Introduction to Management

Chapter 1

Definitions of management commonly have two components. **Management** *is (a) the process of planning, organizing, leading, and controlling human and other organizational resources towards (b) the effective achievement of organizational goals*. The kinds of goals managers pursue (i.e., second part of definition) will determine how they manage (i.e., the first part of the definition). The goals pursued by managers who adopt a <u>S</u>ocial and <u>E</u>cological <u>T</u>hought (SET) approach differ significantly from managers who follow the Financial Bottom Line (FBL) and Triple Bottom Line (FBL) approaches that have dominated management theory practice for much of the past century. In particular, SET managers have a greater commitment to addressing the urgent socio-ecological issues facing humankind, such as growing environmental degradation and economic inequality.

The Why of Management: Effectiveness and Success

The idea of effectiveness draws attention to larger, meaning-of-life, and overarching goals that shape management. The question of what it means to be a "good" manager draws attention to the fact that managers, like anyone who makes decisions that affect other people, have *moral* obligations. What does it mean to be an effective or a successful manager? It depends on what criteria people use to evaluate success.

SET management *is characterized by its emphasis on enhancing social and ecological wellbeing while maintaining financial viability.* SET management recognizes the importance of financial viability, but it encourages managers to improve social and ecological well-being even when this does not *maximize* the financial well-being of the organization. In other words, the SET approach realizes that management involves a larger "set" or collection of factors that go beyond maximizing the profits, and that management is "set" or embedded within larger social and ecological environments.

The SET approach emphasizes virtuous process and character, not financial outcomes. Indeed, virtue ethics deems it unethical to maximize economic goals for their own sake. When it comes to financial well-being, virtue ethics emphasizes that "enough is enough." This applies both to having enough consumer goods, as well as to creating enough financial value capture (e.g., profits). Thus a SET approach stands in contrast to the insatiable "more money is better" assumptions that are evident in the FBL and TBL approaches. From a virtue theory perspective, the purpose of business is not

Effective Management

SET management: enhance socio-ecological well-being while maintaining financial viability. It is based on recognizing the finite resources of the planet, and is consistent with virtue theory and Indigenous moral philosophies.

TBL management: enhance an organization's financial well-being while simultaneously reducing its negative socio-ecological externalities. It is based on ideas about sustainable development, and is consistent with an enlightened consequentialist utilitarian moral point-of-view.

FBL management: maximize the financial well-being of organizations. It is based on assumptions about the invisible hand idea, and is consistent with a consequentialist utilitarian moral point-of-view.

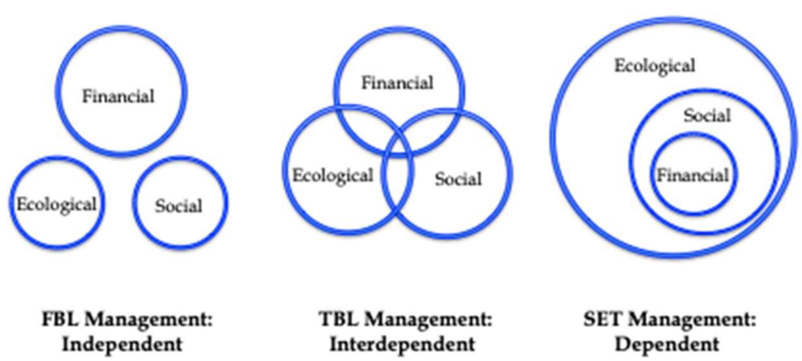
to make as much money as possible, but rather to optimize the socio-ecological value of the goods and services it provides. In other words, to make sure that the goods and service organizations provide are truly good truly serve others.

Virtue theory goes back to ancient Greece and philosophers like Aristotle and his peers, who argued that using money simply to make more money, and achieving luxurious amounts of financial wealth, is dysfunctional and unethical. Rather, from the perspective of virtue theory, the purpose of human activity is to optimize people's happiness, which is achieved by practicing virtues in community. For example, in terms of the four cardinal virtues, the virtue of *wisdom* is evident when managers make decisions that are deliberately aware of, and informed by, their larger socio-ecological setting; *justice* is evident when managers ensure that all stakeholders associated with a product or service receive their due and are treated fairly (being especially sensitive to the marginalized); *self-control* is evident when managers temper their own narrow self-interests; and *courage* is evident when managers are willing to address shortcomings of dominant socio-economic structures and systems.

The SET management emphasis on community is also consistent with the time honored moral-points-of-view associated with the indigenous peoples of the planet, such as North American Cree and Ojibway, Australian Aboriginals, and the African Ubuntu philosophy whose heritage stretches back thousands of years to the Egyptian idea of Maat (which was associated with the Hebrew idea of shalom or wholeness). Like other indigenous moral philosophies, Ubuntu has a lot to do with interconnectedness, in particular with humankind's inter-connectedness with others and with nature. Whereas from a traditional western perspective people see themselves primarily as individuals and secondarily try to also understand themselves as members of a larger community and cosmos, from an Ubuntu perspective we are primarily members of a larger cosmos and community who secondarily see ourselves as individuals: "I am, because I belong; and since we are, therefore I am."

Depicting differences between FBL, TBL, and SET approaches

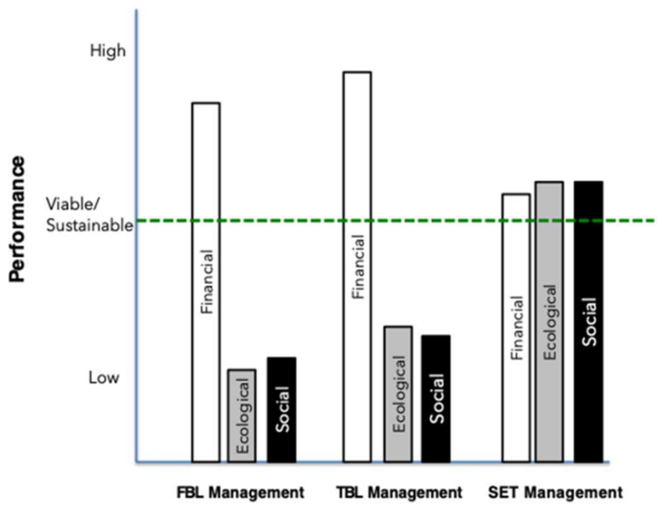
First, as shown in the Venn diagram in Figure 1.1, the FBL approach tends to assume that management is primarily concerned with economic activity, which is why that circle is the largest in the figure. From an FBL perspective, the economic activity focus of management is separate and independent from the natural and social environments. The FBL approach assumes that government and other societal institutions will manage social and ecological well-being. Second, TBL management suggests that economic activity is interdependent with the natural and social environments. TBL managers therefore seek to simultaneously improve financial, ecological, and social well-being. However, the areas of overlap are limited because TBL managers are constrained by needing to make a business case for which socio-ecological issues they can address. Finally, SET



The majority of the above text
Bruno Dyck, Aaron Caza, and F
removed for ease of reading.

management suggests that economic activity is embedded within and dependent upon social and ecological well-being. Specifically, economic activities are a human invention and thus a subset of society, and society is in turn a subset of the natural environment.

The bar chart in Table 1.2 provides a simplified depiction of the performance level for each management approach in terms of overall financial, ecological, and social well-being. For FBL management, financial well-being is high, but social and ecological well-being are unsustainably low. For TBL management, financial performance is even higher, and social and ecological well-being have improved thanks to the reduction of negative socio-ecological externalities, though they are still unsustainably low. Finally, for SET management, financial well-being is sustainable but lower than for the FBL and TBL approaches. However, social and ecological well-being have increased and become sustainable thanks to a reduction of negative externalities and an increase in positive externalities. The values on the bar chart are intended to be suggestive and represent what might be average relative performance within each approach; there will be exceptions to these representations.



Whereas FBL was dominant throughout the 20th century, the TBL approach has arguably become the dominant management paradigm in the larger business world since about 1990. For example, in 2011 100% of the UK's 100 largest companies issued annual reports on their social and ecological performance (up from 71% in 2005, and up from 27% in 1996)… While it is heartening that many of the world's largest firms are leaders in TBL practices, it is also true that the world's largest 3,000 corporations account for over US$2 trillion in negative ecological externalities each year. That is equivalent to about 7% of their total revenues, and an amount close to their net profits. Observations like these raise the question of whether even the best practices associated with the TBL approach are good enough. It is these doubts that have led to the emergence of SET, a radical break from emphasis on profit maximization as the dominant framework through which to view and practice management.