

## ***Advances in Project Management Series<sup>1</sup>***

# **Human Centered Management: A Systemic Interrelation<sup>2</sup>**

By Roland Bardy

Management and leadership have been defined in terms of objectives, tasks, traits, behaviour, motivation, interaction patterns, role relationships or occupation of an administrative position. Most definitions reflect the assumption that it involves a process whereby intentional influence is exerted over people to guide, structure and facilitate activities and relations in a group or organization. The eminent management scholar Gary Yukl has said that true leadership only occurs when people are motivated to do what is ethical and beneficial for an organization – but he admits that leaders will more often than not attempt to merely gain personal benefits at the expense of their followers, and that, despite good intentions, the actions of a leader are sometimes more detrimental than beneficial for the followers (Yukl 2010, p. 23).

This raises the question of whether there is a divisive difference between leadership and management – with the obvious conclusion that there is an overlap between the two. The overlap will be wider or narrower depending on the person who executes the position. One definition which shows this best is by viewing *management* as an *authority relationship* directed at delivering a specific routine, with *leadership* being a *multidirectional influence* with the mutual purpose of accomplishing real change (Rost 1991).

But, as has been pointed out by Bowie and Werhane (2005), there is an additional issue that comes into view when looking at who manages a manager. A manager typically works for another, and even top managers serve as *agents*, for the stockholders of a business or for the elected officers in a public administration entity. This interrelation has a systemic aspect, as it is not just those connections that are intertwined but there is a definite intertwinement as well between the various perspectives that integrate management – and, since it is all about the nexus between humans, we should talk about human centered management.

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The ideas explored in this article are based on a new book “Rethinking Leadership: A Human Centered Approach to Management Ethics” (Bardy, 2018) which lays a foundation for what may be called a *framework* for delineating human centered management. The book proposes that human centered management is determined by a systemic connection between various perspectives. Intertwining management and the human centered paradigm is much more than just a two-way relationship. It is a systemic approach that combines ethics, social relations, economic effects, and institutional conceptions. It is necessary then to embrace all these interrelations in order to validate the analysis. Systemic interconnectedness is an entity in itself, and it is to be studied on its own (Jiliberto 2004). So, in order to attain a characterization of human centered management, the systemic view combines the ethical, social, economic, and institutional perspectives.

The four perspectives influence each other within a systemic interrelation as illustrated in Exhibit 1, and this sequence of mutual effects and feedbacks is a system of its own.

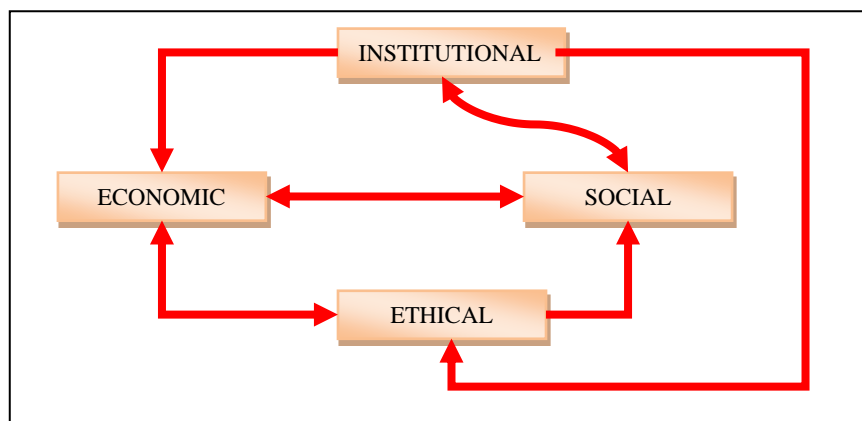


Exhibit 1: Interrelations between the ethical, the social, the economic, and the institutional. Source: Author.

This portrait of interconnectedness presents multiple impacts: Ethical reasoning motivates social relations; it has an effect on the economic outcomes of any decision made by a leader or a manager, and it shapes the way the institutions work in a society – be they educational, legislative, or judicial bodies. Conversely, institutions may inspire the ethical reasoning of decision-makers; they may frame the structure of economic activities and of societal organization. The mutual impacts continue with the interlacing of social and economic occurrences and of social and institutional arrangements.

With this construct of combined perspectives, the framework differs from other setups of management ethics, which follow a pure stakeholder approach (like Bowie and Werhane 2005) or a moral principles framework (like Schumann 2001). Both moral principles and stakeholder relations are integrative parts of the multi-perspective

framework as well, but the systemic dimension treats them as parts of a larger holistic entity.

## **1. The four perspectives**

The combination of ethical, social, economic, and institutional perspectives within the topic of human centered management makes this a complex phenomenon. Complexity is inherent in ethics issues, as they tend to be represented by different viewpoints of different people, and they are often conflictive and prone to ending up in dilemmas (Krebs, Denton, and Wark 1997; see also Poliner, Shapiro and Stefkovich 2016 who present dilemma situations faced by educators).

This makes the phenomenon of human centered management attractive for systems theory and systems thinking. It sounds logical that the perspectives would be regarded as elements of the *system* of human centered management, influencing one another within this entity and exerting a combined effect on other systems (an organization, a group of stakeholders, groups of a society, etc.). But while social interaction in general has long been the subject of systems thinking, with, for example, the work of Niklas Luhmann in Germany (see Luhmann 1995) and of Talcott Parsons in the U.S. (see Parsons 1980), the systemic aspect of leader–follower interaction has not been dealt with extensively. There is a massive body of empirical research in leadership effectiveness, but it is based on a one-way relationship; what comes closest to the morality issue is research on fairness in leadership (van Knippenberg, De Cremer and van Knippenberg 2007).

The four perspectives are connected through multi-stakeholder dialogues. There are multiple facets in these dialogues which distinguish human centered management from routine stakeholder management. This is why after the first presentation of the four perspectives the multi-stakeholder dialogues concept will be laid out. Multi-stakeholder dialogues, apart from being a management practice based on reciprocal stakeholder engagement and rather than on unilateral impulses for organizational control (Heugens, van Den Bosch and van Riel 2002), have also been employed to evaluate scientific/technological advances for social/ethical and ecological risks and benefits. They promote collective learning as they uncover shared meanings and relational responsibilities. By engaging in dialogue, it is argued (Burchell and Cook 2008), ethical obligations and responsibilities are being co-constructed. The process of dialoguing with multiple partners, as it entails ethics and socio-economic considerations, requires a moral foundation as will be shown below.

### **1.1 The ethical perspective**

Leaders who acknowledge that there are universal principles that govern human behavior beyond written rules and codes act morally by nature. They abide by ethical principles in all the decisions they make, even though the outcomes of the actions they

take may not always be uniform. Strict uniformity would concur with what is called universalistic ethics, meaning that an action is morally right or wrong under similar circumstances, irrespective of place, time, and sociocultural context. However, *universal* does not mean *absolute*, because there maybe justifiable exceptions. This is often criticized as a casuistic position. For the casuist, the yardstick by which to measure the morality of an action is the circumstances<sup>3</sup> surrounding the person committing the action at the time that it is committed. When circumstances, place, and time vary, one should not refrain from applying a different judgment. This casuistic stance turns its attention to individual cases and to debating the relative merits of choosing a solution to a specific problem from among a number of alternatives. Leaders often find themselves in situations like this, as their moral judgment usually has to incorporate economic and social considerations.

One outstanding management scholar who recognized this interrelation early on was Peter F. Drucker. While his casuist view on ethics earned him a number of negative critics (Schwartz 1998; Klein 2000), it was from the cognition of multiple perspectives that Drucker took business ethics very seriously and developed a clear position on business morality. The social perspective in business morality was one of his foremost concerns.

## 1.2 The social perspective

All decisions made by a leader eventually have a social consequence; therefore, the impact of human centered management on society is about benefitting and advancing the condition of people. The impact of business leaders on society at large has gained increasing prominence, both in management literature, which analyzes, interprets and also reinvents this relationship, and in practice, with many individual cases of exemplary performance.

Also, a considerable number of academic and professional associations that pursue real life dissemination have been set up, such as Business in Society LLC (<http://businessinsociety.net>), the Academy of Business in Society (<http://www.abis-global.org>) and the Caux Round Table (<http://www.cauxroundtable.org>), to name just a few. All are connected to and some of them are co-founders of the Principles for Responsible Management Education (PRME) Initiative, which is the first organized relationship between the United Nations and business schools, with the PRME Secretariat housed in the UN Global Compact Office (<http://www.unprme.org>). This development has created a new range of concepts attempting to redefine and broaden

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<sup>3</sup> Often, these circumstances are deemed to be culture, ethnicity or geographical location. This relativism, or relativistic ethics, argues that different groups of people ought to have different ethical standards in their respective societies. The question is whether a norm can properly be described as “ethical” unless it is understood as having cross-cultural validity. Within the purpose of this book, a further discussion on relativism and universalism is not needed. In praxis, moral reasoning and decision-making are always context-specific, and it does not make a difference if it occurs in, let us say, the U.S. or the U.K. or in China.

business's responsibilities with respect to society and introducing the idea of corporate citizenship as a core metaphor (Smit 2013). Citizenship, nowadays, needs institutions in order to fully develop, which is why the fourth perspective of conjoining leadership and morality is about institutions. Markets are the foremost institutions that are relevant for businesses, so the economic perspective is presented here before the institutional.

### **1.3 The economic perspective**

There are two aspects to this perspective: One is the reverberation of moral behavior in a leader's environment, which for business leaders means the markets and the moral market axiom (Boatright 1999). This relates to the question of whether the economic model of capitalism promotes moral behavior or not. The most common definitions of capitalism include private ownership of the means of production, voluntary exchange of labor and goods, and competitive markets (e.g. Heilbroner 2008). But the moral feature of voluntary exchange (or free markets) and competition is human freedom. There are three contingent features (Homann 2006 b):

- (a) Markets are built on a systematic feedback mechanism where buyers determine preferences through purchasing patterns.
- (b) Responsibility is clearly set in open markets. When a product or service is not acceptable to consumers, the producer has to adapt it to meet the needs of buyers.
- (c) Competition ensures innovation of goods and services as the imperative for providing effective solutions to problems and ensuring that they are rapidly disseminated.

Human freedom is a determinant, thus, for being able to choose between alternatives. This is a precedent for morality: morality is unattainable unless human beings have the freedom to choose between alternative actions or products without external coercion. Therefore, capitalism, which is free ownership in a market where labor and goods are exchanged freely, and prices are defined by supply and demand, is inextricably a system that maximizes human freedom.

The system cannot *guarantee* that all members of society behave morally. But as capitalism is conducive to free will, it naturally *promotes* moral behavior to the greatest extent possible, in contrast to an economic system where the decision-making power is concentrated in one central entity that also defines what is good or evil.

When the people of a community or country can exert their decision-making power they will eventually opt for a capitalistic system, and it is this system that can easily adapt to the many diverse cultures of the world (Meltzer 2012).

As an additional note on freedom of choice, it should be emphasized that in order to make a moral decision (i.e. one that aims at doing good), people/leaders need to have the mental capacity to discriminate. The German philosopher Immanuel Kant (1724 – 1804) called this attribute *reason*. One of the criteria he gave for assessing morality was that an act is performed not for a particular outcome but for the sake of *goodness itself*. What would this mean in business life? Yukl (2010, p. 334) gives an excellent example to illustrate *goodness itself*:

“In the 1970s river blindness was one of the world’s most dreaded diseases, that had long frustrated scientists trying to stop its spread in developing countries. A potential cure for the disease was discovered by researchers at Merck. The new drug Mectizan would cost over \$ 200 million to develop. And it was needed only by people who could not afford to pay for it. When Roy Vagelos, the CEO of Merck, was unsuccessful to get governments of developing nations to pay for the drug, it became obvious that Mectizan would never make any profit for Merck. Nevertheless, Vagelos decided to distribute Mectizan for free to the people whose lives depended on it. Many people in the company said the decision was a costly mistake that violated the responsibility of the CEO to stockholders. However, Vagelos believed that the decision was consistent with Merck’s guiding mission to preserve and improve human life. The development of Mectizan was a medical triumph and it helped to nearly eradicate river blindness. This humanitarian decision enhanced the company’s reputation and attracted some of the best scientific researchers in the world to work for Merck” (Useem 1998, cited in Yukl 2010).

Vagelos followed what George W. Merck had enunciated 25 years earlier: “We must never forget that medicine is for people. It is not for the profits. Profits follow, and if we have remembered that, they never fail to appear” (Gibson 2007, p. 39). Now, if *reason*, according to Kant, leads to performing an action not to attain a particular outcome but for the sake of goodness itself, this implies that an additional outcome (the “profits that follow” as stated by George W. Merck) is accepted as *reasonable*.

R. E. Freeman further developed Kant’s profit theory, coining the term *Kantian Capitalism* and relating Kant’s ideas on who has to benefit from an action to stakeholder theory (Evan and Freeman 1988). This directly connects Kant’s reasoning about goodness with the modern theory of the firm embedded on value creation as the highest business objective, with profits not an end but an effective result (Laffont 1975).

#### **1.4 The institutional perspective**

This perspective is based on two aspects: One is the influence that moral leaders exert on institutions (with business associations being closest to business leaders although business leaders might also have an effect on other organizations, e.g. political

institutions). Conversely, the motivation a leader receives from institutions. The other aspect is that institutions are agencies with the power to deploy moral norms across organizations. This concept has been called *ethics of institutions*, and its basis is that a competitive market economy founded on capitalist principles and practices is sustainable with a carefully devised institutional system enabling everyone to pursue individual interests (Lütge 2005).

Institutional ethics distinguishes between actions and conditions of actions. This distinction was initially made by Adam Smith, who, besides being the “father” of free market economics, was a moral philosopher by training. In his first writings (e.g. *The Theory of Moral Sentiments*, published in 1759), he introduced a systematic differentiation between actions and conditions of actions, pioneering the idea of a link between competition and morality. His argument is that morality, which incorporates the idea of the solidarity of all, is the essential element in the conditions or the *rules* by which markets work; the members of the market act in a way that respects the actions of others. Only under these pre-conditions can competition be effective and foster productivity. Adequate conditions for the actors direct competition to an optimal level of advantages and benefits for all people. As the rules are the same for everybody, no one can exploit a situation where another behaves morally – everybody is induced to behave morally.

The institutional perspective is directly related to issues of corporate social responsibility (CSR), maintaining that a corporation is an institution within society that has to deploy moral behavior towards other members of that society.

There are numerous organizations worldwide that offer recommendations on fostering CSR. Many of them are member-driven organizations where committed leaders work together on principles for moral governance. One example is the International Chamber of Commerce’s *Nine Steps to Responsible Business Conduct*, which are directed to companies of all sizes including small and medium-sized companies (<http://www.iccwbo.org/products-and-services/trade-facilitation/9-steps-to-responsible-business-conduct>). And leaders who understand what human centered management is will, conversely, shape the outcome of those organizations.

In that context it is worth paying attention to developments in China where institutional ethics constitute a central focus of political philosophy. This raises questions such as “What is a good institution?” “What should a good institution be like?”, “How is such an institution possible?” and “What is the value of a good institution?” Typically, what Chinese ethicists ask for is to uphold the historicist mode of thought, i.e. traditional philosophies such as Confucianism and the standpoint of the unity of substance and form (Zhaoming 2007).

## 1.5 The four perspectives and the human-centered paradigm

All four perspectives of the human centered management paradigm focus on human beings. The *ethics perspective* is a humanistic concept, where the term *humanism* stands for both an emphasis on the value of human beings (*people-centered* or *human-centered*) and on critical thinking over acceptance of dogma (reason-centered rationalism and empiricism). The *social perspective* deals with relations between human beings and between individuals and society. The *economic perspective* is about activities that are designed and delivered to meet and serve human needs, and the *institutional perspective* considers agencies that are set up to promote well-ordered human coexistence.

Relations between human beings in a society are at the core of ethics. The focus of ancient philosophies was always on the role of a person in society and his or her contribution to the improvement of the community. The leading examples are Plato, son of powerful politicians in ancient Athens, who laid down his central theses in his work *Republic*, and Aristotle, the educator of the Macedonian prince who was to be Alexander the Great, with his treatise entitled *Politics*. So, from its beginnings in ancient times, ethical reasoning has always connected the individual and society.

Institutions arose in modern societies whose structures are much more complex and pluralist than those of ancient Greece. They need agencies that ensure that all members of a society, and especially the less fortunate, partake in progress and prosperity. Institutions exist to serve humans. And this also applies to any economic undertaking. Human beings pursue economic goals as a matter of survival, so human activity is embedded in business activity, which should make it self-evident that the economy and all businesses serve human needs.

While this has been a canon of philosophers and economists for centuries, there have also been conspicuous examples to the contrary – of greed, maltreatment and manipulation of human beings, corruption, and misuse of power. And all this happens in spite of remarkable writing about business morality by eminent academicians and practitioners and severe punishment by law for transgressions. However, many successful attempts have been made to reduce the chances for fraudsters to get away unpunished, e.g., through the U.S. Securities and Exchange Commission (SEC). The SEC created a pertinent website which it even named after Bernie Madoff who was sentenced to 150 years in prison for deceiving hundreds of investors (<https://www.sec.gov/spotlight/secpostmadoffreforms.htm>). And German lawmakers substantially expanded the scope of what was considered commercial bribery in German criminal law in the aftermath of the Siemens scandal (Primbs and Wang 2016).

But an important question is still, why people do act immorally, even though most are aware of their guilt in harming other people, and even though they probably know that they will be found out in the end? In the long run, ethical, social, economic and



institutional norms will prevail, as this work intends to show. Prevalence of the “good” requires perseverance in dialogue between stakeholders, who then all benefit from the correlation between the ethical, social, economic, and institutional perspectives of human centered management.

## 2. Interrelating the four perspectives through multi-stakeholder dialogues

There is more to systemic thinking<sup>4</sup> than merely determining interrelations. In organizational development theory, which has made extensive use of systems thinking, organizations are viewed as open systems that interact with their environment. Katz and Kahn (1978) have set up a model that interprets organizational interrelations in terms of input, throughput/transformation and output (see Exhibit 2). The model factorizes the environment of the organization: The elements, both tangible and intangible, of the external environment are input into the organization and the results of the output into the environment are fed back into the organization. This contributes to the functioning of the system and a boundary is created that goes beyond the organization.

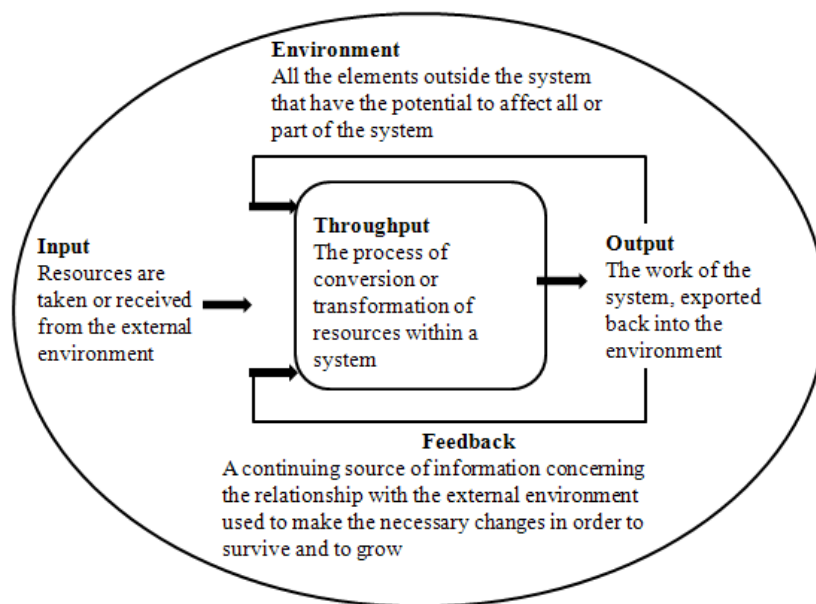


Exhibit 2: Katz and Kahn Open System Model. Source: Katz and Kahn (1978), p. 78.

We can draw an effective parallel from this model to the combination of the four perspectives that conjoin leadership and morality. The ethics perspective could be expressed as an input into the *throughput* of moral behavior and moral decisions that

<sup>4</sup> The author has refrained from using the term “systemic morality” because this has been applied to a totally different concept by Goodpaster and Matthews (1982). They employ the term to denote that a pure capitalist approach to business ethics places morality, responsibility, and conscience in the role of the invisible hand of the free market system.

consider human and societal concerns in parallel with what is needed to achieve political or business objectives. Output is the impact on society, with the economy and institutions as the *environment* that helps to develop ethical reasoning shaped by exemplary leadership based on moral behavior.

This mutual influence works through intensive communication. Effective communication is essential to enhance the results of a leader's actions and to promote how institutions can inspire ethical reasoning of decision-makers. Effective communication is a necessary condition for optimizing transmission of knowledge.

The stakeholder relation theme is distinctly engrained in the human-centered paradigm. In the definition by Carroll (1996, p. 74), who was one of the first to relate stakeholder relations to ethics, a stakeholder may be thought to be "any individual or group who can affect or is affected by the actions, decisions, policies, practices, or goals of the organization." But human beings need not be conceived as "isolatable, individual entities ... who have separate wills and desires which are constantly colliding" (Buchholz and Rosenthal 2005, p. 138, p. 141). If the community of stakeholders and business is seen as nothing more than the sum of its parts, the end will be irreconcilable tension. We need to find a different way that would lead to unity.

Effective unity between people – stakeholders in our context – arises in a form of action and thinking that does not fragment the whole and proclaims *implicate order* (Bohm 1980). The term was coined by Bohm in the field of quantum theory; in the context of organizations, the argument is that nothing binds individuals and institutions together except self-interest; so the solution starts by making all parties aware that taking account simultaneously of economic performance and its social aspects will serve common as well as individual interests. This philosophical stance has been called "American pragmatism". It rejects the view of individuals as atomic, separable, isolated units and sees the individual as inherently social. It builds a bridge from the Greek philosophers' notion of *ανθρώπος ξών πολιτικών* ("man is a political being")<sup>5</sup>, and it holds that individuals consider others in the development of their conduct, and, in this way, a common content is developed that provides a community of meaning.

A prominent representative of American pragmatism is John Dewey, who wrote extensively about morality and democracy. In his words,

"to learn to be human is to develop through the give-and-take of communication an effective sense of being an individual distinctive member of a community; one who understands and appreciates its beliefs, desires, and methods, and who

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<sup>5</sup> Clarifying the basic ideas of Greek philosophy on morality lays outside the scope of this introduction. The reader is referred to pertinent literature.

contributes to a further conversion of organic powers into human resources and values” (Dewey 1984, p. 332).

This closely relates to stakeholder relations and stakeholder communication.

## **2.1 Communicative action in societal relationships**

The first prerequisite is to achieve consensus in a situation in which all participants are free to have their say, which is the epitome of Habermas’s *discourse ethics* (Brand 1990). Habermas’s philosophical paradigm recognizes that knowledge is fundamentally dependent on relations between subjects. Knowledge is by definition a *construct* to be agreed on by the parties involved, based on mutual understanding, that leads to “shared sensing” (Hannerz 1992). And it is only after the creation of mutual understanding that action can be undertaken.

Habermas argues that most people and organizations tend to engage in *strategic action*, based on egoistic achievement of specific outcomes and where success is judged by the efficiency of influencing the decisions of rational opponents’ (Habermas 1982). This hypothesis contrasts with communicative action that is oriented towards shared understanding, where partners in an interaction set out, and manage, to influence each other, so that their action is based on *motivation through reason* (Brand 1990).

Effective communicative action needs to include Seyla Benhabib’s (1993) call for an extension to Habermas’ paradigm. Benhabib adds another purpose of moral discourse: she calls it *achieving a reflective position of reversibility*. This is an empathetic ability to put oneself in another’s shoes, which is necessary to achieve a moral point of view (Daboub and Calton 2002 b). Benhabib shifts attention away from procedures for achieving purely rational agreement and towards the need to create and sustain practices in which reasoned agreement becomes *a way of life*. She maintains (see Benhabib, 1993, p. 337) that there are just two principles by which moral claims of dependent stakeholders receive legitimization, which are:

- the principle of universal moral respect: recognizing the right of all human beings capable of speech and action to be participants in a moral conversation;
- the principle of egalitarian reciprocity: within such conversations, each person has the same symmetrical rights to various speech acts, to initiate new topics and to ask for reflection about the presuppositions of the conversation.

This approach enables decision-making in a pluralist context among a diversity of stakeholders without giving priority to any when they endorse different or even conflicting cultural and moral frameworks (Doorn 2009). This is the context that is regularly found when leaders, especially in business, explore the impacts of their

decisions on the community and institutional environments of their firms and on society in general.

Furthermore, effective communications leading to the achievement of moral objectives need to consider that all relationships are subject to three critical issues: agreement, congruency and accuracy. Grunig and Hunt (1984) give a definition of these terms along the following lines:

- agreement refers to the extent that organization and stakeholders are able to identify a common situation and recognize the validity of the other party's concerns;
- congruency represents a status where the perception of one party is influenced by the mental model of the other party. Full and open exchange of information is impossible unless the other party's values, knowledge and interests are acknowledged, accepted and "assumed";
- accuracy derives from the perception that congruency may or may not be a fair reflection of the stakeholders' true values and beliefs. The accuracy relation indicates the veracity of the organization's perception of the interests of the stakeholders. To the extent that the organization's perception closely correlates with the stakeholders', the organization has a more solid base for developing an effective communications strategy. Less congruent and less accurate perceptions lead to less effective communications.

Effective relationships, whatever their type, require operational learning and communication skills, including reflection, inquiry and advocacy (Isaacs, 1999), wherein (see Simcic, Brønn and Brønn, 2003):

- the objective of reflection is to become increasingly aware of the thinking and reasoning processes that distinguish between actual "data" and abstractions;
- inquiry engages the communicating parties in a joint process of understanding the thinking and reasoning of each other, from where statements and conclusions can be advanced;
- advocacy is the process of communicating one's own thinking and reasoning in a manner that makes them visible to others.

A prudent facilitator of a dialogue seeks a proper balance between inquiry and advocacy, avoiding one-way communication as much as feedback-overflow. What should be achieved here is "organizational listening competency" (Burnside-Lawry 2010).

Organizational listening competency is another element of success in conducting multi-stakeholder dialogues. When encounters of stakeholders are prone to produce conflicts and misunderstandings, mastery of listening skills ranks ahead of negotiation skills (Gable and Shireman 2005). This brings us to the building blocks for knowledge-based

multi-stakeholder dialogues that leaders use to reach common understanding on moral issues related to their decision-making. Since most societal relationships have an economic underpinning – although one may very well uphold the ethical position that our lives are not measured in dollars (Allaway 2005) – stakeholder-dialoguing is exemplified here in the business environment.

## **2.2 The building blocks for multi-stakeholder dialogues**

Any stakeholder engagement and all communication processes need to be prudently and carefully prepared. It is not enough merely to request a dialogue between societal groups and institutions. Outcomes that meet moral standards will only be produced when it is known who the relevant stakeholders are and whether their claims are legitimate, how to talk to them, and how such dialogues are to be organized in a democratic way (Belal 2002).

A variety of *engagement mechanisms* has been described in the literature (Friedman and Miles 2004; Kaptein and van Tulder 2003). Some scholars have even proposed generic strategies for stakeholder management (Savage et al. 1991) and general communication models for talking to different constituencies (Crane and Matten 2004). But rarely do we find this linked to Habermas's discourse ethics whose outlines were exposed above. Habermas's model should be taught in management courses, at least in principle, as it lays down a textbook recipe for executing proper stakeholder dialogues.

Stakeholder engagement is not just an effort to synchronize the relationships between a business organization – or any other institution – and its constituencies and where the communication process can be managed as one way (Andriof 2001; Foster and Jonker 2005). A more effective approach is to build a framework that gives stakeholders a role where they feel that it is they who allot the firm a *social license to operate*. For this, the firm must build two-way relationships where the interests and concerns of all parties are taken into consideration and decisions are made in the light of those – often conflicting – interests and concerns (Bendell 2000).

The conceptual approach, methods, and responsibilities entailed in a genuine stakeholder communication must be prepared and promulgated through a collective effort by the management team that will execute the business purpose, the representatives of all stakeholders, and the facilitators of the stakeholder dialogue.

A critical success factor is a clear-cut philosophical concept that combines ethical, economic, and social considerations. This holds true especially for multi-stakeholder dialogues where aggravating effects have to be taken into account. For example, cultural differences may have such an effect, as they often pose a noticeable barrier to common understanding and arriving at a consensus. It is crucial to move away from a

narrow definition of *ethics* that covers only the obligations the institution owes to stakeholders and the obligations that stakeholders owe to the institution. The ethics that govern stakeholder dialogues must strive to balance the full variety of stakeholders' values. This requires a format of *organizational learning* where the organization comprises all participants in the dialogue (Payne and Calton 2002; Daboub and Calton 2002 a), with the overall objective of securing trust and a *level playing field*.

The building blocks of the knowledge base to be developed are based on:

- (i) ethical leadership and governance; trust building; social responsibility; effective articulation of ethics and economics;
- (ii) morality, self-interest, and the markets;
- (iii) entrepreneurship, development and collaboration: fostering the spirit of business;
- (iv) foundations of sustainable development;
- (v) social interaction: acts and modes of cooperation and the rule-finding discourse;
- (vi) combining multi-stakeholder dialogues with other standardized ethics initiatives, such as predefined codes, norms and procedures; organizational approaches to social and/or environmental issues;
- (vii) fundamental learning and communication skills in conflictive environments: reflection, inquiry and advocacy.

This list could also be pertinent to the curriculum of a business school or business course because its building blocks refer to universally accepted subjects. Unfortunately, many still assume that subjects such as ethics and communication can be learned by *osmosis* (Carnevale 2000; Rao and Sylvester 2000).

All the items of the list have their base in a proper understanding of communicative action in societal relationships and could demonstrate what may be regarded as success factors for fruitful multi-stakeholder dialogues. But many business school materials, even those in schools that focus on organizational behavior and culture and value, tend to be theoretical and not action-oriented (Ashkansay, Wilderrom, and Peterson 2000). On the other hand, books on the topic of general cultural consulting only offer a random path (e.g. Reeves-Ellington 2004).

A *level playing field* puts each stakeholder into the same position while accepting that not all stakeholders have the same level of importance. Ranking this importance was developed by Mitchell, Agle, and Wood (1997) who categorize stakeholders by three attributes:

1. Power - the ability to get others to do what they otherwise would not do (along the lines of Max Weber, 1947).
2. Legitimacy, which refers to the mandate of the stakeholder – its right to exercise its powers in relation to the claim on the firm.
3. Urgency of a stakeholder claim, which refers to the need to expedite the process of stakeholder interaction.

By combining these attributes in various ways, four types of stakeholders can be distinguished (see Wartick and Wood 1999, p.113):

- long-term core stakeholders who share the attributes of legitimacy and power, but not urgency (e.g. shareholders);
- stakeholders who share the attributes of power and urgency, but not legitimacy, and tend to become violent or coercive radical action groups;
- dependent stakeholders whose claims are legitimate and urgent, but who lack power (e.g. secondary stakeholders).
- the immediate core stakeholder group which combines all three attributes, thereby making it mandatory for managers to properly manage the stakeholder relationship with this group as first priority.

### **2.3 Frameworks for preparing and conducting multi-stakeholder dialogues**

Stakeholder participation and involvement have been recognized for several years as a crucial factor in the context of sustainable development issues (see, for example, van Tulder and van der Zwart 2006), and multi-stakeholder standards have emerged for these issues with considerable potential for effective consensus-building, knowledge sharing and interest representation (Fransen and Kolk 2007). Yet the literature is recognizing that currently there is a lack of specificity of the multi-stakeholder concept, and it suggests refinement of multi-stakeholder standards (Fransen and Kolk, 2007).

There is no general *toolkit* for addressing multi-stakeholder dialogues, even in the advanced discussions on environmental issues, and much less when dialogues take place in a foreign environment unfamiliar to firms who go international. Specific formats have been promoted only for high-level dialogues, for example, by the Secretariat of the United Nations in creating the NGO Coalition on Sustainable Development in 1997, through various initiatives at other UN-organizations, and with the 2011 UN Department of Public Information publication “*NGO Conference on Sustainable Societies – Responsive Citizens*” (UNDP/PI 2011). Another example is Rupert Brown’s 2001 textbook, *Group Processes: Dynamics Within and Between Groups*, which does not

address communicative and ethical issues. Likewise the *Consensus Guiding Principles* of the Canadian National Roundtable on the Environment and the Economy (NRTEE), first published in 1993, and the United Nations Environment and Development Forum (UNED) *Methodological Framework on Multi-Stakeholder Processes*, by Minu Hemmati (2001), are primarily directed at instrumental procedures. More recently, the WHO *National e-Health Strategy Toolkit* lists recommendations for stakeholder engagement which also encompass ongoing monitoring and evaluation (WHO and ITU 2012).

For a framework to be generally applicable it should comprise the following steps (see Benson and Dodds 2010):

- *process initiation*: scoping, identifying a core coordinating group, locating the issues to be addressed, identifying a clear timeline and milestones;
- *mapping key issues and actors*: connecting topics and actors, establishing a system by which stakeholder groups can select or elect representatives, choosing the language and terminology used for the dialogue, approaching possible facilitators, examining potential confrontations etc.;
- *preparing the dialogue*: producing position papers based on stakeholders' input developing sharing information rules, agreeing on principles to guide the facilitators' work;
- *conducting the dialogue*: ensuring a comfortable physical atmosphere, assigning experienced rapporteurs to document the session, deciding on the admission of observers;
- *follow-up*: establishing expected outputs, such as a facilitator's summary, an agreement report or a set of recommendations to keep records, ensuring that the final document is accepted by all stakeholders and communicated to their constituencies in de-briefing, and agreement on media coverage.

Benson and Dodds' catalogue reads like a text from a project management course. It is undeniably important to have good command of state-of-the-art techniques in this field. It is more effectively applied when the stakeholder community is clearly identified, and all members understand and accept the general objectives and the "rules of the game". Nonetheless, a different approach is necessary to address the challenges that leaders face in effective communication, where an initial consensus cannot be expected and where the communicative potential for including the majority of possible stakeholders has yet to be developed.

While primary stakeholders (the transactional stakeholders in the definition by Wartick and Wood, 1999) are the main responsibility of the firm (Clarkson 1995), support must also be sought from secondary, non-transactional stakeholders in the community that interfaces with the organization.



Local communities are commonly regarded as secondary stakeholders, who do not directly influence the economic activities of a firm but indirectly have influence on or are influenced by the firm. Secondary stakeholders, apart from local communities, may also include local media, trade unions, competitors, analysts, environmental activists, and supervisory bodies set up by coalitions of non-profit organizations.

The importance of specific government institutions and supervisors may shift, depending on the process of stakeholder involvement, and, likewise, the importance of local communities may increase or decrease. Other external stakeholders are the "natural environment" and "future generations", which may come into play when groupings are formed that represent the interests of the biosphere and of the generations to come.

To exert a moral impact on an institution or any other stakeholder, a business leader must not only have excellent communicative skills and outstanding arguments but he or she must also be personally committed to the ethical foundation of leadership behavior and business behavior. What that foundation should convey to all stakeholders is that businesses (especially large international or multi-national businesses) have to assume responsibility to halt or diminish any potentially negative economic, social and environmental impacts of their business activity.

The discussion about corporate social responsibility has placed businesses at the center of an often hot and spirited debate about what "rights" businesses can expect to enjoy in society and what "duties" society can reasonably expect businesses to perform. But what needs to be emphasized are the ethical underpinnings. If business leaders actively partake in the CSR discussion and in deliberations about what ethics are and how they are practiced and deployed in the organization, then they must engage in understanding its philosophical attributes. It has been said that "concepts which are the bread and butter of management" have direct, but often ignored philosophical foundations (Joullié, 2014, p. 198; see also Joullié, 2016; De Borchgrave, 2006; Small, 2004).

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