

# **PRINCIPLES OF MANAGEMENT**

**PRACTICING  
ETHICS,  
RESPONSIBILITY,  
SUSTAINABILITY**

**OLIVER LAASCH**



**2<sup>ND</sup> EDITION**

# **PRINCIPLES OF MANAGEMENT**

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SAGE Publications Ltd  
1 Oliver's Yard  
55 City Road  
London EC1Y 1SP

SAGE Publications Inc.  
2455 Teller Road  
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SAGE Publications India Pvt Ltd  
B 1/I 1 Mohan Cooperative Industrial Area  
Mathura Road  
New Delhi 110 044

SAGE Publications Asia-Pacific Pte Ltd  
3 Church Street  
#10-04 Samsung Hub  
Singapore 049483

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Editor: Matthew Waters  
Development editor: Nina Smith  
Assistant editor: Jessica Moran  
Assistant editor, digital: Sunita Patel  
Production editor: Sarah Cooke  
Copyeditor: Martin Noble  
Proofreader: Salia Nessa  
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Marketing manager: Abigail Sparks  
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# ONLINE RESOURCES FOR INSTRUCTORS

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*Principles of Management 2/e* is supported by an array of useful online resources for instructors to use as part of their teaching and student assessment following adoption of this textbook. These resources require an approved SAGE account, which instructors can set up freely and quickly via the website using their institutional email address if they don't already have a SAGE login/password. The resources include:

- **PowerPoint slides** that include both an author-created set per chapter as well as a separate set per chapter containing the textbook's visual matter, all of which can be downloaded, adapted and combined as needed to fit the course.
- **Instructor's manual** that introduces the textbook to staff, provides guidance and tips on using it in teaching, as well as course design information and additional resources to refer to in teaching.
- **Testbank of multiple-choice questions** to assess students as part of the course, particularly useful for large cohorts.
- **Resource pack** to easily upload all of the above resources onto your university's online learning platform (e.g. Blackboard, Canvas or Moodle) and customize the content as required.

To access all of the above, visit: <https://study.sagepub.com/laasch>.

In addition to these instructor resources, the author hosts a free online course open to all titled, 'Managing Responsibly: Practicing Sustainability, Responsibility and Ethics' and available here: <https://www.coursera.org/learn/responsible-management>

The accompanying video interviews and case studies for student learning can be found here: <https://www.youtube.com/user/CRMEVideos/videos>



# CONTRIBUTORS

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## PIONEER INTERVIEWS

<i>Chapter 1</i>	<i>Muhammad Yunus</i>
<i>Chapter 2</i>	<i>Henry Mintzberg</i>
<i>Chapter 3</i>	<i>Linda Trevino</i>
<i>Chapter 4</i>	<i>Archie B. Carroll</i>
<i>Chapter 5</i>	<i>John Elkington</i>
<i>Chapter 6</i>	<i>Simon Zadek</i>
<i>Chapter 7</i>	<i>Nancy J. Adler</i>
<i>Chapter 8</i>	<i>Roy Suddaby</i>
<i>Chapter 9</i>	<i>Francois Cooren</i>
<i>Chapter 10</i>	<i>Geert Hofstede</i>
<i>Chapter 11</i>	<i>Mark Kramer</i>
<i>Chapter 12</i>	<i>R. Edward Freeman</i>
<i>Chapter 13</i>	<i>Muhammad Yunus</i>
<i>Chapter 14</i>	<i>Michael Braungart</i>
<i>Chapter 15</i>	<i>Sandra Waddock</i>
<i>Chapter 16</i>	<i>Philip Kotler</i>
<i>Chapter 17</i>	<i>Liz Maw</i>
<i>Chapter 18</i>	<i>Stefan Schaltegger</i>
<i>Chapter 19</i>	<i>Robert Costanza</i>

## PRACTITIONER PROFILES

<i>Chapter 1</i>	<i>Narine Arustamyan</i>
<i>Chapter 2</i>	<i>Kene Umeasiegbu</i>
<i>Chapter 3</i>	<i>Pia Poppenreiter</i>
<i>Chapter 4</i>	<i>Sudhir Kumar Sinha</i>
<i>Chapter 5</i>	<i>Judith Ruppert</i>
<i>Chapter 6</i>	<i>Thomas Hügli</i>
<i>Chapter 7</i>	<i>Mariné Azuara</i>
<i>Chapter 8</i>	<i>Tommy Weir</i>
<i>Chapter 9</i>	<i>Thomas Hügli</i>
<i>Chapter 10</i>	<i>Laura Clise</i>



<i>Chapter 11</i>	<i>Cansu Gedik</i>
<i>Chapter 12</i>	<i>Ved Krishna</i>
<i>Chapter 13</i>	<i>Doru Mitrana</i>
<i>Chapter 14</i>	<i>Dinah Madiadipura</i>
<i>Chapter 15</i>	<i>Cecilia del Castillo</i>
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<i>Chapter 19</i>	<i>Darminder Tiwana</i>

## TRUE STORIES

<i>Chapters 2, 3, 8, 10, 11, 12–14, 17, 19</i>	<i>Alexandra Leonor Barrueta Sacksteder</i>
<i>Chapter 4</i>	<i>Alexandra Leonor Barrueta Sacksteder &amp; Daniele Eckert</i>
<i>Chapter 6</i>	<i>Alexandra Leonor Barrueta Sacksteder</i>
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<i>Chapters 16, 18</i>	<i>Alexandra Barrueta &amp; Judy Nagy</i>

## CASE STUDIES

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# PREFACE

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Much has happened since the first edition of this book was issued in 2015 under the title *Principles of Responsible Management: Glocal Sustainability, Responsibility, Ethics*. Upon publication, it was endorsed as the United Nations Principles for Responsible Management Education's (PRME) first official textbook. Not only has the first edition been used in thousands of courses around the world, but it has also been re-issued as local editions for India, China, as well as in Portuguese and Spanish. It has been commended in the world's leading management education journal *Academy of Management Learning and Education*, and has received acclaim by instructors and students alike, typically for its equal attention to theoretical frameworks and its 'glocal' hands-on practice examples. However, it was also noted that there was both room for improvement, gaps in content coverage, and an opportunity for greater transformative impact. This preface is meant to contextualize and outline the main changes between the first and second edition, and outline the underlying rationale as well as to acknowledge the many people who have made its publication possible.

## A TEXTBOOK FOR MANAGEMENT'S EMERGING NEW NORMAL

As I write this preface in the autumn of 2020, the economic world in most places is still caught in the grip of the Coronavirus pandemic. However, it appears that amid this crisis, positive signs of change have emerged and paradoxically, the world seems to shift between gloom-and-doom, and a certain optimism and hope for positive systemic change. In 2020, for the first time since its start, we have reached Earth Overshoot Day later in the year than the previous year, implying that humanity's footprint has moved just a tiny step into the direction of sustainability and abundance, instead of towards unsustainability and resource depletion [1].

As lockdowns and social distancing measures have unfolded, people around the world have begun to slow down and often downsize their lives. Many of us have found the time and space to reconnect to families and friends on a deeper level. As malls and shopping streets in city centres lay abandoned, we have also learnt what is not essential, unnecessary superficial consumption, which we *can* actually live without. We have begun to rethink how necessary

those short-haul weekend trips really are. We have reconnected to our local community and natural environment. Millions have marvelled at how wild-life has taken back human spaces, with the repossession of Venice's usually human-busy canals being just one example of so many.

As we have worked from home, many of us were prompted to rethink how and where we want to work, and why we want to do the job we do. 'Essential workers' who are crucial to keep society going, from nurses and bus drivers to waste collectors and supermarket staff, have taken their rightful place in public perception as the everyday heroes they have always been. Many of us have asked ourselves, if what we dedicate our working lives to actually is essential? Does it matter?

It has been a time to stop, think, and restart in a way that matters for management as well. The voices calling for fundamental change are everywhere. Nobel Laureate Muhammad Yunus<sup>1</sup> captures many a managers' and management stakeholders' thoughts about the machine of global economic system, and of management as its motor:

Corona has done us a great favour putting this machine to stop. Now, should we go back, wake it up? My answer is: 'No going back!' We don't want to go back. We don't wake up this machine. We want to create a new machine. We can do that and go in a different direction so that we create a world but there'll be no global warming. There will be no wealth concentration. There will be no massive unemployment.

In parallel, the World Economic Forum has called for a 'Great Reset' of the economic system [2] and the European Union has committed a trillion Euros to the 'European Green Deal' [3]. *Harvard Business Review* headlines with an article that claims that 'if we want to change the world, we need to ... give birth to a new brand of capitalism [and] must kill the old brand of management first' [4]. Amidst all this, Greta Thunberg calls our bluff: 'How dare you pretend that this can be solved with just business as usual?'

Most existing management textbooks have been and are 'propaganda' for keeping up the 'old normal' [5]. Instead, this textbook is meant to be fundamentally subversive 'propaganda' for a 'new normal of management'. Such 'professional' management assumes a positive role in society and for the planet. Professional managers manage ethically, responsibly, and sustainably. It is a management whose underlying purpose it is to re-construct the economic machine from the inside, to 'regear' it from causing social,

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<sup>1</sup>See the pioneer interview in Chapter 1 ('Management in Context').

environmental, and ethical problems towards solving them. This book is meant to be double-subversive: subversive hopefully towards colleagues, so that they can subvert students.

## SHIFTS IN PERSPECTIVE

Not only are we transitioning towards a new normal of management, but also the field of responsible management has undergone an impressive development. An important landmark in particular was the creation of the Responsible Research in Business and Management Initiative, which has mainstreamed responsibility in all types of business and management research [6]. Our knowledge base has increased considerably, for instance, through the publication of impactful handbooks both on responsible management [7], and responsible management learning and education [8]. This second edition is aimed at doing justice to both developments, the global transition towards a new normal of management and to the advances on the research side. Both developments run through the second edition's new features:

**It's just management!** After careful thought and much consultation, we have taken the decision to title this second edition *Principles of Management*, instead of *Principles of Responsible Management*, which was the first edition's title. If ethics, responsibility, and sustainability are really 'mainstreamed' in management and have become the 'new normal', there should be no need for an adjective like 'responsible' in front of management to become a pleonasm (a redundant word), as it carries no additional meaning. If management was taken for granted as responsible, using the adjective 'responsible' with it would be such a pleonasm. This title change is partly a leap of faith as the 'responsible' is clearly not yet a taken-for-granted part of management. It is also an attempt at creating a self-fulfilling prophecy, where responsibility might become a normalized, new normal part of management. Pragmatically and subversively, we hope that the new title might appeal also to colleagues, who would usually not consider a *responsible* management textbook for their management courses, but who might begin to see how this makes sense after familiarizing themselves with the contents of this book.

**Professional management is ethical, responsible, and sustainable:**

Professional management is getting things done ethically, responsibly, and sustainably and in service of society and the planet [9–11]. This is an amalgam, for while in previous editions we separated out 'mainstream' and 'responsible' management, we now use the integrative umbrella term 'professional management' for a type of management that gets the 'right'



things done ethically, responsibly, and sustainably. In the first edition, we used the naturally grown definition of responsible management as a management that deeply integrates sustainability, responsibility, and ethics. This definition grew historically from the constituting fields of the United Nations Principles for Responsible Management Education initiative [12, 13]. However, as pointed out to me by many, most convincingly by my esteemed colleagues Tima Bansal and Dirk Moosmayer, there is a logical flaw in the semantics of this definition: How can the higher-level concept (*responsible* management) be the same as one of its lower-level constituting components (*responsibility*)? The term professional management solves this semantic issue. Also, the first edition's sequence of sustainability, responsibility, and ethics (SRE) was at odds with ethics, responsibility, and sustainability (ERS), which is now frequently used in many business schools and business school accreditation agencies.

**It's about practices and practitioners:** This is *not* a book about *corporate* social responsibility (CSR), or responsible *business*, or social *enterprise* or any other organizational-level framing someone might want to use. It is about management practitioners and their practices [14]. While we might disagree with some of his views, Nobel Prize laureate Milton Friedman brings it to the point: 'What does it mean to say that "business" has responsibilities? Only people can have responsibilities' [15]. As Archie B. Carroll suggests in his pioneer interview in Chapter 4 ('Responsible Management'), also the academic discussions seems to have gone full circle, from managers responsibilities, to organizational-level CSR, and back to responsible management [16]. I passionately – at times aggressively – believe teaching management students about ethical, responsible, and sustainable organizations misses the point. It creates a subject-object separation, where we, the managers can (blame or) praise the object, the organizations for being (un)ethical, (ir)responsible, or (un)sustainable. This misses the point. Instead, in this book we are trying to help managers to learn to be responsible in their practices, as they are collectively enacted with others. If anyone is to blame, then it is ourselves, the person practicing, but not some distant, and abstract 'thing' called corporation. This also implies that *knowing about* ERS is not enough. Instead, we as managers have a responsibility to *become competent* in managing ethically, responsibly, and sustainably, a holistic, whole person training for professional management competence. The social practices perspective [17, 18] on management applied throughout the entire book shifts the attention to all the things we customarily do as managers, as well as to unique innovative practices like open hiring or employee self management. It also connects to

somewhat unusual wordings that are consistent with a social practices perspective, like ‘entrepreneurizing’ instead of entrepreneurship, ‘strategizing’ instead of strategy, and ‘folleleading’ instead of leadership and followership.

**Contents for beginners and advanced students:** In this new edition, we have made sure that the text can be used both for introduction to management courses on undergraduate level, and for specialized sustainability, responsibility, and ethics courses, even at the master level. We have often heard that less advanced users of the first edition criticized the length, complexity, and overly academic language used. However, we were also told that master-level instructors and students alike appreciated the conceptual depth and academically sound coverage. To please both groups, we have chosen a modular design for this second edition. The first section (including the introductory case and main text) of each chapter has now been made much shorter and more accessible in language and presentation. The second section, which accounts for roughly one-third of each chapter then includes more ‘advanced’ contents. We hope this way the book will be valuable for both beginners and advanced students. More advanced students could quickly cover the accessible front end and use it as a basis for going deeper in each chapter’s second section. Conversely, early stage students and their instructors can focus on the first section and then selectively pick contents from the second section, according to learning goals and aspired competence levels.

## NEW CONTENTS

Among the 19 chapters in this second edition, there are six entirely new chapters. The remaining 13 chapters have been rewritten and contents updated. We have added five full-blown teaching cases featuring iconic innovative responsible management practices, featuring management at Patagonia, Fairphone, Good-Ark, Algramo, and Greyston.

The introductory chapter ‘Management in Context’ of this second edition has been rewritten from scratch, now reflecting the new sense of urgency and societal role of management. Chapter 2, ‘Management in Practice’, provides a strictly social practices perspective, to set up the practice(s) perspective that runs through the entire book. To my knowledge, this is the first introduction to management textbooks written from a social practices perspective, which has taken the world of management and organization studies by storm. We have added an ‘Innovating’ chapter (Chapter 12), which is a distinctive feature of this book. Among the dozen introduction to management textbooks I have reviewed, none included a chapter on innovation. Yet innovation as well as

innovative and creative employees are sought after by employers. Innovativeness is also a necessary competence for reshaping the world of management. We have written a new ‘Entrepreneurship’ chapter (Chapter 13) to better fit the book’s focus. In order to ‘tick the boxes’ of core chapters expected in an introduction to management textbook, we have added chapters on ‘Folleading’ (Leading + Following) and ‘Deciding’ (Chapters 7 and 8 respectively). We have rewritten the organizing, and communicating chapters (6 and 9 respectively) to provide core contents to be commonly covered in a typical introduction to management course.

We have also added to and deepened the complementary materials in the second part of each chapter. Every chapter now has a ‘management gym’, 18 competence-based exercises in the six categories of knowing, thinking, acting, interacting, being, and becoming, forming a ‘six pack’ of exercises [19]. Chapters now also feature an anonymized ‘True story’, management cases reported by actual managers themselves. Chapters also feature a more advanced ‘digging deeper’ section, a hands-on worksheet, and a word cloud visually summarizing the chapter contents. These new contents are additional to the first edition’s iconic pioneer interviews and practitioner profiles, which are still included. Throughout all the chapters, we have added Sustainable Development Goals (SDG) icons right next to contents relevant for addressing the goals. The book is the first ‘mainstream’ management or business textbook that integrates the connection of the SDGs to management throughout. Also, each chapter covers 4–5 picture plus caption cases featuring recent iconic practices.

In summary, this new edition features six new chapters, five new full-blown teaching cases, 19 chapter introduction cases, 19 of each of the new ‘true stories’, worksheets, advanced ‘digging deeper’ sections, practitioner profiles, and six new pioneer interviews. It includes 95 picture plus caption cases, and 342 competence-based exercises. There are also 464 multiple-choice questions as part of the instructor materials, organized on the learning levels of remember, understand, apply, and analyze.

## ACKNOWLEDGEMENTS

Books are never only the author’s work. Considering the over 70 contributors to this manuscript, this phrase is even more true for *Principles of Management*. A big thank you to my dear friend Roger Conaway, who embarked with me on the adventure of the first edition as a trusted friend and mentor, and who has entrusted me with the work on this second edition. My heartfelt thanks go out to the 14 chapter and case co-authors, each of them being distinguished experts in their respective fields, who have brought in a depth and

topic expertise that I could never have reached on my own. I am grateful for the 18 pioneers, the 19 practitioners featured each in their own profile, and 19 anonymous protagonists featured in each chapter's 'true story'. Thank you also to the great people at *Coronation Street*, Good-Ark, Allsafe, Yash Pakka, and Greyston Bakery for sharing their practices with us.

Ulpiana Kocollari had the important idea to run the SDGs through all of the chapters. Steve Kennedy insisted on the importance of an innovation chapter, an unusual but necessary element among introduction to management textbooks. I am grateful to both Silvia Gherardi and Frank Boons for introducing me to the social practices perspective, which has now become such a distinguishing feature of the book. Most heartfelt thanks also go to Alexandra Barrueta who has contributed to so many chapters and features of the book, including the exciting new 'True stories' featured at the end of each chapter. I am grateful to Rob Marjerison for generously sharing his multiple-choice questions banks, and Natasha Clennell and Brian Vera for their relentless support with the instructor materials. I am very grateful to my heads of department Michal Lemanski and Silvia Massini for creating an environment in which I was able to finalize this book in spite of many a competing demand.

I am genuinely grateful for the exceptional support provided by everyone at SAGE. Matthew Waters gave this second edition his full support from our first conversation onwards and his creative input has shaped this book to a considerable extent. He encouraged me to pursue the book's bigger vision of repositioning it as a book that is designed for introductory to management courses, in order to 'mainstream' ethics, responsibility, and sustainability through these courses. Nina Smith and Jessica Moran have contributed greatly by making each chapter the best version of itself. I am particularly excited about the marketing work of Lucia Sweet and the amazing team of SAGE's sales representatives. I imagine them as being a transformative force for change in convincing management educators around the world to adopt a book that teaches 'good' management from the very first introduction onwards. Finally, it is these very colleagues adopting the book to whom I am grateful in advance, not only because it is always nice when someone uses your work, but also because every one of these courses will make a positive difference in realizing a better type of management, one student turned responsible manager at a time.

My deepest love and gratitude goes to my wife Aranza who supported with incredible patience and down-to-earth advice whenever I needed it most. Our little son Lino has been fuelling me with continuous smiles and hugs, reminding me in the most stressful and work-intensive times of what and who ultimately matters most.



## PLEASE BE IN TOUCH!

Introductory management courses fulfil a crucial role in shaping incoming management students' perspective of what management is and can be [20]. Imagine how all the tens of thousands of introduction to management and business courses around the world might teach ethical, responsible, and sustainable management as the new normal of management! A vision like this can become a reality, but it requires all of us to work together. Transforming management education, and transforming management to become management 'for the world', needs all of us connected in a network of like-minded change makers [21].

Please feel free to be in touch through the Center for Responsible Management Education (CRME) website, <http://responsiblemanagement.net>. If you are a student, please join our LinkedIn student community by searching for the group named 'Managing Responsibly Network'. If you are a course instructor using this book, or interested in using this book, please join the LinkedIn group titled 'Principles of (Responsible) Management Instructors Network'.

Oliver Laasch

Manchester, 7 September 2020

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# FOREWORD BY METTE MORSING

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**Mette Morsing, Head of PRME (Principles for Responsible Management Education), United Nations Global Compact**

*Principles of Management* provides a truly excellent overview of a burgeoning field of management with a focus on how new responsibilities and the UN's Sustainable Development Goals (SDGs) are taken on by management professionals to make business serve societal development. This book insists admirably and systematically on a 180 degrees turnaround to view management as a profession in service of society rather than taking on the conventional view on management as a discipline in service of individual businesses. While this may sound like a small rhetorical twist, that is not the case. Such a twist has been referred to as Capitalism 2.0. and this book's perspective on management makes the implications clear. Making societal development the core purpose of management practice is a far-reaching approach that challenges management practice – and management theory. It implies a shift from a business-centric focus to a society-centric focus in every small and large area of managerial decision-making. While it may seem obvious and perhaps even trivial to some, it is important to remember that this is not the way many managers are trained today around the world. And this is not the main message from many management textbooks taught in classrooms all over the world.

In nineteen chapters, *Principles of Management* challenges conventional management ideologies, or what is in the book referred to as 'old world management' by providing a 'new world management', importantly offering a journey on how to get there: 'transition world management'. With an ambition of introducing students to classical and recent management theorizing while at the same time ongoingly relating to current real-life business challenges in cases and business leader comments, this book does not try to simplify or downplay the complexity of the task for management in the context of dire global challenges. The reader is taken on a complex journey and invited to reflect and think for her/himself. The book provides great overviews, definitions and insightful questions to inspire reflections and dialogue for current and next



generation managerial decision-making to carefully consider how to support scientifically informed, socially inclusive and long-term planetary well-being.

While this book introduces its readers to responsible management at the individual firm level, it importantly discusses how responsibility and sustainable development are related to management practices in society today. It takes the reader to think about how systemic injustice, corruption, human rights abuse and climate change are issues of management, and not just externalities to be blamed on someone else or on ‘the system’. I applaud the book for doing that. If our students – the world’s future decision-makers - across disciplines, programs and paradigms at business schools and universities today are to understand what responsible management is about, they must understand management as a practice that plays a key role for the interconnectedness of human beings and eco-systems across time and geographies for the world.

Oliver Laasch and his contributors have courageously decided to take out ‘responsible’ from the ‘responsible management’ title in this second edition. I respect their trust in the self-fulfilling prophecies (a phrase they use themselves) and while I think we still need to remind managers about their new responsibilities and that we have a long way ahead of us as management educators to do exactly that, I believe that the content and spirit of this book may in fact exactly contribute to stimulating future practitioners to integrate societal responsibility as a taken-for-granted ambition in any management practice.

Finally, the book’s baseline respect for integrity, professionalism and inclusiveness is well aligned with the UN principles and values. The very fact that around 70 individuals have contributed to the production of the book is itself a testimony of the appreciation of the need to embrace many and not always aligned perspectives if we are to achieve societal and planetary betterment. And this is the real task facing modern managers. I congratulate the author and his team for the hard and careful work that has gone into producing this text, and I wish the book to be a cornerstone for new debates on responsible management.

Dr. Mette Morsing

Head of PRME (Principles for Responsible Management Education)

United Nations Global Compact

New York

**PRME** Principles for Responsible  
Management Education

*an initiative of the United Nations Global Compact*

# ABOUT THE AUTHOR

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Oliver Laasch is a Senior Lecturer in Entrepreneurship and Innovation at the University of Manchester, and an Adjunct Associate Professor of Strategy at the University of Nottingham Ningbo China. He previously filled academic full-time roles at Steinbeis University Berlin (Germany), the Tecnologico de Monterrey (Mexico) and Seoul National University (South Korea), and visiting positions at the University of Tübingen's Global Ethic Institute and at Copenhagen Business School. His research interest lies in alternative business models and in responsible management learning.

Oliver is an Associate Editor of the leading journal, *Academy of Management Learning and Education* and has edited

related special issues for the *Journal of Business Ethics* and for the *Journal of Management Education*. He is a long-standing contributor to the United Nations Principles for Responsible Management Education (PRME) initiative. He edits the responsible management education book collection, has coordinated UN working groups, and founded the Center for Responsible Management Education (CRME). Oliver has co-edited *The SAGE Handbook of Responsible Management Learning and Education* as well as the *Research Handbook of Responsible Management*. The first edition of his textbook, *Principles of Responsible Management* was reviewed and commended in *Academy of Management Learning and Education*.

Oliver has worked extensively as coach and consultant with dozens of companies and universities in staff and faculty development. He also has designed and taught a variety of full courses on bachelor, master, PhD and executive education levels, including blended and massive open online courses such as the Coursera MOOC, 'Managing Responsibly'.



# PRAISE FOR THE BOOK

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‘The practice of management needs to move with the times, and today’s business environment requires managers to take a much broader view of their responsibilities than was necessary in the past. This book provides the first comprehensive guide to this new management agenda – how those in management and leadership positions can contribute to sustainable development and social responsibility.’

***Julian Birkinshaw FBA, Professor of Strategy & Entrepreneurship, London Business School, UK***

‘This book is an important and very timely contribution to the broader field of management. It convincingly shows that we have to rethink the very core of management, if we want to ensure its relevance in a society where sustainable business becomes the new normal. *Principles of Management* will therefore be an indispensable reference work for anyone interested in the future of management education.’

***Andreas Rasche, Professor of Business in Society, Copenhagen Business School, Denmark***

‘Another significant piece of work by Oliver Laasch, a warrior for responsible management in practice and education. The book, focusing on all moral and practical aspects of business leadership and management, has nothing less than the potential to create business as a force for good. Rich, engaging and colourful, with numerous examples, interviews, facts and stories, it is a joy to read. This should be on the bookshelf of existing and future business leaders and business management educators.’

***Debbie Haski-Leventhal, Professor of Management, Macquarie Business School, Macquarie University, Australia***

'I am happy to see this management book make a strong case for ethics and social responsibility. Companies are deeply affected by social problems that endanger livelihoods, social cohesion, and human values. Companies need to show that their company cares deeply about people and the planet.'

***Philip Kotler, S.C. Johnson & Son Distinguished Professor of International Marketing (emeritus), Kellogg School of Management, Northwestern University, USA***

'Sustainable management strategies are central to the success of our planet, our civilization, and the organizations that will thrive in the 21st century. Oliver Laasch guides the reader, managers and students alike, through the challenges, ethical dilemmas, and strategies that will lead to profound levels of success. We all have much to learn from Oliver Laasch and his perspective.'

***Nancy J. Adler, S. Bronfman Professor Emerita in Management, McGill University, Montreal, Canada***

'An excellent book that adeptly prepares students to become leaders in a new era of business that is shaped by societal grand challenges such as climate change, inequalities and resource scarcity. It enables students to understand the role and responsibilities of managers, and critically informs them how they can manage organizations to make a positive impact in the world. The book offers the latest in scholarly thinking and management approaches that come alive to students through vivid examples, cases and insightful interviews with top scholars and practitioners.'

***Steve Kennedy, Associate Professor of Business Sustainability, Rotterdam School of Management, Erasmus University, Netherlands***

'The second edition of *Principles of Management: Practicing Ethics, Responsibility, Sustainability* is a refreshing and welcome text in the field. By positioning Responsible Management as 'business as usual', it centres the profession of management in service of society and the planet. Thus the required knowledge, skills and competences to manage ethically, responsibly and sustainably are fully integrated with those associated with managing people and resources in an organisation.'

***Carole Parkes, Professor of Responsible Management & Leadership, University of Winchester, UK***

# CHAPTER FEATURES GUIDE

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*Principles of Management 2/e* includes a wide range of features to support and enhance your learning throughout. Look out for these invaluable features in each of the chapters as you read!

- **Learning goals** at the start of each chapter outline what you will learn from reading the chapter.
- **Facts** at the start of each chapter are related to the topic and can be fun, scary or impressive.
- **'Spotlight'** includes a company case study at the start of chapters to aid your understanding of business and management practices.
- **Key terms** appear in chapter margins next to the relevant text to help define words for you and save you having to interrupt your reading and search online.
- **Sustainable Development Goals (SDG)** icons connect the global goals for a better and more sustainable world, created by the United Nations (UN), with the relevant areas of management in the text so you can more easily recognise and link the two.
- **Pioneer interviews** per chapter include the views and opinions of iconic thinkers in fields of business and management as well as closing questions for your consideration.
- **Professional profiles** per chapter include expert insight from professionals across a range of different industries as well as closing questions for your consideration.
- **'True story'** per chapter includes case studies from managers with questions for your consideration to help deepen your knowledge of how business people make decisions.
- **'Digging deeper'** and **worksheets** provide advanced, hands-on coverage and activities to prepare you for management and word clouds for chapter summaries and revision.





# PART A

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## BASICS

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# CHAPTER 1

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## MANAGEMENT IN CONTEXT

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OLIVER LAASCH

### LEARNING GOALS

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1. Understand how old-world management practices have formed our present world
2. Appreciate the complexities and tensions of transition-world management practices
3. Envision professional management practices in service of a new world

### SCARY FACT

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Species are becoming extinct 100 times faster than they would without human impacts. Populations of wild animals have more than halved since 1970. The human population has doubled. The last time species became extinct at this rate was when the dinosaurs were wiped out. We are driving the 'sixth mass extinction'; a 'biological annihilation' [1].

# SPOTLIGHT

## NEW WORLD MANAGEMENT

12 RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



Management practice in the outdoor company Patagonia has long been making headlines. Their practices have been called innovative, radical, and even fanatic. What is unique about these management practices and why do Patagonia use them?



A typical practice is, for instance, demarketing. Potential consumers are asked to think twice, as to whether they really need Patagonia's product and encouraged to buy less [2]. Management may also increase a product price on purpose, so that people buy less and so that they pay the full cost of the product including environmental cost [3–5]. Patagonia aims to curb their growth and instead to practice 'controlled growth' [5]. Instead of using up their production

(Continued)



Courtesy of patagonia

resources, they are working to replenish resources more through restorative sourcing and production management practices [6].

While most companies try to pay as little tax as possible, Patagonia has actively assumed responsibility to pay a 'self-imposed tax' donating 1% of their sales to environmental NGOs [7]. People management practices are aimed at enabling employees to harmonically integrate private and professional lives. For instance, when breastfeeding, mothers go on business trips, the expenses for the child and another parent or carer to also go along are paid [8].

What these practices have in common is an attempt to innovate management in a way that makes it fit for purpose in a context characterized by pressing ethical, social, and environmental issues and crises like corruption, gender inequality, and climate change. As the founder Yvon Chouinard explains, these practices are 'based on wanting to be here 100 years from now' [9]: they are new world management practices.



'Patagonia's famous range' by Nicolas.Boullosa is licensed under CC BY 2.0





## SHAPE-SHIFTING CONTEXTS OF (UN)PROFESSIONAL MANAGEMENT

People are suffering. People are dying. Entire ecosystems are collapsing. We are in the beginning of a mass extinction and all you can talk about is money and fairytales of eternal economic growth ... How dare you! ... How dare you pretend that this can be solved with just business as usual?

Greta Thunberg at the 2019 UN Climate Action Summit [10]



What do Greta Thunberg's words have to do with management practices? What does the introductory case of Patagonia's management practices have to do with her statement? Can business management practices that may appear harmless, such as profit maximization, consumer marketing, and global supply chain management, really be blamed for much of what's wrong with the world? Conversely, could management possibly address, maybe, even repair many of these problems?

This chapter provides a reflective space for you to look for answers to these questions. We will discuss management's shape-shifting past, present, and future contexts. At the heart of this is how management practices have created and continuously recreate our day-to-day realities, and how they may shape future realities. We will consider the fact that management practices are influenced by their present context, but also influence and reshape their future context.

**Profession**  
a type of specialized occupation in service of society and the world

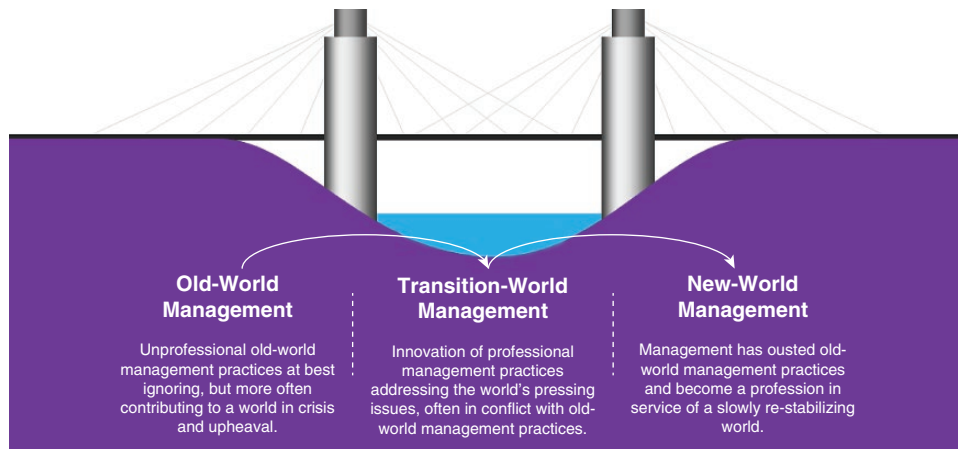
**Professional practice**  
practicing and practices that serve society and the world in professional conduct

**Professional management**  
Management practice carried out with professional conduct and in pursuit of goals serving society and the world

A **profession** is an occupation that serves society and the world. For instance, the medical profession serves a healthy world, the legal profession serves a just and fair world. Professional business management, in turn, should serve the goods and services the world needs and therefore all the people in it [11–13]. Due to the important role of professions, any unprofessional **practices** and practicing unprofessionally have the potential to do much harm. For this reason most professions have a code of practice outlining 'professional conduct'. Such codes put forward practices that professionals should and should not engage in, and how they should practice. Examples are a medical doctor's Hippocratic Oath and the oaths that lawyers take before being allowed to practice. Such a professional code of practice has recently also been introduced for management [14, 15].

Translating this understanding of professionalism to management, we understand **professional management** as a particular type of management

practice. To be called ‘professional’, this management practice requires both to be carried out in service of society and the planet, and to be carried out with professional conduct. As we will discuss further in the next chapter, a manager up to the task will require both a ‘normal’ management competence to get things done with people and resources, and to manage ethically, responsibly, and sustainably. This book is designed to enable (aspiring) managers to develop both types of competences in an integrated way.



**FIGURE 1.1** The changing contexts of (un)professional management

CREDIT: Slidemodel.com

In this chapter, you will first learn how management has developed unprofessional practices that do not live up to management’s potential to serve and better the world. We call these practices ‘old-world management’ (see Figure 1.1). You will also learn how many of these practices have created, and are continuously recreating, some of the gravest problems we face in our world today. This includes economic inequality, climate change, and the collapsing ecosystems which Greta Thunberg and many others have drawn attention to.

Secondly, we will discuss how many managers nowadays engage in innovative management practices and management innovation of new practices that are aimed at addressing the world’s pressing issues. Great examples for such transition-world practices are the practices of demarketing and planned growth, which we have already been introduced to in the case of Patagonia. That these practices have been called not only ‘innovative’ but also ‘radical’





and ‘fanatic’ exemplifies the steep contrast and at times open conflict with still dominant old-world management practices that ‘won’t go down without a fight’.

Third, together we will envision a type of new-world management that ticks the boxes of a management profession in service of the world. We will do so by actively identifying old-world **management practices** and introducing their new-world alternatives. This is urgent. No time to lose. Let’s get to it!

**Management practices**  
activities that management  
practitioners customarily  
engage in

## OLD-WORLD MANAGEMENT

Martin Parker, the author of the book *Shut Down the Business School* [16] claims that ‘Management has made the world that we live in. The world that we live in could now be destroyed by management ... Now, more than ever, we need to rethink management’ [17]. How can management have made the world we are living in and what kind of world is this management-made world?

## HOW (UN)PROFESSIONAL MANAGEMENT MATTERS

For a moment, let us take a step back in time to think about one of the most amazing management innovations in history: factory production. It probably sounds like a very normal and unexciting practice from the perspective of a person, like you and me, living in the twenty-first century. However, the practice of factory production was revolutionary when it was invented in the 1850s, and with novelties like Ford’s moving assembly line and robotic factories, it has kept reinventing itself until today [18].

Richard Arkwright, a tailor’s son and self-made entrepreneur, is often credited to be the **management innovator** who invented and implemented factory production (see the image on page 9) in the English village of Cromford [19]. Arkwright’s textile factory ran on practices that were machine-aided flow production, where the item flowed through the production process while being transformed into the end product. This practice broke with past production practices based on individual workshop-based production by skilled craftsmen and craftswomen. Factory production, in contrast, centres on division of tasks that required only lowly or semi-skilled workers [20-22]. This ‘management innovation’, an innovation of management practices [23-25] was in a way the invention of modern management itself, as factory production required supervision of semi-skilled labour by a manager [20].

**Management innovation**  
invention and implementation  
of a management practice that  
breaks with ‘normal’ practices

Arkwright's invention first changed the lives in the village of Cromford, which experienced an influx of low-skilled, migrant workers, mostly former farmers who became workers in the factory. The management practice of factory production was at the very heart of the industrial revolution and went on to change the world. We still see urbanization and 'modern cities' fuelled by the influx of low-skilled workers. Factory-produced goods boosted global trade as global trade was required to ship the massive amounts of goods produced in factories to wherever they were in demand around the world. Factory production drove down the costs of products, and consumerism beyond the basic needs of people became possible. Due to a stable income from factories, compared to the income derived from the previously dominant agriculture, a sizeable middle class emerged, which in turn engaged in consumerism and which could be influenced by consumerist marketing.

The practice of factory production also 'produced' a world with a tension between capitalist and communist systems, and related practices. Capitalist practices are centred on the belief in human opportunities for people to 'work your way up' by accumulating private property and in efficient market-exchange of produced goods by entrepreneurs just like Arkwright. Communist practices instead aim to 'free' and empower the workers 'enslaved' in factory production by commonly owned factories, abandoning property, and a (state) controlled exchange of goods.

Management innovation of factory production shows how practices in general, and management practices in particular, can change people's lives and the world for better or worse. This story of Arkwright also highlights the potential of (un)professional management both to positively contribute to the world and do considerable harm. On the one hand, without factory



Factory production in a cotton mill.

CREDIT: Look and Learn.



11 November, the Chinese Singles' day, one of the world's biggest consumption festival boosted with the help of Jack Ma's Alibaba.

production, many of the people now living comfortable middle-class lives might still be caught in poor living conditions. On the other hand, without factory production we would not have today's overconsumption that has brought human existence on planet Earth to the brink of collapse.



FIGURE 1.2 Visionary thought on the role of professional management

SOURCE: HUP Donham, Wallace B. (1). Harvard University Archives.

This tension was obvious in the thoughts of management leaders in the early nineteenth century. In 1927 for instance, Mary Parker Follett, who has been called 'the prophet of management' [26–28], stressed that 'all professional business [wo]men assume grave responsibilities' [11]. Wallace Brett Donham, the second dean of Harvard Business School idealistically envisioned 'this new profession of business ... with the sound evolutionary progress of civilization as its objective' [12]. However, he also warned that 'unless more of our business leaders learn to exercise their powers and responsibilities with a definitely increased sense of responsibility towards other groups in the community (...) our civilization may well head for one of its periods of decline' [29]. Figure 1.2 shows more of their views.

## THE REALITIES OF UNPROFESSIONAL MANAGEMENT PRACTICES

How do you think we humans have done as (un)professional managers in the last hundred years? What kind of management have we practiced and what kind of reality have we created? Here is a brief list of examples of how

managerial practices invented in the last hundred years are linked to some of the most serious problems we now face:

- Practices of **continuous company growth** have led to an economic system that continuously produces more than the Earth is able to support while continuing to function as a suitable habitat for humanity.
- **Consumerist marketing** practices creating unnecessary wants have led people to overconsume. Population increases and an increase in the number of people having money to overconsume now exceed what our planet can support.
- To maintain growth-consumption requires practices of **low-cost production**, which creates a need for the cheapest-possible, which leads to exploitative (ab)use of workers in low-labour-cost countries.
- Practices related to a **take-make-waste** production management have led to mountains of waste and quite literally islands of plastic waste floating in the oceans.
- Management evaluation practices based on **quarterly reporting** emphasize short terms and make long-run sustainable management practices unfeasible.
- The practice of '**exploiting**' resources have led to collapsing ecosystems, including forests and the ocean, and a species extinction crisis.
- **Shareholder-value-based management** practices give priority to company owners, leading managers to treat all other stakeholders, e.g. communities, ecosystems, employees as being of lower-importance.
- Executive payment practices, particularly related to **high-level pay** (CEO and other C-suite managers), produce and reproduce economic inequality.
- Practices of **paying women less than men** for the same job done maintain gender inequality.
- **Strategic human resources management** looking for only the 'best and brightest' leads to exclusion from the labour market, unemployment, and poverty.
- **Globalized supply chain management** has been linked to the collapse of local industries and their communities and contributes to climate change.
- Finance and accounting practices centred on **financial costs and value** create a management system that at best is ignorant about social and environmental cost and value, and at worst harms society and the environment.

All these practices are examples of what we call 'old-world management'. These practices have not only contributed to the critical situation we are now in, but are also misaligned with the needs of the troubled world we live in. We now realize that old-world management practices form a management

### Unprofessional management practice

managerial practice not conducted in the service of society and the planet or without professional conduct

occupation whose practices are not in the best interest of society and the Earth as a whole.

Engaging in these and similar practices makes a manager an **unprofessional manager**. For instance:

- You can be highly competent in marketing management, but if this marketing fuels unsustainable consumption, which harms society and affects the Earth, you are not engaging in a professional management practice.
- You can be very good, a ‘pro’ at cost accounting, but if you are not including social and environmental costs, you are not managing professionally.
- You might be the world’s greatest strategist, but if you practice strategy in service of outcomes that do harm to society or the planet, you are not practicing professional management.

Professional management practice requires both competence to carry out management tasks ‘professionally’,<sup>1</sup> whilst ensuring that the tasks themselves are in service of society and the Earth.

After reading this you might feel that becoming a professional manager is a daunting task? Can we really avoid unprofessional practice if it seems to be so deeply embodied in the current management? At the same time, you may also be thinking about the potential that business management has to do good, such as creating fulfilling jobs, solving society’s problems through business solutions, and producing amazing products and services. The next section and the next chapter discuss these kinds of questions, including the challenges and opportunities of practicing professional management in our current managerial world as it is in transition towards professional ‘new-world’ management.

## TRANSITION WORLD MANAGEMENT

Prince Charles, Prince of Wales, summarized the current situation dramatically at the Davos Economic Forum when he challenged managers to engage in a ‘paradigm shift, one that inspires action at revolutionary levels and pace ... we need a new economic model or the planet will burn ... and just think for a moment – what good is all the extra wealth in the world, gained from “business as usual”, if you can do nothing with it except watch it burn in catastrophic conditions?’ The World Economic Forum calls this ‘The Great Reset’ of our economic system [30]. Such a revolutionary new system will need professional management practices, and for this system to come into being we need to go through a transition from old-world to new-world management. For this transition, in turn, we need ‘subversive’ management that does away with inadequate management theories

<sup>1</sup>We will discuss professional management competence in depth in Chapter 2.



and practices, and instead promotes new theories and practices conducive to creating the world we want [31].

**Transitions** are understood as ‘co-evolving processes in economy, society, ecology, and technology that progressively build up toward a revolutionary systemic change’ [32]. Management currently operates in a world in the process of a revolutionary transition. It is a transition from an old world where management contributes to global issues and crises, to a new world where management has to become a force restoring and restabilizing the world. That is to say, it is a systemic transition from management that parasitically uses the Earth, to a management that serves the world, which is a management for all the people in the world rather than just a few, and which restores the Earth to its previous healthy state [33].

The following sections reflecting on the questions relate to this transition: What is the global transition in revolutionary systemic changes that we are involved in? It is a transition of the world from being issue- and crisis-ridden to a more stable one. This transition may happen either through a catastrophic forced transition – for instance, an acceleration of extinction due to the effects of climate change – or a global food crisis due to collapsing ecosystems, for example due to water issues, or extinction of insects such as bees. Or, hopefully, this transition will happen in the form of a human revolution in changes to ways of life to one that will enable us to survive on Planet Earth. What can the role of managers and management be in that transition? What drivers and inhibitors will we encounter when trying to manage professionally in a transition world?

## THE MESS WE ARE IN

In the initial words of this chapter, Greta Thunberg remind us of some of the most salient global issues and crises humanity has created. The second millennium has seen not only an increase in the number of issues and crises across the world, but also an increasing interrelatedness and convergence of those crises towards a global crisis triggered by multiple causes. Such challenges are increasingly systemic, interrelated and complex, and resist resolution which makes solving them a ‘super wicked problem’ [34, 35].

Humanity’s global footprint is a way of measuring how much of our planet’s resources are used for human production and consumption. A footprint of one would mean that on an annual basis we are using exactly the amount of resources the Earth can produce and replace. A footprint below one would imply we are using less than the Earth produces, and that it is restoring its resources. However, we are currently using up 1.75 Earths a year, so that each year we are getting closer to running out of natural resources. This means that humanity’s resource consumption exceeds the reproductive capacity of our planet, i.e we are using up more than the planet can replace: We are

### Transitions

revolutionary systemic changes emerging from the co-evolution of economic, technological, social, cultural, and ecological changes





**Planetary boundaries**  
ecological thresholds,  
overstepping of which  
threatens humanity's  
subsistence on the Earth

‘using up our planet’! This overconsumption is enabled by our economic system, which in turn is enabled by our (un)professional management practices [36].

Research published in two leading scientific journals, *Nature* and *Science*, has identified nine ecological **boundaries** (see Figure 1.3). Overstepping just one of these boundaries makes global catastrophes highly likely. We are currently overstepping four

of them, creating a very real risk of such catastrophes, among them climate change and species genetic diversity (species extinction). In summary, we are currently in an unsafe operating space for humanity on Earth. If the Earth’s ecosystem should destabilize, it can no longer support human society as we know it [37, 38]. Further research has outlined how management practices need to change so less damage is inflicted and we step back from planetary

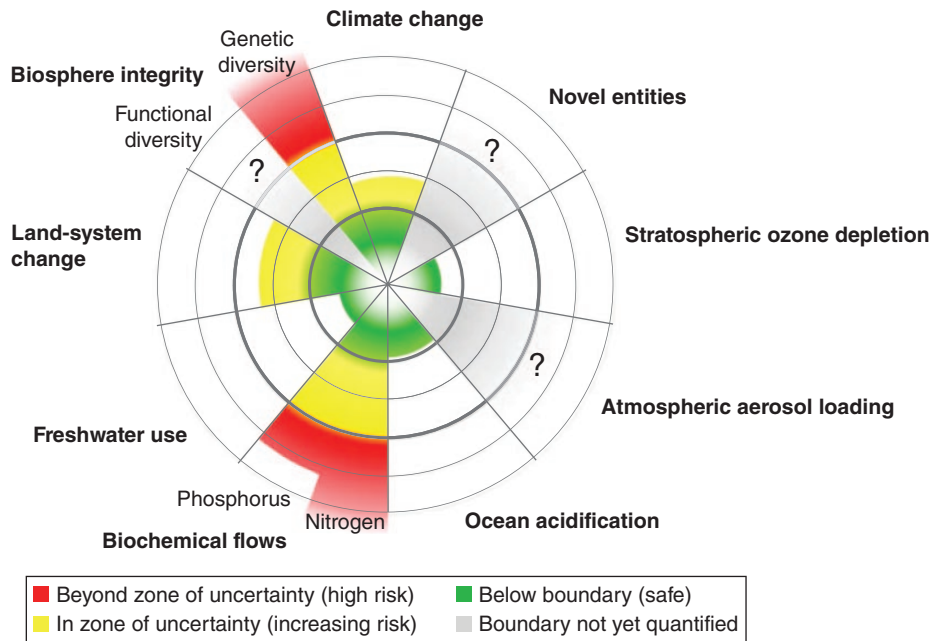


FIGURE 1.3 The planetary boundaries of a safe operating space for humanity on Earth [37]



boundaries, or to even start to restore ecosystems [39, 40]. Patagonia's ecosystem restoration management practices are excellent examples, which need to be repeated at large scale.

Business management is directly affected. In an Ernst & Young study 46 per cent of surveyed managers stated that increased carbon costs, directly related to the global warming crisis, were a main driver for management practice. A study by the UN Global Compact and Accenture asked company CEOs which global challenges are most threatening to the future success of their businesses [41]. Interestingly, climate change ranks just second behind the global educational challenge, and before poverty. Other global challenges affecting companies' management significantly are gender diversity, access to water and clean sanitation, and food security and hunger. Overall, 29 per cent of CEOs mentioned that those global challenges and development gaps drive their management practice. An average of 76 per cent of executives stated that they expect their core business to be affected significantly by natural resource shortages [42].

The **Sustainable Development Goals (SDGs)** introduced by the United Nations (see Figure 1.4) have become a global movement that is influencing both management practice and management education. Addressing one or several of the SDGs, or at least not exacerbating the related issues, is an important step towards professional management practice. For instance, a recruiting manager could combat poverty (SDG 1) by creating recruitment practices that

**Sustainable Development Goals (SDG)**  
18 goals addressing humanity's social, environmental, and economic issues



FIGURE 1.4 The Sustainable Development Goals

SOURCE: <https://www.un.org/sustainabledevelopment/>. The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States

enable poor unemployed people to enter the workplace. A product research and development manager in a food company could manage her team to develop products with lower sugar and salt in order to contribute to good health and well-being (SDG 3). Any type of manager currently travelling for work could take climate action (SDG 13), by wherever possible using phone or internet meetings instead of flying to a meeting, and by carbon-offsetting all flights still taken.

## MANAGERS' TRANSITIONAL ROLE

Forty-two per cent of CEOs mention their personal motivation as the main driver for their companies' sustainability initiatives [41]. The very powerful high-level managers say they are leading an integral part of their company's activities based on a personal preference to do good. Individual management practitioners, and not only those high up the ranks, matter and are critical in professional management and for the progress towards professional new world management.

Figure 1.5 illustrates the central role of managers and management for a broad systemic shift towards ethics, responsibility, and sustainability. The figure illustrates how there are three broad change mechanisms that may well be triggered by a change in individual managers or groups of managers towards truly professional management. First, managers have the power to change business in their respective spheres of influence, regardless of their hierarchical position. A frontline manager may create a sustainable, responsible, and ethical bubble in managing her or his own team. A top-level manager

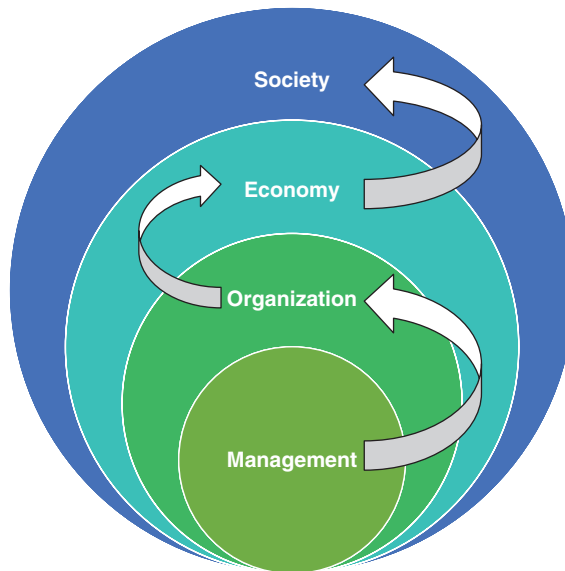


FIGURE 1.5 The layered nature of managerial influence

can do the same for the company as a whole. Secondly, once the business has demonstrated success in transforming to more professional ways, its industry peers are likely to follow for competitive reasons. Companies from other industries and ultimately the economy as a whole could also follow the lead of innovative companies. Third, while the economy is changing, the impact on society of the overall economic system of industries and single companies becomes visible. For instance, consumers are educated through companies and now have some choice of sustainable and responsible products. Employees who have learned responsible practices in companies might transfer those to their individual lives. In developing countries, a waste recycling culture often starts first in companies and is then transferred to broader society. Companies leading in professional management activities often lobby politicians to foster public policies for ethics, responsibility, and sustainability.

The description of this chain of events is a highly idealized one. Change in reality is a process that starts at many other points. You could also identify consumers or politicians as the individuals who trigger a particular change towards a better system, but the particular chains of beneficial events described here all start with management.

You might ask how one should engage in professional, new-world management practices if the whole system around us seems to be almost all unprofessional practices. How can management at Patagonia innovate practices so far away from the unprofessional norm? Management icon Peter Drucker once stressed how much ‘normal’ ways of doing management have become an institution: ‘The emergence of management as an essential, a distinct and a leading institution is a pivotal event in social history. Rarely, if ever, has a new basic institution, a new leading group, emerged as fast as has management since the turn of this century’ [43].

Professional managers at Patagonia realize **institutional work** changing the institution of management. One type of institutional work refers to work that people realize in order to change what is ‘normal’, respectively institutionalized. For instance, when Patagonia’s management engages in restorative agriculture, they aim to establish this kind of agriculture as a new normal, where there is no exploitative unsustainable agriculture. A second type of institutional work is to try to maintain the ‘old normal’, for instance, when petroleum companies lobby

**Institutional work**  
work realized to maintain the ‘old normal’, to change it, or to create an entirely ‘new normal’



User experience designer Emily advocating for the institutionalization of more advanced CO<sub>2</sub> management practices by her employer Amazon.



against anti-carbon-emissions legislation. The third type of institutional work refers to creating new institutions, for instance, a profession of management, an entirely ‘new normal’.

## DRIVERS AND INHIBITORS OF PROFESSIONAL MANAGEMENT

Transition-world management is characterized by the continuous struggle between forces that drive us to engage with professional new-world management, and the opposing forces, inhibitors dragging us back to old-world management (see Figure 1.6).

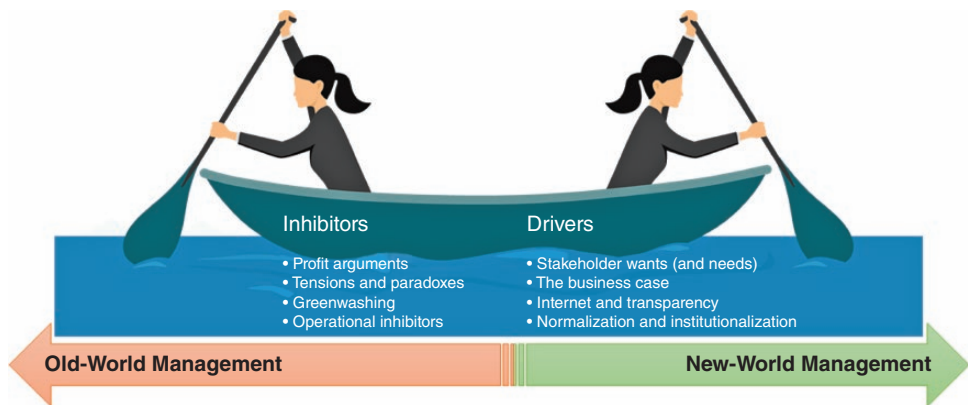


FIGURE 1.6 Inhibitors and drivers of professional management

CREDIT: Slidemodel.com

## DRIVERS



We will now discuss four main drivers of professional management: First, main stakeholders like customers, employees, and civil society are increasingly expecting managers to contribute to society and the world through their companies. For instance, employees increasingly look for work with companies that have management practices that contribute to society. Many customers demand ethical, responsible, and sustainable products and services. They will boycott or rather ‘buycott’ companies that have been highlighted for their unprofessional management practices. Governments are increasing legislative pressure. Examples range from small advances, such as bans on disposable plastic bags in countries around the world, to big plans like the proposal of a radical ‘new green deal’ policy package in the United States of America, or the large-scale closing down of polluting factories in China. Last, but not least, civil society demands a change in management practices to address the world’s pressing issues. For instance, air traffic in Sweden for the first time fell in 2019 in response to the practice of ‘flight shaming’ and as Swedish people

increasingly took ‘no-flight pledges’ [44]. Greta Thunberg, again, is a great voice exemplifying such societal demands, particularly of the younger generations represented in her Fridays for Future movement.

Secondly, there are many business opportunities in professional management in the service of society and the planet. As mentioned, professional management is attractive to many employees and customers, and there is a multi-billion dollars market for sustainable products around the world related to so-called LOHAS (Lifestyles of Health and Sustainability). Using less resources, such as water and energy, produces considerable cost savings. Management sensitive to social and environmental issues reduces the risk of a company being affected by the repercussions of related crises. In many cases, professional management is ‘just good business’.

#### Business case

business opportunities arising from ethical, responsible, and sustainable management

Third, with the worldwide use of mobile devices and social media it has become almost impossible to hide unprofessional behaviour. A clip of a manager’s unprofessional behaviour can go viral within minutes. Such increased transparency incentivizes professional behaviour. Eighty-seven per cent of executives state that one of the main drivers for their responsible management activities is the mitigation of such risks to their brand. Another 64 per cent say they aim to increase their company’s visibility in external responsible business rankings, which have become another widespread transparency mechanism [42]. Fourth, professional management practices in service of society and planet are increasingly institutionalized. Norms like the ISO 26000 for social responsibility and ISO 14000 for environmental management are present in most managerial workplaces. So are the United Nations Global Compact Principles of relating to labour responsibility, human rights, corruption, and environment. Also, the Global Reporting Initiative’s social and environmental reporting guidelines are widespread norms among managers. Many stock markets have launched sustainability indexes, such as the UK’s FTSE4Good and the US’s Dow Jones Sustainability and the Chinese Hang Seng Sustainability Index.

## INHIBITORS

On the other hand, there are also widespread inhibitors of professional management. First, there are critical arguments related to profit. There is the old, but still very alive ‘**Friedman argument**’, which implies that the only responsibility of managers is to make money. According to the late Nobel Prize Laureate in Economics, Milton Friedman, managers should not manage in the service of society and planet as this takes away from their main profit-making responsibility. Others may question the motivation of managers, who might be perceived to ‘only be in it for the money’, or to improve their reputation.

#### Friedman argument

the only managerial responsibility is to make profit

A related argument suggests that one can only contribute to society and the integrity of the Earth in times of high profits and that such professional management cannot be maintained in times of economic hardship, for instance, during an economic crisis.

Second, there are often tensions and paradoxes between old-world and new-world management [45]. A management in service of society and the planet often requires prioritization. For instance, as a store manager in a supermarket, should you place unhealthy or high-revenue items at the cash register where people are more likely to buy them in a spontaneous impulse? Or should you rather place them further back in the store to make it less likely for these items to be purchased? We have a typical paradoxical situation here for professional management who wants to both increase profit and ensure fewer people buy unhealthy products. The paradox is rooted in a contradiction between commercial business logic and the professional logic of serving society [46].

Third, stakeholders might accuse a manager of **greenwashing** when creating a misleading impression of the social, environmental, or ethical performance of a product or company. Many well-intentioned (and also less well-intentioned) companies have fallen through the ‘greenwashing trap-door’ [47]. Once stakeholder confidence of a company’s ‘green credentials’ is lost it is difficult to regain trust. To avoid greenwashing accusations, a professional manager aims to avoid exaggeration and misleading communication so that the professional management ‘talk will match the walk’.

Fourth, there are also varieties of operational inhibitors. A survey among CEOs revealed how it is often (30 per cent) hard to identify the business case.

Forty-nine per cent of executives find it difficult to accommodate competing strategic priorities with professional management and strategy and encounter high complexity in integrating professional management practices throughout all business functions (48 per cent). Additional implementation issues are the lack of managers’ professional management skills (24 per cent) and difficulties to engage with external groups (30 per cent). Executives also felt that the financial markets were not sufficiently recognizing professional management efforts (34 per cent) [41].

### Greenwashing

creating a misleading impression of social, environmental and ethical performance





## NEW-WORLD MANAGEMENT

‘Management like the combustion engine is a mature technology that must now be reinvented for a new age’ [48] concludes management thinker Gary Hamel. He had brought together a group of 35 eminent management specialists, C-suites that included those managers at Google, UBS, and McKinsey, with academic management gurus like Henry Mintzberg and Peter Senge. This eminent team of ‘renegades’, as they called themselves, jointly developed recommendations for a new world management, stating that management has to take the next evolutionary step. Interestingly, their first three recommendations all relate to management’s role in society [48]:

1. Ensure that the work of management serves a **higher purpose**. Management, both in theory and in practice must orient itself to the achievement of **noble, socially significant goals**.
2. Fully embed the ideas of **community and citizenship** in management systems. There’s a need for processes and practices that reflect the interdependence of all **stakeholder** groups.
3. Reconstruct management’s **philosophical foundations**. To build organizations that are more than merely efficient, we will need to draw lessons from such fields as biology, political science, and theology.

Reinventing management as a whole will happen by reinventing one management practice at a time. Earlier in this chapter, we briefly discussed the invention and implementation of management practices that break with ‘normal’ practices, practices that go against the current paradigm and are ‘management innovations’. In the case of Patagonia we have seen new-world management innovations, such as demarketing, controlled growth, and restorative sourcing. The ‘digging deeper’ resource provided at the end of this chapter serves as an illustration as it offers a non-exclusive list of old-world assumptions, and alternative new-world management practices, new-world management innovations that break with old-world practices. Throughout this book we will go deeper into many of these practices and examples.

Many of the management innovations in the table are related to ethics, social responsibility, and environmental sustainability. In the next sections we will first introduce these topics of professionalism and then explore what it would need for management as a whole to become professional.

Reinventing management, however, cannot happen in a vacuum. It is a co-evolution with the economic system that makes management, and a co-evolution of the economic system made by management. What all of



them have in common is a rupture with the ‘mainstream’ neoclassical and neoliberal economic thought that the previously dominant form of capitalism was built on. Underlying assumptions attacked are, for instance:

1. Humans are rational decision-makers → Irrational emotions and intuition explain human behaviours better than rational intellect.
2. Humans are utility maximizers → Common human behaviour, for instance, related to fairness, altruism, social capital, and vengeful behaviour, does not maximize utility.
3. Humans are egoistic and therefore competitive → We are more commonly social, collaborative, and caring.
4. Individual pursuit of wealth leads to social well-being → It has led to global and local economic and social inequality.
5. Private capital and unlimited wealth accumulation are necessary for capitalism to work and lead to well-being → Rather they lead to power imbalances that keep up unhealthy interests of money elites.
6. There are no limits to economic growth and progress → We are nowadays meeting the social and environmental limits to growth and social progress from growth is stalling.
7. Market exchange driven by the market equilibrium is the most efficient and effective, and therefore the socially most desirable form of exchange → Many of today’s social and environmental issues have been caused by the glorification of market exchange.
8. Laissez faire! Economic behaviour has to be freed and de-regulated, ‘let the market do its thing’ → Negative consequences of ‘capitalism unchained’ and unregulated, for instance, related to free trade.
9. Neoclassical economics is a ‘value neutral’ ‘positive’ ‘science’ that describes and explains reality → Most of neoclassical economics are unproven or even by now refuted assumptions on which the system of thought builds. Neoclassical economics rather than ‘describing’ reality is ‘performative’ as it becomes a self-fulfilling prophecy that changes reality.
10. Neoclassical economics is an all-embracing theory that adequately describes economic phenomena → It has blind spots such as economic phenomena related to feminist perspectives, like family economy.

Table 1.1 provides an overview of more recent alternative proposals for economic systems and observed digressions as to how actual economic behaviour increasingly contradicts neoclassical economic theory.

TABLE 1.1 Salient exemplary alternatives to the neoclassical economics that made our current capitalist system

Academic economics theories	
Heterodox economics [49–51]	An umbrella term for the long-established varieties of alternative economic theories disagreeing with neoclassical economics. So far, however, only a few Nobel Prize winners in economics have been heterodox economists.
Ecological economics [52–53]	Studies human economies as subsystems of Earth's larger natural ecosystems.
Feminist economics [54]	Critically addresses phenomena that mainstream economics neglect (e.g. family economics, domestic work) and breaks with core assumptions (e.g. 'free' is not 'good' as it reshapes inequalities).
Observed and proposed shifts in economic behaviour	
Economy of the common good (Gemeinwohl Ökonomie) [55, 56]	A movement advocating for an alternative economic model that works towards the common good and cooperation before profit-orientation and competition that have led to greed and uncontrolled growth.
Conscious capitalism [57, 58]	Proposing transformed, but still capitalist practices for the conscious capitalist who pursues the ideal of capitalism as the most powerful system for social cooperation and human progress.
Purpose economy [59, 60]	A proposition for a new framing of the economic system based on the observation that economic systems are increasingly centred on the realization of individual, social, and societal purpose.



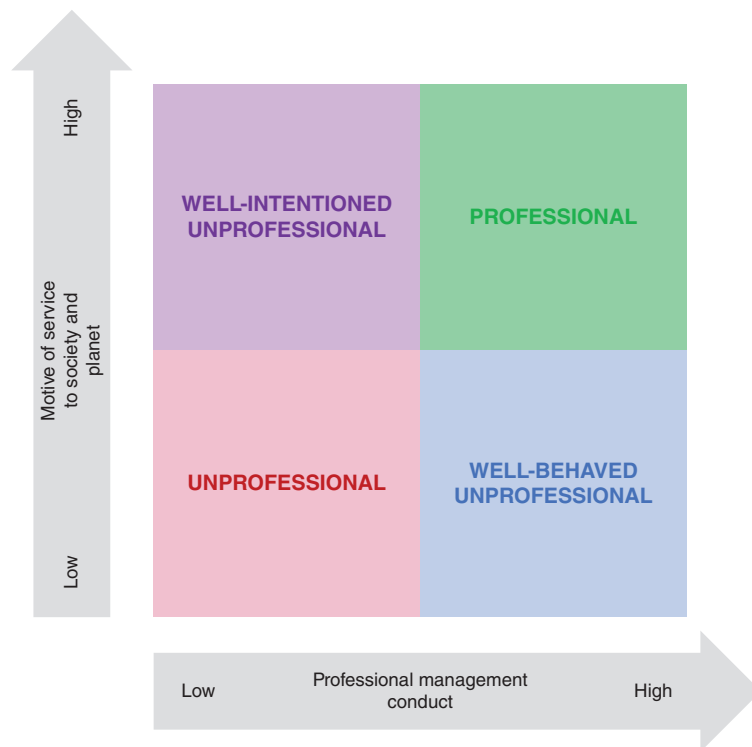
## ETHICS, RESPONSIBILITY, SUSTAINABILITY

Professional management requires that its goals serve society and Earth, and that it is carried out in a professional way. Professional management gets the right tasks done (the ones in service of society and the planet), and does it 'right' (with professional conduct); by taking care while doing the task [61]. The matrix in Figure 1.7 brings the two criteria for professionalism, service, and professional conduct to illustrate four different types of management and managers.

Professional conduct and service closely relate to ethics, responsibility, and sustainability, the three **dimensions of professionalism** shown in Figure 1.8. These three dimensions are a recurrent theme of this book, with practical applications in each chapter. Sustainability, responsibility, and ethics have significant overlaps and strongly influence one another. However, they are centred on sufficiently distinct core concepts to make complementary valuable contributions to professional management.

To further transition from old-world management to new-world management, old-world management practice should integrate ethics, responsibility, and sustainability into both their management conduct ('doing it

**Dimensions of professional management**  
ethics, responsibility,  
sustainability



**FIGURE 1.7** Types of (un)professional management and managers

CREDIT: Slidemodel.com



**FIGURE 1.8** Dimensions of professionalism and 'good' management

CREDIT: Slidemodel.com