our time and its adverse impacts undermine the ability of all countries to achieve sustainable development. Increases in global temperature, sea level rise, ocean acidification and other climate change impacts are seriously affecting coastal areas and low-lying countries, including many least developed countries and small island developing States. The survival of many societies, and of the biological support systems of the planet, is at risk."³

In order to solve the problems we are already facing today and to encounter foreseeable deterioration in environmental and social indicators essential to survival the members of the General Assembly were unanimously "determined to take the bold and transformative steps which are urgently needed to shift the world on to a sustainable and resilient path" and "as we embark on this collective journey" to ensure "that no-one will be left behind." They were further "determined"⁴

- to end poverty and hunger in all their forms and dimensions and to ensure that all human beings can fulfill their potential in dignity and equality and in a healthy environment;

³ Transforming Our World: the 2030 Agenda for Sustainable Development: Art. 14.

⁴ Transforming Our World: the 2030 Agenda for Sustainable Development: Preamble

- to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations;
- to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature;
- to foster peaceful, just and inclusive societies which are free from fear and violence; there can be no sustainable development without peace and no peace without sustainable development;
- to mobilize the means required to implement this Agenda through a revitalized Global Partnership for Sustainable Development based on a spirit of strengthened global solidarity focused in particular on the needs of the poorest and most vulnerable and with the participation of all countries, all stakeholders and all people.

The participants in the General Assembly declared unanimously that the achievement of these ambitious goals is incompatible with "business as usual" and that a new approach is needed. (Article 13). To solve the problems of the existing dimensions and complexity all the social actors must make their contribution, including the business enterprises with their high potential for organization, creativity and innovation

There is a widespread international consensus that *business as usual* would be disastrous – or, to put it in the words of Albert Einstein, you can't solve a problem with the same thought patterns that helped to bring it about. In the present context what matters are the thought patterns of the people with responsibility for leadership in business enterprises, as they filter out the legitimate courses of action from an innumerable number of possibilities. This does not mean that a changed mental attitude is not also necessary among the bearers of responsibility in the political sphere and civil society and other responsible persons. But the responsible leaders of business enterprises stand in the foreground because they are acknowledged to possess great potential for organization, creativity

and innovation, whose realization is of the greatest importance for a sustainable and humanitarian development.

When we speak of new thought patterns of people in the economy, politics and society, however, it is worthwhile to look back to already existing ideas which have been somewhat forgotten in the public sphere: for example the ideas of the great German-American philosopher and psychoanalyst Erich Fromm. Fromm has the great merit of considering economic events and the people whose decisions and omissions shape them from a completely different perspective than is customary in the curricula of the established business schools: from the perspective of psychoanalysis and with regard to the structure of personality. This may irritate or even amuse business economists and other economic purists. However, those who ignore the factor of the human being in the discourse on the normative justness of business activities are guilty of what Jacob Burckhardt called a "terrible simplification".

We are all children of our times, shaped by our specific values, socialization, the historical and social framework conditions under which we grow up and live and the experience we make. Knowledge and intellectual substance from another period of time must, therefore, be understood in the light of the context in which they arose and tested in regard to their validity for the contemporary life world.

This is true, of course, not only of Erich Fromm, but of all the great thinkers in human history from Plato and Confucius to the relevant intellectuals of the present day. And in works as comprehensive as those of Erich Fromm there are many ideas which can be misunderstood if presented out of context in a condensed form.

In order to do justice to the significance of Erich Fromm's insights for modern society it is necessary, on the one hand, to take into account his definition of concepts and the socio-political and historical context of his thinking. On the other hand one must attempt to distill the substance of those ideas which, over and beyond the historical and political circumstances of that time, are still important guides for action in the present day.

Such work - this must be pointed out clearly in the interest of transparency and truthfulness - is always subjective in character. The closeness of the consciously chosen title of my book to that of Erich Fromm's best known work⁵ "The Art of Loving" is meant to indicate that my recommendations are inspired by Fromm's ideas. They are, however, shaped by my personal value judgments and my life experience.⁶ It must also be said that a brief presentation of such a complex life work as Fromm's has its price. Others may decide whether the price paid here is appropriate.

I was inspired to undertake this work by Karl Schlecht, the founder and chairman of the Karl Schlecht Foundation⁷, who has made an outstanding contribution to the preservation of the intellectual legacy of Erich Fromm by funding, since 2012, the forty-years long work of Rainer Funk, the psychoanalyst appointed by Fromm to administer his legacy - most recently by means of the mutual establishment of the Erich Fromm Foundation and the Erich Fromm Institute in Tübingen. In this way it is ensured that the intellectually and ethically grounded legacy of Erich Fromm and the application of his knowledge as an aid to leadership personalities will be maintained, further developed and disseminated across the generations.

Klaus M. Leisinger
Basel in Spring 2018

⁵ *The Art of Loving* was a bestseller, alongside *To Have or to Be*, which was published twenty years later.

⁶ People perceive the world around them through a subjective filter. Generally they take cognizance approvingly of what is compatible with their personal value judgments, ideas about "God and the world" and the experience they have made in the past. The same factors also determine the structure of our conduct. I have dealt with my own value judgments and axiomatic assumptions in Leisinger, K. M. (2006): 3 ff. According to Erich Fromm the happiness and mental health of an individual depends on the validity of the value judgments he makes.

⁷ See www.ksfn.de/die-stiftung.html.

1. Introduction and background

1.1. The anxiety of people in modern societies

In our Western society there are many signs that old certainties are being shaken: social, political and ecological problems seem bigger and more complex than ever before. The individual, institutional and national means of influencing solutions seem slighter. More and more people fear that everything they have undertaken to ensure their wellbeing and that of their families is being destroyed. The fear of threatening changes and doubts about the possibility of overcoming contemporary economic and social problems with the traditional package of democracy and market economy create new political realities. Even in the USA, the paragon of capitalism, less than half of the 18 to 29 year-olds support capitalism, at least not in the form which has taken shape in the last twenty years.⁸

The majority of Germans (55%) look into the future with fear rather than confidence. The middle generation (35 - 54 year-olds) is particularly pessimistic; 83% of the interviewees reckon with harder times.⁹ Many of the working population fear that they will not be able to maintain their living standards. A great majority of people interviewed in other "mature" industrial countries (OECD countries such as France, Great Britain or Japan) do not believe that their situation will be better in five years time. According to a survey made by the Wall Street Journal (July 2016) 73% of the US Americans share the pessimistic opinion that the country is developing in the wrong direction.¹⁰ Fears of this kind are

⁸ Kendtior, S. (2016). It must be pointed out here that a huge range of interpretations lies concealed behind the concept of "capitalism". It covers everything from the "Manchester capitalism" castigated by Karl Marx and Friedrich Engels in the 19th century to the "social market economy" of the present day German Federal Republic, which is also characterized and ideologically criticized as capitalism by Sahra Wagenknecht (2016).

⁹ Survey of the public opinion research institute GfK commissioned by the Hamburger BAT Stiftung für Zukunftsfragen (Foundation for Future Studies) in December 2015.

¹⁰ Zitner, A. (2016)

instrumentalized by those political camps which hope to protect all acquired rights through a national policy of isolationism.¹¹

Scandals are a further factor. Companies, including former beacons of progress, are found guilty of fraud and bribery. Heads of companies are caught doing illegal business, dismissed, brought to court, and lose their honor and reputation. Top managers who volubly justify their high, variable income with the huge dimensions of their responsibility and the risks accompanying their position insist on the payment of bonuses after they have evidently made mistakes, as if nothing has happened. All of this creates discontent if not anger and contributes to the spread of uncertainty and mistrust. When the chairman of a big enterprise receives a gratuity of 12 million euros after working for 11 months, and a cleaner in the same company cannot live from her/his pension after 40 years of work, something is principally wrong. A capitalist economic order which permits such modes of behavior undermines its own trustworthiness.

This is a pity, as business enterprises are extremely valuable for society. People work together to produce and offer important goods and services. Successful companies make such new services available which make life easier. Inventions and innovations help to solve problems which were insoluble for our ancestors. Companies and suppliers create places of work, pay salaries and make profits. They pay taxes which enable the community to fulfill its tasks. And finally they make contributions to social security systems and insurance companies. All of these contributions must be evaluated very positively from a social-ethical point of view. A successful economic sector containing active, flourishing enterprises is not sufficient in itself to ensure the wellbeing of a society¹², but without successful business enterprises there can be no prosperity.

¹¹ Against the background of fear of social decline and an awareness of the unfair distribution of wealth the anthropological constant of xenophobia is additionally intensified by the mass migrations into Germany. Some of the reasons for Donald Trump's electoral success are in the same category.

¹² The economy is a social subsystem alongside others (e.g. politics, law, science and religion). On the functional differentiation of modern societies see Luhmann, N. (1995).

Stagnating or even failing societies benefit nobody - on the contrary, they cause great human suffering in the affected countries and give rise to wider problems, for example as an incentive to migration.

It might, therefore, be expected that people value their enterprises and the positive effects they have, particularly in the democratic industrialized countries with a market economy. But this is not the case. For many years people in modern societies have shown a more or less describable but growing antipathy towards big companies. Almost half of the people in the industrialized and threshold countries are *not* of the opinion that (big) companies work *in the best interests of society*. The higher the degree of economic development in a country, the greater the skepticism.¹³ According to a world-wide survey carried out by Globescan in July 2016¹⁴

- 48% of the interviewees trusted scientific and academic institutions,
- 30% non-government organizations (NGOs),
- 25% big charitable organizations,
- 16% the United Nations (UNO),
- 12 % the national enterprises in their own countries,
- 1% their own national governments and
- 0% internationally operating enterprises.

The data of the 2017 Edelman Trust Barometer¹⁵ reveal a similar picture. When people in 28 countries were asked to state the institutions they trust "to do what is right" 53% named non-governmental organizations, 52% business, 43% the media and 41 % governments.

With the exception of the scientific academic institutions and the NGOs trust has declined in most industrialized countries in recent years. People with low incomes feel they are excluded from the overall positive economic developments and have less trust in business enterprises and the state than people with bigger incomes.

¹³ GlobeScan (2016).

¹⁴ GlobeScan Global Webinar (2016): Slide 12.

¹⁵ Edelman Trust Barometer Global Report (2017): Slide 10.

The increasing disparity of incomes has also resulted in a loss of trust in politics, the economy and society.

Surprisingly enough, however, most people place more trust in the business enterprises to master the challenges arising in times of change and upheaval than in governments and non-governmental organizations. Eighty percent of the interviewees were of the opinion that the economy is best able to solve the problems to be faced (for example in the context of the *2030 Agenda for Sustainable Development*¹⁶).¹⁷ However, 63% of the interviewees felt that the governments (which they trust even less!) must lend a helping hand to the companies by providing legal support.

Unbelievable examples can be quoted of cynical and criminal business activities.¹⁸ Lies and deception are prevalent even among big German enterprises with a significant degree of state ownership. In my opinion, however, the lack of trust cannot be traced back primarily to the well-known scandals¹⁹, but is predominantly a product of the disparity between what people in society expect and what the management of the companies "delivers". Most people in industrialized and threshold countries expect leadership personalities in business enterprises to define their responsibilities more broadly and to take more account of the interests of claimant groups in society outside the financial sector.²⁰

¹⁶ United Nations (2015).

¹⁷ Edelman Trust Barometer (2016).

¹⁸ The Frankfurter Allgemeine Zeitung, for example, reports that the management of the BHP Billiton and Vale mining company knew long before the catastrophic bursting of the dam about the danger of the resulting toxic mudslide which killed at least 19 people, but it gave higher priority to increased production than to safety requirements. FAZ (2016): 25. The deceit in connection with the diesel affair of the German car companies, let alone the recently published cartel accusations (Der Spiegel, N° 30, 2017) cannot, in the final analysis, even be rationally explained.

¹⁹ According to Merriam Webster a scandal "is an occurrence in which people are shocked and upset". If such occurrences were normal daily happenings they would still be annoying, but they would not be scandals.

²⁰ GlobeScan (2016b). This is by no means a new development See Clark, J. M. (1916): 209-229.

Around 87% of the interviewees in the industrialized and threshold countries believe that in setting their goals the companies should at least place equal weight on social matters; only 28% are of the opinion that the companies meet their responsibilities in this respect.²¹

Trust - here defined as the confidence in advance that the actions and conduct of other people or institutions will meet one's own expectations - is the oil which enables a machine to run smoothly. Belief in the honesty of others and the confidence that they will act in accordance with shared values enable a reduction of complexity. One does not need to employ an army of lawyers and inspectors in order to ensure the observance of all contractual details and all precautionary measures and to exclude unfair advantages for one side or the other. In spite of all the remaining uncertainties involved in future activities, one can expect "the other side" to justify the trust placed on him by acting accordingly. For Francis Fukuyama trust is the *conditio sine qua non* for the success of modern societies.²²

For business enterprises trust is not only useful, but of "value" in the true sense of the word. People who trust a company buy its products and services (68%), recommend it to friends and colleagues (59%), share their positive judgment with others (41%), defend the company against criticism (38%) and are willing to pay (somewhat!) higher prices (37%) and to buy its shares (18%).²³

A study by Ernst and Young discloses an even greater internal problem. Not even half of company staff have trust in their own company.²⁴ When one analyzes the factors which, in the opinion of the interviewees, create trust (e.g. "treats me with respect", "behaves ethically" and "communicates openly/transparently") the leadership deficits become evident. Where trust is lacking less loyalty can be expected, more control is necessary and less responsibility can be delegated.

²¹ Edelman Goodpurpose Study (2012): Slide 17.

²² Fukuyama, F. (1996): 11.

²³ Edelman Trust Barometer (2016).

²⁴ EY (2016).

Social unease, particularly in regard to the big globally operating companies, is not new. It has, however, become more intense and has reached a magnitude which does not allow us simply to pigeon-hole it as politically leftwing or rightwing, or to assign it to some narrowly defined interest groups. Many years ago the *Harvard Business Review* (HBR), the journal regarded by many managers as the "central organ" of business intelligence, diagnosed that social trust in business is running out.²⁵ The HBR gave top managers the therapeutic advice to do what they could to win back the trust of the stakeholders and to cultivate their relationships with them more effectively.²⁶

After the financial crisis of 2007ff the *Harvard Business Review* called for a reform process that should begin right at the top. Company executives must credibly convince civil society that they take seriously the political and social misgivings in regard to the payment of top managers, their risk management, the duties of supervisory boards and the treatment of employees who are dismissed. Winning back trust also means abandoning the idea that the sole aim of management is to increase shareholder value.²⁷ But there are few signs that this advice has been followed.

So it is not really surprising that top managers have a poor reputation in regard to trustworthiness; only 37% of the people interviewed by Edelman regarded CEOs as trustworthy.²⁸ It is no consolation that the reputation of government leaders is even worse

²⁵ See Beinhocker, E., I. Davis and L. Mendonca (2009).

²⁶ "The strategic imperative for most companies is to do what they can to regain the trust of stakeholders and to more effectively manage relationships with them. This starts at the top." See Beinhocker, E., I. Davis und L. Mendonca (2009): 57 f.

²⁷ "Corporate leaders need to demonstrate to civil society that they understand popular and political concerns related to executive compensation, risk management, board oversight, and the treatment of employees facing layoffs. Regaining trust also means dispensing with the view that the only objective of management is to increase shareholder value." See Beinhocker, E., I. Davis and L. Mendonca (2009): 57 f.

²⁸ Edelman Trust Barometer Global Report (2017): Slide 16.

(27%). However, the social reforms demanded by the 2030 Agenda require robust trust in the economy and the political field.

The *Harvard Business Review* was not alone in its criticism. In January 2012 the *Financial Times*, equally above suspicion in regard to destructive criticism of the capitalist system, published a series of articles bearing the title "Capitalism in Crisis"²⁹ Here economic growth was characterized as insignificant, unless it had a comprehensive, positive social effect. As a consequence of the failure to fulfill public expectations the *Financial Times* diagnosed a decline in social acceptance. The *Economist* – which also cannot be classified as a militant leftwing publication – added its critical voice and concluded that "the era of free market triumphalism has come to a juddering halt."³⁰ For all people who see in the regulatory policies of the market economy and free enterprise the essential driving forces behind the welfare of Western societies such statements should trigger alarm, a search for causes and countermeasures.

Whether "business" works in the best interest of society or not is not determined by abstract entities but by specific individuals who work in the companies – and quite particularly by those who are responsible for leadership. Hence the mistrust expressed about business enterprises is in fact an explicit vote of no confidence in the top managers of the companies.

1.2. The perception of society among top managers

There are people who are immediately irritated by the mere mention of the "ethical responsibility of leading executives in business

²⁹ See *Financial Times* (2012). An analysis with the same title and a similar message by M. Blyth appeared in *Foreign Affairs* in July/August 2016 www.foreignaffairs.com/reviews/review-essay/2016-06-13/capitalism-crisis.

³⁰ Wooldridge, A. "The visible hand" in *The Economist* 21.01.2012. Available online under: www.economist.com/node/21542931 [last accessed on 27.10.16].

enterprises", because in their opinion it brings together two contradictory, mutually exclusive concepts. Either one speaks of ethical responsibility or of top managers. To demonstrate the validity of their viewpoint they point to a long list of examples showing that the people in the executive suites of companies pursue a policy of uncivilized capitalism at the expense of social and natural capital³¹ and profit personally from its practice through short term bonus systems.

Today less than half the people interviewed in 27 industrialized and threshold countries trust top managers (CEOs) to work in the best interest of society. The reasons given are "too great a focus on short term financial results", "inadequate consideration of long-term effects" and "insufficient creation of places of work". The interests of business elites are regarded as being dissociated from those of the general public. According to the judgment of the interviewees the social and ecological expectations of society play no part in the deliberations and decisions of leading executives.³² There is a widespread "self-service mentality" realized in the form of bonuses which have little to do with the actual performance.³³

The greatest discrepancy between what people in modern society expect of top managers and their actual activities and conduct lies in the spheres of "integrity" and "social commitment". As a precondition for a state of affairs in which business enterprises are perceived as operating in the best interests of society

- 50% of the interviewees expect top managers to be highly ethical in their conduct. Only 24% feel that this is the case – a discrepancy of 26%;

³¹ See, for example, Dönhoff, M. (1999); see also Helmut Schmidt's reflections on "predatory capitalism" in ZEIT Forum Politik (21.09.2008). "Capitalism" is defined here in an ideologically neutral way as an economic form in which the right to ownership of capitalism including the means of production exists and whose steering mechanism is the market.

³² Edelman Trust Barometer (2016).

³³ Kaiser, T. and H. Zschäpitz (2016): 33 ff.

- 53% of the interviewees expect top managers to act responsibly in solving problems and dealing with crises. Only 33% feel that this is the case - a discrepancy of 20%;
- 50% of the interviewees expect top managers to act transparently and openly. Only 24% feel that this is the case - a discrepancy of 26%;
- 52% of the interviewees expect top managers to treat their staff well. Only 25% find that this in the case in practice - a discrepancy of 27%;
- 50% of the interviewees expect top managers to respond to the needs of clients and to their feedback. Only 25% feel that this is the case - a discrepancy of 25%.³⁴

In the discourse on expectations and reality in regard to the observation of ethical norms in everyday business life the individual ability to accept responsibility and the personal moral obligation of top managers to act to the best of their knowledge and belief have receded into the background. Governance and values management processes continue to be an important aspect of ethically reflected business leadership. However, with the help of values management and the well-known "toolbox"³⁵ of good corporate governance it is only possible to reduce the likelihood of illegitimate activities occurring and to recognize and correct culpable breaches of laws and internal regulations at an early stage. They cannot help to overcome deficits in the individual morality of managers and staff. But this is the cardinal issue.

If they have not atrophied into mentally disturbed "system agents"³⁶ in need of psychiatric help, the people who lead businesses

³⁴ Edelman Trust Barometer (2016): Slide 37.

³⁵ See Wieland, J. (2004) and Wieland J et al. (ed.) (2014)

³⁶ Rupert Lay is the author of this formulation: He describes these people as persons who no longer act responsibly in accordance with their personal primary and hence critical virtues (e.g. conflict resolution skills, competence in creative disobedience) but take the easiest way out by following the imperatives of the institutions in which they work (companies, churches, administrative bodies, trade unions) and by abandoning independent thinking and judgment in order to minimize possible friction loss and to generate potential personal advantages by means of anticipatory obedience. The given system-immanent aim or the dominant ideology define what is

are primarily perfectly "normal". They are capable of distinguishing between what is normatively right and what is wrong, making intelligent and rational decisions and weighing up different choices. In addition, they possess a "moral imagination"³⁷ which enables them to solve complex problems in specific contexts in the most socially competent and biophile way.

Pico della Mirandola formulated this notion in a consummate fashion over 500 years ago. As the "intermediary between creatures" the human being is "the familiar of the gods above him, the lord of the beings beneath him, by the acuteness of his senses, the inquiry of his reason and the light of his intelligence" he is "the most wonderful creation of the world." And Pico has God say that man has the freedom to fashion himself into whatever form he chooses:

"The nature of all other creatures is defined and restricted within laws which We have laid down; you by contrast, impeded by no such restrictions, may by your own free will, to whose custody We have assigned you, trace for yourself the lineaments of your own nature. I have placed you at the very center of the world, so that from that vantage point you may with greater ease glance round about you on all that the world contains. We have made you a creature neither of heaven nor of earth, neither mortal nor immortal, in order that you may, as the free and proud shaper of your own being, fashion yourself in the form you may prefer. It will be in your power to descend to the lower, brutish forms of life; you will be able through your own decision, to rise again to the superior orders whose life is divine."³⁸

"right" in the sense of a closed morality. The weighing up of choices is a disturbing factor under such conditions. Stanley Milgram (1974) has shown in his experiments what this can lead to. The systemic attribution of the morality of actions relieves the individual system agent of the responsibility for his own actions. The price paid for the adoption of secondary virtues is emotional and social atrophy. For system agents what is ethically acceptable is what benefits (or seems to benefit) the system. See Lay, R. (1990):40ff.

³⁷ On this point see Werhane, P. H. (1999) and Werhane, P. H. and B. Moriarty (2015).

³⁸ Pico della Mirandola, Giovanni. *Oration on the Dignity of Man* (1468/1956): 7-8. More than 500 years later, at the UNO General Assembly of 2015, Pope Francis argued similarly, quoting his predecessor Pope Paul VI. "For the danger comes neither from progress nor from science; if these are used well they can help to solve a great number of the

We need add nothing to this even in the 21st century. Each of us - including all the leading personalities in business, society and politics - is a freely deciding, creative being in the sense of Pico in everything he undertakes. Each and every one of us can do what he knows in his innermost being to be right. This individual moral responsibility cannot be shuffled off onto others or onto unfavorable circumstances. The ethics of responsibility - this is at least my strong personal conviction - is for people whose actions affect the lives of others infinitely more important than an ethics of conviction based on continuously rising quarterly results.³⁹ The acceptance of personal responsibility for the moral quality of one's own actions and conduct is primarily a question of understanding one's own human dignity -and this applies to the leadership personalities in business enterprises.

This may sound idealistic, but in my opinion this is only superficially the case. Refusal to participate in illegitimate activities in order to make a profit although others use such opportunities to their short-term advantage involves the risk that the turn-over and profits of one's own company suffer in the short term in comparison with other businesses. It can also have (slight) negative effects on the personal annual bonus. However, one's own health or even life is not endangered. Ethically justified refusal to violate the rights and dignity of people living today or in the future is therefore no less reasonable in the business context than in any other - and for mental health it is an even better option. As only mentally healthy people should accept the responsibility for decisions whose consequences affect the life of others, it is worthwhile in this context to take a look at the ideas of Erich Fromm, the great German-American psychoanalyst, philosopher and social psychologist.

serious problems besetting mankind. The real danger comes from man, who has at his disposal ever more powerful instruments that are as well fitted to bring about ruin as they are to achieve lofty conquests". Pope Francis (25.09.2015).

³⁹ On this point see the still highly topical article published by Max Weber in 1919 on "Politics as a Vocation", in: Weber (1919/1998): 177-128.

In order to put the treatment of normative concepts in business life in context I will first sketch the principle outlines of the contemporary discourse on corporate ethics.

1.3. "The ethics of social action" as principled reflection on upright moral conduct of top managers

The nature of responsibly orientated pursuit of profit in the context of global competition has been the subject of intellectual discourse for many years and has taken many forms involving a wide variety of approaches.⁴⁰ Thought-provoking ideas have also been presented in the German-speaking countries.⁴¹ Although in the discussion on the implementation of recognized norms in profit-oriented action the ethical theories presented have given rise to differing concepts and priorities, all of the contributions revolve around the answer to the classical questions put by Immanuel Kant in his *Critique of Pure Reason*.⁴²

- What can I know (as a responsible leadership personality)?
- What ought I to do?
- What may I hope?

These questions are particularly valid in situations involving time pressure, scarcity of resources and the pressure of international competition. In order to ensure that profit-oriented business activities maintain a high ethical standard - at least as *minima moralia* - and that business profits are not achieved at the expense of violations of human rights, irreparable collateral damage for people living today and in the future and for natural and social capital, action at (at least⁴³) two levels is required: at the *organizational* level

⁴⁰ A good survey of the theory is given in A. Crane and D. Matten (2010). On the practical application of the theory see Crane, A. et al. (ed.) (2009).

⁴¹ On this point see van Aaken, D. and Ph. Schreck (ed.) (2015).

⁴² Kant, I. (1781/1998): 677.

⁴³ Above "business ethics" there is a meta-level at which a normative evaluation of economic systems and regulatory political approaches takes place. At this level scholars examine how normative ideals can be

(corporate or governance ethics⁴⁴) and at the *personal* level of the staff members and particularly of those with responsibility for leadership. The personal level is the most important, as the structure and stringency of ethical considerations at the organizational level are also determined by people. The manager of an organization who is inspired by humanist ethics (the ethics of Erich Fromm), who supports his motives and concerns by means of corresponding incentive and control structures, will achieve a broader impact. Allow me, therefore, to make a few remarks first of all on the issue of corporate and governance ethics.

1.3.1. Corporate ethics: the organization as a moral actor

As *juristic persons* business enterprises are the bearers of a variety of rights, obligations and expectations. In view of their ability to activate and coordinate personal (intellectual and moral), financial, technical and organizational resources and to apply them to the achievement of set goals the attribution of competencies to them is particularly demanding. Just as the human body is ultimately composed of the total number of its cells but the human being is nonetheless infinitely more than the sum of the properties of those cells, so too are the business enterprises more than the sum of their members. Companies are in a position to pay equal attention simultaneously to different things. Apart from their operative activities, for example, they can participate in the constitution, modification and discursive justification of the norms guiding their actions. Individuals would be overtaxed if they had to do various things simultaneously with the same degree of attention and quality.

An important requirement for ethically acceptable

implemented in an incentive-compatible way in complex differentiated political economies under the conditions of global competition. On this point see Suchanek, A. (2015). For a short introduction see Springer Gabler Verlag (ed.) Gabler Wirtschaftslexikon, Stichwort Wirtschaftslexikon, online under <http://wirtschaftslexikon.gabler.de/Archiv/1883/wirtschaftsethik-v7.html>.

⁴⁴ On this point see Wieland, J. (2007).

institutional conduct is the creation of all conceivable preconditions and the initiation of management processes designed to define illegitimate activities as such and to discourage them. Specifically this means that moral values and normative rules must be applied to all the relevant principles of leadership and to the decision-taking and management processes. Examples of this are action and conduct guidelines for their staff in sensitive areas and normative and responsibility-sensitive criteria in determining individual performance targets. The assessment of staff members, the fixing of bonuses, the criteria for promotion and *due diligence* processes in cases of acquisition and fusion must all be normatively controlled and enriched.⁴⁵ In this way all the staff of companies and also their most important suppliers can recognize what can be regarded as legitimate and desirable and what cannot out of the infinite number of theoretically possible forms of action in the company. As "morally correct" actions are rewarded by means of normatively enriched systems of judgment and bonus systems, incentives exist to act accordingly. In this way, justice is done to Garret Hardin's "cardinal rule": *Never ask a person to act against his own self-interest*.⁴⁶ Given the right incentives "the good guys" are no longer "the suckers"

Most of the decisions taken in institutions contain an element of outside determination because the cultures, philosophies or models of the companies have a normative effect on actions and conduct. In a professional context people often act differently than in the private sphere. Erich Fromm would attribute this to psychological reaction patterns resulting from adaptive achievement. However, an organization never acts merely as an abstract juristic person, but is also influenced by the large number of *people* working at various hierarchical levels. In the context of the existing sustainability problems companies can only learn when their staff at all levels learn.⁴⁷

⁴⁵ Leisinger, K. M. (2016c): 111-122.

⁴⁶ Hardin, G. (1977): 2.

⁴⁷ Senge, P. et al. (2008).

It is not, therefore, the case that abstract economic systems or anonymous corporations decide on the moral quality of the desired action and conduct portfolio of an enterprise, but individual people. Human beings alone have the gift of ethical reflection and the moral imagination needed to be successful when making morally upright and intelligent moves within the given rules of the game.⁴⁸ Social systems such as "the economy" or subsystems such as "the business enterprise" can *per se* only be moral or immoral in a limited sense. Moral achievements or moral failures are brought into the system by people, their personalities, their value orientations, their actions and behavior. This brings us to the individual people and their "ethical musicality".

1.3.2. Individual ethics: man as a moral actor

Ethical considerations can only show an effect when responsibility is attributed to and demanded from individual people. At all levels of a company the staff possess both professional knowledge and experience and social competence. And they also possess personal human dignity which they wish to preserve through the quality of their actions. The bearers of responsibility for leadership are particularly obliged to weigh up responsibly the ethical choices when dealing with moral dilemmas and not simply to decide on the basis of the short term criteria for success in business.⁴⁹

⁴⁸ On this point see von Broock, M. (2012).

⁴⁹ See Leisinger, K. M. (2010): 48-75. See also KPMG (Ed.) (2014): 63% of the interviewees see the causes for criminal business activities exclusively or primarily in human factors (such as financial motivation or possibilities for justification) rather than in technical abilities or lack of control. Interestingly and contradictorily enough, little importance is attributed to the "tone at the top". More than 80% regard the lack of role models in top management as largely irrelevant. According to the most recent research the "tone at the top" is, alongside fitting risk analyses and training, the most important factor determining good results in compliance management. See the Konstanz Institut für Corporate Governance (2017).

As top managers set the course for a fair and honest corporate culture they are accountable for the ethical quality of business dealings and are hence the central reference persons. As their decisions affect not only the variables essential for the financial analysts but also the lives of other people and the depth of the ecological footprint of the company, they must be judged both by the standards of business success and by the way in which it is achieved. A company can no longer be measured by its products alone but also by the values it represents.

The members of the executive suite of business enterprises decide:

- what values the company regards as the non-negotiable foundation for its practical activities - and, even more important, *they must set an example for all others*;
- how comprehensively the *mission* and the *goal* of the company are defined, for example whether the shortterm business sphere of company activities alone, i.e. the financial capital, is of importance or whether social and natural capital and human dignity are also taken into account in the decision-making process;
- what normative standards are included and formulated for operational purposes in the *codes of practice and conduct* of the company;
- what *company guidelines* are defined for business activities in sensitive areas, what measures are undertaken to routinely control their observation and what sanctions are imposed even when sanctionable activities have positive effects for the business;
- whether in the *processes of personnel selection, the setting of goals and the assessment and promotion of staff* normative criteria also play an important role alongside the economic, scientific and technical criteria.

The results of the policies adopted have a greater chance of social acceptance when the principle formulated by Jürgen Habermas is taken into account: "What concerns everyone should also be decided by everyone". The acceptance of decisions taken in the

narrowest circles is - even when they turn out to be right - mostly lower on account of the *a priori* lack of social trust.

Because leadership personalities (and "normal" staff members) can in the short term make impressive profits with illegitimate activities and so supposedly make a "good" impression, it is normal for professionally led companies to maintain minimum gaps between promotions and to insist on "clawback" provisions for boni.⁵⁰ It is also a well-known fact that the serious treatment of ethical issues (a minimum of theory and a maximum of realistic case studies) benefits the company.⁵¹

One final point: Although normatively guided business activity is highly important and desirable, it would be naive not to distinguish between the moral *will* of top managers and their actual *capacity* to act under the given, generally valid rules. The market must be embedded in a suitable and credible system of rules. If the overall institutional conditions are in order ethically acceptable action is then in a manager's own interest and does not call for moral heroism.⁵² Responsible ethically motivated activities which go beyond the legal and regulatory requirements of a specific country always give rise - at least in the short term⁵³ - to additional costs and competitive disadvantages and hence - *ceteris paribus* - to diminished profits. Ethically reflected action pays off in the long term, but in the short term it cannot be had for nothing.

What is more: by no means everything that is *legal* is also *legitimate*.⁵⁴ This applies in particular to low income countries and

⁵⁰ On this point see <https://en.wikipedia.org/wiki/Clawback>.

⁵¹ Sharp Paine, L. (1991).

⁵² On this point see Homann, K. (2014) and Suchanek, A. (2015). The "three-tiered scheme" with *moves, rules and understanding of the game* by no means releases the individual from his personal moral responsibility and the need to cultivate his capacity for moral judgment - it incorporates them.

⁵³ The so-called "business case" of responsible action and conduct can in my opinion be demonstrated, but it depends on many uncertain factors and takes effect only with a time delay. On this point see Leisinger, K. M. (2016): 190 ff.

⁵⁴ On this point see Public Eye/Declaration of Bern (2016).

states in which the quality of government is poor. Wherever the insufficient observation of human rights and social and ecological standards are a precondition for being "in the black" society would be better served by the closing of a company. My experience of management in Africa south of the Sahara has taught me, however, that it is even possible under such conditions to work in both an ethically acceptable and an economically successful way. As Thomas Donaldson and Thomas Dunfee have recognized, there is a "moral free space"⁵⁵, which only needs to be seen and used.⁵⁶ When complex operational problems cannot, with the best will in the world, be solved in an ethically acceptable way under the specific conditions of the market, leadership personalities who act in an ethically responsible way have, apart from resigned accommodation to false structures (loyalty), a number of options including the possibility to advocate actively and loudly a change in the existing framework conditions (voice) and the possibility of "exit".⁵⁷ But this calls for the personal courage to live with the consequences - for personalities with character.

I have no doubt that the personality and character of top managers is of pre-eminent importance, although it is insufficiently appreciated in the mainstream of contemporary corporate ethical discourse.⁵⁸ Erich Fromm has contributed essential insights into the issue of *personality and character*, and the study of them is a worthwhile undertaking.

⁵⁵ Moral space is a key concept in Integrative Social Contract Theory (ISCT). The authors of this theory, Thomas Donaldson and Thomas W. Dunfee, define "free moral space" as the space delimited by "hypernorms", i.e. the basic principles to which all other lower norms are subordinate, in order to arrive at the roots of what is ethical for mankind (in the sense of a service).

⁵⁶ Donaldson, Th. and Dunfee, Th. W. (1999): 83 ff.

⁵⁷ On the possible ways of dealing with the awkward situation of deteriorating framework conditions see Hirschman, A. O. (1970).

⁵⁸ The distinction between leaders and leadership personalities was first and frequently presented by Rupert Lay, most recently in: Lay, R. (2000): 191. Ulf Posé also adopts this distinction in his new book: see Posé, U. (2016).

2. Erich Fromm's ideas and the modern discourse on the ethical desiderata for leadership personalities in business enterprises

2.1. Erich Fromm's understanding of ethics and the related concept of man

2.1.1. What is Erich Fromm's understanding of ethics?

In his small but fine introduction to the topic of ethics Otfried Höffe points to the "confusing situation" that the Greek expression *ēthikē* is used in the German language both for the concepts of customs and morals and also for ethics. He points out that the three expressions mean roughly the same and that none of the attempts to differentiate between them is absolutely convincing.⁵⁹ However, normative explanations - especially when they are meant to have practical consequences - demand semantic clarity; otherwise they lead to misunderstandings.⁶⁰ When reflecting on the ideas of Erich Fromm in relation to their significance for leadership personalities in business enterprises it is therefore essential to achieve clarity on his understanding of ethics.

Erich Fromm defines ethics generally as a *science which deals with the ideal concepts and values of human relationships* and applies them to specific human situations. In contrast he defines "customs" as an "ought" resulting from what we unconsciously regard as right, because it is generally recognized in our social environment.⁶¹ For Fromm *ethics* is a matter of personal conscience and the corresponding actions are a consequence of the individual examination of conscience. Ethics is more demanding than "*custom*", what is "generally recognized" can indeed be the easiest solution in many situations - but it is not necessarily what is right from the

⁵⁹ Höffe, O. (2013): 10.

⁶⁰ For fundamental comments on the topic of business activities and ethics and the conceptual differentiations see Leisinger, K. M. (2014).

⁶¹ Fromm, E. (1963): 140.

standpoint of our conscience.⁶² Fromm distinguishes between a *universal* and a *socially immanent* ethics.

Universal ethics deals with general norms for the conduct of life which aim to promote the growth and development of man. Examples of such norms are "Love thy neighbor as thyself" and "Thou shalt not kill". Fromm points out that "the ethical systems of all great cultures show an amazing similarity in what is considered necessary for the development of man, of norms which follow from the nature of man and the conditions necessary for his growth".⁶³ There are similarities here with the idea of a global ethic.⁶⁴

Socially immanent ethics is concerned with the norms of a specific cultural space. Its dos and don'ts are necessary for the functioning and maintenance of a specific social form and of the people who live in this society.⁶⁵ He adds:

"It is necessary for the survival of any society that its members submit to the rules which are essential to its particular mode of production and mode of life. The group must tend to mold the character structure of its members in such a way that *they want to do what they have to do under the existing circumstances* [...] Any society has a vital interest in having its rules obeyed and its virtues adhered to because its survival depends on this adherence."⁶⁶

Erich Fromm means by "right" those values and norms which are founded on a *biophile, humanistic* ethics. He describes their specific - and only at first sight simple - principle of good and evil as follows:

"Good is all that serves life; evil is all that serves death. Good is reverence for life, all that enhances life, growth, unfolding. Evil is all that stifles life, narrows it down, cuts it into pieces. Joy is virtuous and sadness is sinful."⁶⁷

⁶² Fromm, E. (1963): 140.

⁶³ Fromm, E. (1947/1990): 240-241.

⁶⁴ See Küng, H. (2012) and http://www.weltethos.org/was_ist_weltethos/

⁶⁵ Fromm, E. (1947/1990): 241

⁶⁶ Fromm, E. (1947/1990): 241.

⁶⁷ Fromm, E. (1964): 47. Here Fromm takes up word for word a formulation and insight of Albert Schweitzer.

The aim of biophile humanistic ethics is to combat egoism and selfishness, not the "suppression of evil [...], but the productive use of man's inherent primary potentialities."⁶⁸

Erich Fromm sees a close connection between the development of a humanistic biophile ethics as a theoretical science on the one hand and the development of psychology and psychoanalytic characterology on the other: psychology and psychoanalytic characterology are absolutely necessary for the development of an ethical theory:

"All the virtues and vices with which traditional ethics deals must remain ambiguous because they often signify by the same word different and partly contradictory human attitudes; they lose their ambiguity only if they are understood in connection with the character structure of the person of whom a virtue or vice is predicated [*in a specific situation, KML*]. A virtue isolated from the context of character may turn out to be nothing valuable (as, for instance, humility caused by fear or compensating for suppressed arrogance); or a vice will be viewed in a different light if understood in the context of the whole character (as, for example, arrogance as an expression of insecurity and self-depreciation)."⁶⁹

In contrast to many moral philosophers who discuss ethically desirable forms of action and conduct Fromm is not content to provide an isolated and theoretical treatment of virtues and vices. According to Fromm ethically reflected action depends only to a slight degree on the recognition, awareness and justification of values and norms. It is based essentially on a will guided by inner motive forces - a will of which man is often largely unaware. According to the psychoanalyst and Fromm disciple Rainer Funk these motive forces are experienced by people as psychological needs which must be unconditionally satisfied in order that they can fashion their relationships with other people and their social groups.⁷⁰ The experience of being related is internalized and affects

⁶⁸ Fromm, E. (1947/1990): 229.

⁶⁹ Fromm, E. (1947/1990): 32-33. For a detailed treatment of what Fromm understands by character see Fromm, E. (1947/1990): 38ff.

⁷⁰ See Funk, R. (2016) and Funk, R. (2000). I would like to thank Rainer Funk for his helpful comments and constructive criticisms of this and the

the shaping of the relationships between people. This kind of psychic structuring, which forms the behavior and conduct of people in such a unique way, is called *character* by Fromm. The ethical evaluation of a specific form of action is, therefore, only possible in relation to the structure of human character as a whole (and in relation to the well-being of mankind). "The virtuous or the vicious character, rather than single virtues or vices, is the true subject matter of ethical enquiry."⁷¹

2.1.2. Erich Fromm's concept of man⁷²

For Erich Fromm every single person represents all humanity. He is on the one hand a unique individual different from all other people, but on the other hand *being human* is - independently of culture, religion, ethic group or nationality - the fundamental common denominator of all mankind. Hence, in human relationships, what is shared predominates over what separates. People share the same dignity, the same desire for respect and recognition, the same fundamental (human) rights and comparable obligations.

Differences in outward appearance, character, personal virtues (civil courage, steadfastness, reliability, honesty etc.) or value anchorage are also a part of being human. This in turn means that from a subjective perspective differing forms of action and conduct can be evaluated as morally "right" or "wrong". The understanding of human nature and the answer to the question of the reasons behind responsible (good) or irresponsible (bad) actions is of an elementary kind. "Hence the discussion of the human situation must precede that of personality."⁷³

following chapter..

⁷¹ Fromm E. (1947/1990): 33.

⁷² I am indebted to Rainer Funk for the "initial spark" provided by his article "Erich Fromms Menschenbild und das postmoderne Verständnis von authentisch leben"⁷⁴ (2004) and for other assistance.

⁷³ Fromm, E. (1947/1990): 39.

For over 2000 years intellectual giants have demanded that those who bear special responsibilities must also be "special people" and they list the virtues which enable the bearers of responsibility to act wisely.⁷⁴ Erich Fromm's ideas on the "new man" are similarly laid out on the basis of his humanistic ethics. His conceptions of the character and normative orientations of this "new man" are important for the relevance of his thinking in regard to the choice and development of leadership personalities.

Of course there are people in companies whose executive powers are clearly greater than their talent in dealing with people and complex situations. The fact that the character and personality of the great majority of people encountered in everyday business and society differs from what the wise men of this world regard as desirable does not render discourse on the desiderata superfluous. Discussion of the desired virtues alone is not, however, sufficient to change an unsatisfactory practice. The "ought" must be related to the "can" under the specific conditions of each particular case.⁷⁵ As Fromm says: "*Insight separated from practice remains ineffective*".⁷⁶

a) The nature of man

Erich Fromm has a realistic image of man. He sees him as a not completely definable and contradictory being full of conflicts and fears about whom definitive statements cannot be made. Man is⁷⁷

- as *anima rationale* a being *gifted with reason* – and nonetheless capable of acting in a deeply irrational way;
- as *zoon politikon* a *social being*, one of whose essential needs is to be firmly rooted in the social group to which he feels he belongs; adaptation to this group can, however, lead to alienation;

⁷⁴ For example, Plato, Aristotle, Confucius, Max Weber and others; see Leisinger K. M. (2010): 176-207.

⁷⁵ On this point see Homann, K. (2014).

⁷⁶ Fromm, E. (1976): 170

⁷⁷ Fromm, E. and Xirau, R. (ed.) (1968): 4ff.

- as *homo faber* a toolmaker who can *produce something* in accordance with a previously determined plan - something which can, however, be used for ambivalent purposes;
- a *symbol creating being*, whereby the most important symbol he has created is the word, which enables him to communicate with others. "Real intersubjective communication has become more and more difficult in a world governed by mass media addressed to 'mass' man".⁷⁸ The present day real world, in which communication seems to take place almost entirely through electronic media and social networks, has proved him right.

"Being human"⁷⁹ continues to mean that man

- as *homo sapiens* is a thinking being, who attempts to grasp the core of the phenomenon and to penetrate beyond the deceptive surface to what is "really real";
- as *homo ludens* is a being who can engage playfully in non-purposeful activities;
- as *homo negans* is a being who can say "no" and stand up for truth, love and integrity even at the cost of his own physical survival;
- as *homo sperans* is a being who can hope (and can actually unfold the developmental possibilities of his life);
- is a being who is capable of *free conscious activity*.

In view of the complexity and variety of human characteristics general statements about "man as such" are only possible, if at all, at a highly abstract level. There is perhaps one exception, which is, however, important in the present context. The theoretical construct of the *homo oeconomicus* is insufficiently complex and does not do justice to man. Mentally healthy people do not think along exclusively economic lines, do not permanently weigh up benefits and costs, and do not act in a totally rational, profit-maximizing

⁷⁸ Fromm, E. and Xirau, R. (ed.) (1968): 19.

⁷⁹ Fromm, E. (1968/2010): 66-67.

way. Even with the help of the most modern means of information and communication it is not possible in the economically globalized world to achieve a total transparency which would permit immediate adaptation to changed conditions - assuming that this would be desirable. Although people *mostly* act rationally and take economic criteria into account, they also nonetheless wish - to differing degrees - to do "good" and to behave generously and altruistically. "Normal" people wish to work together with others for a good purpose to an extent far beyond their long-term properly understood personal interests or family solidarity.⁸⁰

According to Fromm man is "a living being caught up in a continual process of development. At every point in his life he is not yet what he can be and what he may yet become."⁸¹ This also applies to people in positions of leadership. Man is gifted with reason and the function of reason is to recognize the truth. Experience shows, however, "that many people, blinded by greed and vanity, do not act rationally."⁸² Nonetheless every person is capable of accounting for himself and his existential situation. Man cannot be released from this responsibility, for example by making "the system" responsible for "evil" things. Interestingly enough, people seldom make "the system" responsible for "good" things. The human need for perfection, salvation, enlightenment, unity and harmony and the "the faculty of creative and critical thinking and of having differentiated emotional and sensuous experiences"⁸³ make man the measure of all things. This and the numerous capacities which enable man to be creative and productive and to achieve progress in the sense of a permanent growth of consciousness is, according to Fromm, what makes man unique.⁸⁴

⁸⁰ See also Bowles, S. and H. Gintis (2011). On the construct *homo oeconomicus* see also Dierksmeier, C. (2016): 24 ff.

⁸¹ Fromm, E. (1986): 140

⁸² Fromm, E. (1986): 141.

⁸³ Fromm, E. (1941/2010): 288

⁸⁴ Fromm, E. (1968/2010): 65ff.

b) Human reason

For Fromm reason is of decisive importance. Intelligence remains intelligence when it is used for evil purposes. The gift of reason, however, enables man to analyze his experience critically and to recognize what serves his development and what prevents it.⁸⁵ According to Fromm: "The faculty to think objectively is *reason*; the emotional attitude behind reason is that of *humility*. To be objective, to use one's reason is possible only if one has achieved an attitude of humility, if one has emerged from the dreams of omniscience and omnipotence which one has as a child."⁸⁶ Reason enables people to provide themselves with the norms needed for a good conduct of life.

"Valid ethical norms can be formed by man's reason and by it alone. Man is capable of discerning and making value judgments as valid as all other judgments derived from reason. The great tradition of humanistic ethical thought has laid the foundations for value systems based on man's autonomy and reason. These systems were built on the premise that in order to know what is good or bad for man one has to know the nature of man. They were, therefore, also fundamentally psychological enquiries."⁸⁷

Man is the "both the norm giver and the subject of the norms"⁸⁸; he needs no (religious, state or other) authority to determine what is good for him.

In contrast to humanistic ethics, ethics whose norms are set by authorities denies the ability of man to know what is good or evil.

"Such a system is based not on reason and knowledge but on awe of the authority and on the subject's feelings of weakness and dependence [...] Materially, or according to content, authoritarian ethics answers the question of what is good or bad primarily in terms of the interests of the authority, not the interests of the

⁸⁵ Fromm, E. (1986): 146.

⁸⁶ Fromm, E. (1956/1975): 100

⁸⁷ Fromm, E. (1947): 6.

⁸⁸ Fromm, E. (1947): 9.

subject. [...] [p.10] Unless the authority wanted to exploit the subject it would not need to rule by virtue of awe and emotional submissiveness; it could encourage rational judgment and criticism - thus taking the risk of being found incompetent. But because its own interests are at stake the authority ordains *obedience to be the main virtue and disobedience to be the main sin.*"⁸⁹[p.12]

For the mental health and happiness of man it is extremely important that the self-given values and norms determining his actions are "right". Every individual has the choice between a good and a bad life. People can subject themselves and adapt to historical contradictions, external powers or social constellations, but they will find neither contentment or peace of mind. Fromm sees only one way of finding happiness and inner contentment:

"Man must accept the responsibility for himself and the fact that only by using his own powers can he give meaning to his life. But meaning does not imply certainty; indeed the quest for certainty blocks the search for meaning. Uncertainty is the very condition to impel man to unfold his powers. If he faces the truth without panic he will recognize *that there is no meaning to life except the meaning man gives his life by the unfolding of his powers, by living productively.*"⁹⁰

For Fromm productivity is not an activity which must under all circumstances lead to practical results; it is rather an *attitude*, a biophile form of reaction and orientation of man towards the world and himself. What matters for Fromm is not man's productive activities but the personal attitude reflected in his character: "Productiveness is man's realization of the potentialities characteristic of him, the *use of his powers.*"⁹¹

According to Fromm people cannot decide freely whether they wish to possess "ideals" or not, but they can choose between different kinds of ideals, between the possibility to admire power and destruction or to devote themselves to

⁸⁹ Fromm, E. (1947/1990): 10-12.

⁹⁰ Fromm, E. (1947/1990): 45.

⁹¹ Fromm, E. (1947/1990): 87

reason and love. Fromm measures the value of the ideals by "the extent to which they are conducive to the unfolding of man's powers and to the degree to which they are a real answer to man's need for equilibrium and harmony in his world."⁹² A life guided by correct norms, an affirmation of life and the development of personal capacities help man to self-fulfilment and the realization of the possibilities open to him. Normatively correct life is, therefore, in the personal interest of man - it is the precondition for a successful life.

As personal fulfilment and happiness are only possible in relation to one's fellow men and in solidarity with them, the "open possibilities" are always possibilities which can only be realized *together with others* and never *against them*. *Love of one's neighbor* is, therefore, not a phenomenon which transcends man but rather lives within him and starts from him. Love⁹³, according to Fromm, is an inner force of man which enables him to relate to the world and through which he makes *the world his own world*.

Fromm sees the essence of man in certain contradictions inherent to human existence:

"Man is an animal, but without having sufficient instincts to direct his actions. He not only has intelligence - as has the animal - but also self-awareness; yet he has not the power to escape the dictates of his nature. He is a "freak of nature" being in nature but at the same time transcending it. These contradictions create conflict and fright, a dis-equilibrium which man must try to solve in order to achieve a better equilibrium. But having reached this, new contradictions emerge and thus again necessitate the search for a new equilibrium, and so forth. *In other words the questions, not the*

⁹² Fromm, E. (1947/1990): 50

⁹³ What Erich Fromm means by the concept of "love" is treated in more detail in Chapter 3.

answers, are man's "essence". The answers, trying to solve the dichotomies, lead to various manifestations of human nature."⁹⁴

The way people deal with the two sides of their nature and solve the resultant contradictions depends on socio-economic, cultural and psychological factors. The variety of solutions men arrive at are indeed determined by historical circumstances, but they also differ in regard to the degree of human vitality, strength, joy and courage they reveal, that is to say: to the degree of their biophilia. The dependence of the solutions to problems on many factors *"does not exclude that human insight and will can work towards attempting to reach better rather than worse solutions."*⁹⁵ There is nothing more to be said on this point in regard to the actions and conduct of leading personalities in business enterprises.

c) Personality and character

The differences between people are revealed not only in regard to their outward appearance or temperament but also in the way they make decisions. Depending on the personality (defined by Fromm as "the totality of inherited and acquired psychic qualities, which are characteristic of one individual and which make the individual unique."⁹⁶) people desire to find better rather than worse solutions. People are free to live out their personalities. They have room for maneuver in their actions and decision-taking and they can use it to find biophile solutions. The variety of possibilities freedom offers, however,

⁹⁴ Fromm, E. and Xirau, R. (ed) (1968): 8-9. My italics.

⁹⁵ Fromm, E. and R. Xirau (ed) (1968): 9 My italics, as this statement is of central significance for the criterion catalog of good corporate leadership. Although what counts in the end is the answers given to the questions put, the breadth and depth of the questions also determines the moral quality of the answers. A direct link to Patricia Werhanes call for "moral imagination" is possible here.

⁹⁶ Fromm, E., (1947/1990): 50.

also brings problems and obstacles that must be overcome if it is to be achieved. This is possible if man develops his capacity for reason and love.⁹⁷ The most important task of man in life is to develop what is inherent in him as a potential - his own personality.⁹⁸

The most recent knowledge deriving from brain research and epigenetics have not led to any changes *in principle* in this respect. With all due recognition of the importance of individual genetic and epigenetic disposition, of basic vegetative-physiological and affective endowment, influences of infancy, experience of attachment, and the experiences which shape childhood and adolescence, no-one's personality is so totally fixed that desirable changes in thought patterns and conduct would be completely unthinkable.⁹⁹

For Erich Fromm *character* determines the will of man to develop in the right direction. Whether people feel moral responsibility and wish to act correctly or not is a question of the productive or non-productive character. Fromm defines character differently from scholars who follow the tradition of Aristotelian ethics.¹⁰⁰

He sees the character of an individual as the result of social, economic and political conditions to which each individual is subjected. As an "attitude" in the sense of a reaction against and orientation towards the world and oneself character is "*the (relatively) permanent form in which human energy is canalized in the process of assimilation and socialization.*"¹⁰¹ The "character system" from which the individual characteristics

⁹⁷ Fromm, E. (1947/1990) 97:

⁹⁸ Fromm, E. (1947/1990): 237.

⁹⁹ See Roth, G. (2015) and Roth, G. and N. Strüber (2016).

¹⁰⁰ Aristotle understood by "character" the sum of essential personal qualities and competencies which are a precondition for man to act in an ethically acceptable way.

¹⁰¹ Fromm, E. (1947/1990) 59.

can be derived "*can be considered the human substitute for the instinctive apparatus of the animal*".¹⁰²

For Fromm differences in character are the true problem of ethics. *How* people react to something (cholericly, melancholically or phlegmatically) is a question of temperament and is ethically insignificant. Ethically relevant is *what* they react to - this is a question of character. The way someone thinks, feels and acts is not only the result of answers to reality determined by reason but is largely shaped by the specificity of his character.¹⁰³ Temperament is unalterable, whereas character can be changed to a certain degree by new insights and new kinds of experience. Corporate learning can and indeed should also bring new insights and new kinds of experience which will contribute to the training of character and personality.

Fromm uses the term *orientation of character* to describe the basic strivings of men to satisfy their fundamental needs, i.e. to enter into relationships with other people and with nature and to find self-confirmation in this relatedness.¹⁰⁴ Character orientations can be *non-productive*¹⁰⁵ or *productive*.¹⁰⁶ According to Fromm the full development of character is the aim of all human development and at the same time corresponds to the ideal of humanist ethics.¹⁰⁷

"The 'productive orientation' of personality refers to a fundamental attitude, a *mode of relatedness* in all realms of human experience. It covers mental, emotional and sensory

¹⁰² Fromm, E. (1947/1990) 59.

¹⁰³ Fromm, E. (1947/1990): 56.

¹⁰⁴ Fromm, E. (1947/1990): 62ff.

¹⁰⁵ Fromm, E. (1947/1990): 62-82

¹⁰⁶ Fromm, E. (1947/1990): 82-107. The most important aspect of the productivity of man is his ability to love and to make decisions in a rational way.

¹⁰⁷ Fromm, E. (1947/1990): 82ff.

responses to others, to oneself and to things. Productiveness is man's ability to use his powers and to realize the potentialities inherent in him. If we say he must use *his* powers we imply that he must be free and not dependent on someone who controls his powers. We imply, furthermore that he is guided by reason, since he can make use of his powers only if he knows what they are, how to use them, and what to use them for. Productiveness means that he experiences himself as the embodiment of his powers and as the 'actor'; that he feels himself one with his powers and at the same time that they are not masked and alienated from him. [...] *Productiveness is an attitude which every human being is capable of unless he is mentally and emotionally crippled.*"¹⁰⁸

Human action is always influenced by both basic strivings. Whether the positive or negative orientation of character predominates can, according to Rainer Funk, be recognized. Productivity as the practice of life-promoting personal powers has¹⁰⁹

- *an activating effect* because people are wide-awake, mentally active, perceptually intensive and attentive, committed;
- *an energizing effect* because as a result of their activities energies flows to them from others, and they feel the fullness of life and wish to give, share and communicate;
- *a socializing effect*, i.e. the emotional relatedness, the ability to be close to others, is promoted;
- *an individualizing effect*, because they promote their own autonomy and self-determination;
- *an integrating effect*, because a person who realizes his own potential experiences himself as more harmonious, even-tempered and stable;

¹⁰⁸ Fromm, E. (1947/1990): 84-85.

¹⁰⁹ Funk, R. (2003a).

- *a creative effect* – people experience themselves as more creative, imaginative and spontaneous;
- *an ego-strengthening effect* – people experience their being able to face the reality of life better, as more perceptive and capable of tolerating ambiguities.

If the feelings, thinking and actions of people are oriented on developed, life-promoting psychic and physical personal powers, this promotes productive reason, productive work and productive love. Whether this happens depends decisively on the social framework conditions.

Social framework conditions with empathetic, loving and caring characteristics give people access to "growth promoting potentials."¹¹⁰ This in turn enables them to satisfy their need for relatedness without alienation. Under these conditions their character acquires a *productive orientation*. People who have a productive orientation possess those abilities which Fromm characterizes as the basic elements of productive love, namely care, responsibility, respect and knowledge. *Productiveness*, according to Fromm, is

a character orientation all human beings are capable of, to the extent that they are not emotionally crippled. Productive persons animate whatever they touch. They give birth to their own faculties and bring life to other persons and to things."¹¹¹

For Fromm people with a productive orientation possess the will to act virtuously. As man is "the only creature endowed with reason" he can

"by his understanding [...] take an active part in his own fate and strengthen those elements which strive for the good. Man is the only creature endowed with conscience. His conscience is the voice which calls him back to himself, it

¹¹⁰ Funk, R. (2004): 5.

¹¹¹ Fromm, E. (1976): 91-92.

permits him to know what he ought to do in order to become himself, it helps him to remain aware of the aims of his life and of the norms necessary for the attainment of these aims."¹¹²

Matthias Claudius puts it similarly in his letter to his son, Johannes.¹¹³

The full unfolding of biophilia is highly desirable and has, according to Fromm, clearly positive consequences for the individual:

"The person who fully loves life is attracted by the process of life and growth in all spheres. He prefers to construct rather than to retain. He is capable of wondering and he prefers to see something new to the security of finding confirmation of the old. [...] His approach to life is functional rather than mechanical. He sees the whole rather than only the parts, structures rather than summations. He wants to mold and to influence by love, reason, by his example; not by force, by cutting things apart, by the bureaucratic manner of administering people as if they were things."¹¹⁴

Biophiles are not forced by their conscience to avoid evil and to do good. The biophile conscience is, rather, motivated by life and joy because it wishes to strengthen the life-affirming side of man.¹¹⁵

When people live in accordance with the norms of a biophile humanistic ethics they feel an inner contentment and are happy. According to Fromm: "Happiness is the indication

¹¹² Fromm, E. (1947/1990): 233.

¹¹³ "Within us lives the judge who does not deceive, whose voice is more fitting for us than the applause of the entire world and the wisdom of the Greeks and Egyptians. Resolve [...] not to act against his voice." Claudius, M. (1799): 228.

¹¹⁴ Fromm, E. (1964): 47.

¹¹⁵ See also the biophile maxim of Rupert Lay: "Always act in such a way that by your actions you sustainably increase rather than decrease your own personal life and that of others!" In: Lay, R. (2015): 160 f. What "rather" means under specific circumstances must be judged in terms of situational ethics. On this point see Fletcher, J. (1966).

that man has found the answer to the problem of human existence: the productive realization of his potentialities and thus, simultaneously, being one with the world and preserving the integrity of his self."¹¹⁶ Thus happiness is not only a criterion for proficiency in the art of living but also a virtue in the sense of humanist ethics.

If the social conditions prevent people from loving in this way their alienation from their primary potentialities is strengthened. They are then inhibited in the unfolding of their potentialities and their character develops a *non-productive orientation*.¹¹⁷

In 1955, in an article on medicine and ethical issues, Fromm regarded it as an ethical demand of his day to overcome "thingness", indifference and alienation, difficulties with which we are still confronted today.

- *Overcoming "thingness"* or the reification of man means seeing man as an end in himself and not as "human capital", a "human resource" or even a "human subject";¹¹⁸ to this end people must develop a feeling of "I"-ness instead of being conditioned or possibly even exploited by others;
- *Overcoming indifference*: "Our moral problem is man's indifference to himself. It lies in the fact that we have lost the sense of the significance and uniqueness of the individual, that we have made ourselves into instruments for purposes outside ourselves"¹¹⁹;

¹¹⁶ Fromm, E. (1947/1990): 189.

¹¹⁷ According to Funk, R. (2004): 5.

¹¹⁸ Fromm (1955) 187. The term "human subjects" is regularly used in the context of medical experiments. It creates a distance which gives rise to ethical risks in the treatment of the persons concerned. On this point see: Council for International Organizations of Medical Sciences (CIOMS) (2002).

¹¹⁹ Fromm, E. (1947/1990): 248. In a similar fashion Pope Francis complained

- *Overcoming alienation* from others, from nature and from ourselves.¹²⁰

The psyche of man and hence of man as a thinking, deciding and acting being is, according to Fromm, strongly influenced by society. In order to survive man must adapt to society - and if it is a society which alienates him and makes him sick, mental illnesses are the consequence. It is only when man has overcome "thingness", indifference and alienation can he become truly creative by means of a new capacity for perceptiveness and providing answers.

To achieve this end Fromm recommends a twofold strategy. On the one hand a *change* in economic and *social life practice* is necessary and on the other *ethical reflection*. The task of ethical reflection is "to sustain and strengthen the voice of human conscience, to recognize what is good or what is bad for *man*, regardless of whether it is good or bad for society at a special period of its evolution."¹²¹ This may make him a "lone voice in the wilderness"¹²². If the existing social structures hinder the full development of man and the corresponding norms, little can be achieved in the way of positive change. It is especially difficult to achieve a change for the good when privileged groups have an interest in maintaining the *status quo*.

But if the lone voice remains alive and uncompromising and if society learns to respect the human development of its citizens the contradiction between immanent social ethics and universal ethics will be reduced and tend to disappear because

of the "globalization of indifference" in a refugee camp in Lampedusa. See Vatican Radio (08.07.2013).

¹²⁰ Fromm, E. (1955): 184.

¹²¹ Fromm, E. (1947/1990): 244.

¹²² Fromm, E. (1947/1990): 244.

society has become truly human.¹²³ Then "the wilderness can change into fertile land".

It is society which needs to adapt; it must adapt to the primary needs and potential for mental growth of the people. Society, according to Fromm, must be humanized so that man can unfold his full potential: "The social contradictions and irrationalities which throughout most of man's history have forced upon him a "false consciousness" - in order to justify domination and submission - [must] disappear."¹²⁴

2.2. Having or being as the psychic basis of a new society

The character structure of man and the framework conditions of the society in which he lives stand in a circular reciprocal relationship to one another. Fromm uses the term *social character* to describe the result of this interaction: "The socio-economic structure of a society molds the social character of its members so that they *wish* to do what they *have* to do. Simultaneously the social character influences the socio-economic structure of society."¹²⁵ This is also helpful for the individual to a certain degree, according to Fromm, as "[w]ithout a map of our natural and social world - a picture of the world and of one's place in it that is structured and has inner cohesion - human beings would be confused and unable to act purposefully and consistently, for there would be no way of orienting oneself, of finding a fixed point that permits one to organize all the impressions that impinge upon each individual."¹²⁶

¹²³ Fromm, E. (1947/1990): 244.

¹²⁴ Fromm, E. (1968/2010): 73.

¹²⁵ Fromm, E. (1976): 134.

¹²⁶ Fromm, E. (1976): 137.

With the help of the social orientational framework the world and its order make sense to man. The fact that other people think similarly strengthens one's own world view - it appears to be the only reasonable one.

As living together in a society demands substantial adaptation efforts from its members, psychological reaction patterns occur in the practice of social life. People internalize them so that they do not have to decide again in every new situation how the need to be part of the community can be satisfied. The "structuralization in social as well as in individual life"¹²⁷ does not leave man a free choice *à la carte* between individual traits such as "lively, cheerful, interesting, active, peaceful" and "lifeless, disinterested, inactive and aggressive" or their desirable combinations. By and large it imposes the overall conditions of the social and economic order of each specific society on its members.

2.2.1. Religion

Apart from the function of meeting the need of society for a particular character type, social character is also meant to fulfill the need for religion which all people have. For Fromm the concept of *religion* characterizes not only

"a system that has necessarily to do with a concept of God or with idols or even to a system perceived as religion, *but to any group-shared system of thought and action that offers the individual a frame of orientation and an object of devotion.*"¹²⁸

If religion is defined in this way without specific content, then no society of the past, present or even the future is conceivable which does not have a religion. Fromm considers the religious attitude of man to be an aspect of his character structure, "*for we are what we are devoted to and what we are devoted to*

¹²⁷ Fromm, E. (1968/2010): 98.

¹²⁸ Fromm, E. (1976): 135.

is what motivates our conduct."¹²⁹ In this way material success or the growth of individual power can also take on a religious character.

The religion of any one society can promote the tendency towards destructiveness and the desire to be domineering or the readiness for love and solidarity; it may further their power of reason or paralyze it.¹³⁰ According to Fromm what is at issue is not the question "religion or not" but the question as to what kind of religion promotes the unfolding of specific human powers and favors human growth.

2.2.2. Capitalism

Fromm saw *capitalism* as a social and economic order which hinders the unfolding of human powers and impedes human growth. For him capitalism separates economic action and conduct from ethics and human values:

"Indeed the economic machine was supposed to be an autonomous entity, independent of human needs and human will. It was a system that ran by itself and according to its own laws".¹³¹

Under such circumstances the central systemic question is no longer "What is good for man?" but "What is good for the growth of the system?" In order to cast a veil over the sharpness of this conflict, the circles interested in the preservation of the capitalist system argue, according to Fromm, that everything that serves the growth of the economic system also promotes the well-being of man.¹³²

¹²⁹ Fromm, E. (1976): 135-136

¹³⁰ Fromm, E. (1976): 135

¹³¹ Fromm, E. (1976): 7

¹³² The so-called "*trickle down*" theories are no longer popular, not even with the International Monetary Fund (IMF), because they do not take into account the highly unequal distribution of income and wealth. If an increase in the

Fromm considered the basic values of industrial society - control of nature with the help of technology, exchangeability of man, the pursuit of profit as the standard for the rightness of conduct - as conflicting with the well-being of man. There is no room for compassion and none at all for love.¹³³ Everything becomes a commodity; people with conviction and character are more and more rarely found; the exploitation of power and shamelessness are on the increase.¹³⁴ Capitalism, according to Fromm, promotes egoism, selfishness and greed. These are however features of human character which give rise to hostile relationships between man and nature and man and his fellow man and so lead to a sick society. At an early stage Fromm lent his support to the demands of Mihailo Mesarovic and Eduard Pestel. In their Second Report to the Club of Rome, "Mankind at the Turning Point",¹³⁵ they concluded that radical economic changes were necessary in order to avoid an ecological catastrophe. But these would only be possible if a fundamental change in basic human values and attitudes in the sense of a new ethics and a new approach to nature took place. "For the first time in history the physical survival of the human race depends on a radical change of the human heart."¹³⁶

One could of course argue that the lights did not go out, as predicted, at the end of the last century and that the authors had argued unrealistically and pessimistically in regard to the

income of the bottom 30% of society were genuinely desired, more direct measures could be taken. John Kenneth Galbraith's comment on the *Reagonomics* of the 1980s was: "If you feed a horse enough oats some will pass through to the road to feed the sparrows". See: <https://de.wikipedia.org/wiki/Trickle-down-Theorie> [last accessed on 28.10.16].

¹³³ Fromm, E. (1986): 146.

¹³⁴ Fromm, E., (1972/1994): 38-39.

¹³⁵ Mesarovic, M. and E. Pestel (1974): 146 -147.

¹³⁶ Fromm, E. (1976): 10.

effects of innovation. Nonetheless, the fundamental view that sustainable development is not compatible with a "more of the same" approach has today become established in scientific circles.¹³⁷

The human egoism demanded by capitalism is, according to Fromm, not only an aspect of individual conduct but also a feature of character:

"It means that I want everything for myself; that possessing not sharing gives me pleasure; that I must become greedy because if my aim is having, I am more the more I have [...] I can never be satisfied because there is no end to my wishes."¹³⁸

Fromm sees "two fundamental modes of experience" namely *being* and *having*. These are two different kinds of orientation towards self and the world, two different kinds of character structure the retrospective predominance of which determines the totality of a person's thinking, feeling and acting."¹³⁹ Fromm defines *having* as a relationship to the world determined by possessing and owning - "a relationship in which I want to make everybody and everything, including myself, my property."¹⁴⁰ Having refers to things one owns and wishes to own and appropriate (consume).

Fromm identifies the modern consumer with the frighteningly topical sentence: "I am = what I have and what I consume."¹⁴¹ Fromm defines *being* on the one hand as the

¹³⁷ On this point see the website of the Wissenschaftlicher Beirat der Bundesregierung Globale Umweltveränderungen [German Advisory Council on Global Change] <http://www.wbgu.de>. See also Wackernagel, M. and B. Beyers B. (2016).

¹³⁸ Fromm, E. (1976): 6.

¹³⁹ Fromm, E. (1976): 24.

¹⁴⁰ Fromm, E. (1976): 24.

¹⁴¹ Fromm, E (1976): 27

opposite of having, as a living, authentic mode of existence which approaches the essential things in life actively and productively with a view to further development. On the other hand, for Fromm, "being is in contrast to appearing and refers to the true nature, the true reality, of a person or a thing in contrast to deceptive appearances[...]." ¹⁴²

The two modes of existence also determine the different ways in which authority is exercised. In the *being mode* authority is exercised as *rational* authority. It is founded on competence and the will to promote the growth of those entrusted to it.

"Being-authority is grounded not only in the individual's competence to fulfill certain social functions, but equally so in the very essence of a personality that has achieved a high degree of growth and integration. Such persons radiate authority and do not have to give orders, threaten, bribe. They are highly developed individuals who demonstrate by what they are - and not mainly by what they do or say - what human beings can be." ¹⁴³

In contrast, authority in the *having-mode* is the pure exercise of power and only serves the exploitation of those subject to it.

2.2.3. The Marketing Character

According to Fromm capitalist development deforms of character of man and leads to a "marketing character". The individual sees himself as a "commodity" and experiences his personal value not as a *use value* but as an *exchange value*; he becomes a commodity on the *personality market*.

"The principle of evaluation is the same on both the personality and the commodity markets: on the one personalities are offered for sale; on the other, commodities.

¹⁴² Fromm, E. (1976): 24

¹⁴³ Fromm, E. (1976): 37.

Value in both cases is their exchange value, for which use value is a necessary but not a sufficient condition."¹⁴⁴

Under such conditions social recognition largely depends on

"how well persons sell themselves on the market, how well they get their personalities across, how nice a "package" they are; whether they are 'cheerful', 'sound', 'aggressive', 'reliable', 'ambitious'; furthermore what their family backgrounds are, what clubs they belong to, and whether they know the 'right' people. The type of personality required depends to some degree on the special field in which a person may choose to work."¹⁴⁵

Someone who wishes to become a stockbroker or a top manager must correspond to a different kind of personality than someone who wishes to become a nurse or social worker.

In order to be successful, according to Fromm, a person must not only fit in with his social environment and make use of his abilities; he must also be in a position to present his personality advantageously in competition with others. If it were enough for the purpose of making a living to rely on what one knows and what one can do, one's self-esteem would be in proportion to one's capacities, that is, one's use value. But since success depends largely on how one sells one's personality one experiences oneself as a commodity or, rather, simultaneously as the seller *and* the commodity to be sold. A person is not concerned with his or her life and happiness but with becoming salable. The aim of the marketing character is complete adaptation, so as to be desirable under all conditions of the personality market. Persons with marketing character have no other inner motivation than to change themselves continuously in accordance with the demands of other people.¹⁴⁶

¹⁴⁴ Fromm, E. (1976): 147.

¹⁴⁵ Fromm, E. (1976): 147.

¹⁴⁶ Fromm, E. (1976): 148

"The fact that in order to have success it is not sufficient to have the skill and equipment for performing a given task but that one must be able to "put across" one's personality in competition with many others shapes the attitude towards oneself. [...] But since success largely depends on how one sells one's own personality, one experiences oneself as a commodity [...] A person is not concerned with his life and happiness, but with becoming salable [...] one has to be in fashion on the personality market, and in order to be in fashion one has to know what kind of personality is most in demand."¹⁴⁷

But that has fatal consequences for the mental health of the participants in this competition. The self-esteem of a person who feels that he is both a commodity on the market and the seller of this commodity is dependent on preconditions which are outside his control.

"If one feels that one's own value is not constituted primarily by the human qualities one possesses but by one's success on a competitive market with ever-changing conditions, one's self-esteem is bound to be shaky and in constant need of confirmation by others. [...] If the vicissitudes of the market are the judges of one's value, the sense of dignity and pride is destroyed."¹⁴⁸

Under such circumstances people abandon their autonomous self; they lose their identity.

"The marketing character neither loves nor hates. These "old-fashioned" emotions do not fit into a character structure that functions almost entirely on the cerebral level and avoids feelings, whether good or evil ones, because they interfere with the marketing character's main purpose [...]"¹⁴⁹

¹⁴⁷ Fromm, E. (1947/1990) 70-71.

¹⁴⁸ Fromm, E. (1947/1990): 72.

¹⁴⁹ Fromm, E. (1976):148-149. See also Dierksmeier, C. (2015): 33-42.

It is no longer a question of autonomous human existence, with emotions, social relationships, cultural interests and artistic inclinations; the only thing that counts is *optimal functioning under the specific given circumstances*. When the options available to people are reduced in such a way, the likelihood of mental illness and moral indifference increases - only those factors then count which have an exchange value and can best be sold.

For anyone who has worked for a time in a big institution reflection on these lines will call to mind colleagues who agreed to the solution of a problem although they knew better, or refused to accept a solution because they wanted to curry favor with their superiors as unconditionally loyal staff members. In this way, and in the case of *management by fear*, problems arise of the kind that have apparently occurred at Volkswagen, Siemens or Credit Suisse. Where justified criticism presented objectively in a civilized tone is dismissed as overscrupulousness or possibly even punished as insubordination a message is sent implicitly or explicitly which leads to the growth of a very risky entrepreneurial culture.

According to Fromm there is a continuous interplay between personal character orientation and social character. Where the social environment has an interest in creating the conditions for the development of man, man himself is the sole purpose and the sole goal - not the satisfaction of a particular market. Nobody is a means for somebody or something else. In order to ward off the alienation of man resulting from the capitalist market-oriented forms of production, Fromm recommends social changes and sketches them from the perspective of radical humanism. In doing so he not only refers back to ideas of Karl Marx but also to humanist thinkers such as Albert Schweitzer and Ernst Bloch, and the economist E. F. Schumacher.

As the fundamental pillars of a new society founded on humanist principles Fromm sees reforms, many of which enjoy the support to this day of wide circles of people from the middle social layers of modern (European) society.¹⁵⁰

The aim of all social arrangements must be human well-being and the prevention of ill-being.

- A new relationship must be established between people and nature, one of cooperation and not of exploitation. A demand of the *2030 Agenda for Sustainable Development* has almost exactly the same wording.
- Not maximum consumption but sane consumption that furthers well-being must be striven for. This is also a demand of the *2030 Agenda for Sustainable Development* - "*responsible consumption*" is even a goal in its own right (Goal 12)
- It is not a question of doing everything one can possibly do, but of doing only what can be judged responsible in regard to future generations.
- The individual should be motivated to be an active, not a passive participant in social life. This also remains unchangeably right - the *res publica* depends on people who articulate themselves and participate.
- The relationship of people to one another should be characterized by solidarity and not by mutual antagonism. This idea is also in accordance with common sense, but unfortunately it only finds occasional support nowadays when the socio-political consequences of eroding social capital are expressed in violence.

¹⁵⁰ Fromm, E. (1976): 160ff.

That production must correspond to the "true needs of man" and not serve the requirements of the economy is a further demand of Fromm, calling for a deeper treatment which cannot be undertaken here. It would have to begin with a discussion of the answer to the question as to who has the power to define what "the true needs" are.

For Fromm only a fundamental transformation of human character structure, the driving back of a having-orientation in favor of a being-orientation can rescue mankind from a psychological, economic and ecological catastrophe. He answers the question whether such profound changes in character are possible positively. Human character can be changed if people¹⁵¹

- suffer under the existing conditions and are aware of it;
- recognize the origins of their ill-being;
- see that here is a way of overcoming their ill-being;
- accept that in order to overcome their ill-being they must follow certain norms for living and change their present practice of life.

Fromm does not believe that "anything lasting can be achieved by persons who suffer from a general ill-being and for whom a change in character is necessary, *unless they change their practice of life in accordance with the change in character they want to achieve.*"¹⁵² A *new man* must be created in a *new society*. This must, according to Fromm, be a socialist society as a humanistic ethics cannot be realized in a capitalist society.¹⁵³

¹⁵¹ Fromm, E. (1976): 168.

¹⁵² Fromm, E. (1976): 170.

¹⁵³ Fromm, E. (1976): 170ff.

2.2.4. New man in a new society

The new society has the function, according to Fromm, of promoting the rise of a new man. The desired and necessary character structure of this new man has, among others, the following extremely idealistic and challenging features: The new man should:¹⁵⁴

- be willing to give up all forms of having in order to fully *be*,
- base his security, sense of identity and confidence on faith in what one is, on one's need for relatedness, interest, love, solidarity with the world around one, instead of one's desire to *have*, to possess, to control the world, and thus become the slave of one's possessions,
- accept the fact that nobody and nothing outside oneself give meaning to life,
- find joy in giving and sharing, not in hoarding and exploiting, try to reduce greed, hate and illusions as much as he is able,
- show love and respect for life in all its manifestations, which also means sensing one's oneness with life, giving up the aim of conquering nature, subduing it, exploiting it, violating it, but trying rather to understand and cooperate with nature,
- develop his capacity for love together with his capacity for critical and unsentimental thought,
- be able to shed his narcissism and accept the tragic limitations inherent in human existence,
- be aware that the full development of one's own personality and of one's fellow men is the supreme goal of living and know that to achieve this goal discipline and

¹⁵⁴ Fromm, E. (1976): 170-172.

respect for reality are necessary,

- develop his imagination, not as an escape form intolerable circumstances but as the anticipation of real possibilities,
- know himself, not only the self one knows but also the self one does not know,
- know that evil and destructiveness are necessary consequences of the prevention of human growth.

Fromm was aware of the dimensions and the complexity of the tasks presented for discussion here. "The first requirement in the possible creation of a new society is to be aware of the almost insurmountable difficulties that such an attempt must face."¹⁵⁵ He names, among other things, the following problems the new society must solve:

- It must solve the problem of how to continue the industrial mode of production without total centralization, i.e. without ending up in fascism of some kind or other.
- It would have to control overall planning with a high degree of decentralization, giving up the "free market economy" that has become largely a fiction.
- It would have to give up the goal of unlimited growth for selective growth without running the risk of economic disaster.
- It would have to create work conditions and a general spirit in which not material gain, but other psychic satisfactions are effective motivations.
- It would have to further scientific progress and, at the same time, prevent this progress from becoming a danger to the human race by its practical application.
- It would have to create conditions under which people experience well-being and joy, and which free them from the addiction of maximizing "pleasure".

¹⁵⁵ Fromm, E. (1976): 173.

- It would have to give basic security to individuals without making them dependent on a bureaucracy .

The goal of such a social transformation of the economy, technology and society would not be "*control over nature but control over technique and over irrational social forces and institutions that threaten the survival of Western society, if not of the human race.*"¹⁵⁶ According to Fromm economy and society must be directed by the demands of an unalienated being-orientated man. It can no longer be accepted that a "*healthy economy is possible only at the price of unhealthy human beings.*"¹⁵⁷ The task is rather to create a healthy society for healthy individuals.

As necessary preconditions for the creation of a new society structured along these lines Fromm sees, among other things, changes that are difficult, if not impossible, to achieve in accordance with contemporary notions of the social market economy.¹⁵⁸

- Orientation of production on *healthy and sane consumption*. If this proves less profitable, the *rights of shareholders and company executives* to decide on production exclusively from the standpoint of profitability and growth must be *drastically reduced*. The resistance to be expected from the companies must be met with a consumer strike - and with the convictions of the citizens. But there can be no question of forcing "citizens to consume what the state decides is best - even when it is the best. Bureaucratic control that would forcibly block consumption would only make people all the more consumption hungry. Sane consumption can take place only if an ever-increasing number of people *want* to change their consumption

¹⁵⁶ Fromm, E. (1976): 175.

¹⁵⁷ Fromm, E. (1976): 176.

¹⁵⁸ Fromm, E. (1976): 176ff.

patterns and their life styles. And this is possible only if people are offered a type of consumption that is more attractive than the one they are used to. This cannot happen overnight or by decree, but will require a slow educational process, and in this the government must play an important role."¹⁵⁹ A "humanist body of experts" ought to accompany and to accelerate this process.

- To achieve a society based on *being*, all people must actively participate in their economic function and also their political function in a kind of industrial and political participatory democracy.
- Active and responsible participation is only possible when bureaucratic management is replaced by humanist management.
- In commercial and political advertising all forms of brainwashing must be forbidden.
- The gap between the rich and the poor nations must be closed.
- A guaranteed yearly minimum income would eliminate many of the evils of present day capitalist and communist societies.
- Women must be liberated from patriarchal domination.
- A Supreme Cultural Council should be established. It would be charged with the task of advising the government, the politicians and the citizens in all matters in which knowledge is necessary.
- A system of effective dissemination of effective information must be established.
- Basic scientific research must be separated from the question of its application in the industrial and military

¹⁵⁹ Fromm, E. (1976): 176.

spheres.¹⁶⁰

For Fromm the principle on which the capitalist order is based is incompatible with the principle of love.

"If our whole social and economic organisation is based on each one seeking his own advantage, if it is governed by the principle of egotism tempered only by the ethical principle of fairness, how can one do business, how can one act within the framework of existing society and at the same time practise love?"¹⁶¹

Fromm believes that the profound social upheavals listed above are necessary in order to ensure the mental health of mankind and peaceful coexistence among nations. A new non-capitalist society based on biophile characteristics is required, which "can be brought about only if a profound change occurs in the human heart."¹⁶² Fromm calls this "communitarian socialism".¹⁶³

An essential aspect in the definition of the various forms of socialism which we may call "communitarian socialism" is according to Fromm:

"an industrial organization in which *every working person would be an active and responsible participant, where work would be attractive and meaningful, where capital would not employ labor, but labor would employ capital*. They stressed the organization of work and the social relations between men, not primarily the question of ownership."¹⁶⁴

Such arguments sound idealistic, if not even weird, for many people. However, the approach that it is not enough simply to ask what actions and conduct are regarded as *normal* in a society or a business enterprise, but that it is

¹⁶⁰ Fromm, E. (1976): 177- 202..

¹⁶¹ Fromm, E. (1956/1975): 107.

¹⁶² Fromm, E. (1976): 133.

¹⁶³ Fromm, E. (1955/1963): 283.

¹⁶⁴ Fromm, E. (1955/1963): 283-284.

necessary to consider the consequences they have for people, society and nature. Erich Fromm reflects from his perspective on the economic and social framework conditions which are necessary if people are to define themselves in terms of a *being-* rather than a *having-*orientation. For this reason, the reading of "To Have or to Be" remains a highly profitable exercise.¹⁶⁵

2.2.5. "Can" and "ought"

It is absolutely essential to see what is generally available to a person as a decision and action corridor in relationship to what is possible without moral heroism under the given social, economic, political and cultural framework conditions. No theory concerned about its practical application should disregard the question of what a person "can" and "ought" to do.¹⁶⁶ The Swiss philosopher and political scientist Arnold Künzli points to the experience that

"in the battle between structural constraints and ethics the amoral constraints are victorious every time. Expecting a company engaged in hard national and international competitive struggles to operate in accordance with Christian social ethics will ruin it. [...] For the creation of the conditions for the possibility of an efficient "can-ought" relationship the postulate of a business ethics [...] requires a different society with a different economic structure. [...] If it is not to remain idealistic and condemned to ineffectiveness ethics must therefore look beyond the concepts of "ought", "may" and "must not" and deal just as intensively with the social and psychological conditions for the possibility of its implementation."¹⁶⁷

¹⁶⁵ Funk, R. (2017)

¹⁶⁶ This is pointed out not only by modern corporate ethicists like Homann, K. (2014) and Suchanek, A. (2015), but also by liberal thinkers like Dönhoff, M. (1999).

¹⁶⁷ Künzli, A. (1992): 66.

For a broad-based proclamation of such ideas for use by leading executives in companies, the observation of what Fromm proposes on the basis of his *socialist humanism* in the context of *communitarian socialism* is, however, an almost insurmountable obstacle. Whoever refuses - be it out of intellectual laziness or ideological narrow-mindedness - to grapple with the content of Fromm's ideas can take the easy way out and dismiss his standpoint as communist disorientation or, to express it in a more friendly way, as confused socialist idealism - as a repression of the evident bankruptcy of the failed political experiments of the last century. But we should not make it as simple as that for ourselves. Enlightened people do not evaluate forms of argument and action according to the (supposed) categories of left and right, but simply in terms of right or wrong.

2.3. What remains when one discards the ideological baggage of "communitarian socialism?"

The greatest problem standing in the way of a willingness on the part of leading business executives to occupy themselves with Erich Fromm's ideas is his idealist, socialist and profoundly anti-capitalist world view. The recipients of the reform proposals based on Fromm's insights could dismiss them by referring to the historical experience made with socialist state and economic systems, without having to deal with the substance of the arguments. But that would be a pity, as important thought-provoking impulses would then go unheard. A further point to be taken into account is that the concepts used by Fromm and in the present-day public discussion are by no means clear.

2.3.1. The substantial variety of apparently simple concepts

It is, on the one hand, a fact that *socialism* in the form practiced and approved for generations by the political leadership in Eastern Europe has failed. It is also a fact that the societies built upon a (capitalist) market economy, democracy and regulatory policies favorable to business enterprise have, in the last seventy years, led to greater and more widely spread prosperity than all the alternatives tried anywhere else in the world in the history of mankind. The story of economic and social success is predominantly a success story of the market economy and private property.

The concepts "communism" and "capitalism" are, however, political concepts and they are consequently filled with different contents depending on the different people who use them with different political intentions. After all, *capitalism* only means in the first place that the private possession of capital and investment goods is possible. And what the communist cadres did in the name of *socialism* has nothing in common with the idealistic notions of equality, justice and solidarity. Every "ism" is only as good as what people make of it. We should therefore be cautious about adopting a general position in regard to ambivalent concepts.

What Fromm criticizes under the concept of "capitalism" probably refers more to the US American and British conditions of the 1930s, 1940s and 1950s than to the "Rhineland capitalism" founded upon Catholic social teaching. The so-called Anglo-Saxon model of a *free market economy* developed under the leadership of Margaret Thatcher and Ronald Reagan is, however, similar to the capitalism criticized by Fromm. In my opinion the adoption and acceptance of Anglo-Saxon customs and practices in the businesses of

central Europe has led to a series of additional undesirable side effects. In the mid 1960's context of the immigration of guest workers, Max Frisch said: "We called for manpower but people came instead."¹⁶⁸ The managers "called" to us are also people with a different kind of socialization and different ideas on politics, society and the economy. As a result of their influence on the thinking in business enterprises, their ideas about the correct social division of labor and their references to globalization shaped by Anglo-Saxon ideas they have brought about a reduction of what top managers from a non-Anglo-Saxon cultural environment understood as "responsibility towards society". The managers we "called for" developed no sensitivity for the feelings of the people because they were not or did not want to become a part of society. The majority of the *ex-patriates* in Swiss or German companies known to me remain within the private circles of their own kind. They take the multilingualism of their secretaries for granted but see no reason for learning the local language themselves.¹⁶⁹ In the foreigners' ghetto one can cultivate the shared prejudices about the local population in tasteful

¹⁶⁸ See Max Frisch's preface to : Seiler, A. J. (1965) and M. Frisch (1967): 100.

¹⁶⁹ A further effect of the Anglo-Saxonization of management is that it is a matter of course that in the presence of an English native speaker all the other participants in a meeting speak English. As a result the great majority of the Swiss or German participants have the immense dialectical disadvantage that they must present complex issues in a differentiating manner in a foreign language - often without success. The English native speaker has immense dialectical advantages. I have often experienced situations in which English speaking managers were able to conceal their intellectual weaknesses behind pompous phrases, whereas highly educated and intelligent people who lacked a comparable mastery of English created the impression that they were not equal to the demands of the discussion. The growing presence of English speaking managers has led to an increase in the compulsion to accept English as the language of business even in Swiss and German companies. In this way US-American and Anglo-Saxon managers not only profit in terms of communication; they also implicitly convey their ideas about the social tasks of a company - and these differ from the ideas of "Rhineland capitalism".

surroundings and find oneself great - but that is not enough to fulfill social expectations and to find acceptance.

Erich Fromm, however, was not only opposed to the deficits of Manchester capitalism; he could not warm to what the fathers of the *social market economy*, Walter Eucken, Alfred Müller-Armack and Ludwig Erhard, called "the third way" between a "state-planned economy" and a "free market economy". This is difficult to understand, as the great majority of people in Germany, Austria and Switzerland have fared well with the version of the social market economy (and good governmental leadership) in their own countries - they are better off than ever before. But this does not mean that it could not be even better - whereby it would be necessary to clarify in detail what exactly is meant by "better" and whether the promise of doing things "better" does not conceal the pursuit of intransparent, particular political interests.

It is extremely seldom possible to lead a successful life without a sufficient and guaranteed income. Beyond the level of securing subsistence needs the issues regarded as problematic change with the available amount of personal and particularly national income.¹⁷⁰ It is also certain that for personally felt happiness and joy in life "money" is not everything.¹⁷¹ And, what is more, in societies with low levels of income inequality, with collective decision-taking, peaceful conflict patterns and greater social capital (more reliable social

¹⁷⁰ That the problems felt by people enjoying high levels of prosperity differ from those felt in the context of absolute poverty can be seen in the Global Ethics Challenge of 2016, in which migration does indeed come up, but otherwise issues such as same-sex marriage, transgender rights, eugenic potential of CRISPR and personal privacy and corporate government surveillance are listed. See Cook, M. (2016).

¹⁷¹ On this point see the World Happiness Reports of the last few years and Helliwell, J., R. Layard and J. Sachs (2016).

networks) there is more contentment and more trust - also in regard to companies and their top management.¹⁷²

A further interesting detail for the interpretation of this phenomenon: an analysis of the President of the *European Centre for Entrepreneurship and Policy Reform*, Nima Sanandaji, comes to the conclusion that in countries like Norway, Sweden and Denmark it is not "Nordic socialism" which ensures economic success with "good social outcomes" but the widespread cultural value portfolio of individual acceptance of responsibility, honesty, trust, punctuality and hard work.¹⁷³

2.3.2. Cavalry horses answering the bugle¹⁷⁴

When watching some political debates or talk shows on television one has the creeping suspicion that it is often not a matter of discussing legitimate differences in the judgment of a situation but simply of exchanging what George Orwell once called "phrases".¹⁷⁵ In his article *Politics and the English Language* Orwell refers to his reading of an article in which the author felt himself "impelled" to write something which he believed was new. In reality, however, his words resembled "cavalry horses answering the bugle". The horses know what they have to do when the bugle calls and automatically group themselves

¹⁷² See Oritz-Ospina, E. and M. Roser: (2016). The questions were: "Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?" The possible answers: "Most people can be trusted." or "Can't be too careful". The empirical results on the answer "Most people can be trusted" revealed large differences, for example Norway 74.2%, Sweden 68%, Turkey 4.9% and Ruanda 4.9%. In Germany the figures were 36.8%, and in Switzerland 53.9%.

¹⁷³ Sanandaji, N. (2016).

¹⁷⁴ Eppler, E. (1992).

¹⁷⁵ Orwell, G. (1946/1968): IV, 130-131 et passim. I owe the reference to Orwell's article to Erhard Eppler, who discusses it in his book *Kavalleriepfede beim Hornsignal*. See Eppler, E. (1992): 32.

in the familiar dreary marching formation. Applied to politics (or to the statements of companies) this means that as soon as a particular topic is mentioned certain phrases automatically come up and they are always the same. Orwell warns us that the invasion of one's mind by ready-made phrases can only be prevented if one is always aware of the danger and guards against them. This is necessary as every such phrase anaesthetizes a portion of one's brain.

In his book on *the crisis of politics as reflected in language* Erhard Eppler quotes a statement made by Carl Gustav Jochmann in 1828 which could be useful as a contribution to the clarification of the problems of leadership concealed behind the VW scandal:

"[...] anyone who is surrounded by servants and is sure of their silent obedience needs only to command and to hear himself speak, in order to be understood; he has neither the inducement nor the opportunity [...] to win over his listeners and to earn their attention by the way he expresses himself."¹⁷⁶

In the course of my life and in my professional experience I have found that "cavalry horses" exist in all parts of the social spectrum. The articulation of rehearsed empty phrases is by no means restricted to representatives of business enterprises but can also be heard from the mouths of members of non-governmental organizations (NGOs) or politicians. In the context of the so-called "Company Responsibility Initiative" (Konzernverantwortungsinitiative) in Switzerland the 77 women's rights, human rights and environmental organizations, church, trade union and shareholders associations involved in the initiative call for the elimination of child labor on cocoa plantations, inhuman working conditions in textile factories, environmental pollution in the extraction

¹⁷⁶ Eppler, E. (1992): 15-16.

of raw materials and other unethical business practices. To this end binding rules must be created for companies in order to protect people and the environment - by activities both at home and abroad.¹⁷⁷

I can hardly imagine a single mentally healthy person who would oppose such demands - but "at the bugle call" on *human rights and the economy* the marching orders of the trade associations reveal the customary rejection.

In the words of a commentator in the *Neue Zürcher Zeitung* (NZZ) such initiatives and their advocacy are a "stigmatization of internationally active companies in Switzerland"; the admonishment of non-governmental organizations (NGOs) that the observation of human rights by national authorities in many countries, for example those exporting raw materials, is insufficient is played down as a "supposed calamity"; it is argued that Swiss enterprises cannot fulfill more requirements than their competitors abroad - and anyway one should trust in the self-interest of the companies; state regulations are "neither expedient nor necessary".¹⁷⁸ Even the counter-arguments presented by so respectable a newspaper as the NZZ do not deal with the heart of the matter, with answering the question as to what can be done to reduce the likelihood of violations of human rights which normal people find repulsive. The endeavors of the initiators are dismissed as "ideological confusion" of the "usual suspects". It is admitted furthermore, that you can't make an omelet without breaking eggs, but then argued that others are doing the cooking. Thinking in clichés is a way of avoiding intellectual effort. As Orwell points out, the danger of ready-

¹⁷⁷ Konzernverantwortungsinitiative (<http://konzern-initiative.ch>). The initiative aims indirectly to adopt the demands of the UN Guidelines for Business and Human Rights; see Business & Human Rights Resource Centre (<http://business-humanrights.org/en/un-guiding-principles>).

¹⁷⁸ Aiolfi, S. (2015).

made phrases is that they are a substitute for thinking and render it superfluous; it is no longer necessary to deal profoundly with a complex issue.

"You are not obliged to go to all this trouble. You can shirk it by simply throwing your mind open and letting the ready-made phrases come crowding in. They will construct your sentences for you – even think your thoughts for you, to a certain extent – and at need they will perform the important service of partially concealing your meaning even from yourself. It is at this point that the special connection between politics and the debasement of language becomes clear."¹⁷⁹

Orwell's essay *Politics and the English Language* thus brilliantly summarizes the thesis that debased language is a fundamental part of repressive or exploitative politics. The "defense of the indefensible" is supported by a supply of euphemisms and artificial vocabulary. Perhaps it is an aspect of pluralistic, functionally differentiated societies that the two halves of the truth articulated by the respective political sides are taken in by the citizens as *on the one hand* versus *on the other hand* and that each side can rely on the other side to compensate for the deficits in its own line of argument.

In judging the significance of Erich Fromm's ideas for the choice and training of leadership personalities the cavalry horse metaphor has lost none of its validity. People often judge complex issues uncritically through the filter of their prejudices. If, let us say, a leading executive in a company reads the statement that a desirable social form could be described as an association in which "*the free development of each individual is the condition for the free development of all*" and relates it to business enterprises this would probably meet with approval or at least not be spontaneously rejected. If the same statement was made about society as a whole and attributed to

¹⁷⁹ Orwell, G. (1946/1968): IV, 135.

Nelson Mandela or Pope Francis many people in the executive suites of companies could probably agree with it. But if it is known to be a quotation from the Communist Manifesto of Karl Marx and Friedrich Engels the cavalry horses will move in the customary direction.

The same applies to the demand that the economy should serve all people and not the other way round. Statements of this kind in social encyclicals can likewise be dismissed with a reference to the source: "The people in the Vatican do not know how a business is run". And finally the statement "Capitalism in its present-day form is no longer the economic model that can solve the global problems" sounds unacceptable for many people until they hear that it derives from Klaus Schwab, the founder of the World Economic Forum, and was pronounced in Davos in 2012 in the presence of thousands of top managers. The acceptability of a statement evidently depends on the person who makes it. However, one wishes that intellectually gifted people would follow the example of Pope Emeritus, Benedict XVI, who, in the preface to his book *Jesus von Nazareth*, asked for that "sympathy in advance without which there can be no understanding."¹⁸⁰ A minimum of sympathy, the positively charged ability to empathize with the ideas and life-world of others, is an essential precondition for grasping what is going on in the mind of one's opposite number. Martin Buber's statement that a man shapes his identity through this relationship with the people around him also applies to companies and, above all, to the business world as a whole.¹⁸¹

For people whose decisions affect the lives of others it is not a tiresome intellectual demand to expect them to leave

¹⁸⁰ Ratzinger, J./Papst Benedikt XVI (2007): 22.

¹⁸¹ Buber, M. (1937/2010).

statements that do not fit *a priori* into their world picture as they stand for the moment, instead of immediately categorizing them ideologically and sweepingly dismissing them as "useless". What an indictment it would be if leading personalities in business, politics and society were not willing to take into consideration ideas which were not in conformity with their own! I am not of the opinion that from now on the Communist Manifesto or the Mao Bible should be prescribed reading for all top managers. But the sole focus on management training of the Anglo-Saxon kind and the dominant literature accompanying it isolates people whose decisions affect the lives of others from important aspects of the changing social reality in their own cultural circles.

Abstract thought in the sense of idealistic social concepts and images of man and specific activities in global competition under pressure of time and limited resources are two very different things. But they are not mutually exclusive. For enlightened people it is not a question of the Manichean tyranny of the one *or* the other. Capitalism, socialism and all the other "isms" are constructs created and filled with content by man - and hence are changeable.

2.3.3. Civilizing capitalism

It costs little effort to provide contemporary examples for the wrong-doings of "Manchester" capitalism and to subject it to systematic criticism. Pointing out that socialist experiments up to 1990 had not led to prosperity does not justify the exploitation and environmental destructiveness of an uncivilized capitalism. It remains important to realize that the regulatory policies of the market economy associated with morally upright governance have created more places of work, innovation and socially widespread prosperity than all the

other "systems". Competition and taking economic risks are part of an economic order based on the market economy. Risks are taken and advance investment in time, money and reputation are made because the reward in the shape of high risk premiums is attractive. High risk premiums are, however, the precondition for the willingness of private investors to take high risks. The fact that there are "rogues" is a part of the *Comédie humaine* and is not necessarily inherent to capitalism.¹⁸² Although, like many others, I could not imagine that renowned banks could manipulate interest rates and globally operating car companies could deceive environmental authorities and their clients, we are concerned here only marginally with scandals, fraudulent behavior and ruthless exploitation. We are interested instead in a few fundamental attributes of the free market economy.

2.3.4. The voices of enlightened liberals

The empirically measurable fact that there is a gap between the level of economic development and the happiness people feel demonstrates that the development of the "social character" of modern market economy communities calls for improvement.¹⁸³ In spite of all the progress that has been made in regard to available income, social security and growing awareness of the state of the environment few people would assert that we have reached "the end of history."¹⁸⁴ It is

¹⁸² On this point see the moral philosophical foundations of Adam Smith's "Inquiry into the Nature and Causes of the Wealth of Nations", namely his "Theory of Moral Sentiments". See Smith, A. (1759) and Smith, A. (1776).

¹⁸³ On this point see: World Happiness Report.

¹⁸⁴ Francis Fukuyama puts forward the thesis that after the failure of communism and socialism the Western model of the social order with its pluralistic democracy and market economy has proved its superiority in spite of remaining shortcomings and will assert itself throughout the world. Fukuyama, F. (1992).

by no means the case anymore that only "the usual suspects" from the NGO-scene or the political party landscape criticize capitalism and the market economy and present concrete examples of the way in which senseless short-term desire for profit has run wild at the expense of the general welfare of society. Many intelligent people from the middle of society also see compelling reasons for a "civilization" of capitalism.

For the great liberal thinker Marion Gräfin Dönhoff the defeat of communism does not mean the triumph of capitalism. For her socialism "as a utopia, as the sum of ancient human ideals", means the social justice, solidarity, freedom for the oppressed and help for the weak.¹⁸⁵ She points to the negative manifestations accompanying the positive economic success of the market economy - greed for money, erosion of the sense of social responsibility and the collapse of established social structures. And she puts the historical question: "Can this really be the perfect society that has triumphed over socialism for all time?"¹⁸⁶

Her "twelve theses against immoderateness" are not so much arguments for or against abstract "isms" such as capitalism or socialism but are rather an appeal to all people:

- No community can live without self-restraint and self-discipline. Freedom without self-restraint leads to chaos.
- Continuously growing individual expectations and the compulsion to achieve profits destroys every community.
- The "economic factor" as the sole source of meaning in life cannot satisfy people in the long run.

¹⁸⁵ Dönhoff, M. (1999): 19.

¹⁸⁶ Dönhoff, M. (1999): 22.

- Ethical norms have lost their significance; the desire for a fundamental moral orientation and a binding value system is no longer satisfied.
- Freedom without restrictions results finally in authoritarian regimes.
- The business world is dominated by an unreflected lack of moderation which, among other things, destroys the environment and diminishes the capital of future generations.
- The participation of citizens in elections is declining and mistrust of democratically legitimated institutions of the state is growing.
- Unbridled liberality has led to excessive laxity and the sense of injustice of officeholders has disappeared.

Marion Dönhoff has no patent remedy. She sees the rule of law, the separation of powers and pluralism merely as preconditions for a civil society.

"The decisive point is what citizens make of them, their convictions and their conduct. Those who bear responsibility should not place their self-interests above the common good. It is unacceptable that a secularized world necessarily has no ethical principles. It must be possible to supplement the structures of the market economy in such a way that people are motivated to behave humanely and not to strive greedily for prey like predatory animals."¹⁸⁷

Her résumé: "Everything depends on all of us - on every single one of us."

2.3.5. The voices of recognized economic leaders

Klaus Schwab – as the founder and president of the World Economic Forum a man totally beyond all suspicion of being

¹⁸⁷ Dönhoff, M. (1999): 223.

a left-wing fanatic - also sees problems in regard to the *status quo* of capitalism. At the WEF of 2012 he already expressed the opinion that capitalism in its previous form is no longer a fitting system for the contemporary world. He justifies this point of view with the following words: " We have a moral gap, we are over-indebted, we have neglected investments in our future, we have undermined social solidarity and we are in danger of losing the trust of future generations."¹⁸⁸ In the spring of 2016 he confirmed his concern in a contribution to the *Neue Zürcher Zeitung*.¹⁸⁹ He finds it "increasingly more difficult to justify capitalism in its present-day form as an idea and ideology on which to base society", among other things because of the fundamental tendency of contemporary economic development to promote polarization. In an economy which is only growing at a rate of three instead of five percent the gross national product only doubles every 24 instead of every 15 years. The battle over distribution is getting harder, Schwab argues, and the demands on human labor have changed. The trumps are in the hands of those who have the talent for and access to risk capital, which they know how to invest in an innovative way. The losers are those who have no particular talents and can only earn at best an average wage. As a result, according to Schwab, society is growing more radical and more responsive to populist forces which propose supposedly simple solutions. He sees capitalism's loss of legitimation as a "challenge for everyone who plays a leading role in the economy." The call for the acceptance of social responsibility by business enterprises is growing louder, and this is all happening at a time characterized by the growing pressure of competition and increased costs. And although it remains true to say that economic and ultimately also social success continue to

¹⁸⁸ Der Tagesanzeiger (18.01.2012).

¹⁸⁹ Schwab, K. (2016).

depend on a free market economy, a better and more modern definition of the goal of business enterprises is essential. "We must remind ourselves again that a company is a social community. The leadership of the company is responsible to all stakeholders. These include not only the shareholders but also the company staff, the clients, the creditors and the state - i.e. everyone whose fate is in some way linked to the state of the company."¹⁹⁰

What matters for Klaus Schwab is the further development of the traditionally limited social responsibility of business enterprises. "The increased moral orientation of companies must not remain merely an option. It is an essential component of a long-term concept of company leadership. The head of a company must be willing to assert this position in his dealings with hedge funds, activist shareholders and family shareholders eager to sell products. Investors who advocate sustainability will lend him their support. The one-sided pursuit of short-term demands of the shareholders and the resultant short-term thinking lead to capitalism losing the trust of a liberal society, which it needs for its further development."¹⁹¹ The increasingly loud world-wide criticisms of capitalism must be met by an innovative private economic concept which not only serves the interests of the shareholder but also the well-being of all stakeholders and hence of all society.

¹⁹⁰ Schwab, K. (2016).

¹⁹¹ Schwab, K. (2016.).

2.3.6. The voices of the Christian churches and the United Nations

The Christian churches are also engaged in a critical debate on the business conduct of top managers, who fail to act in accordance with the recommendations of Christian social teaching. The tenor of some of the statements made comes close to the famous remarks of Max Weber:

"By the Sermon on the Mount we mean the absolute ethic of the gospel, which is a more serious matter than those who quote these commandments today believe. This ethic is no joking matter. The same holds for this ethic as has been said of causality in science: it is not a cab which one can have stopped at one's pleasure. It is all *or* nothing. *This is precisely the meaning of the gospel, if trivialities are not to result.*"¹⁹²

The Catholic social encyclicals in particular see in Christian belief a desirable social practice and not merely a social ethical theory inviting meditation. Reflected individual action in the sense of *Rerum novarum* (1891), *Quadragesimo anno* (1931), *Laborem exercens* (1981), *Sollicitudo rei socialis* (1987), *Caritas in veritate* (2009) to *Laudato si'* (2015) is action which considers the personal dignity of man and the preservation of creation to be higher goods than material economic targets.¹⁹³ *Caritas in veritate*¹⁹⁴ is very clear on the issue of company and management ethics:

- "Profit is useful if it serves as a means towards an end that provides a sense both of how to produce it and how to make good use of it. Once profit becomes the exclusive goal, if it is produced

¹⁹² Weber, M. (1948/1991): 119.

¹⁹³ On this point see Leisinger, K. M. (2005): 628-679. The text of Genesis (1.27) provides the basis for all accounts of the Christian image of man: "So God created man in his own image - in the image of God created he him." - the rest is interpretation.

¹⁹⁴ Pope Benedict XVI. (2009).

by improper means and without the common good as its ultimate end, it risks destroying wealth and creating poverty." (Nr. 21)

- "The dignity of the individual and the demands of justice require [...] that economic choices do not cause disparities to increase in an excessive and morally unacceptable manner " (Nr. 32)
- "Economy and finance, as instruments, can be used badly when those at the helm are motivated by purely selfish ends. Instruments that are good in themselves can thereby be transformed into harmful ones. But it is man's darkened reason that produces these consequences, not the instrument *per se*. Therefore it is not the instrument that must be called into account, but individuals, their moral conscience and their personal and social responsibility." (Nr. 36)

Laudato si ¹⁹⁵ deals in an equally clear way with present-day environmental problems. Pope Francis refers to the topics of "pollution, waste and the throw-away culture" (20-22) and "the climate as a common good" (23-26), deplores the "loss of bio-diversity" (32-42), the "decline in the quality of human life and the breakdown of society" (43-47) and "world-wide social injustice".(48-52). Pope Francis points to the "common destination of goods" (93-100), deplores the crisis and effects of anthropocentrism" (115) and calls for a "cultural revolution." (114):

"Science and technology are not neutral; from the beginning to the end of a process various intentions and possibilities are in play and can take on distinct shapes. Nobody is suggesting a return to the Stone Age but we do need to slow down and look at reality in a different way, to appropriate the positive and sustainable progress that has been made, but also to recover the values and the great goals swept away by our unrestrained delusions of grandeur."

¹⁹⁵ Pope Francis (2015).

This "also implies another profound reality: the relationship between human life and the moral law, which is inscribed in our nature and is necessary for the creation of a more dignified environment." (155). The pope demands greater respect for the common good and justice across the generations. (156 ff.):

"Underlying the principle of the common good is respect for the human person as such, endowed with basic and inalienable rights ordered to his or her integral development. It has also to do with the overall welfare of society and the development of a variety of intermediate groups, applying the principle of subsidiarity. Outstanding among those groups is the family, as the basic cell of society. Finally, the common good calls for social peace, the stability and security provided by a certain order which cannot be achieved without particular concern for distributive justice; whenever this is violated violence also ensues. Society as a whole and the state in particular, are obliged to defend and promote the common good."

In his "lines of approach and action" (163ff.) he demands an international dialogue for the solution of environmental problems and new political concepts with transparent decision-making processes, in particular a dialogue between politics and the economy for "human fulfilment" in which both must be placed in the service of human life. One section of the recommendations could well have been inspired by Erich Fromm:

"As the market tends to promote extreme consumerism in an effort to sell its products, people can easily get caught up in a whirlwind of buying and spending. Compulsive consumerism is one example of how the techno-economic paradigm affects individuals. Romano Guardini had already foreseen this: "The gadgets and technics forced upon him by the patterns of machine production and of abstract planning mass man accepts quite simply; they are the forms of life itself. To either a greater or lesser degree mass man is convinced that

his conformity is both reasonable and just".¹⁹⁶ This paradigm leads people to believe that they are free as long as they have the supposed freedom to consume. But those really free are the minority who wield economic and financial power. Amid this confusion, postmodern humanity has not yet achieved a new self-awareness capable of offering guidance and direction, and this lack of identity is a source of anxiety. We have too many means and only a few insubstantial ends. (203)

Nonetheless Pope Francis remains optimistic.:

Yet all is not lost. Human beings, while capable of the worst, are also capable of rising above themselves, choosing again what is good, and making a new start, despite their mental and social conditioning. We are able to take an honest look at ourselves, to acknowledge our deep dissatisfaction, and to embark on new paths to authentic freedom. No system can completely suppress our openness to what is good, true and beautiful, or our God-given ability to respond to his grace at work deep in our hearts. I appeal to everyone throughout the world not to forget this dignity which is ours. No one has the right to take it from us." (205)

A change in lifestyle could bring healthy pressure to bear on those who wield political, economic and social power. This is what consumer movements accomplish by boycotting certain products. They prove successful in changing the way businesses operate, forcing them to consider their environmental footprint and their patterns of production. When social pressure affects their earnings, businesses clearly have to find ways to produce differently. This shows us the great need for a sense of social responsibility on the part of consumers. "Purchasing is always a moral – and not simply economic – act"¹⁹⁷. (206)

For simple souls (who hardly ever make an effort to read and reflect on the entire text of such statements, but nonetheless

¹⁹⁶ Guardini, R. (1950/1998): 60.

¹⁹⁷ Pope Benedict XVI (2009): 66.

have strong opinions) these might be regarded as "left-wing" or "green" messages which can be assigned to the corresponding pigeon holes - but for enlightened people they are a source of inspiration for innovative action.

The same applies to the *2030 Agenda for Sustainable Development* promulgated by the United Nations.¹⁹⁸ This warns us from different perspectives that "business as usual" is not an option for the well-being of people, and this also applies to the activities of top managers in business enterprises.

2.3.7. Practical evolution, not theoretical revolution

In regard to all the desirable changes we are not thinking in terms of revolutions, but of democratically legitimated reforms. We are concerned with evolution in the sense of Karl Popper's "piecemeal engineer":

"Even though he may perhaps cherish some ideals which concern 'society as a whole' - its general welfare perhaps - he does not believe in the method of redesigning it as a whole. Whatever his ends, he tries to achieve them by small adjustments and re-adjustments which can be continually improved upon. [...] The piecemeal engineer knows, like Socrates, how little he knows. He knows that we can learn only from our mistakes. Accordingly, he will make his way step by step, carefully comparing the results expected with the results achieved, and always on the lookout for the unavoidable unwanted consequences of any reform; and he will avoid undertaking reforms of a complexity and scope which make it impossible for him to disentangle causes and effects, and to know what he is really doing."¹⁹⁹

Revolutions – also a political concept with a variety of contents - not only impose by force what can only be sustainably changed by voluntary individual insight; they have a further

¹⁹⁸ For the English version see United Nations, *Transforming our World: the 2030 Agenda for Sustainable development* (2015).

¹⁹⁹ Popper, K. (1944/1957): 67.

big disadvantage to which Arnold Künzli refers: They "never completely keep what they promise and always have effects they did not desire."²⁰⁰ The reason is easy to understand:

"Revolutions are made by men and they are fallible. Revolutions are damned to make use of the "old Adam" even when they promise a new man. The more universalistically revolutions define their goals - the emancipation of man - the more they run the risk of being misused for the purposes of ideological stabilization and the promotion or concealment of particular interests."²⁰¹

Against the background of his personal distressing experience of communism the socialist Arnold Künzli characterizes revolutions as "extremely contradictory events" and sees the contradictions growing with the promises made: "When they even promise salvation and paradise in an almost religious sense the step to hell is bound to occur."²⁰² However:

"To say that revolutions never completely keep the promises they make does not mean that they achieve nothing at all.[...] It must be recognized that revolutions never bring about a change from what is radically bad to what is radically good in the sense of a linear development, but the good that they bring is only half good and is usually accompanied by a lot of - old and new - bad things. The source of this bad side is the "old Adam", who is damned to build the new society with building blocks from the debris of the old society."²⁰³

The atrocities and iniquities committed in the name of "really existing socialism" cannot, according to Künzli, be excused by arguing that you can't make an omelet without breaking eggs or that the noble goal justifies means which are not quite so

²⁰⁰ Künzli, A. (1992): 11. As far as the "old Adam" is concerned it should be noted that the "new Eve" is not much better.

²⁰¹ Künzli, A. (1992): 11.

²⁰² Künzli, A. (1992): 11.

²⁰³ Künzli, A. (1992): 12.

noble. "Belief in history and credulity do not dispense us from independent critical thinking".²⁰⁴

For Arnold Künzli – as for Marion Dönhoff, the authors of the social encyclicals, Klaus Schwab and particularly for Erich Fromm – *man plays the central role*. Regardless of function or role, a person can see himself as a *citoyen* who constructively and actively participates in the community and helps to shape it in the interests of sustainability. Or he (or she) can act as a *bourgeois* who draws his strength and his power from his possessions, is primarily concerned about their protection and does not care a fig about the common good.

2.3.8. Light on the horizon?

There are a number of hopeful signs indicating a change in the direction of what Fromm and other critical voices have demanded. In 2015 the expanded German edition of the Harvard Business Review, the *Harvard Business Manager*, introduced for the first time new evaluation criteria for the ranking of the 100 best top managers. Since then the best heads of companies world-wide are measured not only by the traditional business criteria but also by ecological and social achievements and ethical criteria. This has led to a considerable reshuffle in the rankings of the CEO "hit parade".

The legendary investor Warren Buffet, who occupied rank 2 after the evaluation of his financial success, fell to an overall ranking of 101 on account of his poor performance on the topic of sustainability (798th out of 900 CEOs studied). Another example is Jeff Bezos, the CEO of Amazon. In terms of financial success he occupied rank 1 but as a result of his

²⁰⁴ Künzli, A. (1992): 33.

poor results on sustainability (rank 828) he slipped down to rank 87 in the overall evaluation. Lars Rebien Sørensen of Novo Nordisk achieved the top place because he did particularly well on the new sustainability criteria and because of his modest, consensus-oriented leadership style. That he also performed brilliantly in the financial sector proves once again that good ecological and social performances and practiced ethics do not necessarily stand in the way of a good development of profits.²⁰⁵

A further encouraging development is the practice of companies with enlightened leadership personalities to look beyond professional knowledge and capacity for logical thinking to aspects of personality and character such as integrity, emotional intelligence and social competence when appointing their staff.²⁰⁶

According to Erich Fromm life first acquires a meaning when people stop smugly admiring themselves in the mirror in an egoistic, narcissistic and destructive manner - in other words when they have mastered the "Art of Loving". "We are only capable of knowing, understanding and caring for the other if we are also capable of understanding, caring, and knowing ourselves. [...] Love is knowledge, but precisely because it is knowledge, it is also respect".²⁰⁷ This leads us to Erich Fromm's central concept of "love".²⁰⁸

²⁰⁵ Harvard Business Manager (11/2015): 8 ff.

²⁰⁶ Chamorro-Premuzic, T. (2015): 92 ff.

²⁰⁷ Fromm, E. and R. Xirau (1968): 21.

²⁰⁸ Fromm, E. (1956, 1975); Fromm, E. (1955, 1963): 197-200; Fromm, E. (1976): 44-47 et passim.

3. Can a business enterprise in global competition be led successfully with "love"?

3.1. The question of love

The concept of "love" involves the reduction of an immensely complex matter. Richer languages than German have various concepts for the expression of different forms of "love". The terminological distinction in antiquity between *eros* (as sensual erotic feeling), *philia* (as sympathetic mutual recognition and uncalculating friendly love) and *agape* (as selfless altruistic love which promotes the well-being of others) reveals how wide the conceptual range is. If one consults a Latin dictionary one finds distinctions such as *amor* (love of and from parents), *caritas* (altruistic love), *gratia* (friendly love), *flagrantia* (glowing sensual love) and *dilectio* (altruistic love).

For Erich Fromm human fulfillment and mental health are impossible without altruistic love, true humility, courage, belief and discipline.²⁰⁹ Fromm characterizes love as an *art* which can be learnt with discipline, concentration, patience and reason. "Mastery" of this "art" is possible, but only if a person believes nothing in the world is more important than this art.²¹⁰ Fromm embeds people's love of one another in the wider framework of the love of life in all its forms, which he terms *biophilia*. This idea refers back to the core of the philosophical thinking of Albert Schweitzer, "reverence for life". This is expressed in the permanent striving to preserve and promote life and to bring developable life to its highest state.²¹¹

²⁰⁹ On this point see also Funk, R. (2016).

²¹⁰ Fromm, E. (1956/1975): 12

²¹¹ Schweitzer, A. (2013). Rupert Lay calls "reverence" "a virtue which indicates the readiness to respect the dignity of a person". It includes the fear of violating this dignity. In: Lay, R. (2015): 26, footnote 24.

Biophile ethics, according to Fromm, "have their own principle of good and evil. Good is all that serves life; evil is all that serves death. Good is "reverence for life", all that enhances life, growth, unfolding. Evil is all that stifles life, narrows it down, cuts it into pieces. Joy is virtuous and sadness is sinful."²¹² Biophile ethics unfolds most fully in the *productive character orientation* of man.

"The person who fully loves life is attracted by the process of life and growth in all its spheres. He prefers to construct rather than to retain [...] His approach to life is functional rather than mechanical. He sees the whole rather than only the parts, structures rather than summations. He wants to mold and to influence by love, reason, by his example; not by force, by cutting things apart, by the bureaucratic manner of administering people as if they were things."²¹³

Here all the attitudes are mentioned which one desires from people whose decisions affect others. Fromm is not the only humanities scholar who has dealt profoundly with the topic of "love". Prominent authors who have reflected on the preconditions for personal happiness, individual contentment and social harmony in a variety of contexts underline the importance of a "life-loving" (biophile) basic attitude as a necessary condition for a successful life. Joseph Fletcher does so in the general context of situation ethics²¹⁴, Rupert Lay (mainly) with reference to managers²¹⁵, the great German Buddhist Nyanaponika Mahathera in the context of a successful life from a Buddhist perspective.²¹⁶ Steve Jobs, in his moving commencement address at Stanford in the context of his dismissal by Apple, also goes into the subject of

²¹² Fromm, E. (1964): 47.

²¹³ Fromm, E. (1964): 47

²¹⁴ Fletcher, J. (1966). Fletcher refers to *Agape*, i.e. selfless love inspired by God.

²¹⁵ Lay, R. (1989).

²¹⁶ Nyanaponika (1962).

"love".²¹⁷ And love is not least a central element of Christian belief. If one's idea of love is founded on the formulation in St. Paul's Epistle to the Corinthians then loving is a rather demanding affair.²¹⁸

Erich Fromm is the person who has dealt most profoundly with "love" in regard to the mental health of human beings. Every mentally healthy person knows that love is of great importance for a successful life. The fact that the concept of love is often misused for strivings which are unworthy of being called love (e.g. controlling, manipulating, monopolizing, incapacitating) does not make matters any

²¹⁷ "I'm convinced that the only thing that kept me going was that I loved what I did. You've got to find what you love. And that is as true for your work as it is for your lovers. Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do. If you haven't found it yet, keep looking. Don't settle. As with all matters of the heart, you'll know when you find it. And, like any great relationship, it just gets better and better as the years roll on. So keep looking until you find it. Don't settle." See Jobs, S. (2005).

²¹⁸ If I speak in the tongues of men or of angels, but do not have love, I am only a resounding gong or a clanging cymbal. ²If I have the gift of prophecy and can fathom all mysteries and all knowledge, and if I have a faith that can move mountains, but do not have love, I am nothing. ³If I give all I possess to the poor and give over my body to hardship that I may boast, but do not have love, I gain nothing. ⁴Love is patient, love is kind. It does not envy, it does not boast, it is not proud. ⁵It does not dishonor others, it is not self-seeking, it is not easily angered, it keeps no record of wrongs. ⁶Love does not delight in evil but rejoices with the truth. ⁷It always protects, always trusts, always hopes, always perseveres. ⁸Love never fails. But where there are prophecies, they will cease; where there are tongues, they will be stilled; where there is knowledge, it will pass away. ⁹For we know in part and we prophesy in part, ¹⁰but when completeness comes, what is in part disappears. ¹¹When I was a child, I talked like a child, I thought like a child, I reasoned like a child. When I became a man, I put the ways of childhood behind me. ¹²For now we see only a reflection as in a mirror; then we shall see face to face. Now I know in part; then I shall know fully, even as I am fully known. ¹³And now these three remain: faith, hope and love. But the greatest of these is love.

easier. Whether human action and behavior is actually motivated by love or one pursues contrary interests under the mantle of love depends, according to Fromm, on whether the character of the person concerned has a *productive orientation*.

In our context the problem is that the concept of "love" is by no means a part of the customary vocabulary of management and the demand for love in everyday business life is regarded as unfitting. If a company brings up the concept of "love" in unsettled times, cynical commentaries and malice result.²¹⁹ If one speaks to top business managers about other complexity-reducing concepts such as "competence", "tolerance" or "responsibility", most of them are in a position to fill the concepts with substantial content in the context of their professional lives. But "love"? It is scarcely disputed in private conversations that love in all its forms is important for a successful life - but in the business world the associations triggered by the word usually give rise to irritation. Fromm is aware of this difficulty:

"There is hardly any word which is more ambiguous and confusing than the word "love". It is used to denote almost every feeling short of hate and disgust. It comprises everything from the love for ice cream to the love for a symphony., from mild sympathy to the most intense feeling of closeness. People feel they love if they have "fallen for" somebody. They call their dependence love and their possessiveness too. They believe in fact that nothing is easier than to love, that the difficulty lies only in finding the right object, and that their failure to find happiness in love is due to their bad luck in not finding the right partner. But contrary to all this confused and wishful thinking, love is a very specific feeling; and while every human being has a capacity

²¹⁹ The decision taken by the Volkswagen company in November 2015 - in the middle of the exhaust gas scandal - to make *love* the motto of its cultural program for 2016 can probably be judged in many different ways. *Truthfulness* would have been much better topic for reflection.

for love, its realization is one of the most difficult achievements. Genuine love is rooted in productiveness and may properly be called, therefore, productive love. [...] Although the objects of love differ and consequently the intensity and quality of love itself differ, certain basic elements may be said to be characteristic of all forms of productive love. These are *care, responsibility, respect and knowledge*.²²⁰

To love a person productively implies:

"to care and to feel responsible for his life, not only for his physical existence but for the growth and development of all his human powers. To love productively is incompatible with being passive, with being an onlooker at the loved person's life; it implies labor and care and the responsibility for his growth. [...] Care and responsibility are constituent elements of love, but without *respect* for and knowledge of the beloved person love deteriorates into domination and possessiveness. Respect is not fear and awe. It denotes[...]the ability to see a person as he is, to be aware of his individuality and uniqueness. To respect a person is not possible without knowing him; care and responsibility would be blind if they were not guided by the knowledge of the person's individuality".²²¹

In order to achieve a better acceptance of the concept of "love" as a precondition for its application in everyday business life it is necessary to define the basic elements of *care, responsibility, respect for others* and *knowledge* more closely. But one point is indisputable: they are also elements of good leadership in the economy, politics and society.

²²⁰ Fromm, E. (1947/1990): 97-98.

²²¹ Fromm, E. (1947/1990): 101.

3.1.1. Care

When the concept of care is used in business life it is spontaneously associated with "due diligence", with the care required in business transactions when analyzing risks. These risks can be ascertained with differing degrees of breadth and depth. Apart from the usual legal, ecological, information security, taxational and product specific risks, enlightened companies also take into account those which result from a lack of social acceptance. For Erich Fromm *care* is much more - it is "the active concern for the life and growth of that which we love. Where this active concern is lacking, there is no love."²²² Expecting people to live this ideal in daily business life is not demanding too much. There is a clearly measurable relationship between the feeling of an employee that he is valued, supported and furthered and his motivation, contentment and willingness to perform well for the company. The same applies for the protection of the environment and the preservation of creation. A person's sense of his own value determines the structure of his actions. When people can fill with life those values which serve their self-fulfillment and their opportunities in their professional context, they are happy, mentally healthy - and productive.²²³

This aspect of Erich Fromm's ideas crops up in modern management literature on leadership - without reference to the concept of love. Many authors explicitly deal with emotional aspects of leadership and speak - without however referring directly to Fromm - about what Fromm means by care:

- To recognize people's needs, to strengthen their personalities, values and self-awareness, to motivate them through emotions and shared values. "Leadership

²²² Fromm, E. (1956/1975): 28.

²²³ Fromm, E. (1947/1990): viii.

qualities" are rather more demanding than "management qualities."²²⁴

- To help other members of the company to grow, to fill them with enthusiasm for a shared vision.²²⁵
- To be sensitive, respectful and full of recognition.²²⁶

Leadership personalities who place the greatest value on economic efficiency are also concerned about the personal well-being, the inner motivation and the contentment of their staff. The inner contentment of people working in a company is an essential precondition for ensuring their personal commitment and the sustainable success of the company. Lack of motivation costs companies billions, even though these seldom crop up directly in the personnel budgets. When the members of staff feel an emotional attachment to their professional environment productivity and rentability are 21% and 22% higher respectively, absence from work (-37%), loss of materials(-28%), accidents at work (-48%) and quality defects (-41%) are significantly lower.²²⁷ Furthermore - and this is perhaps less important from a short-term business perspective but all the more so for the persons concerned - enjoyment of work and the resultant inner satisfaction have measurable positive effects on people's health and even on their lifespan.²²⁸

The same is true of the protection of the environment and care for the social environment. In this respect enlightened leadership personalities act strategically - managers motivated by short-term results act tactically when and because a company is subject to public criticism. When

²²⁴ See, for example, Hughes, R. L., R. C. Ginnett and G. J. Curphy (2014).

²²⁵ See, for example, Hinterhuber, H. (2010).

²²⁶ See, for example, Haberleitner, E., E. Deistler and R. Ungvari (2009).

²²⁷ See Gallup (2016): Slide 31.

²²⁸ On this point see: Corporation for National & Community Service (2007); Naylor, Ch., C. Mundle, L. Weak and D. Buck (2013).

responsibility is suitably defined in a broad and deep way, a manager will not only try to avoid doing harm to the core competencies in his activities, but will go further and make a contribution to society through his commitment to philanthropic goals.²²⁹ How close one comes to "care" in Fromm's sense of the word depends on the way leadership personalities define responsibility.

3.1.2. The sense of responsibility

Erich Fromm defines the sense of responsibility as "an entirely voluntary act; it is my response to the needs, expressed or unexpressed, of another human being. To be 'responsible' means to be able and ready to 'respond'."²³⁰ This definition is fully compatible with the state of the art notion of *corporate responsibility*. The assumption of responsibility is in the properly understood self-interest of those who wish to make more balanced decisions on the basis of better information. One can classify the entire range of stakeholder literature²³¹ under the title "giving an answer" to the expectations, fears and concerns of those who are affected by or can influence the activities of a company.

An important part of the responsibility of enlightened leadership personalities involves finding answers not only to the challenges and expectations of the financial sector but also to the needs of their staff and the expectations of stakeholder groups in civil society. What the leadership team of a company sees as its responsibility over and beyond the legal requirements is mostly regarded as a *business judgment* lying within its own discretionary powers. However, this discretion

²²⁹ On this point see Leisinger K. M. und K. Schmitt (2012).

²³⁰ Fromm, E. (1956/1975): 29.

²³¹ For a representative example see Freeman, R. E. et al. (2010).

is implicitly or explicitly the result of a concrete or virtual process of negotiation with the stakeholders. The poor survey results mentioned earlier point to immense deficits in regard to the fulfillment of social expectations. The majority of people in modern societies feel that no answer or at best an insufficient answer is given to questions which are near and dear to them. The huge gap between people's expectations and the service portfolio of business enterprises is one of the reasons for the lack of trust in the companies and their top managers.

Such expectations not only differ from country to country for cultural and social reasons; they also differ from sector to sector. The pharmaceutical industry is confronted with completely different expectations (for example in regard to cost-effective access to life-saving medical products or in connection with the ethical framework conditions for clinical experiments in developing countries) than those encountered by the banks, the textile or the extractive industries. Giving an "answer", even when the questions are uncomfortable, is a matter of respect for others and a matter of course for upright people. It is important in this connection to realize that not every expectation or claim from civil society necessarily leads to a duty to perform on the part of a company. A suitable "answer" can also lie in the explanation of the reasons for the rejection of a claim; not to answer at all reveals a lack of *respect for others*.

3.1.3. Respect for others

Fromm characterizes *respect for others* as the ability "to see a person as he is, to be aware of his unique individuality. Respect means the concern that the other person should grow and unfold as he is".²³² This is already a challenge for "normal"

²³² Fromm, E. (1956/1975): 30.

people and much more so for leading executives who, on account of their overall responsibility for the existence of a company, may have to make decisions which have a negative effect on the lives of people working for the company. Dismissals should not be undertaken in order to increase profits but only be considered as an *ultima ratio*. They should be socially cushioned as far as possible, which calls on the one hand for empathy on the part of the decision-makers and, on the other hand, for the already mentioned moral imagination.

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Respect comprises not only *respect for human rights*. It also involves, above all, the preservation of *human dignity*. When the dignity of man is *violated* more happens than in the case of a violation of national or international law.²³⁴ If one considers the increasingly important frame of reference of the *UN Guiding Principles on Business and Human Rights*,²³⁵ it becomes clear how comprehensively respect for others is now defined.

Not only, but quite particularly in respect to the *UN Guidelines* it is evident that "working according to the rule" in the sense of *legal compliance* and in contrast to actively lived responsibility in the sense of the Golden Rule are not *two ways* of showing respect for the rights and the dignity of people, but two totally *different dimensions* of thinking and acting. Acting in accordance with the rules and regulations (*legal compliance*) inflicts nothing that is *forbidden* on third parties. *Respect for others* goes far beyond what is prescribed by law. It presumes the existence of an inner conviction about respect for otherness and avoids all kinds of discrimination, i.e. unequal treatment and refusal to observe equality of opportunity, for example for reasons of racial or ethnic origin,

²³³ On this point see Werhane, P. H. (1999) and Werhane, P. H. and B. Moriarty (2015).

²³⁴ Leisinger, K. M. (2007): 163-170.

²³⁵ United Nations Office of the High Commissioner (2011).

age, disability, religion, world-view or sexual orientation.²³⁶ Rules do not replace good judgment nor good manners. In everyday business life respect for others includes respectful treatment by managers of those who are hierarchically - but not humanly! - "subordinate" to them. A person who does not act in accordance with the Golden Rule (Do not do to others what you do not wish them to do to YOU) should not occupy a senior position.²³⁷ To demand human closeness in business life with staff, clients, suppliers, critics and politicians, would not be fitting - but human understanding of others in their otherness and respect for others is not only a reasonable but quite simply an indispensable precondition for constructive dealings with one another.

"Respect for others" presents the top managers of internationally operating companies with an additional, particularly difficult task. They work in a context of different cultures and hence with different ideas about what is morally correct and what is forbidden. Moral convictions are shaped by the specific forms of cultural and historical socialization and are influenced by economic and social circumstances. To be successful an internally operating company must, on the one hand, be a part of the local society and, consequently,

²³⁶ Whoever wishes to acquire an idea of the dimensions of the concept of "discrimination" should read the directive of the European Commission on the "establishment of a general framework for the promotion of equal treatment in employment and occupation" - and the statements of the European Commission in the Council of the European Commission (2000); European Commission (2007).

²³⁷ One of my reasons for applying for a position with Ciba-Geigy many years ago was the humanity shown by the top managers at the time. It was, for example, a matter of course for the then president of the board of directors Louis de Planta to greet the doormen by name; his question "How are you doing?" was not an empty phrase, and he waited for an answer. The then CEO, Samuel Koechlin, impressed me with his quiet humanity and his conviction that those who exercise more power also have more obligations. On this point see Ehrenbold, T.: (2017).

respect its culturally shaped values. There are, however, clear limits to this respect, as the legitimacy of a multinational enterprise is also measured by what has developed over the years as the international consensus on good business conduct. In this situation conflicts are bound to occur, but they can be solved without having recourse to gratuitous moral relativism.

It is the great merit of Hans Küng and his colleagues that they have established a core of normative values which has been accepted in all cultures and religions at all times. The application of these ideas can help to diminish the culturally determined potential for conflict, when the conduct of business executives is guided by the fundamental moral concepts and values which Hans Küng characterizes as a global ethic.²³⁸

- *Humanity* (also as the ethical standard for business activities) and
- *Observation of the Golden Rule* in the sense of mutual responsibility, fairness, tolerance and solidarity.

If legitimate self-interest is realized on this basis all decisions, practical actions and conduct will take the following basic values into account:

- Non-violence and respect for life.
- Justice and solidarity.
- Truthfulness and tolerance.
- Mutual respect and partnership.

To bring about an awareness of the abstract values canon of the global ethic and to apply it practically and fittingly in

²³⁸ On this point see www.weltethos.org/was_ist_weltethos/. Erich Fromm expresses himself in a similar fashion: "Indeed the ethical systems of all great cultures show an amazing similarity in what is considered necessary for the development of man, of norms which follow from the nature of man and the conditions necessary for his growth." Fromm, E. (1947/1990): 240-241.

specific situations is a genuine responsibility of leadership personalities.²³⁹ As not everything found in a given local context merits moral recognition or is compatible with these fundamental values and principles, leadership personalities committed to the global ethic must distinguish between three problem-solving categories. There are solutions

- which, on account of the local cultural conditions, are different from what Western European routines would suggest - but are nonetheless unproblematic as they are compatible with the basic values and principles mentioned above. In these cases the decision procedures should be determined by respect for the local culture and for what the local population regards as right (for example in regard to the content of advertising slogans or marks of respect for local dignitaries).
- which are in accordance with the customs and practices of the local culture but violate international norms and the values canon of the global ethic. Such solutions are unacceptable; respect for the local culture ends here. (Examples are child labor, discrimination of ethnic minorities and women).
- in which, by adapting decision procedures, potential conflicts between the cultural and social obligations of local decision-makers and the requirements of international regulations can be defused (for example the shifting of decisions in teams in order to avoid privileging family members or members of the same ethnic group when awarding contracts or appointing staff). Whenever conformity to rules (e.g. *compliance* regulations which are obligatory for companies quoted on the stock market in the USA) leads to serious conflicts with the local culture public statements must be made on the reasons for taking

²³⁹ On the concretization of general norms for the solution of specific problems see Walzer, M. (1994).

a different path (*comply or explain*).

The knowledge that almost everything can always be seen differently and that it is advantageous to take different perspectives into account makes "respect for others" imperative when making decisions. The often difficult weighing up of choices between what is required by respect for other cultures and what has developed over the years among enlightened people everywhere in the world as acceptable patterns of behavior, calls for the application of all of Fromm's basic elements of love, care, sense of responsibility, respect for others and knowledge.

Erich Fromm's distinction between *rational authority* which has its origin in competence and *irrational authority* which has its origin in the will to exercise power over people also belongs within the context of *respect for others*.

"The person whose authority is respected functions competently in the task with which he is entrusted by those who conferred it upon him. He need not intimidate them nor arouse their admiration by magical qualities; as long as and to the extent to which he is competently helping instead of exploiting, his authority is based on rational grounds and does not call for irrational awe. Rational authority not only permits but requires constant scrutiny and criticism of those subjected to it; it is always temporary, its acceptance depending on its performance. The source of *irrational authority*, on the other hand, is always power over people [...] Power on the one side, fear on the other, are always the buttresses on which *irrational authority* is built. Criticism of the authority is not only not required but forbidden. Rational authority is based on the equality of both authority and subject, which differ only with respect to the degree of knowledge or skill in a particular field. Irrational authority is by its very nature based upon inequality, implying difference

in value.²⁴⁰

Irrational authority is founded on physical or mental constraint and serves the purpose of exploiting other people physically, psychologically or in some other manner. "Rational authority is authority which is based on competence, the function of which is to help another person accomplish a certain task".²⁴¹ Of course it is normally the case that in the course of time proven competence also has consequences for the place taken in the hierarchical order of a company and leads to the acquisition of regulatory powers in the working situation. But mature personalities should avoid misusing their hierarchical powers to assert irrational authority, that is to say, to violate people's dignity and to refuse to show them the necessary respect.

According to Fromm "to respect a person is not possible without *knowing* him; care and responsibility would be blind if they were not guided by *knowledge*".²⁴²

3.1.4. Knowledge

Erich Fromm defines knowledge as an aspect of love which "penetrates to the core". It is possible only "when I can transcend the concern for myself and see the other person in his own terms"²⁴³ – that is to say without the filter of self-interest, considerations of utility, prejudice or the given hierarchical structures. This is only possible, according to Fromm, when a person possesses "self-knowledge", and has a sober awareness of his own strengths and weaknesses, talents and competence, prejudices and blind spots.²⁴⁴ As far as

²⁴⁰ Fromm, E. (1947/1990): 9-10.

²⁴¹ Fromm, E. (1955): 177.

²⁴² Fromm, E. (1956/1975): 30.

²⁴³ Fromm, E. (1956/1975): 30.

²⁴⁴ Bazerman, M. H. and A. E. Tenbrunsel (2011); Kahneman, D. (2011).

recognition of one's own weaknesses is concerned, it cannot be said too often that people tend to judge their own intellectual, social and other abilities much more rosily than is actually the case. On this subjectively colored basis insight into one's own incompetence in specific cases is impossible.²⁴⁵

In my personal and professional experience *knowledge* is of such elementary importance that it justifies a more detailed treatment.

3.2. The knowledge factor

The concept of "knowledge" is so complex that one could conceive entire courses of studies on it from different perspectives and in a variety of faculties. Everything that is of importance in the present context (and also far beyond it) - care, sense of responsibility, respect for others - depends on what people know and perceive to be true. Ultimately knowledge is a prerequisite for acknowledgment. I cannot deal here with all the epistemological knowledge gathered, in the course of history, from the works of Aristotle (384-322 BC) to Immanuel Kant (1724-1804) and on to Amos Tversky (1937-1996) and Daniel Kahneman (*1934). My aim is much more modest. I wish to show that "knowledge" is the most important element of good leadership. Good decisions must take into account the fact that what people regard as objective truth is merely the outcome of various subjective assumptions. In the words of Erich Fromm man constructs "an all-inclusive mental picture of the world which serves as a frame of reference from which he can derive an answer to the question of where he stands and what he ought to do."²⁴⁶

However, as all people do this on the basis of their individual background and specific socialization, convictions

²⁴⁵ Kruger, J. and D. Dunning (1999): 1121-1134.

²⁴⁶ Fromm, E. (1947): 46-47.

about values, interests, character structure and personal nature, many different notions about "reality" arise - and everyone regards *his* reality as the only "true reality".²⁴⁷ The perception of the social environment, the evaluation of action and conduct portfolios of others, the definition of an existing circumstance as a "problem" or "no problem" and the direction one's decisions take are determined by this subjective definition of reality. Against this background decisions and actions follow to the best of one's knowledge and belief - without any awareness of the narrowness of one's own conceptions and without one being in a position to accept the different perception of reality that others have.

No-one who has worked with other people from differing social classes will doubt that "social being" shapes "consciousness". Perceptions are never independent of the social context - here too *context matters*. The opinions of powerful people create facts in business enterprises as elsewhere, completely independently of the state of scientific knowledge. The system agents and opportunists shape their own opinions in conformity with those of the people who yield power. Of course it is difficult to question an ideology when one's self-understanding and the size of one's income depends upon it. When, in addition, people communicate with one another (almost) exclusively inside a specific social or professional "silo" (e.g. the top management of a company, interest groups in civil society, parties or Churches), the individual constructions of reality are stabilized. They are transformed into a collective social construction of reality. The consequences of this factum are described by Udo Röbel, the former deputy editor-in-chief of the newspaper Bild, as follows:

²⁴⁷ On this point see the easily understandable treatment by Watzlawick, P. (1976). His lecture on Youtube also provides a simple presentation of a highly complex issue: <https://www.youtube.com/watch?v=krIqjUU1fC8>.

"Everything we say and think about others is only the sum of our own experience, multiplied by supposed knowledge, divided by personal antipathies and sympathies towards those concerned, and, finally, a vague and subjective projection of our own knowledge onto the others."²⁴⁸

As this cannot be a good starting point for objective and ethically responsible decisions, all leadership personalities must take into account the difference between what individual people (including themselves in everyday business life) feel to be *reality* and what actually is *reality* independently of personal knowledge (e.g. the judgment of a specific environmental situation by the representative of a business enterprise and by a representative of Greenpeace).²⁴⁹

3.2.1. How real is reality?

People perceive facts in very different ways. They search for an order in the course events take and in their real life world. As soon as they are convinced that they have found this order it is used to explain the course of events. As a result an individual reality is constructed which the person believes to be true.²⁵⁰ For the communications scholar and psychotherapist Paul Watzlawick

²⁴⁸ Röbel, U. (2003).

²⁴⁹ Rupert Lay distinguishes in German between *Wirklichkeit* (reality as the sum of all factors which depend on individual and collective knowledge) and *Realität* (reality as the sum of all factors which exist independently of all knowledge); see Lay, R. (2015): 16.

²⁵⁰ In this connection one speaks of *constructivism*. See Lay, R. (2015); and earlier Watzlawick, P.(ed.)(1984); Maturana, H. R. (1985); Schriften der Carl Friedrich von Siemens Stiftung (1992); Berger, P. L. and T. Luckmann, *The Social Construction of Reality* (1966); Schmidt, S. J. (ed.) (1987); Geißlinger, H. (1992). The insights of Daniel Kahneman and Amos Tversky fit smoothly into this school of thought. See Kahneman, D. (2012).

"any so-called reality is - in the most immediate and concrete sense - the *construction* of those who *believe* they have discovered and investigated it. In other words, what is supposedly found is an invention whose inventor is unaware of his act of invention, who considers it as something that exists independently of him; the invention then becomes the basis of his world view and actions." ²⁵¹

Heinz von Foerster even goes so far as to say: "The environment as we perceive it is our invention." ²⁵²

Selective attention has a self-confirmatory effect on the perception of reality restructured by personal socialization, value convictions, life experience, individual interests or group interests. Whatever fails to stand up to the subjective test is not included in the judgment process. As a consequence no generally recognized objective reality exists, but only "subjective, sometimes contradictory notions of reality, which are naively considered to correspond to the 'real' reality." ²⁵³

Erich Fromm advocates a similar viewpoint. He assumes that we all suffer more or less from illusions about ourselves and that self-knowledge is only possible when we abandon these illusions:

"We are enmeshed in fantasies of omnipotence which were experienced as quite real when we were children. We rationalize our bad motives in terms of benevolence, duty or necessity. We rationalize weakness and fear in terms of 'good causes', our unrelatedness in terms of others' unresponsiveness [...] To know more about ourselves means to do away with the many veils which hide us and our neighbor from our view. ²⁵⁴

²⁵¹ Watzlawick, P. (1984): 10

²⁵² Von Foerster, H. (1984): 42.

²⁵³ Watzlawick, P. (1976/1977): 142..

²⁵⁴ Fromm, E. (1957): 10.

The distinction Paul Watzlawick makes between *reality of the first order* and *reality of the second order* is also important in the present context.²⁵⁵ First order reality refers to physical facts, to those aspects of reality which are based on perceptual consensus and above all on experimental, repeatable and hence verifiable proofs. Example: It is possible with the help of genetic tests to discover diseases or to determine the probability with which a certain disease can at some time occur.

Second order reality rests exclusively on the attribution of meaning and value to things. This "second" reality is shaped by what people think on the basis of their experience and knowledge about time and space and what they find desirable or undesirable, by their past and present, by their dreams and nightmares. All of this influences notions of "good" and "evil", definitions of wisdom and stupidity, and so shapes the consciousness of each individual. Depending on the nature of the "second reality" genetic tests can be perceived as a triumph of human intelligence or as the realization of an Orwellian nightmare. Scientists whose knowledge has enabled this technology are regarded as heroes of mankind or as unscrupulous accomplices of the forces of evil, depending on the opinions about the meaningfulness of the technology. All future information on molecular test procedures and human genetics will be filtered in the light of existing predispositions and accordingly classified.

The distinction between a "first" and a "second" reality and its significance for the judgment of people makes it clear that a very broad and profound discourse on complex topics is necessary, if we are to encounter the misunderstandings or even fear that can arise. When people feel helpless in view of

²⁵⁵ Watzlawick, P. (1976/1977): 140-142. The Situation is hopeless but not serious, Norton, New York 1983.

the technical developmental dynamics of "profit-oriented" enterprises and are afraid that the ethical boundaries they feel are important will be ignored fear and uncertainty will result. Both have a damaging effect on the creation of sustainable social acceptance. As only those technologies can be used in society which people accept, the lack of acceptance will inhibit or prevent future technological progress. And when not only technological but also the accompanying ethical, social and political questions call for clarification and orientation, a lack of public discourse will diminish the chances of future social development.

The realization of consensus-oriented dialogues is a difficult matter in view of the existing "second realities" - but there is no sensible alternative. A person who regards his own notion of reality as right will necessarily conclude that other people must be malicious, stupid or even crazy if they see things differently.²⁵⁶ And this is the case even though everyone knows from personal experience that one can always see essential matters differently and - retrospectively - that one could always have acted differently.

Francisco Varela concludes from these insights that *ethics* in the sense of "tolerance and pluralism, detachment from our own perceptions and values to allow for those of others is the very foundation of knowledge and also its final point." And he adds: "At this point *actions are clearer than words.*"²⁵⁷ When leadership personalities realize that what they regard as reality is largely the result of their own constructive efforts they will be in a better position to accept the reality constructions of others.

²⁵⁶ Watzlawick, P. (1976) p. 140-142.

²⁵⁷ Varela, F. (1984): 323. My italics.

"If we know that we do not or cannot know the *truth*, that our view of the world is only more or less *fitting*, we will find it difficult to ascribe madness or badness to the world views of others [...] The realization that we know nothing as long as we do not know that we shall never know the ultimate truth is the precondition for one's respect for the realities others have invented for themselves." ²⁵⁸

But if others are intolerant towards other realities then we have the right not to tolerate intolerance.

3.2.2. Privileged status does not imply greater cognitive faculties

The insight that one's own view of the world is constructed and hence has no claim to general validity is a particular challenge for people at the top of hierarchies. Not only can they point out that they are obviously better because they are more "competent", "effective" and "efficient" than others who have not made it to the top; they are also often surrounded by people (or surround themselves with people) who behave opportunistically. Such people do not dare to contradict, but usually simply rearticulate what their boss probably thinks. And in consequence the bosses frequently tend towards a narcissistically distorted self-perception.

The necessity of knowledge applies both to top managers and their staff and also to all social stakeholders. Developments in the present-day world are too complex to be understood in their entirety by all people. The human brain achieves a reduction of the complexity by selecting the information that is necessary and essential for the specific situation of an individual - it undertakes stereotypical simplifications. However, in

²⁵⁸ Watzlawick, P. (1984): 327.

order to arrive at workable agreements and to develop trust the leading executives of business enterprises and the social (and political) claimant groups must not merely know one another but must also understand each other's arguments and the perspectives behind them. Without this mutual knowledge there is a danger that each side will regard its prejudices and customary clichés for "the whole truth". For enlightened personalities more is at stake than the merely "formal" aspect of knowledge. It is essential to visualize how the "others" see themselves and to be aware of their values, intentions, hopes and fears. When this does not happen people remain strangers:

"As long as any fellow being is experienced as fundamentally different from myself, as long as he remains a stranger, I remain a stranger to myself too. When I experience myself fully, then I recognize that I am the same as any other human being, that I am the child, the sinner, the saint, the one who hopes and the one who despairs, the one who can feel joy and the one who can feel sadness. I discover that only the thought concepts, the customs, the surface are different, and that the human substance is the same [...] In this experience I discover what humanity is, I discover the One Man."²⁵⁹

Against the background of his political experience Helmut Schmidt formulated a similar message. "A person who does not take the interests and motives of others seriously is not capable of compromise. Compromise, however, is the precondition for peace."²⁶⁰

Knowledge is - at least for me - the most demanding aspect of what Erich Fromm understands by love. It is part of

²⁵⁹ Fromm, E. (1962): 171-172.

²⁶⁰ Schmidt, H. (2016): 156.

our human nature to evaluate things in the world according to the standards and methods we have "learned" and find to be "right" as a result of our socialization and education in our culture - among other things because we encounter similar evaluations in our immediate personal environment (and later in the same professional silo). This makes it difficult to understand and accept the different evaluations of others, or possibly in the sense of a re-evaluation to be open for a revision of our own views. What is a problem for us may be no problem for others; what seems important to some may be seen by others as peripheral and shallow; what is a matter of personal concern can be totally trivial for others. People see the world around them from their own personal perspective and develop perspective distortions, which lead them to evaluate the problems we share in a completely different manner.²⁶¹ Even data, words and symbols are interpreted in different ways. "Each person hears and reads what he wants to hear and read, if need be between the lines. Hence a re-evaluation of the situation never happens, but only a reaffirmation of what one already knew, suspected or "knew all along".²⁶²

When colleagues stem from the same social milieu or professional silo they receive constant feedback confirming their own standards and the ideas of their leading executives. By means of opportunistically structured circular citation cartels personal assumptions and evaluations come back as "facts" to the respective bosses.²⁶³ The world seems to be in

²⁶¹ See the excellent evaluative survey of constructivism in Lay, R. (2015).

²⁶² Lotter, W. (2016).

²⁶³ Even learning often takes place in a context of prejudice. Our memory is selective; we tend to remember forms of behavior which support our self-image and like to forget those which contradict it; and we are masters in shuffling off responsibility. See Bazerman, M. K. and A.E. Tenbrunsel (2011): 73.

the best of order when it is in fact highly risky and uncertain because it lacks "earthing". In a restrictive environment self-censorship begins to take place at some stage, or, "lower down", indifference and inner resignation spread.

In addition, dangers arise on account of arrogance. In an environment in which it is regarded as "efficient" to ask one's staff for *five bullet point texts* for the solution of the most complex problems the multi-layered nature of issues can no longer be recognized as it is, but only as it can be imagined against the background of "knowing it all along". This intellectual narrowness of mind is glossed over as "steadfastness" or stylized as "efficiency based on experience", although it is simply intellectual indolence if not laziness. Dependence on "old knowledge" and "old patterns of evaluation" in new situations and complex constellations leads almost inevitably to setting the wrong course. Such risks could be avoided with more groundwork and more modesty in view of the inadequate state of one's own knowledge. But - this is at least my personal experience - many leading executives seem to find both unacceptable. They confuse their higher position in the hierarchy with greater insight, more profound knowledge or better human qualities.

It is no doubt true that entrepreneurial decisions in a competitive society organized along market economy lines are subject to certain systemic constraints. One can be pleased or annoyed about this fact. The top management of a listed company is nowadays confronted with various expectations of financial analysts, staff members, clients, suppliers, political policy-makers and other stakeholders. Most of them cannot be permanently ignored. In modern societies "good" is what the majority of social authorities and stakeholders praise and

"bad" is what they disapprove. This restricts the freedom of decision of leaders in positions of responsibility in companies (but also in parties, unions and Churches) to differing degrees. The managers of profitable, innovative companies have greater freedom of action than their counterparts in companies which can only maintain their competitiveness by achieving cost advantages.

However, systemic constraints are never total; there is always room for maneuver which permits company leaders to express what is particularly important to them - their *heartfelt needs* in Fromm's sense of the phrase. This also applies to decisions with an ethical relevance. Mature personalities can take advantage of their freedom of action and use their *moral imagination*, that is to say, they can use their factual and orientational knowledge to find solutions which have the least undesirable effects on the persons affected by them.²⁶⁴ Enlightened and ethically motivated people can always find creative and innovative solutions beyond all regulations, prohibitions and clichéd excuses, solutions which deviate from the normal daily practice by the greatest possible degree of biophilia. Wherever managers use their moral imagination to choose "the lesser evil" (*tragic choices*²⁶⁵) with a substantially slighter negative effect on those concerned, case studies should be made on their decisions and used in the context of training programs. In this way interest and the personal commitment to act in a similar fashion can be promoted. But here a further point must be mentioned. If organizations of civil society would shift from public decrial to public

²⁶⁴ On this point see Werhane, P. H. (2015).

²⁶⁵ On this point see Calabresi, G. and Ph. Bobbitt (1978). The authors deal with "no-win" situations in the context of social decisions under market conditions; the same logic can, however, be applied to the treatment of entrepreneurial dilemmas.

recognition a new competitive level could be created with a modified calculation of rentability.

It can, however, happen in a pluralist, functionally differentiated society that a person is praised in one social system and criticized in another for one and the same action.²⁶⁶ Leadership personalities who work and decide out of inner conviction and in accordance with their values can deal with ambiguous situations without reacting destructively. Tolerance of ambiguity characterizes leadership personalities; thinking in black and white terms unmasks the simple-minded.

Fromm distinguishes, incidentally, between *intellectual* and *affective* knowledge and points to the important fact that intellectual knowledge can only lead to change when it is accompanied by affective knowledge, that is to say, by emotions (for example joy, shame, anger or fear).²⁶⁷ Overcoming the "the split of man between intellect and affect", the separation of thinking and feeling, is for Fromm one of the most important tasks of the present.²⁶⁸ Concerned knowledge is a "being-in" knowledge which leads to the desire to help.²⁶⁹ One wishes that people - including leading executives in companies but also in politics, science and society - could, in the event of wrongdoing leading to human

²⁶⁶ Functional differentiation is a concept of sociological systems theory and means that within a social system (for example a society) individual functional subsystems arise (for example, the economy, politics, law, religion, science or art) which decide and work in accordance with their own (self-referential) rationality criteria and role expectations. On this point see, for example, Luhmann, N. Social Systems (1996).

²⁶⁷ Fromm, E. (1962): 94

²⁶⁸ Fromm, E. (1958): 10. The second task is the overcoming of our attitude towards consumption and reception through creativity, as creativity is a means by which we become aware of the world and respond to it, as ultimately "...we must make one decision; that is, to make means into means and ends into ends again and not to confuse them." Fromm (1958) 14.

²⁶⁹ Fromm, E. (1962): 151.

suffering, be confronted directly and personally with the consequences of their decisions and actions. The employment of lawyers to negotiate compensation does not have the same learning effect or help equally effectively to prevent future wrongdoing.

The consequence of the differences in the knowledge process presented here is that people whose decisions effect the lives of others must, by means of active and communicative endeavors, get to know as many different realities as possible, in order to understand better the complex reality of globalized business activities. In daily communication top managers take advantage of their dominance "because they are of the mistaken opinion that they have better knowledge at their disposal".²⁷⁰ Rupert Lay suggests that, among other things, they should avoid the following:²⁷¹

- *Unrequested "good advice"*, which is rooted in the strange assumption that they know better what is useful for a person in a specific situation than the person himself.
- *Reproaches*, although they are often based on real facts, because the facts themselves are differently perceived by the addressor of the reproaches and the addressee.

The task that repeatedly faces people who take decisions affecting the lives of others is to recognize that their own perception of reality must be questioned again and again through confrontation with other people's perception of reality, in order that all sides can come as close as possible to objective reality.

Can a business enterprise involved in global competition be led with "love"? It is believed that Cardinal Karl Lehmann

²⁷⁰ Lay, R. (2015): 185 ff.

²⁷¹ Lay, R. (2015): 185 ff.

once said that no company can be led successfully with love, belief and hope. That may well be, but it is nonetheless true that no company can be founded or run successfully without belief in its own business ideas, without hope for success on the market and without *care*, for example for its staff, a *sense of responsibility*, for example for the environment or *respect for others*, for example in the context of work in different cultures, and without *knowledge* in the sense of a sober realization of its own strengths and weaknesses. This is also confirmed by a great part of the modern management literature on leadership.

3.3. The central messages of modern management literature on "leadership"

In professional life as in private life the acceptance of a message depends not only on *what* is said but also on *who* says it. If one attempts to persuade a manager to reflect on a message of Erich Fromm - an avowed advocate of socialist humanism - the chances of success are, to put it mildly, *smaller* than if one recommends a publication of the Harvard Business School. But if one goes to the trouble of comparing the core of Fromm's messages with the messages of international business schools one finds many points of agreement in regard to Fromm's desiderata of care, sense of responsibility, respect for and knowledge of others.²⁷²

- "[...] leadership is not about position or title. It's not about organizational power or authority. It's not about fame or wealth. It's not about the family you are born into.

²⁷² Of course the choice of the "witnesses" quoted can be criticized as subjectively distorted and authors still exist who favor a "John Wayne" type as a boss. There are also top managers who actually behave in this way and are successful in the short term, because they fill people with fear, which can lead to increased performance, even though there are enough indications that they nowhere achieve sustainable success and often do great damage to the people who suffer under their approach and to the company they lead.

It's not about being a CEO, president, general, or prime minister. And it's definitely not about being a hero. *Leadership is about relationships, about credibility, and about what you do.*²⁷³ Successful leadership creates a network of relationships based on shared values involving all the stakeholders who are important for the company, staff members, clients, suppliers and other claimant groups. Shared values and aims and the will to promote the growth of others make up the substance of the network. Successful leadership personalities reflect on values and their practical realization and remain modest and human, and love the people they deal with and the work they do. "Leadership is not an affair of the head. Leadership is an affair of the heart."²⁷⁴

- Successful leadership calls for more than professional knowledge and "sound common sense". The *power and influence* of top managers does not depend on their position within the hierarchy alone; emotional factors and questions of value also play a great part. When staff share the goals and the values of their seniors and receive recognition for their work loyalty and motivation increases. From an ethical point of view leadership personalities provide a model, they live the values they believe in, respect other people independently of their position in the hierarchy and create a feeling of belonging ("relatedness" in Fromm's terminology). Where this is not the case motivation declines.²⁷⁵
- Successful leadership personalities are primarily honest with themselves, and ask themselves critically whether the activities and the conduct they praise differs from what

²⁷³ Kouzes, J. and B. Posner (2012): 329. My italics.

²⁷⁴ Kouzes, J. and B. Posner (2012): 345.

²⁷⁵ Hughes, R. L., R. C. Ginnett and G. J. Curphy (2016); also Haberleitner, E., E. Deistler and G. Ratz (2010).

they actually do. The speeches and statements of ENRON top managers, which were highly praised in the business press although they were contrafactual propaganda, provide a classical example of how not to do it. Successful leadership personalities reflect on their value convictions and answer fundamental questions such as "What is really important for us over and beyond our business interests?" or "How can we contribute to people's chances of leading a good life?"²⁷⁶

- Staff members who learn throughout their lives create a learning institution and can deal best with an ever changing environment. People in companies do not only work for the income they earn - they also wish to identify themselves with the values practiced in the company and to work for something "greater".²⁷⁷ And this something greater is always "more than just money".²⁷⁸
- Successful leadership means motivating others and oneself to work for the achievement of common goals. To this end it is necessary to understand people, their feelings and the social context. Successful leaders create a trusting atmosphere and behave authentically.²⁷⁹
- The *homo oeconomicus* is an oversimplified construct which does not do justice to people, especially not to successful leadership personalities. They have great empathetic abilities which they successfully practice in everyday business life.²⁸⁰
- Successful leadership personalities go beyond the morally self-evident principle "do no harm" in defining their social responsibility. They use their privileged position in order

²⁷⁶ Drucker, P. (2008).

²⁷⁷ Senge, P. (2010); Lencioni, P. (2015).

²⁷⁸ Kaplan, R. S. (2011).

²⁷⁹ Kottmann, Th. and K. Smit (2014).

²⁸⁰ Bowles, S. and H. Gintis (2013).

to make contributions to the overcoming of social injustices beyond the "factory fence".²⁸¹

- Successful leadership personalities are in a position to think and feel their way into other perspectives and to adapt their interactive patterns accordingly. They wish to get to know the expectations of their colleagues and staff, clients, suppliers and other stakeholders, are tolerant and communicate openly and honestly.²⁸²
- Successful leaders exercise care, have "love as an attitude of mind, are mindful and help others to grow."²⁸³ They possess emotional intelligence and not merely business competence. They know their own strengths *and* weaknesses and are in a position to build up harmonious relationships with others.²⁸⁴
- Successful leaders have internalized the Socratic wisdom that knowledge is a highly individual matter because all people filter information in different ways and construct a reality which differs from objective reality. As a result these leaders possess the modesty (or sense of reality) needed to know that they do not know everything...²⁸⁵
- Successful leaders are aware of the complexity of reality in the modern globalized world. As they know that one can see (almost) everything quite differently, they have already internalized the fact that the quality of decisions taken alone is always worse than that of decisions taken by (properly composed) groups. The greater the number of

²⁸¹ Drucker, P. F. (2008).

²⁸² Friedman, S. D. (2014); Thommen J.-P. (2015).

²⁸³ Groth, A. (2014).

²⁸⁴ Harvard Business Review's 10 Must Reads: On Leadership. Boston 2011.

²⁸⁵ Lay, R. (2015): 16. Lay distinguishes between the meanings of the two words for reality in German: *Wirklichkeit* and *Realität*. *Wirklichkeit* is "the sum of all factors which individual and collective knowledge assume to precede and give rise to all knowledge" and *Realität* is "the sum of all factors which exist independently of all knowledge."

people involved in decision processes, the better the solutions found do justice to the complexity of a given problem.²⁸⁶ To this end, however, specific but also well-known competencies are called for.²⁸⁷

- Under the conditions of global competition the demands made on leadership personalities change. They must create trust and act as role models.²⁸⁸

The great significance of the personality and character of persons bearing responsibility for leadership are more and more frequently emphasized in recommendations on the topic of corporate governance. The insight that an increasing density of regulations - i.e. a reduction of the freedom of action of companies - is not the royal road to the prevention of poor performance is not exactly new. But the fact that the corporate governance discussions increasingly call for explicit competencies and results which can be interpreted as an extension of the job profile is a hopeful sign. According to the most recent literature responsible personalities on boards of directors must ensure a proper balance between economic necessities, social fairness and future-oriented environmental policies.²⁸⁹

These few examples show that many of Erich Fromm's ideas are fully compatible with what other authorities with different perspectives regard as right.

²⁸⁶ Weinberger, D. (2012)

²⁸⁷ Loew, L. (2011).

²⁸⁸ Leisinger, K. M. (2016): 15-40.

²⁸⁹ See, for example, Schoppen, W. (ed.) (2015).

4. Erich Fromm turned upside down

4.1. What can I know ?

It is a well-known fact that people inside and outside companies do not always act as one would wish in the ideal case.²⁹⁰ There are also enough impressive recent examples of top managers who nonetheless insist on their "bonuses". Those who wish to criticize the market economy and the striving for profit will, consequently, find sufficient examples to justify their criticism. As I regard legal actions and conduct and a minimum of decency as a question of intelligence it is not necessary to enter any further into this kind of misconduct.

In the present context we are concerned with legitimate actions undertaken in awareness of the imminent problems of sustainable development and hence with the reform of our *courant normal*. Millions of people throughout the world desire positive social changes and look for answers to the question of how we as human beings can create space for the central values of peace, justice and the preservation of creation in an age of globalization. Globalization presents great challenges which governments, business enterprises, civil society and other actors must tackle. In the *transformation of our world*²⁹¹ demanded by the *2030 Agenda* business enterprises play a particular and immensely important role. As it is not the companies but the people in the companies who bear responsibility to recognize the relevant present-day problems and to conceive and introduce corresponding reforms, the question of the leadership personalities best fitted for the task is of the greatest importance.

²⁹⁰ See for example the Corporate Crime "Hitparade" of Mattera, P./Dirt Diggers Digest (2015).

²⁹¹ See United Nations (2015).

What a responsible leadership personality today can know - in Fromm's terminology it would be an aspect of *knowledge* - is very much more than what is now manifested as *business as usual* in everyday business life.

4.1.1. Primum non nocere, secundum cavere, tertium sanare

First of all, harm to people living today and in the future must be avoided (*primum non nocere*). Regardless of the most varied world views, different outlooks on life and expectations people throughout the world are largely agreed on what is harmful and therefore must absolutely be avoided. This understanding defines "responsible business activity" primarily as the duty "not to cause harm". Clever top managers know that bad working conditions, insufficient environmental standards and, in the worst case, "collateral damage" in the shape of violations of human rights are, as a matter of principle, unacceptable. Accordingly they will organize their companies in such a way that harm is avoided. Enlightened leadership personalities also know that inadequate laws or deficits in their implementation cannot justify any environmental social or other injustices. Consequently they will not take advantage of insufficient laws and regulations to "legitimate" deficient standards in their own companies. Conformity to the law does not mean legitimacy in the sense of action founded on integrity. A business model based exclusively on cost saving or the exploitation of gaps in the law may be successful in the short term and even lead to a higher stock market quotation. But experience shows that such strategies are accompanied by substantially greater risks. In view of dubious legal standards enlightened leadership personalities avoid morally ambivalent or even immoral business conduct. Acting with integrity means acting in accordance with one's own values *and* the available knowledge.

Economic success achieved at the cost of personal, social or ecological collateral damage or even violation of human rights offends against human dignity (including the dignity of the leaders responsible for such behavior). It also destroys the trust of the public. It is not necessary to study moral philosophy or to undertake complex ethical analyses in order to conclude that business executives are obliged to ensure that the activities of their companies cause no harm and are in accordance with international norms. These *minima moralia* are nothing other than good management practice and an aspect of fundamental human decency.

However, for a growing number of people in modern society "to do no harm" is no longer sufficient as a sole maxim for action if companies are to be trusted. Decent conduct in competitive situations and the minimization of misconduct in companies by means of values management remain essential. But it is not enough to meet the expectations of relevant claimant groups. There will always be interest groups which remain disappointed because their demands are rejected. But - as was said above - disappointed expectations lead to a loss of trust. The roots of this problem lie partly in the different ideas about the role a company should play in society and for what and to whom the management should be accountable. While many business leaders cling to their traditional role and concern themselves solely with "business matters", the leaders of public opinion and the United Nations regard this approach as too short-sighted. Different evaluations of these issues can generally be traced back to different values, preconditions and axiomatic assumptions of the participants in the discussion - whose judgments are based on different perceptions of reality.

4.1.2. "Acting cautiously" and "healing" as a part of social expectations

The ancient oath of Hippocrates already went far beyond the customarily abbreviated quotation *primum non nocere*. It added, almost 2,500 years ago, a second principle (*secundum cavere*/secondly to act cautiously) and a third (*tertium sanare*/thirdly, to heal). These are "ought requirements" and are also part of the Rio Declaration on Environment and Development (1992)²⁹² and the *2030 Agenda for Sustainable Development*. Recent publications from the economics faculties of universities also offer a broader definition of corporate responsibility.²⁹³ Academic institutions²⁹⁴, the UN Global Compact²⁹⁵ and (a few) enlightened business enterprises²⁹⁶

²⁹² See: United Nations Conference on Environment and Development (1992), in particular Principle 15, the so-called *Precautionary Principle*: "In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation."

²⁹³ Dyllik, Th. (2015): "Genuine sustainability management is not directed towards the avoidance of the negative effects of one's own activities but to the creation of positive contributions to the solution of problems of social sustainability."

²⁹⁴ See Carroll, A. B. (1979): 497-505; Carroll, A. B. (1991): 39-48.

²⁹⁵ See United Nations Global Compact (2010), which calls for the commitment of business enterprises in connection with "various global problems -based on the most urgent, acute or difficult global challenges - including peace and security, Millenium development goals, human rights, children's rights, gender equality, health, education, humanitarian aid, migration, food security, sustainable eco-systems and biodiversity, mitigation of climate change and adaptation, water supply and sewage disposal, employment and humane conditions of work and fighting corruption."

²⁹⁶ I regard Unilever under the leadership of Paul Polman as the leading company in this respect. See: www.unileverfoodsolutions.ch/de/unternehmen/nachhaltigkeit.html, and in particular the cooperation with Oxfam: www.oxfam.org/en/pressroom/pressreleases/2015-03-31/unilever-takes-top-spot-oxfams-behind-brands-scorecard.

regard purposeful company commitment to the improvement of the living conditions of poor people over and beyond direct business activities as an integral part of company responsibility.

The numerous ways open to companies - beyond their financial returns and the positive external effects of profitable business activity - to create values for society form a *continuum* comprising new business models, strategic investments and different forms of philanthropy.²⁹⁷ Such activities strengthen the positive effects of companies on society. Because they can thus make companies a "part of the solution" in the wider senses of the phrase, they must be judged positively.

The atmospheric change triggered by changed social expectations has also fundamentally changed the "rules" according to which company profits can legitimately be made. They are nowadays much more complex than what Milton Friedman regarded as right over 60 years ago in his book *Capitalism and Freedom*, and almost 50 years ago in his much noticed article in the *New York Times Magazine*.²⁹⁸ So things have been "set in motion" in the direction advocated by Erich Fromm.

4.1.3. The importance of target-oriented framework conditions

Erich Fromm points to the immense importance of social framework conditions for ethically adequate individual actions. This reference is also of great significance in the present context.²⁹⁹ In spite of all the goodwill of courageous leadership personalities "white" sheep nonetheless lead a difficult life in a herd of "black" sheep. Leadership always involves civil courage in the company context. Niklas Luhmann points to

²⁹⁷ See Leisinger, K. M. and K. Schmitt (2012).

²⁹⁸ Friedman, M. (1970): 32 f.

²⁹⁹ Hu, F. and M. Spence (2017).

the great significance of in-house "play safe" strategies and the resultant "preference for decisions through which as little as possible can happen."³⁰⁰ He drily comments that this does not actually encourage the search for better arguments.

In the specific context of the 2030 *Agenda* awareness of the "play-safe" strategies adopted by managers and corporate cultures is elementary. Investments in support of the 2030 Agenda call for the provision of financial resources and management capacities *today* for a *return on investment* which will accrue in the future to the benefit of other people in other places: this contradicts conventional management logic. In their treatment of the need for individual, personal leadership Joseph Bower and others point out that although many top managers express concern over the future of the market economy they do not feel obliged themselves to change anything and remain *narrowly self-interested players* who delegate responsibility for reform to the system.³⁰¹ This reminds one of the position taken up by the former CEO of the American Citi Bank, Chuck Prince, before the financial crisis: "*...as long as the music is playing, you've got to get up and dance.*" Such an attitude is quite precisely the opposite of what is meant by strategic leadership.³⁰²

Companies need good governance in the form of reliable framework conditions, which purposefully support sustainable action and do not lead to business risks. Good leadership by states and governments supports "right" actions. It creates *transparency* in the shaping of political policies for action; it has the right priorities in dealing with existing problems, provides the corresponding *resources* and fulfills its *accountability* for the political policies and the work of government officials. The *rule of law*, an independent and efficient legal system, *institutional pluralism* and the *participation*

³⁰⁰ Luhmann, N. (1988/1994): 287.

³⁰¹ Bower, J.L., H.B. Leonard and L.S. Paine (2011).

³⁰² Adair, J. (2010).

of its citizens in all decisions affecting their lives are guaranteed by good governance.³⁰³ An as wide as possible internationalization of the relevant regulations is a precondition if we are to ensure that companies enjoying competitive advantages as a result of illegitimate business activities do not go unpunished.

The importance of the regulatory, legal and other "rules of the game", as presented in particular by Karl Homann and Andreas Suchanek in the ongoing discussion on business ethics, cannot be overestimated.³⁰⁴ It is also essential to ensure that prices reflect the *ecological and social truth*, to take into account that trade facilitation or restriction can influence the social and ecological framework conditions for production in third countries and to realize that the advocacy of climate protection alongside the continuation of subsidies for coal-fired power plants lacks credibility. It has all been said before and ought to be common knowledge. This brings us to the third Kantian question.

4.2. What should I do?

Every business enterprise has the leaders it has chosen, be it through external appointments or the development and promotion of internal company candidates. If one follows the ideas of Erich Fromm, one sees the need to appoint or develop leadership personalities with more broadly based requirement profiles than is normally the case at present. Experts with a profound professional knowledge of their field

³⁰³ On this point see Leisinger, K. M. (2004): 313-320. For an example of a lack of "good governance" see Collier, P. (2007).

³⁰⁴ Homann, K. (2014); Suchanek, A. (2015); von Brook, M. (2012). The recognition of the importance of the rules of the game does not imply that by reference to the lack of a regulatory ethics companies have a licence to take advantage of the deficit in order to increase their profits.

remain an absolute precondition for the success of every company, but in the age of globalization and of public mistrust in business enterprises professional business experts should not lead companies. To this end more than professional expertise and orientational knowledge are required. The situation calls for personalities of the quality described by Erich Fromm.

4.2.1. The extension of the requirement profile of top managers

The requirement profile of leadership personalities who can shape a sustainable future by means of life-affirming actions founded on care, a sense of responsibility, respect and knowledge is complex. It goes beyond the competence portfolio which traditionally structures the activities and conduct of managers and includes *elements of personality and character* of the kind derived by Erich Fromm from a humanistic ethics. Leaders are required with the following approaches, attitudes and abilities:³⁰⁵

- The ability and the will to recognize that one's own perception of reality does not cover all reality, to sense that *normative pluralism and interest pluralism* are an enrichment for one's own thinking and for the quality of solutions to problems, and to reflect on them in the light of one's own norms and legitimate interests; and finally, in accordance with the idea of a global ethic elaborated by Hans Küng and his colleagues, to search for consensus-based principles and fundamental values leading to a mutually accepted corridor of responsible action.

For the solution of the majority of modern problems self-referentiality is no longer expedient. A quarterly report

³⁰⁵ For a detailed treatment see Leisinger, K. M. (2016): 15-40.

by McKinsey points to "a significant body of research indicating that cognitive biases affect the most important strategic decisions made by the smartest managers in the best companies."³⁰⁶ The authors believe that a profound cultural change is necessary in order to counter these effects. They plead for a process of judgment by several senior executives and for "orchestrating a decision-making process that will confront different biases and limit their impact", which promotes "unconventional" thinking and minimizes the effects of "silo thinking". In an increasingly complex world it is not enough for senior executives to rely on the "judgment of several managers". Such an "out-of-the-box" approach may increase the size of the "box" but it leaves it in the same mental "building".

People in pluralistic societies and especially those belonging to different religions and cultures have different concepts of what is "good" or "bad", "fair" or "unfair" and hence "desirable" or "undesirable". Such differences are not necessarily the consequence of a conscious rational decision between uncontroversial normative alternatives, but a consequence of different perceptions of reality and the resultant judgments on that reality. Tolerant, fair "negotiations" guided by principled pragmatism create an open, life-affirming corporate culture in which people feel protected and productive. A second essential supplement to traditional requirement profiles is:

- The ability and the will to enter into *personal communication with stakeholders* in two regards:

³⁰⁶ Lovallo, D. and O. Sibony (2010). The most frequent pattern-recognition biases include weighting biases (the tendency to attribute more weight to most recent or particularly memorable events) and confirmation biases (the tendency, once a hypothesis has been formed, to ignore evidence that would disprove it). Particularly imperiled are senior executives whose deep experience boosts the odds that they will rely on analogies from their own experience that may turn out to be misleading.

- The ability and the will to explain *complexity* and to relativize *size*. Nowadays many technical processes and the related forms of action are extremely complex and as a result are no longer understood by "normal" people. When they affect the life and the health of people in the widest sense the lack of understanding often leads to a diffuse unease. As a very recent example we can take the medial potential of the CRISPR/Cas method with which the DNA can be purposefully changed in a relatively simple and inexpensive way.³⁰⁷ The question "Is it permissible to do everything one is capable of doing?" will always lead to different answers depending on the world view and the attitude of the person posing the question. Whenever they are put specifically fundamental ethical questions are always questions "to which there is in effect no unambiguous, straightforward, harmonizing and conflict resolving answer that that could bring peace of mind."³⁰⁸ But without open and truthful communication no rational debate can take place. In a situation calling for trust-building measures the reduction of communicative contents to a public relations format creates mistrust. Where lofty *mission statements* and grandiloquent values catalogs are not manifested in concrete everyday situations they lead to cynicism and - because people feel they are not being taken seriously - to inner resignation.³⁰⁹ In regard to the truthfulness of communications, the remark attributed to the former American Vice-President, Joe

³⁰⁷ See for a simple introduction to CRISPR (Clustered Regularly Interspaced Short Palindromic Repeats) <https://de.wikipedia.org/wiki/CRISPR/Cas-System>.

³⁰⁸ Rich, A. (1987): 18.

³⁰⁹ Taylor, B. (2017)

Biden, hits the nail on the head: "*Don't tell me what you value. Show me your budget and I'll tell you what you value.*"

If, in addition, the question of *size* plays a part, understanding and acceptance are even more difficult to achieve. Many people regard size in itself (sales, profits, number of employees) as an expression of power. And if a company has a business model based on complex, scientific and technical processes which only specialists can understand, "normal citizens" then lack the basic knowledge needed to understand it. The combination of size, supposed or real power, lack of transparency or understanding of complexity gives rise to unease. Against this background individual cases of evident wrongdoing by companies has fatal consequences for the general trust in entrepreneurs: the wrongdoing seems to justify the mistrust.

- *Dilemmas* and the ways they are dealt with call for explanation. Many decisions taken by top managers cannot be simply classified on *principle* as "right" or "wrong". They are rather the result of the consideration of complex economic and social interests. This makes it necessary to weigh up the various options with differing advantages and risks for the various stakeholders. The assessments which have led to the final decision and the complexity of the decision-finding process usually remain unexplained and are consequently not understood by the general public. People whose status quo is negatively affected by such decisions will perceive them as a violation of their interests and criticize the exercise of power they involve. For them the decisions seem to be arbitrary.

Difficult decisions, for example those resulting in the reduction of places of work, are perceived as anti-social even when they are inevitable and the inevitability is explained. There are regrettable cases in

which information barriers are deliberately created out of cowardice or in order to conceal illegitimate circumstances ("*There are things you don't know about which I unfortunately cannot speak*") so that people are left in a state of uncertainty. There are also cases of deliberate deception which are justified by asserting that an issue is too complicated to be understood by normal people. Both are illegitimate attempts at cynical manipulation. Fundamental issues are generally easy to understand for most people.

The ability to explain decision-making processes and the resultant decisions even when they meet with rejection does not of course abolish fundamental differences of interest and the concomitant conflicts - but *explained* decisions are mostly better received than *unexplained* decisions.

There are many questions which are nowadays scarcely discussed although essential factors depend on a consensus about the answer. One of them concerns the nature of a fair social distribution of work. Whereas top managers gladly call on the "state" when it can contribute to their profitability, politicians are equally quick to delegate tasks to the "economy" when costs are involved. The establishment of what a company "owes" to society cannot be answered without first answering the question of the distribution of work and responsibility. Enlightened leadership personalities defend their legitimate interests argumentatively and proactively.

When top managers are visible and even "accessible" normal people find it difficult to insist on their prejudices; when top managers are characterized by competence in discourse, charisma and the will and ability to learn from others even difficult decisions can be communicated and explained. As a top manager

one must not consider oneself too good to make the effort.

This brings us to a final criterion for the suitability of people to take on responsibility which has been neglected in recent years.

- *Critically reflected treatment of role expectations*

In a text which is still worth reading today Ralf Dahrendorf discusses the fact that people (must) adopt different social roles in different positions during their daily life. Various expectations, norms and behavioral rules are associated with these roles.³¹⁰

"Every position carries with it certain expected modes of behavior; every position a person occupies requires him to do certain things and exhibit certain characteristics; to every social position there belongs a *social role*."³¹¹ Social roles are claims made by society on the bearers of positions in the sense of behavioral rules whose content cannot be determined or changed by individuals but only by society (*role behavior*). "The behavior expectations associated with roles are binding on the individual in the sense that he cannot ignore or reject them without harm to himself."³¹² To these must be added the demands of society on the appearance and character of the bearers of positions (*Role attributes*).

³¹⁰ Dahrendorf, R., (1968): 36-43.

³¹¹ Dahrendorf, R., (1968): 35. Dahrendorf illustrates this with the fictional example of Dr. Hans Schmidt, who is confronted with a variety of behavioral expectations as a father, teacher, party official, card-player and in other roles. Dahrendorf's *homo sociologicus* is, like the *homo oeconomicus*, not a reflection of reality but a scientific construct created for the purpose of rationalization, explanation and control of a segment of the world in which we live. See Dahrendorf (1968): 32-35.

³¹² Dahrendorf, R. (1968) 37.

When the different roles come into conflict with one another people usually yield to those expectations and their underlying norms which exercise the most pressure on them.

"The fact of society is vexatious because we cannot escape it. [...] If he agrees to society's demands he abandons his virgin individuality but gains society's approval. But if he resists society's demands he may preserve an abstract and bootless independence but only at the expense of incurring society's wrath and painful sanctions."³¹³

(In the present context one can add: the anger of the financial sector or civil society).

Dahrendorf makes a distinction between must-, shall - and can-expectations which is highly relevant for the contemporary discussion on business ethics.

Must-expectations. A person can ignore these expectations in the society in which he lives only at the risk of legal prosecution. Must-expectations form the core of every social role; their bindingness is virtually absolute. To take an example from our present context: a top manager must unconditionally observe the existing laws of a country and not to test the interpretative limits of the "letter of the law". And he must, as a matter of course, be unconditionally honest in dealing with the resources entrusted to him.

Shall-expectations. They cannot be so readily enforced as must-expectations, but the degree of bindingness remains high. Top managers, for example, must display exemplary correct behavior towards their staff and observe higher international norms even when the local laws allow lower standards. In view of the expected positive effects of appreciation by the shapers of public opinion they can then reckon with social acceptance. Negative sanctions in

³¹³ Dahrendorf, R. (1968): 31.

the case of non-observation of shall-expectations could, for example, be boycotting by consumers or *naming and shaming* by critics.

Can-expectations. It is not compulsory to fulfill them, but it has positive effects, for example the appreciation of the social environment and the motivation of staff members. Examples are friendly treatment of the people within one's company and claimant groups outside it, but also the decision to participate as a company in the solution of social problems. It can be taken for granted today that such activities need not collide with the observation of the "loyalty principle" of managers (*fiduciary duty to maximize profits for shareholders*) because this falls under the category of *business judgment*.³¹⁴

"Role expectations and sanctions are not inalterably fixed for all time; like everything social they can be changed by changes in people's behavior and opinion."³¹⁵ This creates space for the individual which he or she can fill constructively - especially when the stubborn insistence on what is expected has effects which are hostile to life. Authentic people who remain inwardly composed and true to their values do not run the risk of bending their own personality and doing what *one* must do instead of what they ought to do if they follow their convictions. Wherever the word "one" is used we enter a world of meaningless talk in which no-one is really responsible for anything.³¹⁶

According to Fromm the question of the meaning of life "is precisely rooted in the question of authenticity".³¹⁷ Authentic people search for inner harmony and wish to live

³¹⁴ On this point see Reinhardt F. L., R. N. Savins, and R. H. K. Victor (2008).

³¹⁵ Dahrendorf, R. (1968): 58.

³¹⁶ Fromm, E. and R. Xirau (ed.) (1968): 16

³¹⁷ Fromm, E. and Xirau, R (ed.) (1968): 17

out their values. Because they are concerned to realize their *dignity* authentic people will of course do different things in different social roles, but they will observe the same values and behave towards their fellow men in an equally humane way. In their pursuit of perfection in business life authentic people are, nonetheless, not willing to accept collateral damage in questions of humanity. It is true that people seldom act completely in accordance with the expectations of their environment but only "system agents"³¹⁸ lose sight of their own needs when faced with the expectations of their "authorities". For them anticipatory obedience is a cardinal virtue; the price they pay for it is the loss of a successful life.

An enrichment of the requirement profile for top managers is necessary in order to meet the challenges called

³¹⁸ Lay, R. (1992): 112. Rupert Lay defines "system agents" as people who "uncritically internalize the values, interests and biases of their company and place themselves equally uncritically in its service." The system agent is incapable of a morally responsible weighing up of choices. When the goals of the social system he serves cannot be implemented or achieved in any other way, the system agent treats other people solely as means to an end. System agents not only "functionalize" other people but also themselves and thus violate the fundamental norm of all morality. Rupert Lay believes that a "new version of the system agent has developed on the market in recent years". These are managers for whom *shareholder values* enjoy top priority, whereby they mistakenly see *shareholder value* solely in terms of net profit (and not of value for the company). Their primary "obligation" is towards *capital* as the condition of production and only indirectly and secondarily, and also only in so far as they serve the interests of *capital*, to production factors such as work, environment, mobility (mental and geographical), creativity, working climate and corporate culture." See Lay, R. (2000).

for by the transformation of our society in the light of the *2030 Agenda*. The additional requirements are essentially similar to the demands made upon the *new man* by Erich Fromm in a different context. These should not only be professionally, socially and emotionally competent and modest people who are aware of the great responsibility they bear over and beyond the quarterly results and act accordingly. They should also be life-affirming people who pursue consensus policies, endeavor to deal with deviating opinions by presenting qualitatively better arguments and do not behave condescendingly towards others.

Such people do all they can to deal with their colleagues and staff in the spirit of the Golden Rule, to encounter the representatives of civil society on an equal footing, to take their values and interests seriously and to take them into account as far as possible when making decisions. This may be laborious in some cases, but in return their decisions will meet with greater social acceptance and mistakes will be avoided which arise from self-referential thinking and action. It can be a very sobering experience to listen to people from other professional and social "silos" and to deal with different world-views and sometimes uncomfortable insights in an unprejudiced way.³¹⁹ But it is nonetheless necessary.

4.2.2. Enrichment of goal-setting, the assessment of staff and the criteria for promotion with elements of humanistic ethics

Nowadays all professionally operating companies set quantified goals which their staff should achieve within a given period of time. These goals form the basis for the dialogs between senior executives and staff when judging the

³¹⁹ See Goulston, M. (2015).

achieved results. The outcome of the dialog then decides on the amount of the variable part of salaries (bonuses), changes in wage levels and finally on possible promotion.

Goal-setting, the assessment of staff and incentive systems are also central instruments of leadership for *new leadership personalities*. Apart from the opportunity they provide to speak openly about reciprocal expectations and possibly necessary corrections, they are also a means of clarifying the enriched performance portfolio which is expected of the staff. Goal-setting, staff assessment and incentive systems have a great influence on the motivation of the staff to do or not to do certain things. They are central aspects of a modern values management.³²⁰

My life experience supports the assumption that financial and short-term incentives for structuring business activities play a greater part than considerations of sustainability, as their effects only become evident in the long-term and individuals cannot be given the credit for them. "Short-term and proximal interests" are also usually more important for the top managers of companies than "distant obligations."³²¹ If a greater company profit in a particular financial year automatically leads to higher income (bonus) for the top managers they will apply the preference rules which are in their own interest when faced with a dilemma. Biophile norms and the resulting action expectations are also all the more effective the more consistently their pursuit is controlled, their observation rewarded and their violation punished with negative consequences.³²² Wherever the

³²⁰ On this point see Wieland, J. (ed.) (2004).

³²¹ Hans Jonas in his last interview. See Jonas, H. (1993): 98. From this fact he derives a critical consideration of democracy, for example, in regard to the solution of the environmental crisis. As elections only take place every four years, he sees the danger that every day and proximal interests will be satisfied and "distant obligations" ignored.

³²² See, for example, B. Badenhorst, J. A. (1994): 739-745.

demand to act in a socially responsible, ecologically sustainable and biophile way is not mere lip service leadership personalities will create the corresponding incentive structures in regard to the content of their goal, assessment criteria and incentive systems. When this does not happen it is a clear indication that "those at the top" use fine words but do not really mean what they say - and people have an excellent feel for this. People with the character traits Erich Fromm regards as essential for social survival will continue to act in a normatively correct way under difficult conditions. But this is not enough for the achievement of a wide-ranging impact. The reason is as simple as it is human: people usually try to achieve good results in those aspects of their performance by which they are measured when the measurement results in personal advantage. If incentive and evaluation systems are not sufficiently widely conceived there will always be a temptation to give short-term benefits the priority over long-term necessities. In ethically ambivalent situations (assuming they are recognized) many people cannot resist the temptation to act to their own financial or career-oriented advantage and to neglect what they actually regard as normatively required.³²³ A person who acts immorally in the absence of morally sensitive systems of evaluation and reward acts rationally from the short-term perspective of personal interest.

When people who achieve business success by using irresponsible means are promoted or financially rewarded for their good short-term business performance, this is clearly registered inside the company; colleagues and other staff members see quite clearly who has been promoted and have a good feeling for what "pays off" in their careers.

All normative reflections and calls for the observation of the duties resulting from them ultimately have little effect if they do not bring about a change in the structure of the goal

³²³ See Gellerman, S. W. (1986): 85-90.

setting, the criteria for the assessment of staff and the incentive systems in the company in such a way that morally required conduct is also rewarding from an egoistic point of view because everybody behaves in accordance with the new norms - to put it briefly, if it is not possible to ensure that the "good guy" is not the "sucker".

As people can make a name for themselves in the short-term with illegitimate means and methods, an enrichment of the incentive system should be accompanied by an extension of the assessment period by three to five years and by the application of *clawback* clauses. In this way it is possible to demand the repayment of bonuses, when it turns out that what seemed to be good short-term results look completely different in the middle term. It is impossible to reconcile the payment of huge bonuses to top managers of the car industry which rest, among other things, on the use of fraudulent software with our current concepts of justice. The same is true for bankers whose business models have brought them bonuses of astronomical dimensions but afterwards have cost the taxpayer hundreds of billions.

New leadership personalities make it clear "from the top" what forms of conduct and action are expected and themselves set a consistent example. They create incentives to do what is normatively correct - even when costs are involved in the short-term. These are investments in a sustainably profitable future.

5. Provisional conclusions: What may I hope?

Successful entrepreneurial commitment is one of the most important driving forces behind economic growth and social welfare. Economic growth increases the options available to citizens in choosing their professions and shaping their lives, opens up a wide variety of opportunities for personal development and creates resources which make the fulfillment of the tasks of the state easier to achieve.³²⁴ A fair overall assessment of the economic, technological and social performance of the industrial and the developing countries in the last sixty years will come to the conclusion that this period of time is one of the best times in human history. The only great stain is the fact that it has been achieved at the cost of the global environment and the availability of non-renewable resources. The increased disparity in the distribution of income and wealth during this period also fails to provide a basis for sustainable development and peaceful co-operation. It is, however, also a fact that income disparity is not *per se* a problem.³²⁵

Successful business enterprises have made a great contribution to the positive developments. Their profits are usually not the result of a zero-sum game in which all the other social actors lose. On the contrary, through the financing of new investments and the interaction with suppliers from other sectors the success of a company triggers further economic activities with further income effects - the "cake" grows larger. Business enterprises and not governments or the authorities have created and continue to create the greater part of social welfare. Governments can

³²⁴ Birchenhall, J. A. (2007): 543-568. By improving the distribution of income political actions can contribute to "lifting more boats". For an early introduction to the discussion see Chenery, H. et al. (1979).

³²⁵ Conrad, E (2016).

make a contribution to the reduction of environmental pollution and to a fair distribution of income; but ultimately it is only possible to distribute what has been earned. And this makes (successful) companies - at least at first sight - one of the most powerful forces for what is good and socially desirable.³²⁶

5.1. Leadership personalities in the economy as powerful shapers of sustainable development with a human face

But, as has been said, it is not the companies as abstract legal entities (clear-sightedly termed *sociétés anonymes* in French) which have positive effects; it is rather the *people in the companies* and particularly those who set the company's strategic course. With their decisions they create productive places of work, and hence income, develop technological and management knowledge, ensure the payment of social security benefits, pay taxes and contributions to pensions and health insurance and apply their creativity to the development of innovative solutions for economic, social and ecological problems. With their decisions they also ensure that profits are generated in a responsible way, i.e. without collateral damage of a political, social or ecological kind. Or they fail to do so.

Unfortunately, blatant cases of fraudulent, cynical and inhuman activity and conduct continue to occur. But if one considers these glaring individual cases of wrongdoing with detachment and the necessary objectivity it becomes clear that a one-sided negative judgment does not do justice to the evidently much more varied and complicated reality of globalization and the behavior of top managers. As in every complex process there is both light and shadow, although, as

³²⁶ Birkinshaw, J. and G. Piramal (ed.) (2005): 2.

far as the public perception is concerned, the saying "*Evil always fascinates, goodness merely entertains*"³²⁷ is accurate. There are, therefore, no "good" or "bad" companies, only companies with good or bad leaders. When the top managers of a company are leadership personalities who practice humanistic ethics they present a particularly valuable force in the service of a desirable social development. Erich Fromm dealt extensively with the profile of the *new man*, who, when fulfilling his leadership duties in a business context would also appear on the scene as a new *leadership personality*.

Erich Fromm also thought about new *social framework conditions* which he regarded as desirable. Both, Fromm's new man and his new society differ from what we predominantly encounter in the German-speaking countries of Europe in the way of manager types and social market economy. In view of the present-day social unease about companies and their leaders, and against the background of the social, political and entrepreneurial challenges presented by the need for sustainable development, resignation would, however, be an irresponsible reaction to uninformed criticism. If one considers the results of the Edelman Trust Barometers of 2017 quoted above on the question of the institutions which work in the best interests of our society and can be regarded as credible, the message cannot be misunderstood.

Something has gone radically wrong here. In a situation in which trust in the integrity of top managers is a precondition for the success of strivings for social, economic and political transformation an atmosphere of deep mistrust is

³²⁷ On this point see the publications of the Corporate Crime Reporter, and also so the studies of auditing and assurance companies such as PricewaterhouseCoopers (PwC). The perpetrator profile provides a further argument in favor of more "diversity". According to studies of the KPMG the typical business criminal today is male, aged between the mid-thirties and mid-fifties and a senior executive with at least six years experience in a company - see Dierig, C. (2016).

prevalent. Nonetheless people continue to trust companies and their leaders to achieve a variety of goals.

When people are asked which institutions are best able to solve present-day problems 80% are of the opinion that "business must lead to solve problems".³²⁸ CEOs are expected to focus less on short-term financial returns and more on the long-term effects on general welfare, to do less lobbying and to create more places of work. A further important point in line with what is recommended here: People in modern societies not only expect leadership personalities in companies to behave with integrity but also to participate visibly in the discussion of social problems.³²⁹

Finally, leadership personalities in the business world are expected to enter into partnerships with organizations of civil society in order to help solve problems which concern the whole of society. The following point is also strategically important: As it is a "sacred" duty to protect human dignity, complex social reforms (the *2030 Agenda* calls them the *transformation of our world*, Erich Fromm the *restructuring of society*) cannot be introduced dictatorially "from above" or with violent means. The advice given by Karl Popper as a reaction to the inhuman methods of fascist and communist despots must also be followed in this context: Even when one has ideas about an ideal society and the goal is perhaps the general welfare of society, changes should be undertaken step by step with small interventions so that corrections and improvements can be continually made in the light of new knowledge and new experience. The reason is as simple as it is evident: We can never know all the consequences of our actions in advance.³³⁰

³²⁸ Edelman Trust Barometer Global Report (2016): Slide 28.

³²⁹ Edelman Trust Barometer Global Report (2016): Slides 34 und 35.

³³⁰ Popper, K. (1944/1957): 67. He expresses himself even more clearly in the preface to the German edition of *The Poverty of Historicism* (*Das Elend des Historismus*, 2003, IX), where he states that although we should love

Only leadership personalities who do justice to the enriched requirement profile described here have the humility to internalize the limitations of our knowledge. Only such people are in a position to weigh up options, only they can approach people charismatically in order to explain difficult contexts and to make decisions intelligible to them. Only such people can weigh up the choices in complex situations; they alone have the charisma to explain difficult relationships and to elucidate their decisions in an intelligible way to other people. They alone develop the social competence needed to account for the size of their own financial rewards and of other privileges which are today taken for granted. One aspect of this social competence is, in my opinion, that leadership personalities who preach *water* to their staff and the outsourced services should not as a matter of course themselves continue to drink *wine*.

A further aspect of this social competence is what used to be called *common decency*. The *Manager Magazin* recently reported on the head of an internationally well-known large German company in the car industry that he was often "in a bad mood" during meetings and "turned up an hour late" to them. And when confronted with poor results he turned "red" with anger and bawled at the staff members presenting the report.³³¹ Bawling is undignified both for the addressees and for the bawler. For people with normal hearing bawling does not improve understanding. On the contrary, it creates a situation which gives rise to fear, so that problems requiring

idealists, we must abandon our dreams of making the whole world happy: "We must be satisfied with fulfilling the never-ending task of alleviating suffering, fighting against avoidable evil and remedying deficiencies, whereby we must also be aware of the inevitable undesired consequences of our interventions, which we can never predict in advance." [Cf. Popper (1945) II, 237.

³³¹ Freitag, M. (2017).

urgent discussion out of responsibility for clients, staff members and share holders are no longer discussed. Faced with such despots competent staff members leave the company, whereas their mediocre colleagues degenerate into devote recipients of orders. No attempt is undertaken to practice constructive contradiction. Managers who see instilling fear as a form of leadership isolate themselves from fundamental aspects of reality and - what is worse - disqualify themselves as human beings.

Much of what Erich Fromm expressed in a different context on character and love can give us cause for thought in regard to the choice of criteria for the appointment of senior executives and to the content of *corporate learning*. It is highly gratifying that many of these ideas are supported by the Leipzig Leadership Model in regard to the leadership of business enterprises.³³²

Fromm's reflections are also a valuable quarry of ideas for the reforming endeavors of our contemporary social market economy based on capitalism and for the sustainable development of our society. In view of the variety of the interpretations circulating today on the opinions market it is not possible to give a definition of *the* capitalism which unites all the different political currents. Capitalism is "only what capitalists believe and do. And it changes when the bulk of capitalists start doing something different."³³³

The discussion as to whether capitalism will survive, and if the answer is yes, what modified form it will take, is at present entering into a new round.³³⁴ Various authors³³⁵ give

³³² HHL (2016).

³³³ Meyer, Ch. and J. Kirby (2012): 16.

³³⁴ Blyth, M. (2016)

³³⁵ Jürgen Kocka sees the decoupling of financial capitalism from the real economy as the main reason for the decline; see Kocka, J. (2016). Wolfgang Streeck sees the growing disparity in levels of income and wealth as the nail in the coffin; see Streeck, W. (2014). And Paul Mason sees capital as

different reasons for the approaching end of capitalism but they all come to the same conclusion: "*Capitalism, in its current form, has reached a dead end.*" Paul Mason alone seems a glimmer of hope: Perhaps the ability of capitalism to adapt to changed circumstances has been underestimated. To quote the statement attributed to the American futurologist Alvin Toffler: "*The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn and relearn.*"

Much of what is said in contemporary critical contributions from the middle of our society to the discussion of social and economic problems uses a different vocabulary but is completely compatible with what Erich Fromm wrote over 60 years ago in *The Sane Society*.³³⁶ Many of the visionary demands he penned in the middle of the 1950s have, since the UN General Assembly of 2010, achieved the honorable status of "sustainable development goals": "responsible production", "responsible consumption", "active participation in the things that affect human life", "reduction of inequality" and "gender equality". Against this background doubting the relevance of Fromm for "The Art of Leading" would amount to a refusal to accept reality.

5.2. The development of personality and the schooling of character as the "missing link"

A variety of viewpoints exist on the possibility and the limits of personality development and character schooling. A person who is convinced that people's moral development takes a course similar to the model of Lawrence Kohlberg³³⁷ will

incapable of meeting the challenges of the battle against climatic change; see Mason, P. (2016).

³³⁶ Fromm, E. (1955/1963).

³³⁷ For example Kohlberg, L., *The Psychology of Moral Development* (1984) ; Colby, A. L. Kohlberg, J. Gibbs and M. Lieberman (1983).

judge the prospects of adults in positions of leadership to develop their moral potential differently from others who do not share this viewpoint. And the judgment of brain researchers for whom the free will of man is an illusion as everything is determined by genetic and social factors will differ yet again. I at least have found that people participating in a teaching program involving a study of the relevant literature, discussion of case studies³³⁸ and professionally accompanied discursive appraisal of the training³³⁹ not only acquire a profound orientational knowledge but also attempt to put it into practice. For purposeful learning it is important to combine desired actions with practical experience - again in the words of Erich Fromm: "Insight separated from practice remains ineffective"³⁴⁰

Many well-meaning writers spend a great deal of time presenting the value systems of the last 2500 years. They point out that leading executives should also be clever, just, courageous and prudent and add further virtues in accordance with the theory of ethics they prefer. Although this can be highly interesting when presented with great rhetorical skill, without a concrete relationship to practice such educational contents ultimately threaten to become *a romanticism of the intellectually interesting, running into emptiness devoid of all feeling of objective responsibility*. (Max Weber). One is impressed but cannot relate it to what needs to be done differently on the next day at work.

My experience in life and in my profession has been that the great majority of people including managers can distinguish perfectly well between right and wrong actions. "Preaching" may have a reinforcing or confirming effect, but it scarcely

³³⁸ For example McCoy, B., The Parable of the Sadhu, Harvard Business Review (May-June 1997): 54-61. Boisjoly, R. P., E. F. Curtis and E. Mellican (1989): 217-230.

³³⁹ As offered, for example, by Rupert Lay, Michael Bordt and Norbert Copray.

³⁴⁰ Fromm, E. (1976): 170.

ever changes practice. Much more important than the answer to the general question "What is good and proper?" is, in my opinion, the question: "Why do decent people act in a morally unacceptable or even illegal way in certain situations?" An unbiased attempt to find an answer to this question within an business enterprise usually leads us to structural distortions and unprofessional management conduct:

- Where a "the ends justify the means" mentality is a fundamental pillar of the company culture and is emphasized by the message: " I don't want to know how you achieve your aims as long as you achieve them",
- where unrealistically high goals are set and are linked to a high percentage of variable financial rewards,
- where ambivalent signals are sent "from the top" as to what is more important in cases of doubt: short term business success or integrity,
- where superiors create a climate of fear in which normal people no longer trust themselves to point to problems because they know from experience that they will be shouted at, mobbed or threatened with dismissal,
- where this is all accompanied by completely different public proclamations of values,
it is first of all necessary to clean up the situation by changing the framework conditions. The preaching of values by external experts only leads under these circumstances to cynicism and inner resignation.

After the analysis of the factors leading to wrong conduct the first essential step is the introduction of corresponding management audits. They find out who among the top managers instills fear, who looks the other way when faced with illegal activities as long as they serve the interests of the department, who hypocritically pretends to know nothing

when problems become public and finds a scapegoat and who enforces the code of conduct of the company on others but interprets it differently in his own case. Such cases can be dealt with in a variety of ways. But if nothing helps or the improvements are only short-term, it is then necessary for reasons of credibility to remove people who act in such a destructive way.

It is also recommendable, as part of in-house training, to work with case studies involving value conflicts and goal dilemmas and to show that what looks like short-term success may lead in the long term to massive problems for the continued existence of the company. Examples can be taken from the car and finance industries. Anonymized but realistic examples from one's own company are even more instructive.

Change begins in the mind, and this is also true of leadership personalities. Their sensitivity and mindfulness can be developed - most effectively through the creation of an awareness of their own dignity. However, as I have experienced in the course of my professional life, there are people in positions of leadership who are hopeless and unteachable in this respect. For this reason, such training courses are mostly only taken by those who have already realized that the points made above are helpful. What one learns in such workshops from examples and from reflection on one's own professional and personal experience is a purposeful way to develop one's personality³⁴¹:

- Nobody is *perfect* – but the great majority of people are *capable of improvement*.
- The structure and quality of actions and behavior must be sustained entirely by one's own personality and be in accordance with what one in all conscience believes to be right. Insincere actions and the imitation of behavioral

³⁴¹ Sharp Paine, L. (1991).

patterns one believes to be adequate are not only "inauthentic" and hence recognizably dishonest; they also ultimately fail to impress enlightened people. A person who cannot act in accordance with his true character should look for another job.

- Leadership guided by the ideal of biophilia does not imply that one should silently ignore or smile benevolently about lack of performance, reliability or quality. The acceptance of responsibility always involves the readiness to deal with potential conflicts - whereby the conflicting parties must be treated with respect. In this context "love" in Erich Fromm's sense of the word requires the assumption of responsibility in the interests of sustainability. Sustainable business success can be achieved when people are encouraged to develop, but not when one ignores lack of performance.
- Texts of all kinds, and in particular normative "thou shalt" commands always call for interpretation and must always be seen in their specific context. A decision involving a weighing up of choices which is guided by *agape*, the *agapeic calculus*, can only be taken in the particular situation to which a norm refers.³⁴² The "why" of the decision is absolute, but the "how" is not determined in advance as it is always a question of finding the most humanitarian (biophile) solution in a concrete situation.
- Certain decisions with a moral relevance involve an unconditional duty - a categorical imperative. These include the observation of the existing laws and respect for human rights. And there are also decisions which can be classified under Immanuel Kant's "imperfect duties".³⁴³ These include, for example, all voluntary contributions to

³⁴² On this point see Fletcher, J. (1966).

³⁴³ For a more profound treatment of this distinction see Kant, I., *Groundwork for a Metaphysics of Morals* (1785/1998) 31.

the improvement of the quality of life of other people. Whereas the duties of the first category are not negotiable, the fulfillment of duties in the second category depends on the goodwill of the persons making the decisions, namely the leadership personalities. In almost forty years of professional experience in a big company I have learned that the will to fulfill duties of the second category depends, among other things, on reputation capital in the form of social recognition. Enlightened leadership personalities will always decide in accordance with their conscience and do what they believe to be right independently of possible public applause. Less steadfast personalities will fulfill "imperfect duties" when they and their company receive a good press as a result. For this reason I advocate the view that a differentiated judgment on the part of the representatives of civil society and the media - one which does not make sweeping judgments about *the* multinational companies but explicitly acknowledges excellent performance - serves "the good cause".

It is, however, also possible to make a business case for activities striving for legitimacy beyond the required legal minimum. Legally unobjectionable decisions can also bring a company and its top managers into miscredit when the resultant actions are regarded by observers as illegitimate. Bonus payments to managers for business activities in the past which were profitable in the short term but cost their companies billions in the middle term may be in conformity with their contracts, but they will be regarded as scandalous by *normal* people. This is true of the remuneration report of a Swiss bank, whose first version in spring 2017 which recorded boni which were approximately as high as the reported losses of the bank. Ultimately entrepreneurial freedom is limited by the moral feelings of the people.

- In all the endeavors undertaken "to improve the world" small steps are more important than big words. "Actions speak louder than words" A person who wants to do something will find a way; a person who does not will find a reason. In this regard every individual must follow his own path through life. And every individual must ultimately come to terms with his own conscience.
- Finally, the words Willy Brandt addressed to his friends during the last days of his life are of great significance for all bearers of responsibility. "Nothing comes of its own accord; and only few things are lasting. So recollect your own powers and be aware that every age desires its own answers and that you must be in keeping with the times if you wish to do good." One can probably not expect the *new man* in the new *society* that Erich Fromm hoped for against the background of his humanistic ethics to appear on the scene sooner or later. In view of the continuing high level of unease among people in modern societies and the mistrust in the integrity of the political, economic and social elites, however, it seems to me to be meaningful and useful to pay increased attention to Fromm's ideas. This should be done not only for idealistic reasons but also in one's properly understood personal interest. Social changes are taking place which senior executives who are guided by a traditional one-dimensional business profile should take seriously because they will influence the structure of future markets. In this context, too, it is help to have recourse to the insights of intelligent people. Albert Einstein is claimed to have said: "If I were given one hour to save the planet, I would spend 59 minutes defining the problem and one minute resolving it. ". This viewpoint is also shared by the Harvard Business Review.³⁴⁴

³⁴⁴ Spradlin, D. (2012).

5.3. Morally upright biophile action as a factor in competition

The survey of Globescan on trust in the economy and in society quoted above³⁴⁵ attributes a strongly growing significance to the value convictions expressed through business activities. Trust can only be (re)gained if in its work a company can effectively combine:

- competency (*what you do*),
- humane working conditions (*how you do it*) and
- purposeful value convictions (*why you do it*)³⁴⁶

Leadership personalities should develop an obligatory values catalog for all their staff - with the participation of as many staff members as possible - and thus clarify the nature of the values required in everyday business life both for the company itself and for society.³⁴⁷ The motivation is not only of an ideal kind, but is also based on tangible economic interests. According to Globescan 65% of consumers support brands and buy the products when they see that a company has recognized its obligation to stand for good goals and values ("purpose") in the sense described above. And what can perhaps be even more positively valued in view of the conditions on the financial markets: 63% of the retail shareholders worldwide believe that "purposeful companies" are more profitable.³⁴⁸

³⁴⁵ GlobeScan Radar (2016).

³⁴⁶ GlobeScan Radar (2016): Slide 19.

³⁴⁷ GlobeScan Radar (2016): Slide 19. "An explicitly stated and authentic belief that defines how the business creates value for itself and society. By aligning everyone within the business towards a common goal, it directs business decisions that determine the way value is created and guides how the company engages its stakeholders."

³⁴⁸ GlobeScan Radar (2016): Slide 24.

It is not surprising but nonetheless gratifying that these empirically proven facts not only promote trust in companies, not only include what is in any case expected of good companies (creating jobs and providing high quality products at a fair price), but also all the elements of the humanistic ethics of Erich Fromm:

- Being environmentally friendly
- Treating employees well
- Supporting charities and good causes
- Being open and honest
- Being innovative
- Having a corporate purpose.

Against the background of the data collected by Globescan megatrends are becoming apparent which will give clear competitive answers to companies with the leadership personalities of the kind demanded here.³⁴⁹

- a) The world is growing more and more unequal and polarized.
- b) People have low levels of thick trust in institutions.
- c) They also have a greater interest in transparency.
- d) There has been an increase in the number of consumers who take into account not only the use value of the products they buy but also the nature of the conditions of production and the values constellations of the companies (Rise of the Aspirationalists);
- e) There is a "thirst" for leadership values ("A thirst for purpose: marrying business value with societal value").

When the staff of a company, its clients and all the other stakeholders are treated with Fromm's elements of love, when the work of a company is characterized by integrity, honesty and openness, by a fairness and goodwill designed to promote

³⁴⁹ GlobeScan Radar (2016): Slides 35 ff.

the well-being of all the participants,³⁵⁰ trust is created. When one can rely in both the private and the professional sphere on shared values and upright cooperative behavior an atmosphere of mutual goodwill is created in which the room for interpretation, for example of contracts, is not misused to the disadvantage of one of the negotiating parties and in which friction costs are reduced. These are all highly effective factors contributing to social and economic development.³⁵¹

A particularly interesting aspect of these changes is the enormously growing importance of clients who are not only interested in what a product has to offer in the way of prestige but also in the conditions under which it is produced.

5.4. Aspirational consumers

There are people who make moral judgments on companies and denounce the dreadful working conditions in sweatshops in Pakistan or Bangladesh with indignation and emotional outcry, but when they have the opportunity to let deeds follow their words in allocating their own purchasing power, they prefer to accept the cheapest offer.³⁵² This is one side of the coin.

But there is another side to the coin, which in recent years has grown in importance. When deciding on purchases more and more consumers pay attention not only to the use value, to externals of fashion and the quality of the product, but also to the human, social and ecological conditions of production. As they also wish to contribute to a good cause

³⁵⁰ All are contents of the "Five Way Method" recommended by Karl Schlecht: see <http://www.karl-schlecht.de/werte/die-5-fragen-probe/>.

³⁵¹ On this point see Fukuyama, F. (1995).

³⁵² For published examples see Klöckner, J. (2015). In regard to German customers the head of the cheap brand company KiK stated that in surveys they make socially desirable answers and when asked in front of running cameras whether they would be willing to pay a higher price in return for better production conditions they answer "yes". "But as soon as the camera is off, they again buy from the cheapest retailer". See also Lobe, A. (2014).

with their buying decisions this group of customers are called "aspirationalists".³⁵³ Although they are predominantly "happy shoppers" (84%) and "style seekers" (78%) they explicitly wish to do justice to their responsibility towards society with their purchases (78%) and expect the same from the brands and firms on which they spend their money.³⁵⁴ "They want their brands to embody an inspiring ethos, to bring a strong point of view, and to take action to make a positive impact on the world."³⁵⁵

It is an open question whether this is due to the fact that since the middle of the 20th century the intelligence quotient has increased by 3 IQ points per decade so that the present generation is more intelligent than those that went before.³⁵⁶ At all events marketing experts speak of a fundamental "cultural change" in the direction of *conscious capitalism*.³⁵⁷ They advise especially those companies selling well-known brand products not only to pay attention to the age of potential customers in their sales policies but also to take increasingly into account psychologically determined value elements. ("psychographics based in the mindset, based in beliefs and values").³⁵⁸ For this growing segment of the market the brand products they buy are a part of what they want to make externally visible as their identity. Consequently they use their purchasing power to support companies and brands which themselves contribute with their products, services and work processes to the pursuit of different ideals and so endeavor to make a positive contribution to society. Brands thus become

³⁵³ Godelnik, R. (2012); GlobeScan/BBMG (2016).

³⁵⁴ GlobeScan/SustainAbility/BBMG (2013).

³⁵⁵ GlobeScan/BBMG (2016).

³⁵⁶ On this point see the research results of the psychologists Jakob Pietschnig and Martin Voracek of the University of Vienna: Pietschnig, J. and M. Voracek (2015).

³⁵⁷ Conscious Capitalism (2016).

³⁵⁸ Bemporad, R. (2015).

the carriers of ideal projections "delivering innovation, embedding purpose and positive impact."³⁵⁹ If a company does justice to this aspiration it acquires competitive advantages which go beyond the price demanded for its products.

According to the data of the Globescan study these "aspirationals" make up almost 40% of the adult world population. Unexpectedly and interestingly enough a higher percentage of them can be found in countries like China and India than in the "old" industrial countries. They are not defined by their age but by their desire to have positive effects on others with their purchases and to be associated with an ideal that is greater than themselves. They wish to combine "the right thing to do" with "the cool thing to do."³⁶⁰ The "top expectations" of this customer segment are in accordance with what has been discussed in our context as a requirement of humanistic ethics:³⁶¹

- 74% expect the company to guarantee that its products are safe and healthy;
- 72% expect the company to pay all of its employees a fair wage;
- 70% expect the company to avoid harming the environment;
- 69% expect the company to guarantee responsibility in its supply chain and
- 66% expect the company to treat all of its employees fairly and justly.

³⁵⁹ Bemporad, R. (2015).

³⁶⁰ Conscious Capitalism (2016).

³⁶¹ "ensuring products are safe and healthy"; "providing fair wages to all employees"; "not harming the environment"; ensuring a responsible supply chain"; "treating employees fairly". See BBMG/GlobeScan (2015).

The problems of particular concern to this customer segment include, apart from environmental pollution and corruption, the violation of human rights and absolute poverty. A number of companies in the consumer goods sector (for example Coca-Cola, Nestlé, Samsung) orient their business behavior and their sales messages more and more on this customer segment.

GlobeScan sees a great future for these customers: "Like never before, consumers are uniting deeply held principles with everyday pragmatism, demonstrating a sense of purpose with more active participation to help create solutions that can improve their own lives while creating a more sustainable economy that can benefit all."³⁶²

The recommendations to be derived from this development for top managers in companies are as simple as they are clear:³⁶³

- Added value should be defined holistically (*deliver total value*), that is to say that products should be offered which not only have practical advantages such as good prices and quality but also give customers a good conscience in regard to the social and ecological conditions of production ("the larger story behind their products").
- As customers expect transparency and authenticity the "larger story" behind the products should be accompanied by information on the brand. In this way customers can be kept up to date on the progress achieved in the course of time in the improvement of the social and ecological framework conditions.
- Sustainability and the intention to be socially useful should be built into the business strategy, product design and stakeholder relationships, all of which leads to a more comprehensive definition of innovation. In this way

³⁶² GlobeScan/SustainAbility/BBMG (2012): 4.

³⁶³ GlobeScan/SustainAbility/BBMG (2012): 49 ff.

companies will become "agents of change at a faster speed and larger scale than ever before".

- Brand policy and branding should no longer be considered as a top-down process within the company; instead the values, ideas and experience of the customers should also be taken into account. This would not only accelerate and enrich the process of innovation but would also increase the loyalty of customers.
- As *aspirational*s wish for more than just the purchase of a product (they want to belong to a peer group consisting of people who share their values), companies should include the corresponding social networks in their policies and use them to tell their story (and to acquire more customers).

Large "thread paths" of the material from which the future markets will be woven can already be recognized today in outline. A company which recognizes this at an early stage and acts accordingly will enjoy great competitive advantages. Reading the works of Erich Fromm can contribute to the creation of the sensibility needed to sharpen the awareness of such developments.

5.5. Man does not live by bread alone

There are no empirical proofs demonstrating that companies which are run in a sustainably responsible way are in the long term less profitable; the contrary is more probable.³⁶⁴ Companies characterized by a fair treatment of their staff and their suppliers and by explicit efforts to preserve creation enjoy greater social acceptance than those which reputedly or demonstrably fail to do so.³⁶⁵ This is an observation from the

³⁶⁴ For an early demonstration of this point see Margolis, J., H. A. Elfenbein and J. P. Walsh (2007).

³⁶⁵ Leisinger, K. M. (2012): 50 ff.

macro-level. It corresponds to an equally positive phenomenon at the micro-level.

Everyone knows that man does not live from bread alone. All mentally healthy people "feel good" when they can actually decide and act in accordance with what in their inmost being they perceive to be right. In spite of all the unreasonable systemic demands "to function" people who are not inescapably caught up in a despotic system are in a position to recognize what is normatively correct and to act accordingly. When leadership personalities encourage people to practice their human value convictions in the business context and themselves act as models for such behavior motivational conditions and attitudes to work of a fully different quality created than in companies where people are inhumanely treated as arbitrarily exchangeable "human capital".

5.6. Even more light at the end of the tunnel

In the context of many local and global situations, as in life itself, we always find light and shadow. Focusing on the shadowy side of life alone paralyses and leads to resignation - or revolution -, which are equally unproductive. It is therefore important that we keep our eyes open for the "light" at the end of the tunnel, for which there are many indications apart from the increase in *aspirational consumers*. Of the many possible examples I would like to choose three which I particularly esteem.

5.6.1. The Leipzig Leadership Model

In close cooperation with leading representatives of the German economy the HHL Leipzig Graduate School of Management has developed a leadership model which responds to the new challenges of our time by providing orientations in the sense of a compass. The model highlights

four dimensions of successful leadership. At the center stands the goal of the company, whose implementation should be entrepreneurial, effective and responsible, but should not pursue purely economic targets as an end in themselves. The goal must also involve the achievement of sustainable and humane development.

The model places the people who bear the responsibility for leadership at the center of its considerations. I will present three quotations to illustrate the "spiritual kinship" between the Leipzig Leadership Model conceived by economic theorists and leading practitioners in the economy and the theses presented in this book from a totally different socio-philosophical and psychoanalytical perspective:

- "[T]he social change resulting from globalization and digitalization is accompanied by [...] a growth of conflicts and also of complexity which presents (successful and responsible) leadership with new problems and calls for a redefinition of leadership in regard to its purpose, objectives and means.³⁶⁶

- As leadership involves people who lead and are led the underlying conception of man is of the greatest importance, it must take three fundamental aspects into account:

- The values, interests and convictions of the people involved must be taken seriously.

- People are fallible; they can make mistakes; they are more or less opportunistic and subject to situational influence. But at the same time people are creative, able to learn and fundamentally interested in cooperation.³⁶⁷

- Leadership as a form of influence on other people must be justified by "showing that the strategies chosen, the decisions taken and the measures implemented contribute to a greater whole [...]and are ethically legitimated."³⁶⁸ Leadership must

³⁶⁶ HHL (2016): 16.

³⁶⁷ HHL (2016): 18.

³⁶⁸ HHL (2016): 18.

always be shaped by respect for the *dignity of one's fellow men* and their capacity for freedom and cooperation.

The Leipzig Leadership Model demands that it should always keep the greater whole, the meaning and purpose of its activities in view. Leaders must accept responsibility not only for themselves but also for others and for the future and so set an example. The accompanying rights must be enjoyed in conformity with the norms of society and particularly take into account the legal and legitimate claims of third parties. In the context of globalization the additional challenge arises that leaders have to deal with several, partly very different and possibly even contradictory legal and cultural systems.

"Anyone who demands performance must be able to answer the question of its purpose."³⁶⁹ In consequence the Leipzig Leadership Model demands a *motivating answer* to the question of the *purpose* of a task in a company, the legitimacy of its business model and, ultimately, of the basic order of the economy do precisely this. The authors of the Leipzig Leadership Model also acknowledge that simply aiming to achieve "even more", even more quickly" and "even better" in dealing with people and as a consequence of scarce resources lacks credibility as the purpose of an enterprise. Erich Fromm would add as a reason that it makes people ill. The authors of the model are also in full agreement with Fromm's ideas when they state that good leaders must be aware of their own motives and strengths and pursue them authentically with inner conviction. Outside recognition is important but it is not sufficient in itself to find meaning in one's work.³⁷⁰ One final point:

"Firms exist not only because they produce efficient products and services [...] Their existence is justified at a more fundamental level by social backing and by

³⁶⁹ HHL (2016): 25.

³⁷⁰ HHL (2016): 28.

credible and reliable public esteem for the public value a company creates." ³⁷¹

5.6.2. Changed selection criteria for the CEO of the year

As I am aware of the importance of "hit parades" for the self-understanding of many top managers I also saw the change in the assessment criteria for the choice of the "best CEO in the world in 2015" as an important sign of the "light at the end of the tunnel". CEO's who in the past had always achieved front places in this hit parade plummeted in the rankings because the assessment criteria were changed and the applicants were no longer judged by their economic performance alone, but also by their achievements in the ecological, social and ethical fields. Under these assessment criteria, which are compatible with the requirements of the *2030 Agenda*, CEOs such as Lars Rebien Soerensen (Novo Nordisk) won in the years 2015 and 2016 because they not only achieved outstanding yields on shares over a long period of time, but did so in a way which took ecological, social and ethical requirements into account. ³⁷²

Last not least, there are acknowledged and successful leadership personalities who not only speak in favor of the ideas articulated in this book, but also act accordingly.

5.6.3. Examples of individual leadership

With people of good will everything is possible - without people of good will very little. Personally I had the good fortune in my life to be supported during 38 out of 40 years of professional activity by leadership personalities who not only had "an eye for the greater whole", but also committed themselves actively and proactively in public for an extended

³⁷¹ HHL (2016): 30.

³⁷² Harvard Business Manager (2015/2016).

license to operate. My thanks go to Louis von Planta, Samuel Koechlin, Alex Krauer and Daniel Vasella.

Among those who can be named today one must certainly include Paul Polman, the head of Unilever. He not only made Agenda, but also had the courage, after the hostile takeover attempt by Kraft Heinz in the early summer of 2017 to distance himself from the "fast and ruthless approach" of the US-American competitor. His by no means theoretical question ran:

"Do you want short-term forces - that work for a few people and make a few more billionaires - to be the dominant force? Or do you want the system to work for the billions that need to be served? It's a fundamental choice."

He answered his question by pleading for "inclusive capitalism."³⁷³

A second name to be mentioned here is Joe Kaeser, the chairman of the Siemens AG. In an interview with the *Frankfurter Allgemeine Zeitung* he addressed the public with a statement I have never heard made before in such clarity:³⁷⁴

"The social elites, actually all of us, must make more efforts to approach people in a better way, to explain the facts better, but above all to listen more and to accept more leadership responsibility."

And

"Economically we must consider whether a little less profit and margins do not actually mean more when we promote growth, create places of work and so make people a fixed part of the enterprise. In this way we create more social stability in an increasingly fast and consistent global world."

The fact that dozens of CEOs of big US-American chose to continue pursuing an environmental policy in conformity

³⁷³ Pratley, N. (2017).

³⁷⁴ *Frankfurter Allgemeine Zeitung* (26.11.2016): 28

with the Paris Climate Agreement in spite of the announcement of the American president that he would leave the agreement calls for respect.³⁷⁵ That a long-term economic, social and ecological orientation of social policy not only brings no losses, but can even bring significantly better performance can be regarded as an empirically proven fact.³⁷⁶

Outlook

At the beginning of "The Sane Society" Erich Fromm quotes a passage from Léon Blum with which I would like to conclude this text :³⁷⁷

"The human race had the wisdom to create science and art; why should it not be capable to create a world of justice, brotherliness and peace? The human race has produced Plato, Homer, Shakespeare and Hugo, Michelangelo and Beethoven, Pascal and Newton, all these human heroes whose genius is only the contact with the fundamental truths, with the innermost essence of the universe. Why then should the same race not produce those leaders capable of leading it to those forms of communal life which are closest to the lives and the harmony of the universe?"

³⁷⁵ Winston, A. (2017).

³⁷⁶ Barton, D. et al. (2017).

³⁷⁷ Léon Blum, quoted in: Fromm, E.(1955/1963): xiv.

Epilogue

The story of the eagle who became a hen³⁷⁸

Once upon a time there lived a farmer who wanted to catch a bird in a nearby wood and to keep it in a cage in his home. One day he succeeded in catching an eaglet. Back at the farm he put it in the henhouse together with the rest of the fowl. In the course of time the young eagle grew accustomed to his environment, pecked the corn and ate everything else that hens eat - although the eagle is the king of the birds.

After five years the farmer happened to receive a visit from an ornithologist. While they were walking in the garden the ornithologist saw all the birds and remarked: "That bird over there isn't a hen; it's an eagle! I know it's an eagle."

The farmer answered, "Yes, I know, but I have reared it as if it were a hen. After all these years it has ceased to be an eagle. It is now a hen. It behaves like all the other hens even though its wings have a span of almost three meters."

"No" the ornithologist replied: "An eagle is an eagle and will always remain an eagle. This bird has the heart of an eagle and that will impel him to fly high in the sky."

So the two decided to put it to the test. The ornithologist picked up the eagle, lifted it up high and spoke imploringly: "You are an eagle and because you are an eagle you belong in the sky and not on the ground! Open your wings and fly!"

But the eagle stayed on the outstretched arm of the naturalist. It looked around distractedly and when it saw the hens scratching for seeds it jumped down to them again and began to peck on the ground.

"That's what I told you", the farmer called out triumphantly.

³⁷⁸ I owe this fine story to my dear friend Leonardo Boff; it is a short version of the highly readable book: Boff, L. (1998).

"He has quite simply turned into a hen..."

"That can't be true", the ornithologist responded. "Your hen is an eagle and will always be an eagle. Please let us try again tomorrow."

On the next day the visitor climbed onto the roof of the house with the eagle. He whispered imploringly: "Eagle, if you are an eagle open your wings and fly into the sky!"

But as soon as the eagle saw the hens below scratching the soft earth and pecking the seeds it again flew down to the ground to join them.

The farmer was delighted and felt confirmed in his opinion. "It's just as I said. The creature has become a hen."

"No, never!" The expert refused to give up. "It's an eagle and will always have the heart of an eagle. Let's try just one more time. Tomorrow I will get it to fly."

The next day the farmer and the naturalist got up very early. They took the eagle with them out of the town. They walked until no houses or people could be seen. They entered the mountains and climbed up to the highest peak. The morning sun covered the mountains with a golden veil.

On reaching the peak the ornithologist lifted the eagle up and commanded: "If you are an eagle your kingdom is the sky and not the earth - so open your wings and fly, fly away!"

The eagle looked around. Its whole body quivered, as if new life were streaming into it. But fly? No way. Then the man raised his arm powerfully and held the eagle in the sun so that its eyes were filled with its radiance and with the expanse of the horizon.

At his moment the eagle opened its mighty wings, screeched the typical kuk kuk kuk of the eagle, stretched majestically and began to beat its wings. And lo and behold! It began to fly, to fly upwards, higher and higher. And it flew and flew and flew, further and further until its outlines were lost in the blue of the sky.

Leonardo Boff added a comment on this story:

"God created us to his own image and likeness. But then people came who instilled the thinking of hens in our minds. And indeed many of us still believe that we are hens. But we are eagles, yes, eagles! So let us open our wings and fly into the sky! Let us fly like eagles! We will never again be satisfied with the grains of corn thrown to us so that we can scratch and peck like hens."

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