

SM 180619 The Art of Leading



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THE ART OF LEADING:

THE SIGNIFICANCE OF PERSONALITY AND CHARACTER IN THE CHOICE OF BUSINESS LEADERS

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Key lecture in the EFSC research conference 180621-13 at IPU in Berlin

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1. Putting Things in Context: A Comprehensive Introduction

1.1. Unsustainable Development: A Pathology of Modern Normalcy

We live in interesting times!

On the one hand, the global and local efforts to make the world a better place for more and more people were predominantly successful:

- *Reduction of Poverty*

Never before in human history were per capita income so high and the percentage of poor people in the global population so low. Not only got “the rich” richer: Efforts to reduce absolute poverty were particularly successful, incomes at the bottom of the global distribution pyramid grew significantly over 25 years, and so did the physical quality of life of the poorest 40% of the world’s people. Success in poverty alleviation brought about some improvements in global income distribution, developed countries as a whole suffered a worsening of income distribution due to globalization impact or technology change. (The World Bank 2017; Kharas & Seidel 2018).

- *Improvements of Social Indicators*

Never before in human history was infant and child mortality so low. Globally, the under-five mortality rate dropped from 93 deaths per 1000 live births in 1990 to 41 in 2016. The remarkable progress in improving child survival since 2000 has saved the lives of 50 million children under age 5 – children who would have died if under-five mortality would have remained at the same level as in 2000 (UNICEF 2018). Never before went so many children to school, never before had so many people access to safe water and sanitation, to primary health and education services – and to modern information and communication technology (The World Bank 2017).

- *More knowledge, better technologies*

We know today how to achieve substantial socio-economic improvements for those living in absolute poverty with focused low-cost interventions, spanning agriculture, environmental restoration, primary education, primary health care, and local infrastructure (water, sanitation, energy, and connectivity). Community-based delivery, with a focus on inclusive services benefitting the local population directly (farmer cooperatives, health systems, public education, and local infrastructure) rather than private income transfers or credits for individuals or for businesses makes the decisive difference (Mitchel et al. 2018; Sachs 2018).

Last but not least: The past 25 years brought a quantum leap in the scientific understanding of the human genome, breaking new grounds to treatment of infectious and chronic diseases as well as significant technological development in the areas of information and communication, solar energy, wind power and computing power. All of this is, if handled wisely, increases opportunities and freedom to live a life in dignity.

It is important to celebrate such successes not only for intrinsic reasons but also to sustain the motivation to solve the remaining problems – and manage new ones that developed as a consequence of the development paradigm applied in the past. Agreed, the big majority of the human family members live better than ever before, but to arrive at where we are today, planetary boundaries have been tested, local ecological absorption capacities have reached limits, availability of non-renewable resources and biodiversity have diminished faster than ever. The cumulation and interdependencies of all these changes effectuated an impact that led to first cracks in the foundation upon which our common home (*Laudato Si'*) is built. Nothing will stay as it is today when we chose a “keep it going”-strategy. There is conclusive evidence that the old development paradigm defined as “catching up with industrial countries” is, for a variety of reasons, no longer an option (UN-SDSN 2018).

The fact that there are differences in interpretation of the weight and dynamics of emerging individual risks should be relatively insignificant since the precautionary principle was agreed upon 25 year ago by the international society. Dogmatic approaches to truth finding were never adequate – in a

world full of complexity and differentiation it is totally inappropriate. That there are interest-driven voices that deny environmental and social change-phenomena despite clear scientific evidence would be dealt with as pathologies by Erich Fromm.

On the other hand:

- *Natural Capital Decreases and Planetary Boundaries Are Tested.*

The economic success of the hitherto accepted development paradigm came at a price:

“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.” (United Nations, 2015, Art.14)

The unsustainable ecological footprint of the old development paradigm can best be shown by the fact that the *Earth Overshoot Day*, the date in the year when humanity will have used nature’s budget for the entire year, is constantly moving backward: It moved from December 21 in the year 1971 to August 2 in 2017 (Global Footprint Network, 2017). Single phenomena with disastrous consequences such as the amount of plastic in the oceans (Lebreton 2018) are just the tip of a large iceberg.

A quarter of the world’s people at the upper end of the income pyramid expend three quarters of the world’s resources – most of them non-renewable (von Weizsäcker et alia 2018). Taking the risk of crossing planetary boundaries within which humanity can safely operate, and inflicting structural damage on the very substances that support human life, is irresponsible (Steffen et alia, 2015). There is no other planet to be used by future generations.

We may justifiably hope that technological development will continue to provide innovative solutions that allow for economic growth with a substantially smaller ecological footprint. However, with a growing and more urban world population and a rising average prosperity, technology will only help to stretch the timespan for the behavioral changes necessary to get a world we want for all.

- *Social Capital Decreases.*

The significance of social capital – defined as “networks together with shared norms, values and understandings that facilitate co-operation within or among groups” (OECD, 2001, p. 41), or, as “the social networks and the norms of trustworthiness and reciprocity that arise from them” (Sander and Lowney 2006, p. 2) – is commonly underappreciated. Awareness that something went wrong with societal coherence and harmony develops often only after civil strife hits the street, causing material and immaterial damage. This is deplorable for a variety of reasons:

Social networks, responsive governments and shared values increase society’s resilience to deal with stress and crisis (Putnam 2001, Section IV). Also, the state of health, the subjective well-being and the general happiness of people in a specific society are influenced by the available social capital – social and emotional support as well as generosity being of particular significance (Helliwell et alia 2017, p. 30 ff.)

Communities with robust social capital are more likely to have individuals behaving in a trustworthy manner. Mutual trust and a culture of integrity where honesty in communication and honor of one’s commitments is the rule and not the exception, encourage people to engage in reciprocity (Fukuyama 1996; Sander and Lowney 2006). Trust and reciprocity are not only strong elements of social capital but basic preconditions to successfully manage societal reforms. Markets play an important role in societal reforms, but, since markets do not have moral considerations, they must be embedded in a societal and, if necessary, regulatory frame that encourages social responsibility and ecological stewardship.

At the moment, many trends seem to point in a different direction: Market values and pricing have penetrated more aspects of human life than ever before; in many respects, market thinking is not only governing demand and supply in the economic sphere but in many other societal spheres. We are more than ever before a *market society* where almost anything is for sale, and globally acknowledged ethical values have displaced other values (Sandel 2012; Leisinger 2014). If monetary aspects determine the quality of relationships and, as Fromm argued more than 70 years ago, if the *use value* of a person determines his or her *value as human being*, much more is changing than just the quality of relationships (Fromm 1947). Opportunities to be successful in life and profession no longer depend on knowledge, skills and hard work only – people must also be able to “sell” themselves with behavioral, relational and personality traits that are in fashion at a given moment and therefore *in demand*.

The marketization of societies brings up a lot of currently unasked questions, for instance: What ought to be a *service publique* available to all members of society at affordable costs or for free? What kinds of products and services can be entrusted to the market? These are not academic questions. When solidarity gets out of fashion, these questions are questions of life and death for people living in poverty. Market prices express not only the willingness to pay for a commodity or for a service, but also the ability to do so. Markets discriminate in favor of those who have the necessary purchasing power.

Economic inequality beyond a certain degree will lead to various sorts of political, economic, and social disruptions that delay reform processes and make them more difficult (Alvaredo et alia 2018). The increasing number of public protests against economic globalization and the multinational corporations accelerating it, as well as the rising appeals for more fairness and justice indicate that something has gone wrong with social capital. Excesses like those at the G20 conference in Hamburg are a mere tip of an iceberg of a much broader based societal discontent expressed by street protest.

The old development paradigm prioritizing progress in terms of Gross National Product per capita not only created economic growth but also a new set of health problems, be it obesity, diabetes, cardiovascular diseases or psychosocial disorders. In a number of high-income countries, psychological and psychic illnesses have increased substantially as a consequence of augmented performance, time and competition pressures, involving mobbing within companies and resulting in decreasing social capital (Steck 2018; Macmillan 2017; Storm 2017; IBOS 2017). Some more hints to the fact that social capital is eroding:

- Technological changes and globalization result in an increasing downward pressure on less-educated worker's wages in industrial countries. Real minimum wages have fallen as a consequence in countries like the USA (The Hamilton Project 2017).
- Companies – amongst them formerly state-owned companies – steadily increase time pressure and volumes of work for employees with temporary contracts and refuse to offer permanent contracts in case – as a result of the increased pressures – employees get sick (Gauto & Wermke 2018).
- Even in rich countries like Switzerland the economic approach to life progresses: An increasing number of citizens support the limitation of access to certain surgeries and innovative medication when patients are considered to be “too old” (Swiss TV 2018).
- There is an increasing indifference in values – acknowledgment remains superficial and has no consequences for individual conduct.
- The *Ernst & Young* Europe, Middle East, India and Africa Fraud Survey 2017 shows that a significant proportion – up to 20% – of those surveyed continue to justify unethical behavior to help a business survive or to improve their own remuneration or career progression” (E&Y 2017, p. 3). An interesting additional information: Board Directors and senior managers seem to be further to the left side of the moral Gaussian distribution ... (ibid, p. 9).

The widespread feeling of insecurity and dissatisfaction expressed by many people voting for populist parties makes necessary reforms even more difficult. The roots of this kind of societal degeneration are seen to lie in three forms of *reductionism*:

- 1) *anthropological reductionism* by which human beings are conceived as *homines economici* (100% self-interested individuals) and not as *personae*, that is, human beings whose subjective well-being largely depends on the quality of their social life;
- 2) *corporate reductionism* by which all productive organizations need to be unfettered profit maximizers that prioritize the expectations of one category of stakeholders (shareholders) over all the others (customers, workers, suppliers, local communities);
- 3) *value reductionism* by which value is narrowly identified with GDP and not as the stock of economic, environmental, cultural, spiritual and relational goods that a community should enjoy” (Becchetti, Bruni & Zamagni in Helliwell et alia 2015, p. 133).

Reductionism of this kind the single most important constraint to sustainable development: Only if and when political leaders, business leaders, leaders of civil society institutions as well as consumers and investors are willing to invest time and resources to reflect on the total *impact consequences* of different policy choices and alternative resource allocation patterns will they understand what is at stake. And only if they know what is at stake will they be motivated to do *the right thing* from an enlightened perspective of the common good. But there is hope, with Fromm’s words: “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.” (Fromm 1947, p. 8)

1.2. Good Governance for Sustainable Development of Sane Societies

Before we discuss the responsibilities of business leaders, attention has to be drawn to the big picture: It is obvious that a societal reform of the complexity and dimension like the one envisioned in the *Agenda 2030* is an enormous task requiring good will, cooperation and co-creation of all. Well-intentioned but isolated initiatives are likely to seep away. Sustainable Development – to paraphrase the wording from the Preamble of the Universal Declaration of Human Rights – is

a new common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping this Agenda 2030 constantly in mind, shall strive to promote the implementation of this plan of action and by progressive measures, national and international, to secure the achievement of its goals and targets.

Decisive for the success of *Agenda 2030* projects are coherent political decisions and robust societal backing. Innovative thinking, constructive attitudes and the willingness to accept risks is required from all of us. We must challenge vested property rights, overcome consumption and investment practices that stand in the way of sustainable development and overcome resistance by those who benefit from unsustainable production and consumption patterns.

Governments policies are very important in this respect – and members of governments should have an interest in reforms as well. Trust that governments and government officials are working in the best interest of society is low and eroding. According to the Edelman Trust Barometer 2018, only 43% of the more than 33’000 people interviewed in 25 countries trusted that governments do what is the right thing to do (Edelman 2018). The signs of market failure and imperfections are globally visible, natural disasters triggered by climate change are increasing, biodiversity losses are on the rise, real wages in developed countries have been stagnant for years and are likely to drop further as a consequence of digital technologies and globalized trade. It is a central duty of governments to make sure that market mechanisms work appropriately – but there other enormous tasks as well:

- *Poverty alleviation remains a challenge*

Hundreds of millions of human beings are better off today than they were 20 years ago. However, despite all the progress made,

“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.” (United Nations 2015, Art.14)

The transformation towards sustainability, increasing ability of emerging economies to produce high-quality products at substantially lower costs as well as new digital technologies are likely to create new forms of poverty in industrial countries – and, if not countered in time, support the growth of populist political voices. And yet: Advances economies benefitted most from globalization. Emerging countries - despite an often strong foreign trade dynamic - have benefitted significantly less in terms of globalization-induced absolute growth in gross domestic product per capita. The promotion of an international economic order that does not rely on the right of the strongest, but on common, binding rules, including the opening of market in emerging countries and the reduction of subsidies in industrialized countries, remains a strong element of good governance. (Bertelsmann Stiftung 2018)

The question never was and certainly is not a simplistic “Economic Growth: Yes or No?” The economic pillar of sustainable development remains important as it increases choices and provides the necessary resources for all other development endeavors. But we need not economic growth *per se* – we need qualitative economic growth as discussed already years ago (Thomas et alia 2000). It is economic development in the sense of a synthesis of economic and technical knowledge and human wisdom (Congregation for the Doctrine of the Faith 2018; Pope Francis 2015) – and this within a market system where prices show the true costs of natural and human resources and are not externalized to society and future generations. That necessitates the political governance framework of an *eco-social market economy*.

- *Economic Growth Continues to Be Necessary, but It Must Be Green and Inclusive*

Among the many policy choices and priority issues that could be discussed here and ought to be considered by those in charge of politics at least three are of special importance to the less privileged:

- Narrow measures of market performance and economic growth *per se* should not be confused with broader measures of welfare (Stiglitz, Sen & Fitoussi 2009).
- Sound economic policies and institutions are important, but they must be embedded in a framework of good governance that assures improved opportunities for better education, better access to health, less environmental burdens, prices that tell the environmental truth and trustworthy, accountable and transparent institutions.
- Time matters: One of the past development paradigm’s assumption was that the benefits of economic growth will eventually “trickle down” to everyone, including to those in the poorer strata of society. Despite all the progress made, more than 15’000 mothers, children and infants are still dying every day from preventable causes (WHO 2015). John Kenneth Galbraith, who favored focused interventions that benefitted the poor directly defined the “trickle down” theory “the less than elegant metaphor that if one feeds the horse enough oats, some will pass through to the road for the sparrow.” The *proof of concept* that multisectoral but focused direct interventions delivered at low costs make a measurable difference for the quality of life of absolutely poor people within a short time period is made. The results of the Millennium Village Project suggest that waiting until the “oats” reach the poor would be a deadly option (Mitchel et alia 2018, Sachs 2018).

- *Happiness as the core concern of sustainable development*

Experience teaches that a minimum material well-being is a prerequisite of personal happiness but loses relative importance as income and wealth grow beyond a certain threshold. If *being happy* were a question of ‘money alone’, people living in high-income countries would have to be generally happier than ever before in history. However, “more money” does not necessarily result in “more happiness” (Helliwell et alia 2012-2018). People in the United States for instance, did not become happier as they became richer – one important reason being that the economic gains have not been evenly shared but have gone disproportionately to those at the top of the income and education distribution (Helliwell et alia 2012, p. 5 f).

People in countries at the top of the happiness ranking have sufficient resources to lead a dignified life, but in addition they benefit from the *social capital* of their communities. Functioning and reliable social networks, social support, freedom to make individual life choices, generosity, as well as absence of corruption in government and business taken together have a higher impact on subjective well-being than per capita income (Helliwell et al. 2017, p. 20 ff.). The top ranking of countries like Finland, Norway, Denmark, Switzerland or Sweden was only explained to a minor degree by Gross Domestic Product per capita; social capital elements were more important (Helliwell et al., 2018 p. 20 ff.).

Good governance for a sane society in Fromm's understanding is more than implementing the usual elements (participation, rule of law, accountability, responsiveness, etc.) (UN-ESCAP 2009). For Erich Fromm, good governance is much more a question of human attitudes than organizational structure:

“What would be the structure of a sane society? First of all, a society in which no man is a means toward another's ends, but always and without exception an end in himself; hence, where nobody is used, nor uses himself, for purposes which are not those of the unfolding of his own human powers; where man is the center, and where all economic and political activities are subordinated to the aim of his growth. A sane society is one in which qualities like greed, exploitativeness, possessiveness, narcissism, have no chance to be used for greater material gain or for the enhancement of one's personal prestige. Where acting according to one's conscience is looked upon as a fundamental and necessary quality and where opportunism and lack of principles is deemed to be asocial; where the individual is concerned with social matters so that they become personal matters, where his relation to his fellow man is not separated from his relationship in the private sphere. A sane society, furthermore, is one which permits man to operate within manageable and observable dimensions, and to be an active and responsible participant in the life of society, as well as the master of his own life. It is one which furthers human solidarity and not only permits, but stimulates, its members to relate themselves to each other lovingly; a sane society furthers the productive activity of everybody in his work, stimulates the unfolding of reason and enables man to give expression to his inner needs in collective art and rituals.” (Fromm 1955, p. 193)

As the world is not yet so integrated that global trends matter more than national policies, good governance continues to be important – most likely more important than in the past. “Institutions and policies matter in shaping inequality”, and not only with regard to income but even more so with regard to equality of opportunities as well as access to essential goods and services. (World Inequality Report 2018)

What, on the background of this complex introduction, can be expected from the corporate sector and its leadership personalities?

2. The Role and Responsibility of Business Enterprises and Their Leaders

Societal reforms like “transforming the world” with the objective of sustainable development necessitate innovative thinking, constructive attitudes and the willingness to accept risks of all members of society. Business institutions, being the most productive, innovative and efficient sub-sector of society have immense organizational and technical resources as well as skills at their command.

The importance of business as a force for good in the *Solution-team for Sustainability* is stressed by world leaders like UN Secretary General Antonio Guterres as it was by his predecessors, Kofi Annan and Ban Ki-moon. Partnerships with business play, so Guterres, “an absolutely essential role in making sure that the Sustainable Development Goals are effectively achieved (... if and when) there is “...alignment of the core business of the private sector with the strategic goals of the international community” (Guterres 2017). Also, enlightened representatives of the corporate sector are on record that *business as usual is not an option* (Business & Sustainable Development Commission, 2017).

Such a promising message, however, is not shared by the general public in 25 industrial countries and emerging economies:

2.1. Lack of trust that business is working in the best interest of society

Trust is not only at the core of social capital, it is a precondition for a good economic performance. It increases economic efficiency by reducing transaction costs, as “there is less need to spell things out in lengthy contracts; less need to hedge against unexpected contingencies; fewer disputes, and less need to litigate if disputes arise” – and, most important from a business point of view, “... in some high-trust relationships, parties do not even have to worry about maximizing profits in the short term, because they know that a deficit in one period will be made good by the other party later.” (Fukuyama 1996, p. 152 f.)

Trust is also necessary to master complex societal transformations like those described by the *Agenda 2030*. Business and politics at least partly will have to enter unacquainted territory. Finding the right path will include trial and error. Such a development process implies risks. Risk-taking needs a robust atmosphere of trust vis-à-vis political and economic leaders. A majority of citizens must believe that these leaders are doing the right thing. But this is not the case:

- Since many years there is a lack of trust that business is working in the best interest of society. The year 2018 is seen to be the first year of *significant reputation decline* since the end of the Great Recession. Less than 40% of people worldwide have trust in companies (Reputation Institute 2018).
- According to the Edelman Trust Barometer 2018, barely a democratic majority – only 52% of the more than 33'000 people interviewed in 25 countries – trusted in *business institutions* (Edelman 2018).
- Focusing on human beings instead of institutions, *technical experts* (63%) and *academic experts* (61%) have reasonable credibility if it comes to giving honest information for forming an opinion about a company. *CEOs* have a much lower credibility, only 44% are trusted in this regard (Edelman, 2018, slide 28).

Two aspects in this context are of interest:

- The same people that do not trust CEOs expect them to take on leadership in solving societal problems rather than waiting for government to impose regulation. In 2017, 75% of the people asked were convinced that “a company can take specific actions that both increase profits and improve economic and social conditions in the community where it operates” (Edelman, 2017, slide 41).
- 67% of all business leaders find reputation is a key success factor, yet only 36% are ready to manage reputation proactively by meeting expectations where possible, and, where not possible, explain the reasons (Reputation Institute, 2018).

Behavioral prerequisites for trust in corporations included “treating employees well” (72%), “paying their fair share of taxes” (66%), and “ethical business practices” (65%) (Edelman 2017, slide 45). Those factors are also key contributions to sustainable development. Leadership personalities who are considered to be “reformers” enjoy more credibility (71%) than “preservers of the status quo” (29%) (Edelman 2017, slide 35).

Companies referring to legal compliance should not expect convincing the public of their morality. Legal compliance is no heroism and should go without saying. Public opinion is much more influenced by the overall *legitimacy* of corporate operations: Are top managers leading their companies in a way that they meet societal expectations? Do managers themselves behave and act responsibly? The second question is easily answered in the negative when top managers committed illegal acts for which the company has to pay billions in penalties, while they lack the decency to pay back the bonuses they got while cheating, and leave the company with royal pensions of up to 3'000 Euro – per day!

The first question is more difficult to answer, if one takes into account that public expectations have increased and diversified significantly over the past 25 years (Edelman 2018, slide 59). It is necessary to determine what businesses are reasonably responsible for.

2.2. What is Business Responsible For?

Functional Differentiation

Modern societies thrive when they distribute labor and responsibility reasonably among societal sectors, i.e., when they make a functional differentiation. They organize their economic, social, cultural, political and other processes by delegating specific tasks to specific societal “sub-systems” (Luhmann 1977; Parsons 1969). Different sub-systems have different functions, and, as a consequence, actors in the different sub-systems, e.g., the political, scientific, legal, religious or economic sub-systems, have different roles, competences, skills and responsibilities. They also avail themselves of particular knowledge, skills, resources and interests – and pursue particular objectives.

Actors in the different societal sub-systems work to a certain extent self-referentially and evolve within applicable law, but to a certain extent decoupled from other societal sub-systems, their specific rules, processes, objectives and interests. Running a corporation implies having different interests and necessitates different professional knowledge and skills than, e.g., being in charge of a parish, a magistracy or an orphanage. However, as long as people in the different societal sub-systems work within a corridor of widely shared values safeguarding the dignity of the human person, differences of interests, skills and objectives are not an ethical issue.

Competing with Integrity

Business enterprises are not, per se, a force for good. They are so if they compete with integrity, are led by visionary leadership personalities. Integrity is usually defined as the human quality of being honest, having strong moral principles and acting in the light of the accessible knowledge. The latter criterion – acting in the light of accessible knowledge – makes *competing with integrity* a more demanding task than just respecting national law and international norms. This corresponds at least to living up to the 10 Principles of the UN Global Compact understood in an inter-generational fairness spirit. Corporate leaders of integrity are expected to not only consistently observe ethical criteria in decision-making and set exemplary behavioral standards, they are also to make sure that their decision-making reflects the latest state of ecological, social and other knowledge. Arising dilemmas are managed with moral imagination (Werhane 1999; Werhane & Moriarty 2009).

People in modern societies expect more from companies than a strict functional differentiation would suggest. It was acceptable in the early 1960's that the business of business is restricted to “use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud.” (Friedman 1962, p. 112). Such a narrow definition is no longer sufficient to assume that business is working in the best interest of society – the rules have changed:

Responsibility Characterization Questions used in the 2018 Edelman Trust Barometer included elements such as “ensuring equal opportunities”, “protecting ordinary people from abuses of power”, “improve our quality of life”, “prevent bad health choices”, “provide social services”, “preserve our unique cultural traditions” and 20 others. (Edelman 2018, slide 59). Larry Fink, the CEO of BlackRock, one of the world's largest investment firms, asked companies in spring 2018 in his yearly letter to the CEOs of the companies BlackRock is investing in, to “...serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.” (Fink 2018)

Corporate success achieved in line with sustainable development represents the aggregate result of meeting societal expectations in a comprehensive sense and over time. Capital owners (shareholders) still get a fair return on their invested capital, customers are satisfied and stakeholders from society at large – those caring about social capital, nature capital and the welfare of future generations – are seen as corporate constituencies and not as obstacles for corporate success. Most business leaders still today have

an understanding of corporate responsibility that is much nearer to Milton Friedman's than to Larry Fink's notion. That has to do on the one hand with the understanding of functional differentiation within the *business silo* and, on the other hand, with the structure of corporate incentives systems not remunerating achievements that cannot be measure in financial or technical terms and in the short term.

That again, has to do with value priorities – and this again is an obstacle to creating trust: Trust arises, so Francis Fukuyama "...when a community shares a set of moral values in such a way as to create expectations of regular and honest behavior." (Fukuyama, 1996, p.152f) Business corporations will also in future give priority to *performance values* such as competence, efficiency, effectiveness, quality and diligence. Enlightened business leaders, however, will enrich the value management of their companies with *cooperation values* (e.g., loyalty, openness, respect for others), *communication values* (e.g., truthfulness, transparency, timeliness, readiness for dialogue), *sustainability values* (e.g., in a social, environmental and intergenerational manner) as well as *ethical values* (e.g., integrity, mindfulness, compassion).

2.3. Human Beings, not Institutions, Bear Responsibility

As *legal persons* business enterprises are the bearers of a variety of rights and obligations. In view of their ability to activate and coordinate human, financial, technical and organizational resources and to apply them for the achievement of corporate goals, the attribution of competencies to them is particularly demanding. Just as the human body is more than the sum of its cells, so too are business enterprises more than the sum of their employees. Companies are in a position to pay equal attention simultaneously to different things. Apart from their operations, for example, they can participate in the constitution, modification and discursive justification of the norms guiding their actions. Individuals would be overextended if they had to do various things simultaneously with the same degree of attention and quality.

And yet, not abstract anonymous corporations make value decisions and determine the moral quality of the *business as usual* of an enterprise – individual people do: Human beings alone have the gift of ethical reflection and the moral imagination needed to be successful when making responsible and intelligent moves also with regard to the sustainability transformation of their companies. Moral achievements or moral failures are brought into the system by people, their personalities, their value orientations, their actions and behavior. Particularly members of the top management bear responsibility for

- defining the set of values a company regards as the non-negotiable foundation for its practical activities – and being a personal role model by living up to them;
- determining the *mission* and the *goal* of the company in a more comprehensive manner than just short-term financial success;
- codifying the normative standards that operationalize values and goals in the different specific contexts (codes of conduct and corporate guidelines);
- defining normative criteria for *personnel selection*, *targets*, *performance assessment as well as promotions* in addition to the conventional human resource criteria, and
- encouraging employees to use moral imagination when confronted with dilemmas.

The single most important and non-delegable responsibility of leaders and first step of values-based management is the answer to questions like "What is important to us?", "What set of actions do we consider essential for the long-term success of our company?". The next step is delineating the consequences for corporate conduct in all corporate division and functions (Wieland 2004).

Doing this properly takes time and demands an appropriate allocation of resources (Leisinger 2018). It is easier to proclaim values than to sustainably live by them – in the words of the former Vice-President of the United States, Joe Biden, "Don't tell me what you value, show me your budget and I tell you what you value." The personality and character of business leaders are of decisive importance to ensure the integrity of the corporate action portfolio. Erich Fromm's essential insights into the issue of *personality and character* are a most valuable source of wisdom for management evaluation and selection.

3. Erich Fromm and the Modern Discourse on Leadership Personalities in Business

When discussing and determining the appropriate personality features of business (or political!) leaders, we can learn a lot from Erich Fromm's wisdom (Fromm 1947). I have discussed the value of Erich Fromm's body of thought for business leadership elsewhere in a comprehensive manner (Leisinger 2018) and would like to focus here only on two aspects, his *concept of man* and his *understanding of love*.

3.1. Erich Fromm's Concept of Man

For Erich Fromm, every single person represents all humanity. On the one hand, every human being is a unique individual and as such different from all other people. On the other, he or she as a *human being* is the single most important common denominator of all humankind (Fromm 1947, 1990). People share the same dignity, the same desire for respect and recognition, the same fundamental rights – and comparable obligations (Interaction Council 1996). The members of the human family have therefore – independent of culture, religion, ethnic group or nationality – much more in common than divisive. Hans Küng and his colleagues in a different context share this view (Küng, Global Ethic Foundation 2018).

Erich Fromm sees man and woman 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.” Man and woman are 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” (Fromm 1986: 140 f). This also applies to people in positions of leadership in business, politics and civil society.

My experience has been that the great majority of people, and of course managers, can distinguish perfectly well between right and wrong actions. “Preaching” values and good conduct may have a reinforcing or confirming effect on people with good will, but it scarcely ever changes practice in a sustainable manner. Therefore, this question is enormously important: “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 a business enterprise usually leads not only individual unprofessional conduct of managers but also to structural deficiencies. Under circumstances where

- the motto “the ends justify the means” belongs to the corporate mentality and is emphasized by the message: “I don't want to know how you achieve your goals as long as you achieve them”;
- unrealistically high goals are set and linked to a high percentage of variable financial rewards;
- ambivalent signals are sent top management as to what is more important – short term business success or integrity;
- superiors create a climate of fear in which people no longer dare to point to problems because they know from experience that they will be shouted at, mobbed or threatened with dismissal, and
- 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 overall management culture*. When management audits 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 – it might be necessary for reasons of credibility to remove people who act in such a destructive way.

Despite the powerful influence of organizational frameworks, man cannot be released from responsibility for example by making *the system* responsible for evil things in society. He or she is personally accountable for his or her personal conduct. Human beings in general – and certainly business leaders in particular – are not helpless victims of circumstance, they are able to change and to influence forces inside and outside themselves and to control, at least to some extent, the conditions which play

upon them. They can foster and enhance those conditions which develop the striving for good and bring about its realization (Fromm 1947: 147). As a consequence,

“neither the good nor the evil outcome is automatic or preordained. The decision rests with man. It rests upon his ability to take himself, his life and happiness seriously; on his willingness to face his and his society’s moral problem. It rests upon his courage to be himself and to be for himself” (Fromm 1947: 157).

Interestingly enough, people in general, and business leaders in particular, seldom make the system or external supporting factors responsible for *good* things...

The human need for perfection, salvation, enlightenment, unity and harmony as well as the “the faculty of creative and critical thinking and of having differentiated emotional and sensuous experiences” make man the measure of all things (Fromm 1941, 2010: 288). 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 makes man unique (Fromm 1968, 2010: 65 ff.).

Human beings in all professional and private capacities have room for maneuver in their action and decisions. Whether they use it in a way that is compatible with the norms of a biophilic humanistic ethic based on the value premise that the sole criterion for ethical value is men’s and women’s welfare and reverence for life, depends on their personality and character (Fromm 1964: 47). Whether people feel morally responsible and wish to act in a biophilic manner is the result of social, economic and political conditions to which each individual is subjected. It is with regard to differences in character where Fromm sees the true problems of ethics.

Applied to a business environment, this means that personality and character must become a much more decisive criteria for hiring and promoting people – everything else can be learned if and when the intellectual capacity is commensurate. Erich Fromm drew attention in 1976 to something that only came up again in the context of the discourse on the Sustainable Development Goals, i.e., the necessity of a fundamental transformation of the human character structure: The driving back of a *having-orientation* in favor of a *being-orientation* is essential if mankind should not end up a psychological, economic and ecological catastrophe (Fromm 1976: 168).

Erich Fromm is requesting a new man (he, of course, included women as well!) who has idealistic and challenging features. He and she should

- 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, 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, and
- 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.

These proposals are difficult enough in a general societal context – they are an especially great challenge to human beings in charge of managing business enterprises.

3.2. Is Love a Leadership Quality?

For Erich Fromm, life only has meaning when people have mastered the *Art of Loving* (Fromm 1956, 1975). Mentioning the term “love” in a business context – definitely not part of management language – is likely to trigger at best a mild smile – at worst associations that are not raising career prospects. The

reason is obvious: The term love reduces complexity to an extent that is difficult to handle in a business context. 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 them with substantial content in the context of their professional lives – but not with regard to love. Fromm himself was aware of this:

“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 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.*” (Fromm 1947, 1990: 97 f.).

Discussing the term *love* is very productive for a comprehensive concept of good leadership and good management practices.

3.2.1. *Care*

When the term *care* is used in business life, it is usually associated with “due diligence”, i.e., the comprehensive appraisal to avoid risks and tort. Apart from the usual legal, ecological, information security, taxational, human rights-specific and product-specific risks, enlightened companies also take into account risks resulting 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.” (Fromm 1956, 1975: 28).

Expecting people to live up to this ideal in daily business life seems at first glance too demanding – but is not: There is a clear and measurable relationship between employees’ sensation that he or she is valued, supported and furthered in his or her motivation, contentment and willingness to perform well for the company. When people are allowed to work in their professional context in accordance with the values they deeply believe in and which serve their self-fulfillment, they are personally happy, mentally healthy – and much more productive than if and when they have to act against their values (Fromm 1947, 1990: viii).

This aspect of Erich Fromm’s concept of love emerges also as important in part of modern management and leadership literature, however 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 the necessity

- to recognize people’s needs, to strengthen their personalities, values and self-awareness, to motivate them through emotions and shared values. “Leadership qualities” are therefore much more demanding than “management qualities” (Hughes et alia 2014);
- to help other members of the company to grow, to fill them with enthusiasm for a shared vision (Drucker 2014);
- to be sensitive, respectful and full of recognition (Kouzes & Posner 2006).

The inner contentment and work satisfaction of people working in a company are essential preconditions for ensuring their personal commitment and the sustainable success of the company. Leadership personalities who place great value on economic efficiency therefore also about people. *Management by fear* has only a short-term impact – it destroys loyalty and hampers performance in the long-run. When employees feel an emotional attachment to their professional environment, productivity and rentability are more than 20% higher, absence from work (-37%), loss of materials (-28%), accidents at work (-48%) and quality defects (-41%) are significantly lower (Gallup 2016: slide 31). Lack of motivation costs

companies billions, even though these losses seldom crop up directly in the personnel budgets. Also caring for the protection of the environment and caring for the societal environment is not only of intrinsic value but strategically wise.

In a nutshell: *Caring in the sense of Erich Fromm's definition of love is not a nice-to-have but good management practice.*

3.2.2. *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.’” (Fromm 1956, 1975: 29)

This definition is fully compatible with the state of the art notion of *corporate responsibility* and *corporate sustainability*. Both notions exceed *legal* responsibilities. Leadership personalities see the assumption of comprehensive responsibility as an expression of enlightened self-interest. They wish to make balanced decisions, considering legitimate stakeholder interests and anticipating issues that scientific expertise has already on the radar. One could classify the entire range of stakeholder literature (e.g., Freeman et al. 2010) under the title “responding” to the expectations, fears and concerns of those who are affected by or can influence the activities of a company.

What the leadership team of a company perceives as its responsibility over and beyond the legal requirements is regarded as *business judgment* within management’s discretionary powers. The scope of this discretionary range is the result of a concrete or virtual process of negotiation with relevant stakeholders sharing the same value corridor. The poor survey results with regard to trust mentioned earlier, are in my understanding much more a result of disappointed stakeholder expectations than a reaction to illegal corporate acts.

Such expectations, however, differ from cultural setting to cultural setting (Berger 2014, 2017); they also differ from sector to sector: The pharmaceutical industry is confronted with a completely different set of expectations (for example cost-effective access to patented life-saving medication for poor people or the ethical framework of clinical experiments in low-income countries) than those encountered by banks, the textile, the agrochemical or the extractive industries. Giving an “answer”, even when the questions are uncomfortable or unorthodox, 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*.

In short: *A “sense of responsibility” as explained in Erich Fromm's definition of love is also not a nice-to-have but good management practice.*

3.2.3. *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.” (Fromm 1956, 1975: 30)

This is already a challenge for “ordinary” people. It seems much more so for leading executives who, on account of their overall responsibility for the sustainable success of their company may have to take decisions which have a negative effect on the lives of people working for the company. Managers competing with integrity, however, will at least not dismiss employees just for the sake of increased profits but only as an *ultima ratio* for the survival of the company; they will also try their best to socially cushion the reduction of jobs. Decisions that have a negative impact on people within the company or externally call for empathy on the part of the decision-makers, for moral imagination but above all for respect in a

comprehensive sense.

If one considers the important frame of reference of the *UN Guiding Principles on Business and Human Rights*, (UNOHC 2011) it becomes obvious how comprehensively respect for others is defined today. Respect, however, comprises not only *respect for human rights*, it also involves respect for the preservation of *human dignity*. Violations of the dignity of human beings may be subtler than violating international human rights law – but the collateral damage to the victims can be more sustained.

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* versus applying love in Fromm’s sense 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 – decency cannot be brought into a corporate culture by edict. *Respect for others* presumes the existence of an inner conviction 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, age, disability, religion, world-view or sexual orientation.

Rules do not replace good judgment or good manners. A recent Ernst & Young Report made two interesting statements in this context: “Geopolitical, economic and social changes mean that traditional compliance frameworks may be based on assumptions that are no longer valid” (E&Y 2017). Business leadership requests personalities who are able to apply situation ethics. They must “do the right thing because it’s the right thing to do and not just because the code of conduct says you should” (E&Y 2018).

In everyday business life respect for others includes respectful treatment by those who are higher in the organizational hierarchy – but not humanly! – to those who subordinated. A person who does not have the decency to act in accordance with the Golden Rule but makes decisions that affect other people’s life should not occupy a senior position. Almost everything in life can also be seen in different way. It is therefore advantageous for a good quality of decisions to appreciate and not dismiss otherness and take different perspectives into account, makes *respect for others* imperative for good management practices.

The often difficult weighing up of choices between what is required by respect for other cultures and what not, because it contradicts what has been developed over time by enlightened people from all over the world as acceptable standards of behavior, calls for the application of all of Fromm’s basic elements of love, care, sense of responsibility, respect for others and knowledge. 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* (Fromm 1956, 1975: 30).

One aspect that belongs to the respect for others-notion is particularly important in the context of sustainable development: *not insisting on direct reciprocity*, i.e., doing something constructive and helpful for others without any immediate expectation of a short-term and personal *quid pro quo*. Doing something for others without the expectation of an immediate personal or corporate *return on investment*, however, is neither part of today’s managerial nor of political mainstream thinking:

- From the perspective of most business leaders allocating resources for investments *today* for a return in the future for anonymous people living far away from home, might be the right thing to do from a moral philosophical perspective – it contradicts managerial logic: even a small reduction of today’s profit justified by investments that contribute to efforts against global warming and thus flooding of islands in the Pacific will not be rewarded by positive comments of financial analysts.
- Political leaders will avoid inflicting short-term burdens and inconveniences on electoral constituencies by which they want to be re-elected and justify it with benefits occurring far beyond the election cycles and for different people than their potential voters: Raising the price of gasoline to internalize external costs of CO₂ emissions will make care driving more expensive but most voters unhappy;

Looking at the commandments of the Agenda 2030 for Sustainable Development and studying the societal frame described by Pope Francis in *Laudato Si'* we find a significant resemblance with what Erich Fromm's description of the elements and preconditions of a *sane society*. (Fromm, 1955).

In summary: "*Respect for others*" as explained in Erich Fromm's definition of love is also not a nice-to-have but good management practice.

3.2.4. Knowledge

Last, but not least, Erich Fromm sees *knowledge* is an integral aspect of love. It is possible only "when I can transcend the concern for myself and see the other person in his own terms", that is to say, without the filter of self-interest, considerations of utility, prejudice or the given hierarchical structures. To be able to do that required that a person possesses "self-knowledge" and has a sober awareness of his own strengths and weaknesses, talents and competence, prejudices and blind spots (Fromm 1956, 1975: 30 f.) As many people tend to judge their own intellectual, social and other abilities much more rosily than is actually the case, the necessity of endeavors to recognize one's own weaknesses cannot be overstressed.

In my personal and professional experience *knowledge* is of such elementary importance that it justifies a much more detailed discourse than possible in this context. I have dealt with this elsewhere (Leisinger 2018). Here just a few hints:

- Good decisions must take into account the established fact that each and every one of us constructs his or her own specific reality. What we regard as objective truth personally is most often merely the outcome of our various subjective assumptions. Man, so Erich Fromm, 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." (Fromm 1947: 46 f.)

As all people do this on the basis of their specific socialization, their convictions about values and interests, their unique personal character structure and personal nature, many different notions about "reality" arise. Everyone regards *his* or *her* reality as the only "true reality". (Lay 2015) The perception of all relevant aspects of a person's life is determined by his or her subjective definition of reality. This includes the assessment of a specific issue, the evaluation of the own action and conduct portfolios as well as that of others, the definition of an existing circumstance as a "problem" or an "opportunity" and the direction and content of one's decision to be taken – and much more. Against this background decisions and actions are in line with the best of one's knowledge and belief – but all too often 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.

When 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) individual constructions of reality are stabilized. They are transformed into a collective social construction of reality. The consequences of this factum were best described by Udo Röbel, the former deputy editor-in-chief of the German newspaper BILD: "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." (Röbel 2003)

The *knowledge commandment* of Fromm includes the awareness about this.

- Available knowledge in toto is far more comprehensive than personal knowledge – and a large part of knowledge is valued differently in different contexts. No one who has worked with others from differing social classes and cultural settings will doubt that Marx was right when he stated that *it is not the consciousness of men that determines their existence but their social existence that determines their consciousness*. Perceptions are never independent of the social or cultural context - here too *context matters*. The opinions of powerful people can create facts in business enterprises or in politics completely independently of the state of scientific knowledge. Yes-persons and opportunists shape their own

(current!) opinions in conformity with those of which they depend or expect favors. It seems particularly idealistic to expect questioning an ideology or the bosses' opinion when one's self-understanding, position in hierarchy and the size of one's income depends upon not doing it.

As such preoccupations are not conducive to responsible decision making, leadership personalities on the one hand consciously take into account the difference between what individual people (including themselves) feel to be *reality* and what actually is a relative objective *realness* independently of personal knowledge, socialization and worldview (Lay 2015: 16). On the other hand, they must support and award moral courage in the sense of people standing up for their convictions and alternative perceptions of reality. As individual knowledge depends also on what a person is willing to acknowledge as fact versus fake news, acquiring all facts that have to be known before making a decision that affects the life of other human beings is a non-negotiable *must*. A higher position in management does not substitute for state-of-the-art knowledge in one's area of responsibility, people who do not accept permanent learning as a non-negotiable leadership duty should not be empowered to make decisions that impact other people's lives.

Summing up this part of the chapter: "knowledge" as explained in Erich Fromm's definition of love is also not a nice-to-have but good management practice.

3.3. Implications for the Personality Profile of Business Leaders

Men and women whose decisions impact the life of other human beings ought to have personality profiles and character traits commensurate to the power and influence they can exert. Corporate leader will also in future be expected to have "threshold competencies" such as a high *cognitive intelligence (IQ)* and appropriate *technical intelligence* to master the particular challenges of particular businesses, to understand issues of strategic importance, and to run a complex organization. In addition, corporate leaders are expected to be equipped with the *emotional and social intelligence* to perceive, assess, and manage their own emotions and those of the people they work with. They should also have the *social competence* to get along with people regardless of social class or hierarchical rank. Last but not least they should be blessed with *moral intelligence* – that is, the mental capacity to determine how universal normative principles can be applied in their daily life as well as the *moral competence* to practice what they know are the right things to do.

Some of these character features and competencies can be learned or at least regularly trained to keep the sensitivity and awareness about them alive in daily work. As modern times and the complexity of its problems demands the ability to apply *situations ethics*, ideally the four elements of Erich Fromm's definition of love become part of a human being's natural mind-set. Such business leaders will still work as effectively and as efficiently as they can to make sure their company is successful in its core competence – but

- They will actively *care* about people, be they colleagues, employees, customers or other stakeholders in the present and future, recognize their different needs and apply moral imagination to make an *agapeic calculus* (Fletcher 1966); A minimum of care is to *do no harm* and apply the Golden Rule in all decisions impacting other people;
- *Feel responsible*, not only in the sense of Max Weber's *ethic of responsibility* ("taking account of precisely the average deficiencies of people (...) not burden others with the results of his own actions so far as he was able to foresee them; he will say: these results are ascribed to my action." Weber 1919, p. 25) – but more comprehensively responding to the expressed and unexpressed needs of another human being;
- *Respecting other persons*, the way they are as unique individuals and act in a way that preserves their dignity and this not only for present but also extending this respect to members of the future human family, and, last but not least

- *Investing in knowledge*, i.e. permanent learning about new social, ecological, psychological and other insights in order to apply them in strategic thinking as well as daily decision making. Just as managers combine in their decisions different aspects of marketing, finance, production or human resource management, leadership personalities will include sustainability aspects, appreciate values, evaluate the social impact and the psychological consequences of their actions.

Is that asked to much, do we describe an ideal that can't be reached in real life? I do not think so:

Leadership personalities in any societal sphere must accept the responsibility for themselves and the fact that only by using his own powers can they give meaning to their lives. Also for top managers it applies that “man is able to know what is good and to act accordingly on the strength of his natural potentialities and of his reason” (Fromm 1947 p. 33,133) And, also business leaders' personal happiness depends on their ability to be themselves and to have their actions determines by their own personal values, the feeling to be loved and the ability to love. The leitmotif of Erich Fromm's collected wisdom is increasingly supported by empirical evidence.

Leaders with character traits and an attitude (Haltung) as discussed here, do exist. Such leadership personalities create a corporate culture that breeds less avoidable risks, manages corporate affairs in a pro-active manner and is likely to create more value added to society and shareholders over time.

I had the fortune to work with and be mentored by leadership personalities with such mind-sets and competences and could learn from them. I also had the misfortune of having to work with a few others at the left tail of the Gaussian character distribution, so I could study the difference...

4. Building Blocks of a Sane Society with Sane Companies led by Sane People

Analyzing today's state of the world we find a lot of features that in Erich Fromm comprehensive body of thought figure under a lack of societal sanity. A societal transformation as requested in the Agenda 2030 is equivalent to a path towards the cure of societal pathology in Fromm's sense. It starts for all citizens in all countries – and certainly for business leaders – with the awareness of what is happening. It continues with the reflection of the values and norms that led into this situation and eventually in concrete changes. A “reduced sense of reality accounting for a reduced sense of responsibility and absence of effective volition (Fromm 1955, quoting Joseph Schumpeter) is likely to deepen also the problems of the business world – and make solutions more difficult and more expensive in monetary and social terms. The intellectual heritage of Erich Fromm is therefore highly relevant in many ways for the transformation of the world towards sustainability.

If and when “Transforming our World”, as requested by the international community in the Agenda 2030 for Sustainable Development should become a reality, business will have a pivotal role to play. Filling that role expectation requests first of all the awareness that every business decision and action has a sustainability dimension. Business leaders who are willing to reflect on the corporate consequences of the Sustainable Development Goals and, where ever possible, integrate them into business strategies, investment portfolios, research- and development-policies as well as product development. As for practically all business decisions in all sectors there are alternative options of greater value from a sustainability point of view the willingness to act is the crucial issue.

Of course, there is a temptation to stay with an unsustainable business model and, to use the words of the former Citibank CEO, Chuck Prince, dance “as long as the music is playing” (Nakamoto, 2007) – but we also know the outcome of such a dancing attitude, which in this case came only three months later.

The societal reforms for sustainable development – in Fromm's terms, for a sane society – express a new development paradigm also for business - the next 25 years are a turn of an era. As, in Albert Einstein's words, problems cannot be solved with the same mind-set and level of thinking that created

them, the transition time will be a time when leaders in business and politics will have to enter unacquainted territory. That again necessitates taking risk and therefore leaders with courage to do what is necessary as early as possible.

A – small – number of enlightened business leaders acknowledge that “our current business model of development is deeply flawed” (Business & Sustainable Development Commission, 2017). They are convinced that the achievement of the SDGs would create a world that is “socially fair; environmentally secure; economically prosperous, inclusive; and more predictable” – a framework for a viable business model for long-term growth. This is why, so the members of the business-led Commission”, “we must have the courage to strike out in new directions” (ibid).

It is not companies that have courage, it is business leaders that have the courage to escape “herd conformity” (Fromm 1955: 46). Great business leaders have always been recognized for doing the right things in more than just economic understanding – and, great leaders, by definition, recognize upcoming trends early and react to it strategically early – they do not wait until they are forced by government interaction. The most admired leaders have always contributed to the social capital and public welfare through more than just the accumulation of economic wealth. Not to be misunderstood: economic success will remain the most important parameter of managerial success. An excellent social and environmental record achieved at the expense of economic success is neither sustainable nor does it serve society (and certainly not the responsible management) or raise societal acceptance.

Albert Schweitzer’s dictum that “the personal example is not the most important way to influence others, it is the only way” is of importance here. Leading by example in a corporate context creates a respective corporate culture if and when it is accompanied by appropriate hiring and promotion criteria as well as amended incentive structures.

All the four elements of Fromm’s understanding of love are in themselves important. Some of them are also dealt with in conventional leadership literature – although with a different terminology. What makes Erich Fromm’s concept different and more valuable is the combination of care, sense of responsibility, respect for others and knowledge. Fromm’s “sane” man is a more comprehensive concept than a “virtuous” man or a “honorable businessman”. Fromm’s sanity presupposes a person that has mastered the Art of Loving and therefore has a *fundamental attitude* that ought to be considered in the assessment of personalities to be hired or promoted. All reasonable experience shows that *loving people* and *using things* is the successful attitude - the opposite never works.

Many economic, technical and other lessons learned from the past have lost their usefulness under the changed realities of unsustainability. It is not only necessary to find new answers to old problem, but also to be aware that totally new problems are arising, posing totally new questions to be answered. We have today the knowledge and the resources to make a change course to ensure that people living in the future are left with more rather than less opportunities to lead a good life. If past experience is no more a useful orientation guide for the management of new problems looming on the horizon, cultivating awareness, striving for knowledge and insights in the context of biophilia becomes a question of survival – Erich Fromm’s body of thought provides a valuable compass.

But there is light at the end of the tunnel: The Leipzig Leadership Model (LLM) conceived by economic theorists and leading German business practitioners, stresses the importance of a lot of leadership features totally compatible with Erich Fromm’s thinking from a socio-philosophical and psychoanalytical perspective. (Leipzig Graduate School of Management, 2016). Leadership, so the authors of the LLM must take three fundamental aspects into account:

- The values, interests and convictions of all the people involved must be taken seriously.
- Human beings can make mistakes and 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.

- 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 “(ibid: 18). Leadership must always be shaped by respect for the *dignity of one's fellow men* and their capacity for freedom and cooperation.

The reflection of the consequences of Erich Fromm's ideas about a sane society and sane human beings is something usually not taught Business Schools – and yet immensely important for a sane society with companies competing with integrity and led by sane men and women.

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