CSR, Sustainability, Ethics & Governance

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Friedrich Glauner

Future Viability, Business Models, and Values

Strategy, Business Management and Economy in Disruptive Markets

Springer

CSR, Sustainability, Ethics & Governance

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Foreword

Viable Companies Remember Their Values

Being an entrepreneur means being responsible. Entrepreneurs stand up and are counted for the future of their businesses. They look to that future without forgetting their past. To be and to stay successful, they innovate, they strategize, and they create value.

We might assume that this is all that is needed. But that is where this book by Friedrich Glauner steps in and asks us to go further. I agree with everything he has to say. Future viability in enterprise cannot limit itself to commercial considerations.

Lasting viability is what we are dealing with when we see our future in more holistic terms in our attempts to respond to the challenges and surprises that globalization holds in store for us. Friedrich Glauner applies his enterprising spirit and commercial acumen to tell us how companies can use their value strategies to get a strategic advantage and, at the same time, create added value for the greater whole. What does he mean by this?

As a global enterprise, HILTI has experience enough to understand that profit is not enough to think ourselves truly successful. Instead, we need to get our people on board, we need to remember the social and cultural conditions we are working with, and we need to ask ourselves, day after day, whether the way we have chosen is the right one for us. We need to create added value on all levels, not just for our customers, employees, or our business, but for the entire environment we are based in. Friedrich Glauner's book goes beyond simple moralizing to offer powerful arguments and practical guidance on how companies can become sustainable and live up to the realities of global enterprise. I wish him and his ideas the impact and attention they deserve.

HILTI AG
Schaan, Liechtenstein
September 2015

Michael Hilti

Foreword

> We're in a horse race with catastrophe, but the good news is that we're in the race.

Humanity is racing towards a cliff. One of the largest gathering of the world's scientists ever held warned, "the continued functioning of the Earth system as it has supported the well-being of human civilization in recent centuries is at risk. Without urgent action, we could face threats to water, food, biodiversity and other critical resources: these threats risk intensifying economic, ecological and social crises, creating the potential for a humanitarian emergency on a global scale."[1]

Another report, Human And Nature DYnamical Study (HANDY) Study: "Is Industrial Civilization Headed for Irreversible Collapse," agreed, noting, "Cases of severe civilisational disruption" due to "precipitous collapse—often lasting centuries—have been quite common...." and warned, under conditions "closely reflecting the reality of the world today... we find that collapse is difficult to avoid."[2]

The Stockholm Resilience Centre describes why we have exceeded several of the earth's planetary boundaries and are nearing the others, risking life as we know it.[3] Global Biodiversity Outlook 3 confirmed that several of the earth's ecosystems are already tipping into collapse.[4] The 2014 IPCC Panel report detailed how climate change—in tandem with existing fault lines such as poverty and inequality—poses a direct threat to life and livelihood.[5]

This looming destruction of life is not an accident nor is it inevitable. It is driven by an economic narrative created by 36 philosophers and economists who met in 1947, after the Second World War, to frame the neo-liberal economic ideology of free markets, small government, and individual sovereignty that they believed would best advance their conservative values.[6] Extraordinarily successful, the group placed many of its members as heads of state, advisors to heads of state, including Reagan and Thatcher, heads of central banks, and 8 Economic Nobel laureates, a prize they created to legitimize their work. They created academic departments and policy institutes and made their vision that "greed is good, unfettered markets are perfect and maximization of shareholder return is the supreme goal of an economy" the dominant global mental model. They established the ideology of austerity and championed the belief in the self-regulatory capacity of unfettered markets and individualism.

This paradigm delivers unprecedented wealth into the hands of a small elite[7] while driving the rest of society and the environment to ruin.[8] Now, many believe that we are lost. The intellectual foundations on which we manage no longer match scientific understanding of how the planet works. Current strategies seem incapable of dealing with structural unemployment and inequality[9] throughout "developed" economies or the growing likelihood of ecological collapse.[10] We're like people wondering around Paris with a map of Hong Kong. We need a coherent agenda to align the disparate efforts to enable us to create, in Bucky Fuller's words, "a world that works for 100 % of humanity."

Thomas Berry said, "We are in trouble just now because we do not have a good story.... The Old Story—the account of how the world came to be and how we fit into it .... sustained us for a long period of time. It shaped our emotional attitudes, provided us with a life purpose, energized action. It consecrated suffering, integrated knowledge, guided education.... We need a [new] story that will educate man, heal him, guide him....

This book seeks to change that. It joins a rich list of new economy initiatives from the ecological economics movement which has been active for decades creating the new narrative: the Chinese Green GDP,[11] Bhutan's Gross National Happiness,[12] the New Economic Foundation's Happy Planet Index,[13] MISTRA's green economy work in Sweden, and Leading for Well-being.[14]

This book endeavors to set out yet another paradigm for a viable economics, the paradigm of ethicology. It seeks to replace the concepts of competition, scarcity, and growth with strategies and business models based on resource creation, added values cycles, enrichment, and symbiosis in line with the awareness economy it describes.

The good news is that a healthy economy—what John Fullerton calls a Regenerative Economy[15]—is emerging. The science fiction writer William Gibson said that the future is already here; it's just not widely distributed. Change WILL happen because ecosystems and economies are already collapsing, and because a finer future is being entrepreneured. Both are important. We're in a horse race with catastrophe, but the good news is that we're in the race.

President and Founder of Natural Capitalism Solutions — Hunter Lovins
Professor of Sustainable Management at Bard MBA
Member of the Executive Committee of the Club of Rome

Notes

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Foreword

A Sea Change for the Strategies of the Future

There is no shortage of good ideas. We can all agree that strategies, in theory and practice, ought to occupy a central place in any company's inner workings if they want to hold their own in the market and be the captains of their own fate.

Any manager interested in or involved with them nowadays has a multitude of concepts and tools right at his or her fingertips. This toolkit allows companies to act strategically on different levels, in different situations, and facing different challenges and to adjust their overall strategy as well as their function or product-specific strategies to the circumstances around them. The standing of strategists in organizational and financial terms also guarantees sufficient respect and presence for the managers in charge of strategy development, located, more often than not, in the boardrooms or the highest echelons of the organization.

It is certainly not due to any lack of respect or standing that we increasingly get the impression that the commercial success stories we hear about in our postindustrial, globalized world are not the product of a consciously defined strategy. As in the past, they often seem to be the product of the genius of the lucky few entrepreneurs. Even if companies manage to be successful with their defined strategies as a result of a well-oiled machine of internal and external characters and competences functioning conceptually and practically as they should do, we cannot fool ourselves: Any chosen strategy will reach the end of its shelf life sooner rather than later, and old quantitative concepts, like growth or revenue, are becoming less and less effective as tools for keeping a company or even an entire industry viable in the long run. Concepts that were successful in the past—still adhered to despite the many and often frantic appeals to add a more responsible focus on sustainability to short-termist quantitative, profit-centric thinking—are undermining the commercial building that seems so solid and well built. What goes for the microcosm of companies also goes for the macrocosm of society at large.

This is the starting point for the author's attempt to introduce fundamentally different strategic thinking to account better for the realities of a globalized world that the digital revolution is changing at a pace never seen before. In the first half of the book, he begins by scrutinizing the strengths and weaknesses of old patterns of thinking with acute judgment. His survey of the consequences of our current practices shows us—without getting drawn into any narrow ideological debates—why a basic change in our paradigms is urgently needed.

The crux of his argument is the theory put forward in the second half of this book, that is, the idea that sustainable enterprise is only possible if the value we create is indeed grounded in the values we espouse. This fundamental idea means that companies will not remain viable simply by product differentiation or by dominance in markets or supply chains, but by the uniqueness of their cultures and by exceptional flexibility—in individuals and in the organization at large. This means a very basic paradigm shift in our future strategies. The growth or profit targets we used to pursue are still the intended outcome, but not the primary goals of what we should be doing. They are replaced by clearly defined and practiced values which companies espouse to create something for themselves and for the world around them in the sense of participation writ large and value creation that does not consume but actually creates resources. The values powering all of this are the product of forward-looking strategy development and should be given their due place in the vision and the practical processes of any company.

As happens so often, rational understanding and actual practice are at odds. But understanding and being aware of what is at stake is indispensable if we want to take meaningful action. We need awareness to get the necessary vision that we need for sustainable practice and for ensuring the viability of our enterprises. Vision, in this sense, is also necessary in that the strategic paradigm shift will demand patience and perseverance.

One thing we can be sure of is that reading Friedrich Glauner's ideas on strategies for future viability will give strategists, executives, and entrepreneurs lots of opportunities to reconsider carefully what they are doing and how they are doing it. Reading about them, trying them out, using them, and spinning them further is certainly worth the effort.

Executive Management Advisor Henner Klein
Chairman Emeritus A.T. Kearney
Brussels, Belgium
Munich, Germany
September 2015

Foreword

Mental Models, Overcoming Paradigms with a Life-Conducive Narrative for the Future

Given the various global challenges, from inequality to mass migration to terrorism and environmental degradation to poverty and climate change, we are all facing a need to reevaluate our current guiding mental models. As Albert Einstein said we cannot solve the problems with the same mind-set that created them. Our past theories and mental models were reductionist and guided by the need for simplicity. As H. L. Mencken said: “There is always an easy solution to every human problem—neat, plausible, and wrong.”

Friedrich Glauner traces the traps of our current mental models of business and proposes a more encompassing approach to reflection and action within organizations. From the fiction of rational management to the role values play in strategic decision making, Glauner deconstructs the myth of scientific management in today’s economy. He argues that entrepreneurial decisions are much more guided by ethical values than we are willing to admit and this to our detriment. He challenges the foundations and potential impact of the “sustainability and CSR” bandwagons that many corporations have jumped on.

Following Glauner, we need to start viewing organizations and businesses as human communities that function based on trust. Trust is at the core to establish a new paradigm for strategies and business models that cut through the present cycles of disruption, concentration, and resource exploitation. Trust, however, is only possible if relations are based on globally acceptable ethical values such as the Global Ethic pronounces. Organizations that follow these ideas become living value-based systems and will be able to cocreate benefits for the various stakeholders they are collaborating with. I would call that the collaborative advantage mind-set.

A book worth reading and reflecting on. Onwards to an economy that works for 100 % of humanity, like Buckminster Fuller says.

Michael Pirson
Director Center for Humanistic Management
Fordham University
Research Fellow, Harvard University
President, The Humanistic Management Network
Full-Member, Club of Rome

Foreword

Sustainably Viable Value Creation Calls for a New Management Paradigm

From time to time, strategies can use a rethink—that applies to individual companies and to entire economies. Businesses everywhere have entered a time of constant change, with old business models becoming obsolete at an astonishing rate. This change can be positive, but we need new management thinking to achieve that and not just one or two minor course corrections here and there. When the old concepts of the great strategic thinkers like Michael E. Porter, Gary Hamel/C. K. Prahalad, or Alfred Rappaport are not enough anymore, we need a very basic change in our paradigms. The new paradigm turns our economy from the profit-driven exchanging of scarce goods into a holistic value-creating process that overcomes the apparent contradiction of commerce and ethics and rethinks how global participation, wealth creation, growth, and resource exploitation relate to each other.

Ideas are changing the world—for better or for worse. We often struggle with seeing the changes afoot or recognizing their implications for people. Companies who want to maintain their commercial freedom and be sustainable at the same time can benefit from the strategies of resource-adding value creation that Friedrich Glauner lays out for them in this book. His book explores the basic forces of competition on their way into a new type of economy. His vision dares to rethink the principles of the liberal and social market economy in a globalized business world. Entrepreneurial and economic know-how is the fuel for more enterprise, more participation, and more sustainability—the very essence of the social market economy!

This book is raising the bar. As it outlines a new paradigm for a sustainable economy and management practice, it investigates the common ground between different real-life cases and tests its findings with the toolkit of economic theory.

I hope for this book to find its way into the growing canon of new management thinking, which believes in creative, forward-looking enterprise with sustainable and, in this sense, authentically value-creating business models.

Dr. Jürgen Meyer Chair of International Business Ethics and CSR, Cologne Business School
Cologne, Germany
September 2015

René Schmidpeter

Foreword

Seismic Shifts

Dr. Stuchtey, our age of digitalization, knowledge economies, and Industry 4.0 has made disruption or creative destruction household terms. How has this been affecting strategy development?

We can feel how many of the building blocks of management practice are changing: How we go about creating value, how we use resources, how we engage with our customers, or how we acquire services or labor. This is not limited to authors analyzing these disruptive forces at work or to attendees of economic conferences and forums. Speaking to leading managers, you will soon hear that change is happening on a new level, hidden below the usual story of increasing commercial pressures and accelerating processes. There are many little tremors telling us that a seismic shift is happening: new business models, using new technologies that make century-old industries obsolete overnight—think energy production or hospitality—the rise of the prosumer, the activist investor, and new cooperative enterprises. These changes are not just replacing the old operating system; they are blurring old boundaries between producers and consumers, between the factors of production, and between business and society. And they are giving human beings a totally new place in all of this. We are regaining our autonomy and our voice as we break free from the rigid economies of scale in production and consumption.

Where does the concept of ethicology that Friedrich Glauner develops in his book come in?

The core idea of the book revolves around the idea that the creation of added value for society, today a side condition of corporate reasoning, has to be its target function. In this sense, the book spins the idea of "shared value" further. It raises the bar: the value for society needs to exceed the value created for oneself. And the book shows how this is a precondition for success in the future "responsibility or awareness economy." That is a daring but exciting idea, and it deserves some critical attention. It is based on the assumption that only a coherent and authentic value creation concept can create identity and brand value, win over customers on the outside, and motivate employees on the inside. A value creation strategy that only cares about profit is soon unmasked for what it really is, by both sides. This represents a major challenge for everybody involved. We can assume that different readers will respond with different levels of optimism, depending on their own experiences.

Which role can values strategies play in this?

We need to remember this important term. Creating added value for society gives you not just the right to stay in your market. It gives you very tangible advantages and can be a major engine for commercial success. We can see this at work in many cases already—be it a dedicated artisan shoemaker or a large-scale furniture business.

What is your view of the proposed paradigm shift in how our economic and strategic models are formed?

The book stands right on the tectonic fault line between our old and our new reality. It manages to do both: analyze the shifting paradigms and provoke new thinking. Much in it represents a mental challenge for the thinking reader, but it does not fall into the trap of becoming a simply Jeremiad about the current shortcomings in our business practices and strategic programs. Instead, it shows how the gears of economic history have been turning and the ratchet has clicked—we are locked in to our reality, with no turning back. We need to get the ratchet moving forward for a better economy, society, and environment, which the book describes as the challenge for all societies that it is. It is not the fault or the responsibility of individual people. This type of paradigm change needs new visions—visions like the ones we find in this book.

The interview was conducted by Gebke Mertens, Cultural Images.

Director of the McKinsey
Center for Business & Environment
Munich, Germany

Martin R. Stuchtey

Foreword

The Constraining Logics of Mental Models: A Brief Comment on How to Read This Book

Mental models form and inform our perception of reality and not just in science, religion, or politics. Every day, while we go about our business, the questions of what is real and what is not and what is right and what is wrong are not really a matter of understanding absolute truths. They are much rather a matter of systems of belief with which we explain the world around us. These beliefs not only describe how the laws of our world operate. They also determine our notions of freedom, creativity, ethics, and meaning. Their reach goes even further: by forming our expectations of how the world and the people within it behave, they limit how we respond to it. Fiction makes fact in a double sense: First, our mental models create the laws with which we describe our world; second, they determine what we pursue and how we behave.

Speaking in sociopsychological terms, our mental models' formation of our worldviews creates a constraining logic that we work with and labor under. Beyond all questions of what is good and right and beyond all questions of which models are right or fitting, one thing applies to all: We base our actions on expectations that we attribute to our environment and the people we meet, under the guise of assumed motivations or laws of (social) nature, which we evoke by the very act of imposing these assumptions. Our perception of reality and, even more so, our real social systems—be they families, clans, companies, or markets, religious communities, or the systems of politics or commerce—only come into being, because people align their actions with certain imposed expectations that are formed by their mental models, e.g., of the market, of competition, or of corporate management. The catch-22 of this constructed nature of social reality is that our attribution of these expectations kick-starts a feedback process that becomes a self-fulfilling prophecy, at least in the case of our social systems, that is, the systems of religion, politics, or commerce. As the wide and colorful range of human behavior follows certain expectations and motivations attributed to other people, it creates a dynamic system that evolves ever more intricate laws and mechanisms, becoming the reality we perceive. When we fail to be aware of this mechanism of our mental models, we remain blind to the causes of our actions and caught in a tight corset of limited opportunities for acting in our world.

This book explores the mental models of modern commerce and their assumptions about the nature of strategies of competitiveness. The exploration cuts two trails through this often bewildering field: On the *practical* side, it looks at the key challenges for sustainable management—the main part of the book. It is intended for the practitioners of the strategy business, that is, for entrepreneurs, executives, directors, and everybody else contributing to strategic decisions about companies or business models. On the *theoretical* side, the book wants to speak to researchers working at the intersection between economics and social sciences, psychology, philosophy, and business management. It engages with the interdisciplinary discourse on the conditions, perspectives, and strategies for sustainable business to discuss why and how the sustainability of businesses grows from the dynamics of the values at work within it. Its core message: Sustainable strategies will become possible by changing the paradigms of current mental models in economics and business management with the ethicological paradigm. It states that the only companies that will remain viable in their markets will be the ones that create substantial value with their products and services for the systems they inhabit. This added value needs to exceed the value that the companies draw from the systems around them.

A reader just wishing to glean the main messages of this book will certainly be satisfied by just reading the main part or even just the 25 statements that sum up its message. The other parts of this book, the texts and examples set apart in the boxes, pursue these into more detail and add more flesh to the arguments and suggestions. They are, in a sense, the subtext for a scientific meta-discussion of the future viability of companies.

By combining both levels of the debate, the book reveals a multiple *paradigm shift* in the perceptions of businesses and markets. Its first level concerns the purpose of businesses and, by extension, the perception of what are viable corporate strategies; the second concerns the debate about the pros and cons of an understanding of entrepreneurial responsibility that relates not just to the company but to the entire society around it. The third challenges the economic mantra of the scarcity-driven primacy of competition, the resulting idea of the homo oeconomicus, and the debate of whether our notions of growth and sustainability or of the pursuit of profit and ethics are mutually exclusive. The fourth, fifth, and sixth concern the fiction of the rationality and ethical neutrality of economic models, the fiction of value being created in the unconstrained workings of the liberal market, and the understanding of growth based on the exploitation of resources.

By looking at these paradigm shifts that are under way, this book reveals how the established thinking of business and business strategy is increasingly becoming obsolete, because its belief in an empirically rational concept of business management that is detached from any values makes it miss the simple fact that there can be no notion of markets or of the purpose, organization, or goals of businesses that is above and untouched by values. All business and all notions of the whys and wherefores of business management are inherently grounded in values. The book shows how companies can use this condition to their advantage in the pursuit of competitive advantages in today's economy of affluence and tomorrow's economy of responsibility.

This book offers a pragmatic and a philosophical answer to the question of how individual companies and economically determined societies as a whole can sustain themselves. They can survive if they are based on lastingly viable business models. Viable companies are companies that recognize that the economic principles of strategy developed that are built on the idea of the homo oeconomicus and the common CSR principles of responsible management will not be enough.

The economic principles of strategy development are not viable for the future, because they tend to push companies into *strategies of short-term thinking and resource exploitation* with their scarcity-driven focus on profit. According to this thinking, companies are particularly successful if they manage to privatize profit and externalize/collectivize the costs incurred along the way.

Corporate Social Responsibility is one current attempt to break free from the shackles of short-termist, resource-exploitative strategies. But CSR is also not sustainably viable on its own, since the many approaches to CSR and corporate or commercial ethics with their "triple bottom line" appeals to entrepreneurial responsibility and ethically sustainable enterprise are prey to a *double category mistake:* They confuse the impulses governing entrepreneurial action, and their external calls to responsible action on the meso- and macro-level do not reach the actually relevant micro-level of business practice.

For companies to take heed of something that apparently lies beyond the reach of their economic thinking, we need *competitive arguments* that speak to the micro-level thinking of management practice. The solution can be found in the values determining the actions of managers. According to this thinking, companies that manage to capture awareness as a resource of the future will stay competitive. Companies that recognize the potential of this resource can find the right business modes for the markets of tomorrow. These would be based on creating substantial value, going beyond simply generating profit to create and grow our resources. As in nature's ecosystems, they organize cycles of added value that expand and reinforce the resources of the system at large. They create the soil on which they can evolve.

We would call business models that create value to strengthen the system as a whole *ethicological business models*. They are based on a logic of values that are grounded in the humanistic global ethos and the ecological principles of resource creation. As in the *ethical truth table* we will develop below, ethicological business models manifest themselves in corporate cultures that are ethically sustainable both in the treatment of internal and external stakeholders and in the substantive nature of their business models. Sustainable strategies try to create cultures of values for self-sustaining *value creation cycles in the markets of affluence and the markets of responsibility*. My mission is to offer some pointers and guidance about which value strategies can capture competitive advantages in the future.

Grafenaschau and Tübingen Friedrich Glauner
September 16th, 2015

Acknowledgments

No author can live off his own thoughts alone. He needs the confrontation with other minds, be it on the page or in flesh and blood. This book is the product of countless conversations with people who have been so kind as to discuss with me the many aspects of how our mental models function and how they affect people and institutions alike.

For our philosophical debates and conversations, I need to thank Christa Hackenesch(†), Johannes Fritsche, Ulrich Schneider, Rainer Adolphi, Sybilla Lotter, Klaus Heinrich, Andreas Huber, Christoph Hubig, Hans Poser, Günter Abel, Roland Posner, Donald Davidson(†), John Searle, Hans Sluga, Barry Stroud, Ernst Tugendhat(†), Dieter Henrich, Herbert Schnädelbach, and my colleagues at the Weltethos-Institut Tübingen, Claus Dierksmeier, Christoph Giesa, Christopher Gohl, Katharina Hoegel, and Bernd Villhauer.

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They all deserve my deepest gratitude.

Last but not least, I thank Gebke Mertens. Without her untiring work and support in the form of debates and discussions and comments and suggestions, this book would have never seen the light of day. It is dedicated to her and to our son Albert.

Friedrich Glauner

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About the Author

Friedrich Glauner was born in 1960 into a family of entrepreneurs. He has built up 18 years of experience as business owner, manager, and consultant, with 16 years of active teaching and research in philosophy, systems theory, and communication theory at the Technical University and Free University of Berlin and the EBS European Business School, Oestrich-Winkel.

He is currently teaching values-oriented strategy development, business management, and leadership at the Bundeswehr University of Munich, the Global Ethos Institute of the University of Tübingen, and the Universities of Weihenstephan-Triersdorf and Rottenburg.

Friedrich Glauner studied philosophy, business economics, religious studies, semiotics, and history at the University of Cologne, the Free University of Berlin, the Technical University of Berlin, and the Humboldt University of Berlin and, as a Postgraduate Fulbright Fellow, at the University of California, Berkeley. He has trained at the London School of Economics (Department of Management) and the Business Faculty of the University of St. Gallen. He is a member of the DNWE Deutsches Netzwerk Wirtschaftsethik EBEN (European Business Ethics Network) Deutschland e.V.

His practically tested and proven concept of values management combines cybernetic elements of organizational development and the existential psychology of personality formation with the management toolkit for strategy and change processes. In order to help people manage individual and organizational self-positioning, transformation, and excellence processes, he developed the concept of cultural images as a foil for working with values and the concepts of C4 management, the seven forces driving corporate cultures, and the values cockpit as a tool for values-oriented process management and leadership.

Strategies and the Momentum of Technological Change

1

Moore's Law tells us that the complexity of processors is doubling at an increasingly faster pace. What goes for microprocessors also goes for the half-life of companies in the modern world. Technological progress is accelerating the pulse of businesses to a seemingly frenetic pace. The average age of the companies listed by Standard and Poor's in 1958 was 61. McKinsey now tells us that it had shrunk to 25 years in 1980, and by 2012, the average company was still in its teens at 18 years of age (Gilbert et al. 2013, 44). As McKinsey's consultants predicted a decade ago, this pattern of discontinuity meant that the average life expectancy of the companies listed on the S&P500 index would go down to 10 years by 2020 (Foster and Kaplan 2002, 13). If we see this trend and remember the technology-driven business models of, e.g., AirB&B, Amazon, Apple, or Uber, technological change would seem to threaten the survival of entire sectors of industry. The Commerzbank (2015) recently published its survey of SMEs "Management in Change: More digital, more efficient, more flexible", with a full quarter of the 4000 respondents stating that they worried about the survival of their old business models in the wake of digitization. Another study by the ING-Diba Bank published in May 2015 and referencing the findings of Frey and Osborne (2013) found that the rise of automated production, 'computerization', the Internet of Things, and Industry 4.0 heralded changes in industrial production that are putting no fewer than 18 million jobs at risk in Germany alone. Compared to Frey and Osborne's already dire prediction of 47 % of jobs being at risk in America, this would be 59 % of regular and part-time jobs in Germany. Their disappearance would not only have a direct and drastic impact on the individual incomes and consumption of the people made redundant—in more way than one—by the rise of Industry 4.0. It also affects the very core of the political and economical being of the countries affected, not least in view of the current demographic upheavals and the new forces of migration.[1]

[1] "Global warming is likely to uproot hundreds of millions, perhaps even billions of people, forcing them to leave their homes and creating severe global political and economic challenges. The

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These threats appear even more pressing when we turn to another recent study. A.T.Kearney (2015) published a study on "Germany 2064—The World Our Children Live In", which suggested that of Germany's top-50 hidden champions, 86 % would be active in traditional and only 14 % in innovative industries. 94 % of them would have been founded before 1964, compared to only 6 % founded in the half century since then.

What goes for the economic powerhouse of Germany also goes for other industrialized nations. Technological evolution has potential for new business models, but it also pulls the rug from underneath old industries, markets, or the basic assumptions of an economy that is still committed to broad and active participation. The threat to their survival is putting companies under pressure. Developing lastingly viable strategies not only means understanding how markets are changing, but also knowing how participation in the basic economic and value-creation processes can safeguard healthy consumership.[2]

If we sum up what these studies are telling us, we can draw several conclusions about the strategic direction for businesses: Companies are facing massive, radical challenges as the result of changes from many dimensions coinciding (Dobbs et al. 2015): The global market sees more and more products and services being copied and imitated. Unique selling points are lost, and the pressure on margins and profits is getting worse. The fight for qualified labor, the exploitation of natural

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largest numbers of those forced to move by climate change are likely to be in developing countries, especially those that will experience intensifying drought and sea level rise. . . .

Of the six billion-plus humans that currently inhabit the Earth, nearly a fifth are threatened directly or indirectly by desertification. China, India, Pakistan, Central Asia, Africa, and parts of Argentina, Brazil, and Chile all have areas with low rainfall and high evaporation that account for more than 40 % of Earth's cultivated surface. Closer to home, severe droughts and water depletion in the United States have left nearly a third of U.S. land affected by desertification.

At the same time, hundreds of millions of people live in river valleys where irrigation is fed by glacier melt and snowmelt. As the glaciers gradually disappear, farmers in the Indo-Ganges Plain and in China's Yellow-River Basin will most likely face severe disruptions in water availability.

. . . Because such a large portion of the Earth's people live near sea level, a significant rise, even by a foot or two, could cause forced migrations of tens or even hundreds of millions of people. Low-lying coastal zones are also vulnerable to storms surges and increased intensity of tropical storms. Hurricanes Katrina and Rita caused the migration of more than a million people form costal Louisiana and Mississippi.

The Christian development agency Tearfund has estimated that there will be as many as 200 million climate refugees by 2050 and as many as one billion by the end of the century if global warming and its impact continue" (Watts 2007, 101).

[2] This problem of concentration and participation is also pointed out in two other studies by A.T. Kearney/WHU and the Boston Consulting Group (BCG). BCG's study published in April 2015 »Industry 4.0: The Future of Productivity and Growth in Manufacturing Industries« stresses that the German economy will benefit massively from the rise of Industrie 4.0, with predicted investments of 250 billion € creating up to 390,000 new jobs and adding 30 billion € or 1 % to the GDP, the study of A.T. Kearney and the WHU—Otto Beisheim School of Management »Excellence in Supply Chain Management« confirms the findings of the ING-Diba study. 42 % of the companies surveyed by A.T. Kearney and the WHU expect digitalization to "lead to a loss of up to 20 % of jobs within the next 3 years" (Pieringer 2015, 27).

resources, and the changing consumer habits are creating new challenges for companies. The amount of information available to us has been growing at an exponential rate since the onset of the digital revolution, and the world is not becoming any easier or simpler to understand for that. The same is happening in the markets, where there are more products and more services on supply than all consumers together could ever grasp or hope to consume. The constant acceleration of all aspects of working life and the technological evolution are forming "the winner takes it all" scenarios in the markets, as individual companies reign supreme adding thereby to the erosion of a healthy biodiversity in our economy.

Princedoms and Empires

One of the prime examples of "winners take all" structures (Seba 2006, 2014) and their erosion of healthy commercial biodiversity is the type of business model espoused by Amazon, Apple, Facebook, Google & Co. The essence of these companies' business model is to create self-contained "Princedoms" with the personalized content, services, or connections they offer that the user cannot or would not leave, because doing so would mean a massive loss of data, content, or contacts. The effect both on the user and on the supply chain can indeed be likened to the feudal princedoms of medieval times. These were also ruled by oligopolies that maintained their power by feudal ties. All people living in these princedoms were either members of the court, vassals, or outright serfs. All contributed to maintaining the system with their dues, levies, and forced labor. The business models of, say, UBER or AirB&B are not too far removed from this. The transport service UBER, for instance, benefits from freelance drivers undermining the traditional taxi business. The more pressure they exert on the old structures, the more UBER grows in power, but their vassals have little to nothing from it in return, as their service does not create a viable livelihood for them. This also goes for the private renting-out of rooms and places to stay via the portal AirB&B or for the many name and faceless app developers that contribute to the success of content platforms and app stores for Apple, Android, Microsoft, or Google, most of which do it as a labor of love that does not really pay a living wage. The term "working poor" is a good expression of what is being created. As in medieval times, Google & Co. are the "lords" of their world, which they divide up between the "courtiers" who have a share in the profit, the "vassals" (suppliers depending on their service, such as Foxconn for Apple), and "serfs", the customers and users who deliver their "tithe", their data and content to feed the feudal structure that they cannot or would not want to live without.

"The winner takes all" scenarios are not limited to the likes of Apple, Google & Co.. The same situation can be found in many traditional markets and industries that are becoming virtual oligopolies. Consider the production

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of float glass, agricultural technology, or the food industry at large (or food retail in specific), we can almost speak of 'inverse monopolies', by which we mean the ability of one or few companies to limit access to markets to assert their dominance.

Oligopolies

The world's float glass production is dominated by only four companies: Saint Gobain from France, Pilkington from England, Guardian from the United States, and Asahi from Japan. In Europe, where these four companies have divided 80 % of the market up between them, they had to accept antitrust fines of 487 million € in response to the price fixing scandals of 2004–2005. As a repeat offender, St. Gobain, who had been implicated in other antitrust investigations, had to bear the brunt of that fine, with 134 million € (as explained by Helmut Hauschild in his Handelsblatt piece on the fines on 29 November 2007).

A similar type of concentration can be seen in the case of the producers of seed and fertilizers, without any anti-trust consequences as yet. 74 % of the world market for seed is in the hands of ten companies, and a similar number holds "89 % of the global agrochemical market"(http://www.gmwatch.eu/latest-listing/1-news-items/10560-the-worlds-top-10-pesticide-firms-who-owns-nature). Several companies—Bayer, DuPont, Monsanto, and Syngenta—hold leading positions in both markets. As the Deutsche Wirtschafts Nachrichten DWN reported on 07 May 2013, increasing concentration means that "only a handful of global seed producers are carving up the world market between themselves." According to DWN, the size of the global commercial seed market is estimated at around $27 billion (ETC Group estimate). The ten largest players in the market dominate 74 % of the global seed market. The largest producer among them, Monsanto, alone controls 27 % of it. In the case of beets, the three largest seed producers control a full 90 %, 57 % in the case of corn, and 55 % of the soy bean market. In 1996, the ten largest companies in the industry held fewer than 30 % of the market; today, the three top sellers—Monsanto, DuPont, and Syngenta—control 53 % of it. This horizontal concentration (more market share held by fewer companies) is made worse by vertical concentration: The same companies are also trying to gain control of the previous and next links in the chain. Their goal is control of the entire value chain and over the access to cheap resources"(DWN, Saatgut: "Drei Konzerne bestimmen den Markt für Lebensmittel", 07 May 2013, http://deutsche-wirtschafts-nachrichten.de/2013/05/07/saatgut-drei-konzerne-bestimmen-den-markt-fuer-lebensmittel/).

About such cartel and antitrust problems, the ETC report »Who owns the nature: the seed industry« states, according to the NGO GMWatch: "The Gene Giants are forging unprecedented alliances that render competitive

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markets a thing of the past. By agreeing to cross-license proprietary germplasm and technologies, consolidate R&D efforts and terminate costly IP litigation, the world's largest agrochemical and seed firms are reinforcing top-tier market power for mutual benefit. The trend isn't new, but the tech cartel deals are getting bigger and bolder.

In March 2007 the world's largest seed company (Monsanto) and the world's largest chemical corporation (BASF) announced a $1.5 billion R&D collaboration to increase yields and drought tolerance in maize, cotton, canola and soybeans.

ETC Group refers to this kind of partnership as a "non-merger merger"—all the benefits of consolidation and oligopoly markets without the anti-trust constraints. Industry analysts expect the agreements to have "lasting repercussions throughout the seed, biotech and crop protection industries."

The report finds examples of this problem in many areas:

Monsanto (the world's largest seed company) and BASF (the world's #3 agro-chemical firm) announce colossal $1.5 billion R&D collaboration involving 60/40 profit-sharing, respectively. "This is a great step forward in bringing to farmers higher yielding crops. . ."—BASF & Monsanto, joint news release (March 2007)

Monsanto & Dow Agrochemicals join forces to develop the first-ever genetically engineered maize loaded with eight genetic traits, for release in 2010. "Farmers will have more product choices to optimize performance and protection...."—Dow news release (Sept. 2007)

Monsanto and Syngenta agree to call a truce on outstanding litigation related to global maize and soybean interests, and forge new cross-licensing agreements. "We're pleased . . . to put farmer customers first and reach an agreement that offers them tremendous benefits and choice in the seasons ahead."—Monsanto news release (May 2008)

Syngenta & DuPont announce an agreement that will broaden each company's pesticide product portfolios. "These products, which are highly complementary to our portfolio and pipeline, will provide additional options for growers. . ."—DuPont & Syngenta, joint news release (June 2008).

From the industry's point of view, two or three biotech traits are a lot better than one because double and triple stacked traits generate nearly twice the profitability. Monsanto introduced its first double-stack trait variety in 1998, and its first triple-stack trait hit the market in 2005. A Monsanto spokesman told Progressive Farmer that 76 % of the maize seed it sells in the U.S. in 2009 will be triple-stack varieties.

At a July 2008 meeting, Monsanto officials announced plans to raise the average price of some of the company's triple-stack maize varieties by a whopping 35 %. Fred Stokes of the U.S.-based Organization for Competitive Markets (OCM) describes the implications for farmers: "A $100 price

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increase is a tremendous drain on rural America. Let's say a farmer in Iowa who farms 1000 acres plants one of these expensive corn varieties next year. The gross increased cost is more than $40,000. Yet there's no scientific basis to justify this price hike. How can we let companies get away with this?" (http://www.gmwatch.org/gm-firms/10558-the-worlds-top-ten-seed-companies-who-owns-nature).

What goes for big farming also goes for the food industry at large. As studies by A.T. Kearney and OXFAM have found, a mere 300 to 500 of the global 1.5 billion food producers are in control of 70 % of all food on this planet (Donnan et al. 2014, 1; OXFAM 2013, 5): "In a world with seven billion food consumers and 1.5 billion food producers, no more than 500 companies control 70 % of food choice." Again, the top 10 have the lion's share of that market firmly in their grasp: "In fact, the 'Big 10'—Associated British Foods (ABF), Coca-Cola, Danone, General Mills, Kellogg, Mars, Mondelez International (previously Kraft Foods), Nestlé, PepsiCo and Unilever—collectively generate revenues of more than $1.1 billion a day and employ millions of people directly and indirectly in the growing, processing, distributing and selling of their products. Today, these companies are part of an industry valued at $7 trillion, larger than even the energy sector and representing roughly ten percent of the global economy" (OXFAM 2013, 5).

Inverse Monopolies

The phenomenon of inverse monopolies, that is, market dominance by controlling access to the market, can be explained by considering the power of purchasers in retail. According to a report by the German anti-trust agencies published in April 2014, 85 % of the German food market is dominated by four companies, Aldi, Edeka, Lidl and Kaufland, and REWE. Their powerful position is not just exerting major pressure on suppliers. They are also running a flanking strategy that covers both the discount and the premium ends of the market with their store brands. Traditional brands are facing a triple onslaught, losing more and more ground to the buyers of the big four retailers: First, the small and medium-sized producers can only sell their goods and products to the big chains if they are ready to accept the discounts, bonus payments, and marketing subsidies demanded by them to get their products on the shelves, and effectively pay for the frequent sales offers for the consumer. Second: since the same discounts and procurement terms do not apply to the store brands, this creates added pressure on the independent producers. This is made worse by the third factor of the big four's strategies: The rise of the store brand is often accompanied by more vertical integration in the supply chain, that is, with production and processing facilities owned by the retailers. The retailers have the upper hand in terms of cost advantages and can exert even more pressure on their suppliers.

The old strategic concepts, which often worked with periods of 5–7 years, are becoming the children of Kronos. They are being eaten by time, that is, by the pace of change. We need to consider the *time ratio between the effort needed to change and the competitive advantages gained,* always with an eye on the megatrends (powered by technological evolution) of processes getting accelerated every day, of old markets and services losing their natural boundaries, of traditional businesses and business models falling by the wayside, and of old USPs losing their meaning (Glauner 2016a): From that point in time when a process is initiated to develop new product features, the ratio is 2:3 years. That is, companies invest up to 2 years for an advantage they can enjoy, at best, for another year. When new production processes are developed, the ratio becomes 2:4 years, and new structural or procedural organizations pay off with a 3:5 year ratio. As the intervals between changes shrink and the pool of information that is available for other players in the market grows, the time ratio is also shrinking. The relationship between effort and returns becomes less and less tenable, and might even turn on its head. That is why new developments in terms of product features, production processes, and procedural or structural organizations do not pay off for many companies, as they are being short-changed on the investment they need to make up front.

Lasting competitive advantages are to be had outside of the traditional strategic dimensions of product development, production processes, or organizational development. This is where the *organizational culture* comes to the fore, that is, the changes to people's mindsets, behavior, knowledge, and values. Such changes need a minimum of 5 years to come into effect, but they can secure 20 years of competitive advantages if the resulting culture is indeed viable for the future. The reason for this is that the culture determines the behavior and the room to maneuver for the organization. By contrast to product features, production processes, or the organizational chart, such cultures cannot simply be pirated and copied. Strategy development matters in this sense, because strategies are born by a notion of values that is mirrored in the organization's culture. So, if a specific culture needs at least 5 years to develop and change, but promises 20 years of competitive advantages, the opposite also seems to be true: A company without durably viable mindsets and behaviors will be like an ocean liner without a rudder—moving slowly, but invariably in the wrong direction. As any real change needs a long time to take effect, the company will likely hit the icebergs thrown in its course by the faster and faster currents of change in its environment.

This has major consequences for strategy development. It is not enough anymore—as the strategy thinkers of the 1980s and 1990s would have it—to respond to the faster and faster changes by analyzing markets or competitors in depth. Instead of trying to keep up with the changes that are always one or two steps ahead, we need to understand the drivers and implications of change. Changes and their effects must not be seen from a standpoint of economy alone. *It is the primacy of economic thinking that has indeed led to the developments that are now threatening the survival of many companies and business models. With that in mind, we need to rethink our creeds and mental models that underlie the logics of traditional economic thinking*. We need a mental model of sustainable management that does not just respond to the signs of change on the horizon (Aurik et al. 2015), but actually anticipates its effects and finds new ways to create business models fit for the world of tomorrow.

Faced with markets and business processes that are becoming more and more dynamic, intricate, and densely packed, companies have three major issues on their strategic plates: *First,* they need to reinvent themselves, again and again. Their success and their future viability depends on their ability to come up with business models that add value in markets already bursting at the seams. This also happens on the local level, where the roundabout of change keeps spinning faster and faster, and the old timeframes used in business strategies have become obsolete. To survive in such markets, companies—*second*—need to reconcile the apparently irreconcilable: to be highly flexible and to be unmistakably unique. Solving this *paradox of modern business management* (Glauner 2016b, c) means developing lasting relationship cultures that help grow high-performance teams and forming value cycles and value chains that deliver substantive benefits and added value. *Third,* companies need an unerring sense for finding the mechanisms that actually deliver a competitive advantage in the haystack of data, relationships, and interdependencies they are sitting on. Coping with complexity seems to have become the essence of modern management.

All three tasks of sustainably viable management need us to see people and targets in different terms. They are based on a new awareness of values that changes not just the essence of strategic processes, but also explains why even painstakingly careful strategic processes and change campaigns will often falter and fail. John P. Kotter (1995) reminds us that 70 % of all change processes fail because of poor implementation. McKinsey believes this is due to the poor design and implementation of strategies. Fourteen years after Kotter's warning, nothing has changed (Keller and Aiken 2009). McKinsey's analysis of 1546 interviews with managers revealed that only 30 % of strategic targets are actually achieved to any worthwhile degree.

Even though we must not necessarily buy into the 70:30 narrative (Hughes 2011), a quick look at the business papers already tells us that companies reaching their chosen targets might not be unheard of, but they are definitely not the norm. Why then do strategic decisions often falter and fail even when they were designed according to the deceptively foolproof, state-of-the art recipes of such luminaries as John P. Kotter, Gilbert B. Probst, Michael E. Porter, Gary Hamel, and Coimbatore Krishnarao Prahalad or the combined brain power of McKinsey, Boston Consulting, and Bain? Are Aiken and Keller (2009) right when they point a finger at the seeming irrationality of management decisions and the lack of coherent cultures of implementation and change? I would disagree.

Consider **Nokia Oyj** and **Apple Inc.**. Both companies were managed with clear strategies in the period between 2004 and 2011, with strategies that the organizations heeded and executed faithfully. Still, both companies had very different fates in their core market, the selling of smartphones. By contrast to Apple, which virtually revolutionized Nokia's home turf by itself, the old undisputed leader completely lost touch with its market. Nokia was forced out of its core business, which ended with the takeover of its cellphone business by Microsoft in April 2014.

Why did the undisputed technology champion and market heavyweight of the early 2000s get knocked out so dramatically in its core business only soon after? It was not an unexpected disruptive technology that changed the rules of the game with a radical new product, like Apple had done three decades before by bringing personal computing to the non-IBM masses. Instead, it was Nokia’s different perception of the market and its trends and its different approach towards people and the value strategy the company followed as a result. We can see what this means by looking at the core strategies of Apple and Nokia.

Nokia and Apple both pursued traditional dominance strategies, trying to stay at the top of their sectors by technology leadership writ large. Nokia focused on the product and the product-specific value chain in the sense of infrastructure and accessories. With its diversification strategy, Nokia not only developed mobile phones, but also hardware and software components for data and voice networks as well as consulting services in the development, installation, and maintenance of these networks. For that purpose, it started a joint venture with Siemens in 2007, the Nokia Siemens Networks B.V., which was taken over completely by Nokia in 2013 and renamed Nokia Solutions and Networks. The purpose of this strategy was to generate as much value in an integrated value chain covering the entire cellphone market and telecommunications technology chain—from plotting and operating phone networks to producing and selling hardware and software and making the end devices, the phones themselves. Nokia’s strategic focus rested on the process chain aiming to cover everything from establishing, equipping, and operating modern mobile communication, with all components from cellphone masts to the phone in people’s pockets.

Apple, on the other hand, did not follow the model of Nokia, Ericsson, or Alcatel-Lucent and their focus on producing hardware and software components for cellphones and mobile communication networks. Its focus was the interface between the mobile device and its actual user—the human interface in the most direct sense of the term. This is essentially how Steve Jobs invented the idea of smart phones. It was not primarily about the product-driven management of the technological processes involved in mobile communication. It was about understanding what people actually want when they engage in communication, not least in terms of the looks and cool factor of the devices and the user experience. Apple believed that people were not primarily interested in the best cellphone technology, but in an intuitively usable device that enabled them to do what they wanted, that is, their need for full connectivity and multimedia communication. That is why Apple designed its phone to be a platform and a medium that allows photos, videos, music, actual phone calls, and other data and contents to be shared. By seeing things from the point of view of the user, Apple decided in favor of complete forward integration, covering a wide range of media formats and content platforms like iTunes and its App Store. Not by accident, this also enabled Apple to keep adding new aspects to its business model.[3] Driven by its commercial focus, Nokia continued to commit to backward integration along the mobile technology chain, and lost sight what the user at its end really wanted.

The essential difference between the strategies of Apple and Nokia was Apple's choice of a forward integration strategy, as expressed in its focus on the reinventing the human interface part as a new, user and content-driven communication value chain. Nokia, on the other hand, pursued a backward-integrated strategy of system integration, with deep vertical dominance in the technological product and process chain. When it lost its hold on the smartphone market, this only made things worse for Nokia, as it sat on massive production and development capacities for system components, which could not simply be removed from there and used elsewhere. The loss of the mobile phone business reverberated up through Nokia's business model. Apple, on the other hand, had committed to lean production, outsourced to a network of producers. This decision still makes Apple agile and flexible when the requirements in the markets suddenly change.

Comparing the strategies of Nokia and Apple from the point of view of the disinterested observer, we can see the basic issue of any strategy design at work: *What informs the process of strategy development? Answering this question would tell us everything about the failure of Nokia and the success of Apple. It is, more often than not, the work of values espoused subconsciously that determine how companies see their world. If that vision is in line with actual reality, it can be the engine for commercial success,* if, of course, the strategy and its underlying values are indeed embodied and followed at the company. *If the values do not match the strategic perception of reality, the company will miss its goals even if it executes its strategy to the letter.*

The forced entry of values into the usually rational and mechanistic world of strategy development is not just changing what we consider the right goals for successful strategy development. It also means that the rationality of strategies and, by implications, the economic vision of enterprise in general need to be questioned.

[3] As Carsten Knop wrote in his FAZ piece on 10 June 2015 »Apple reprogramming digital life«, Apple's recent World Wide Developers Conference introduced new strategies in terms of the forward integration of business models. "Apple Music" combines the old iTunes store with a music streaming service for downloads on demand, and Apple News is set to become a new content channel. For its launch, Apple has teamed up with about 20 media outlets, including the "Economist", "Buzzfeed", Bloomberg, and "The New York Times", contributing 33 items per day. The downloaded portal is set to give access to "one million topics". Apple is also bringing its payment system Apple Pay to the U.K., and has passed the first million of participating stores in the States. This places "Apple is clearly set for a confrontation with traditional banks in the area of payment transactions".

2 Strategies Today: The Fiction of Rational Management

The leading voices in the field, like Porter (1985, 1996) or Hamel and Prahalad (1990, 1995), suggest that strategy development is the silver bullet for competitive success in the future. It is, indeed, the show discipline of executive managers, as it considers all other management tasks secondary to this overriding purpose (Müller-Stevens and Lechner 2003, 20ff). By asking three questions—"What you are deeply passionate about? What you can be the best at in the world? What drives your economic engine?" (Collins 2001, 95f)—strategy development challenges the business model and defines products, markets, target groups, and customers for the company. It is the rational way of doing business in future, with »rational« meaning a process that follows a structure to make success predictable with a measurable input–output calculation.

In fact, there are three reasons that should make us wonder whether strategy development is the rational way to plan commercial success. These reasons relate to the inherently opaque nature of reality.

Beliefs, Rationality, and Reality

If we follow the discourse on the principles of rational thinking (Gosepath 1992), rationality consists in purposeful thoughts and action guided by our 'ratio'. People think and act rationally if they weigh up the options available to them to choose—with valid reason—their goals and the means to reach them. In this sense, rationality is always part of a means-ends rationale (Heidegger 1927) that defines the frame of reference for the actions on the ground. It is irrelevant whether this frame of reference explaining the specific rationale is purpose-bound or value-bound (Weber 1904, 1918). Both rationales share the same structure, in the sense that we consider an action to be rational if we interpret it with a frame of reference in which the action appears right and logical. This frame of reference is our perception of reality,

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in which our actions are placed and with which we judge our own actions and those of others. Whether something is rational or not then does not depend on any specific sequence of actions, but on the judgment of whether the perception of reality stimulating it is right or wrong from where we are standing. This also means that rationality and rational action are only an expression of the "right" perception of reality on the basis of which we—individuals or companies alike—think and act.

This is where we begin to feel uneasy about the rationality of our decisions: What is "true" is a matter of interpretation. Beliefs, superstitions, and knowledge all have their stakes in what drives our perception of the world. It is not enough to point at the world around us and declare "This is true". We cannot assume that what we see as true is indeed *THE* truth, implying that the world operates as we believe it to. Take an example: We smack the desk in front of us. Depending on the angle of attack, the way we hold our hand, and the force we use, we will feel the concrete world in the form of the—for us—painful immobility of the object we hit. This pain will make us reject all philosophical doubt about the world, such as the idea that our sensory perception of just now is merely a construct of our mind (Abel 1993), constituted of the recursive feedback of a psychological (Watzlawick 1976, 1988), cognitive-biological (Maturana 1970, 1978; Maturana and Varela 1975), or physical/cybernetic experience (von Foerster 1972, 1987; von Glasersfeld 1995). No: When we hit the desk and our palms are hurting, then we know that the desk is a desk, even if physics tells us that the object we just experienced is a swarm of atoms that is, conceptually speaking, just as permeable as the air our hand glides through in the seconds before the impact.

Pilate already had his doubts: What is truth? Is it just a construct, or is it more, something certain, the experience of unbending rules and laws, satisfying our need for a securely structured world and enabling rational action in the first place? When we stay with the view of the world that our perception and our reason gives us, then we believe—supported by empirical evidence—that the world works according to those laws that we ascribe to it. When we do this, we forget that our reliance on these unbending laws actually means reliance on an article of faith, namely that reality is what we see through the filter of our perceptions.

These filters of perception and the perspectivistic nature of our perception of the world are particularly obvious when we recall the limited objectivity of our scientific explanations of the world. Ever since Kant's definition of the limits of reason (Glauner 1989), but latest since the contributions of Pierre Duheme (1908) and Thomas Kuhn (1962) of the paradigmatic nature of scientific theory formation and the insights about the cybernetic construction of reality of Heinz von Foerster (1972, 1987) and Ernst von Glasersfeld (1995), we have known that the objects of scientific enquiry are essentially

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constituted by the theories and observation/measurement processes we bring to the equation. Our perception of the world is not just dependent on the theories we espouse. It is also un- or underdetermined by its objective nature (Quine 1960). What we experience as existent has always been ‘ontologically relative’ (Quine 1969). The world is changing in the wake of new theories coming to the fore—our many scientific revolutions—in its basic form, function, and make-up. The world is nothing other than that what we describe it to be.

What goes for natural scientists, goes even more for the humanities and the social sciences. We do not observe an independent reality, but we construct it with our many “ways of worldmaking” (Goodman 1978). What we perceive is the output of our worldview filters (Bateson 1979), that is, the semantic patterns (Davidson 1974) with which we describe our perceptions. Martin Heidegger and Ludwig Wittgenstein suggest that these filters are grounded in our life practice, the practices of language and action formed and enacted in our world and the “equipmental nexus” embodied in them. There is no unbiased observer to make these objective (Glauner 1997), so the rationality of our self-perception and world perception is grounded in processes of socio-cultural formation, to which we refer subconsciously whenever we make statements about our world. This now implies that the world can be described in many different ways and that no single way can lay claim to absolute truth. As Paul Feyerabend argues against the adherents of a positivist science and logical positivism and against the deceptively enlightened methods of rational science, such as Popper’s fallibilism (Popper 1935), all descriptions of the world are allowed. There is no one method with a rightful claim to universal validity: “anything goes” (Feyerabend 1986, 32).

The laws of physics are ordered in distinct categories, structures, and laws on the meso-level of our temporal and categorical experience. They allow us to say that the world is how we describe it. By contrast, what laws there might be on social sciences depend on systems of belief that are not immediately evident in nature. These laws are only present in our self-fulfilling descriptions of the world. Following Voltaire’s quip that cause can follow effect like a doctor following a patient’s coffin, our perception of the world in the social sciences depends on the narratives that we use to describe the reality of our social institutions. Our beliefs make reality, and not reality our beliefs. John Searle said that the forms and laws of our social world, that is, the world of our man-made institutions and belief systems, are made by our declarations. The declaration makes the fact that is being declared: “All of institutional reality, and therefore, in a sense, all of human civilization, is created by speech acts that have the same logical form as declarations“(Searle 2010, 12f; vgl. 1995, 59ff, 1969, 50ff and 175ff). These declarations are

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mirrors of the culturally informed hopes and aspirations that we carry into the world. In this sense, they carry the stamp of our values on them.

Belief Systems

One great example for how our perception and interpretation of the world is governed by our values can be found in the beginnings of the movement against nuclear power. When some left-leaning activists of the 1970s and 1980s were challenged about the inconsistency of fighting nuclear power in Germany, the United States or the west in general, but ignoring the policy of the Soviet states, their response was that Soviet nuclear power stations were safer than their western counterparts because of better welding practices. Their rationale: Workers in the western hemisphere were exploited by capitalism and alienated from their work. This did not apply to Soviet workers, who in contrast to the west were not exploited or alienated, thus being more motivated, better skilled, more conscientious, and more professional. It follows that their welders were better, ergo Soviet power plants were being held together by better, safer, non-alienated welding seams. Spinning this absurd logic further, Chernobyl could be regarded as the natural result of Gorbachev's Glasnost policy. By opening up to the western world, workers had begun to be alienated, leading to a decline in work ethics and morale. Chernobyl was, the thinking goes, a sign for how the Soviet Union had been undermined by creeping capitalism which brought the entire edifice down in the 1990s. We see: *Beliefs and fiction can create reality*. As this example of alienated welders bringing the world to the edge of the nuclear apocalypse and a more serious body of research into schizophrenic constructions of reality (Bateson et al. 1956; Watzlawick 1967, 1976) show, deeply ingrained belief systems can lead to a split perception of the world. What the unbiased observer might consider one thing—welding seams—can then become two very separate things—symbols of capitalist alienation or communist work ethics—depending on the beliefs at work.

What goes for our perceptions of the world goes even more for our perceptions of ourselves. "The idea of 'socially constructed' identities is often ridiculed as a mad belief of leftist thinkers and idealists. But essentially, it simply states: while there can be no identity without biology and other natural forces—after all, genes are a part of life—that is not the final word about what we do with our genes and the natural baggage we are born with. Pasta is also a social construct. It does not grow on trees. But it is made from a natural substance. Whether nurture turns the nature of wheat flour into spaghetti or farfalle is up to the chef—just as family laws are up to parliament" (Dath 2015, 13). Applied to our reality, this means that social facts and the belief systems that form them are created by our descriptions, declarations, and explanations. They not only influence our perception of

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reality, they ARE reality and our response to it. Copernicus' statement that the earth is revolving around the sun did not change the course of the planets, but a statement about our social reality does change it. That is, our declarations about our legal systems, beliefs, or even economic systems form and transform the very facts they are stating. If a whiz kid trader could predict the price of a share with 100 % certainty, doing so in public would immediately change the price and counteract his prediction. All actors in the market would go with the forecast. The price would be changed immediately by the forecast—in a sense, a self-preventing prophecy.

For the people in charge of developing corporate strategies, it follows: Whether a company tries to optimize its profits or pursues a sustainability ideal depends on their individual worldviews and values. These only become rational if we superimpose their value-driven filters of perceptions, usually in the sense of their subconscious notion of what the company is there for. The traditional answer of profit-centric economics is: The company is there to create revenue and increase shareholder value. CSR believers would answer: The company exists to create responsible value that considers the triple bottom line of commercial, environmental, and social responsibility.

The first reason for the opacity of reality is the *opacity of the future*. The future is not clear to us, so our strategic decisions cannot rely on a sound prediction of how things will change. Whether the saying goes back to Mark Twain, Karl Valentin, Niels Bohr, or Winston Churchill, it stays true: It is hard to make predictions, especially about the future (Plickert 2008). This comes from two essential traits of our perceptive faculties: First, our self-perception and perception of the world, including our assumptions of objectivity, truth, or regularity, are essentially perspective-bound. Our view of the world depends on the filters through which we view it.

If the perception of reality is indeed dependent on the filters with which we describe it, we have to ask ourselves why we have the filters we have and why we choose the means, routes, and goals that we choose. To start with the answer: This is the product of the values we espouse. For epistemic and cognitive-biological reasons, we typically remain unaware of this in our everyday lives, because these values cannot do their complexity-reducing work in the glaring light of conscious reason. That work consists in how they make our actions efficient by giving us the unreflected certainty to say:" This is simply what I do" (Wittgenstein 1989, 350; PU 217).

Efficiency leads us to the second intrinsic aspect of the opacity of the future. It is due to the simple fact that our cognitive biology has preprogrammed us for repeating patterns of perception and action. This is a functional principle that all life on earth has in common, and we need it to cope with the complexity of the world we live in. All organisms are preprogrammed to assume that something that has happened once or a tactic that has been successful once will happen again or lead to the same results again. This is how organisms as closed systems respond to their environments (Varela 1981), as they would not be able to internalize and automate the complex responses they need without an even split-second delay for cognitive processes. When the environment changes to an extent that the program cannot accommodate, but the organism still manages to respond, it will learn—in a quasi-Darwinian process of selection and adaptation, the programs evolve in this constant cycle of challenge and response. That also means that we will always find it hard to make sound forecasts about radical, unexpected, novel, fixed-step or exponential change.[1]

The second reason for why traditional concepts[2] of strategy development offer us no objective means for sustaining the future of our businesses is the *opacity of the present*. Even if economic scientists have models that assume that our plans have full transparency and complete information about the given situation, that we can be homines oeconomici and take rational decisions about our means, routes, and goals at every juncture, we know: As finite beings, we do not have this divine omniscience that the theories assume we do. We take our decisions, especially our strategic decisions, with constant knowledge gaps, in a world that does not follow the ceteris paribus rule. The world around us is not only changing all the time; it actually tends to behave in a way that we would not have dared dream of.

The danger of shooting right past actual reality with our strategic assumptions goes deeper than Herbert E. Simon (1957, 1993) fears with his idea of limited rationality. From a cognitive viewpoint, the basic opacity of the present world stops even limited rationality from helping us develop watertight strategies that can hold their ground against rival strategies. There are prominent examples, such as Daimler-Benz or the recent travails of the Deutsche Bank, of how even the most careful strategic decision will not protect us from the harsh reality out there.[3]

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[1] Two exercises reveal our inability to cope with fixed-step changes and exponential relations. Try to solve the following tasks and write down your answer:

Exercise 1) How tall will the pile become if you fold the front page of the Times 30 times?
Exercise 2) How many days will it take for a pond to be completely covered with water lilies if every plant reproduces itself once per day and if it took 100 days for the first quarter of the pond to be covered? [You can find the solutions at the book of the book.]

Nassim Taleb gets his key message in the "The Black Swan" from his insight that and why we cannot cope with fixed-step or exponential change (Taleb 2008). In normal life, we ignore the events whose probability is near zero. This creates unexpected levers for both risk management and speculation to lead to exponential success or catastrophic failure. That is why strategic risk management has to prepare for those events whose probability is near zero, but whose impact would be lethal for the business.

[2] "Classic" strategy concepts use strengths/weakness and environmental analyses to produce a segmented portfolio, liking risk, growth, profitability, value creation, cost, process, or innovation strategies and other elements like quality, TQM/EFQM, supply chain, or make-or-buy strategies to get the company into a place where the strategies become more than the sum of their parts (cf. Müller-Stevens and Lechner 2003; Weissman 2006).

[3] In the 1980s, Edzard Reuter's strategy to focus more of the business on arms technology fell flat on its face when it came into contact with actual reality, as did the strategy of Jürgen Schrempp to

The recognition that our perception of reality is inherently governed by our perspectives not only tells us why we cannot develop a strategy to be successful no matter what. It also leads us to the third reason for doubting the rationality of strategic decisions: The *opacity of the causal mechanics in complex systems*. In complex systems, we have no definite way of saying which specific causes lead to a specific event, and we cannot retrace, let alone predict these causal chains with any certainty. If we believe the cybernetic insights of Edward N. Lorenz (1993) that a butterfly in Brazil can cause a hurricane in Texas—the butterfly effect in highly complex systems affected by strong and weak forces—we have to admit that our strategies are based on assumptions that we might recognize in reality, but that might also be figments of our imagination. That explains why even very careful and thorough strategic measures are bound to fail from time to time. They fail because of the opacity of causal mechanics, making even the best laid plans perhaps right by accident, perhaps wrong by design.

The unpredictability of causes and effects can be understood on the level of strategy development itself. If there were such a thing as an algorithm for commercial success—an unbending link between strategic assumptions, corporate activities, and commercial results—we would all begin studying cybernetics. But, as the great entrepreneurs like Steve Jobs, Henry Ford, Walt Disney, Bill Gates, the Albrecht brothers, Max Grundig, Erich Sixt, Hasso Plattner, Peter Dussmann, Adolf Würth, or Götz Werner show, we can neither copy their personalities nor their successes. Every one is unique, a "one of a kind" constellation. Even if we follow Jim Collins (2001) and Hermann Simon (1998, 2007) in their insights into the strategies of hidden champions and masters of excellence and then arrived at distinct conclusions about which shared traits made them successful,[4] even then the reality of business would rear its ugly head and say: Success is not guaranteed, even if you, e.g., follow Hamel's mantra of rule breakers (Hamel 2000) that revolutionize markets or products. *There is no set-in-stone rule for success. There are, however, rules that make failure more likely.*

We can observe this in the usual process of how a business is started: If a young restaurateur goes to his bank with a new business plan to get start-up financing, he will usually come back empty-handed. The bank would simply point to the well-known statistics that four of five new restaurants fail within the first few years of operation. For strategy development, this implies: Referencing the successful

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turn Daimler Benz into a global corporation in direct contrast with his predecessor's strategy. If Gerald Braunberger is correct about the "building site Deutsche Bank", the directors and board around Anshu Jain, Jürgen Fitschen, and Paul Achleitner also failed in their attempts to turn the Deutsche Bank into one of the leading full-service banking houses of the world. "The ambition of Fitschen and Jain to turn the Deutsche into a world-leading universal bank, seems disconnected from reality when one looks at the figures: JP Morgan Chase, one of the undisputed leaders of the banking world, has a market value of around 170 billion €. The Deutsche Bank is valued at a mere 35 billion €" (F.A.Z. of 16 January 2015, p. 17).

[4] Both describe a set of shared traits, convictions, competences, and approaches which the authors consider important for the success of businesses and which, if other companies 'copied' them, would make these companies just as successful.

strategies of selected "business starts" means believing in the *asymmetric heroization of unpredictable evens*, i.e., the post-factual mythologization of accidental developments. With our usual deference to business heroes, their success seems to be logically predictable. But the fact remains: Nobody remembers the names of those who fell on the field of battle, but everybody knows the name of the hero—even if he only survived because the bullet that could have been meant for him hit the comrade by his side.

Applied to the problem of corporate strategy development, this would mean: *Behind every failed company stands not a lack of a strategy*, *but a poorly aligned strategy*, i.e., *ill-judged targets*, *routes*, *assumptions*, *procedures*, *and decisions*. Reality does not work how we expected it. Our models of the world can be quite poorly behaved, unruly children (Emanuel Derman 2011).

If we accept that commercial strategies are not governed by an objective and rationally explainable understanding of the world, we have to ask: What is actually guiding our decisions about corporate strategies? In essence, we can answer:

Proposition 1: Strategic decisions are guided by values that lie behind and beyond the strategic decision-making process

If we do not actively challenge and reflect on these values in the process, the process will remain irrational, that is, we will be blind to the rationale behind our decisions and our perception of the world around us. This leads us to our second proposition:

Proposition 2: Both the logics of economy with their primacy of profit above all and the logics of CSR with their appeals to the triple bottom line ignore the irrational grounding in values of all entrepreneurial decisions

We can see this not just on the macro-economic level of bubbles forming in the markets, where greedy and profiteering swarm intelligence suddenly becomes swarm stupidity, with the well-known implications for individual businesses or even entire industries, markets, or nations.[5] We can see it just as well in the decisions taken by managers every day. To quote Mintzberg, it is "folklore" that managers and entrepreneurs are rational and systematic planners. The opposite is true, as managers and entrepreneurs in particular are often immune to reason with their single-minded beliefs in their worldviews. Coupled with a strong focus on entrepreneurial action, their behavior often becomes short-sighted, unreflected, and fragmented.[6] We can draw two conclusions for strategy development and business management: First, our decision-making processes are far less rational than we believe in our assumptions about ourselves. Second, we again see the influence of

[5] The bursting of the US-American real estate bubble in the subprime crisis of 2007/2008 is only the most recent example of how swarm stupidity can plunge not just banks, but entire markets and nations into outright crisis.

[6] "Folklore: The manager is a reflective systematic planner. . . . Fact: Study after study has shown that managers work at an unrelenting pace, that their activities are characterized by brevity, variety, and discontinuity, and that they are strongly oriented to action and dislike reflective activities" (Mintzberg 1990, 72).

values in management, as already pointed out by Kotter (1995), Aiken and Keller (2009), Keller and Aiken (2009), and Mintzberg (1990). A middling strategy, executed faithfully and transparently, will always be more successful than an exceptional strategy, executed half-heartedly. Not just in the choice of our means, routes, and goals, but also in how we travel along these routes, success or failure will depend on the values at work in our businesses and, by implication, on the humans espousing these values.

The basic drivers of all human and organizational action are governed by values. That is why we need to approach strategy development with a sense for the dynamics of the values at work in social systems. Since these dynamics have already been investigated in depth (Glauner 2013, 2015a, 2016c), we can limit ourselves to discussing how the values that are active in social systems can be used for sustainable business strategies. It is important for us to understand the concept of value-oriented strategy development, as against the concepts currently prevalent in the field. We will do so first by reconstructing the economic logics of strategy development (Chap. 3), second by reconstructing its CSR logics (Chap. 4), and third by looking at how values operate in social systems (Chap. 5). In Chap. 6, we will then consider the logics and drivers of a values strategy that can give companies a competitive edge in the future.

Values and Their Dynamics in Social Systems: Definitions

All people and all social systems they live in, that is, families, peer groups, companies, institutions, towns, (religious) communities, or societies have a dynamic nexus of values that are constantly shifting and changing (Joas 1996, 1999). To understand these dynamics, we need to be able to distinguish the value mechanics at work in individuals from the dynamics in social systems. The following definitions can help us do so:

Values as ethical values: In common parlance, values stand for something good, something worth striving for. Understood as virtues, they guide our actions to a higher, better purpose. They are the emotional, psychological, social, and moral value of the good life and good conduct. Following this narrowly ethical definition, values make us live together effectively, as they include justice, truthfulness, charity, compassion, wit, courage, or wisdom. Vices like greed, avarice, vanity, envy, or resentment are no values, because they do not improve the human condition.

Values as the drivers of human behavior: We need to distinguish between a normative, ie an ethical or moral and, by implication, judgmental definition and an unbiased, non-judgmental and non-normative understanding of values. In the latter case, values are the functional and systemic driving forces behind people's actions. They express themselves as values, needs, interests, motives, and expectations. They arise from existential worldviews and higher-level systems of meaning, and they affect all levels of human

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existence (Glauner 2013, 24). *Unless stated otherwise, we will be using only this functional/systemic notion of values. When ethical values are meant, this will be specified.*

***Values** are the worldview-forming forces behind our deeds*. They are positively charged concepts that guide our individual actions and pursuits. As the psychological currency of emotions, they shape our basic convictions about what matters to us and what does not. For us as individuals, they represent what is good and desirable. On the functional, systemic level, it is the same whether we pursue justice or wealth, or power, or equality.

***Needs** are situationally informed applied values*. They are in constant flux and changing constantly as the drive and motivate our actions. According to H. Maslow (1954), we can distinguish between five levels of needs: Physiological needs, safety, social needs, esteem, and self-actualization.

***Interests** are capability-driven and capability-forming applied values*. They channel our actions in the long-term direction of larger spheres or specific targets. They are complex and learning oriented drivers that create resources. Extensive studies by Gallup show that interests come in 34 forms of talent leitmotifs. These leitmotifs are values that form our interests, making them the driving forces in the formation of our personal capabilities (Buckingham and Clifton 2001).

***Motives** are action-founding applied values*. They have an emotional charge that keeps us going. They are the lasting individual reasons with which we explain why we do what we do, and they express the individual values that are the incentives for our actions or non-actions. David C. McClelland (1987) identifies several basic motives for human actions: the pursuit of achievements, of power, and of affiliation and the opposite wish to avoid uncomfortable situations (cf. Lewin 1935). Growing from these basic motives, our actions reveal a wide range of other types of motives, which we can determine with the typologies of personal dispositions that researchers have identified and validated (Reiss 2008).

***Expectations** are the applied values informing our self-perceptions*. They are the convictions we have about how others and the world at large treat us, and how we should treat them. Expectations are either assumptions that we have about the others or the world around us (e.g. that somebody means us well) or self-attributed, faux-external suppositions about ourselves. They can be expressed as either "A is X about me" (external suppositions) or "From A's point of view, I am X" (self-attribution expressed as an external supposition). As they relate to ourselves in both cases, they influence our own actions.

***Systems of meaning** are self- and world-explanatory beliefs*. From the point of view of individuals, they constitute the mental frame of reference that we all live by (Frankl 1959; Peseschkian 1983; Glauner 2013). Systems of

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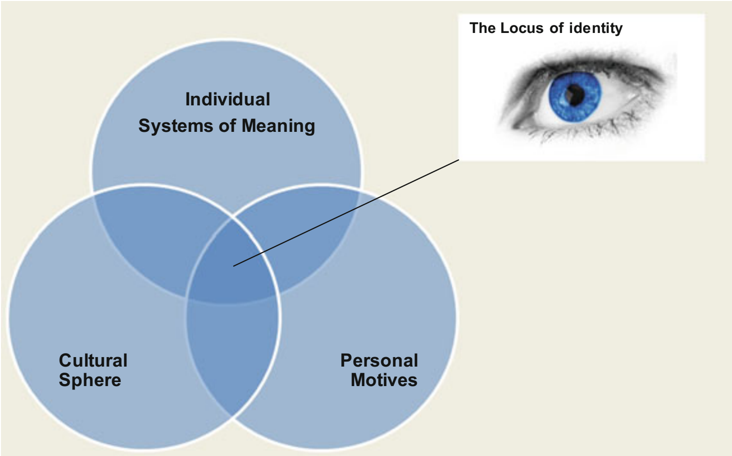

Fig. 2.1 The intersection between people's values

meaning give us the higher reasons, the purpose and meaning of our lives. They are formed by the socio-cultural baggage handed to us by our faiths, cultures, professions, class, family, peer group etc., that is, by all social systems we find ourselves in.

Existential worldviews *are the filters of our perception that govern our essential understanding of the world and of ourselves*. They define our view of how the world is and which roles we play in it (Graves 2005).

People's value ties *are the ties that govern the interaction of all internal and external values that influence our thoughts and actions*. They are influenced from the outside by our cultural sphere (language, culture, religion) and by our social systems (families, peer groups, companies, political parties, associations...). From the inside, they are formed by our personal needs, interests, ambitions, expectations, systems of meaning, and existential worldviews. Their intersection is what constitutes our identity as humans (cf. Fig. 2.1).

The greater the convergence, the more we identify with the world around us and the more motivated and coherent our actions are.

Social systems: According to the *cybernetic definition*, social systems are living systems of a higher order. They are sustained by values (preferences) that govern both the system's perception of reality and the interactions of the elements that make up the system. The *sociological definition* states that social systems are all types of human communities, in which individuals engage in formal or informal relations with each other. Peer groups, businesses, organizations, parishes, families, or any other community,

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including markets, trading, or conflict systems, are therefore social systems. They are formed by the state and processes of social interaction between the individual entities (Parsons 1971, 15).

Values dynamics: All social systems, that is, individual people and their interactions in the social systems they form, are subject to the recursive dynamics of values. These come from the psychological and systemic feedback that values create (Glauner 2013, 37ff, 2015a, 243ff). In psychological terms, values govern our behavior; our behavior forms social systems; social systems form values; and values govern and amplify our actions: Values make people, people make social systems, social systems make values. From a systemic point of view, values work in the opposite direction. People inject their own values (ambitions and goals) into the social systems they live in and they respond to: People form values, values form social systems, and social systems form values.

For the strategic process, this means that we need to find ways to cope with three value dilemmas that come from these recursive dynamics (Glauner 2013, 39, 2015a, 244):

1. The *dilemma of the self-referentiality of values*: Which values should be paramount for the company? Who decides this, and how is it decided?
2. The *dilemma of the dominance* of actors in social systems: Which people have the legitimate power to shape the company and its values? Who decides this, and how is it decided?
3. The *dilemma of systemic blindness*: How is the ethical problem of companies being blind about their applied values resolved? What makes us sure that the intended values remain in place and that the dialectics of the recursive nature of human and systemic values are translated into a truly sustainable set of values?

3 The Economic Rationale of Strategy Development: Profit

Economic theory tells us that the *rationale of profit* governs the development of strategies. According to this rationale, generating income is the first and foremost purpose of any enterprise. A healthy income stops a company from being pushed out of the market, e.g. by insolvency. And income satisfies the demands of the company's shareholders. Income represents the interest on the capital brought in by the company's owners and investors, and it helps ensure that they will keep financing the business and not cut their ties because of poor returns. With this fixation with revenue, increasing shareholder value has become the primary goal of strategic decisions (Rappaport 1986, and more recently Goedhart et al. 2015). This affects our notion of strategies in general and the specific strategic portfolios used by companies in the real world.

Strategic portfolios are subject to the primary goal: Generating revenue. If we apply Weissman's model of revenue drivers (Weissman 2006, 126), companies rely on the functional factors for safeguarding their revenue streams: Revenue is secured by keeping a competitive advantage; a competitive advantage is kept by applying one's core competences.

But let us consider this functional model from a higher vantage point. We can see that most strategic decisions, e.g. those about profit, growth, risk, diversification, production, or innovation targets, are self-referential parameters. They only look outward when it comes to the competitive advantages, that is, to decisions about products, services, or brands (cf. Fig. 3.1).

Proposition 3: The economic rationale of strategy development is self-referential. It is governed by the logics of profit.

This self-referential focus on profit leads us to the statement of faith in economics: *»Competition«*. The rationale of competition is based on an instrumental perception of the world. People approach business by looking for ways to achieve their goals in a dog-eat-dog world. Even cooperation, win-win, or networking strategies are usually seen as a means of achieving a personal advantage, only tuned down a notch where the partners share common values, such as respect, fairness,

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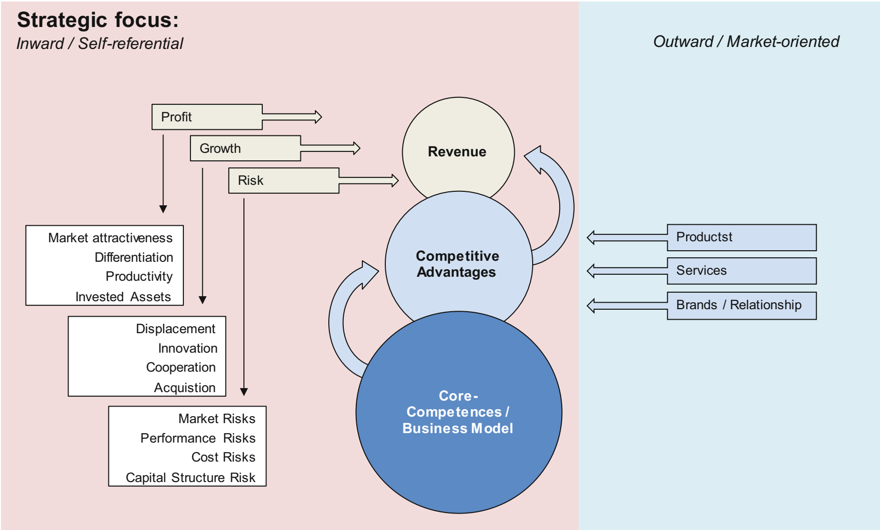

Fig. 3.1 The strategic perspectives

transparency, cooperation, and mutuality. When this is not the case, the partnership will suffer from a lack of trust and inspire strategies and practices that again only pursue self-interested benefits, as expressed in the principal-agent problem.[1] More often than not, strategy development is seen as an attempt at bringing the "art of war" to the boardroom.[2]

In war, competition is often a zero-sum game. One army will only conquer what the other loses. There can be no winners without losers, which is also a premise of the showpiece conundrum of game theory, that is, the prisoner's dilemma (Tucker 1950). In the economic rationale of management, this has become part of the basic canon for successful strategies. One person's success in the prisoner's dilemma will always come at a cost for others. One side can be uncooperative and gain an advantage at the expense of the other person. If both sides are uncooperative, they will both suffer disproportionate losses. Even if both sides are cooperative, they will not gain mutual benefits, but only minimize their potential loss. A rational choice would be a choice that uses one-sided, uncooperative actions and uses the actions of the other party only for its own good. Deceiving, outsmarting, and tricking are the preferred styles in competition and appropriate strategic choices.

[1] The principal agent problem concerns the ability to ensure the contractually correct practice of an agent against the subjective risk of the principal that an agent does not or cannot deliver the contracted service (Holmstrom 1979; Grossman and Hart 1983).

[2] We can name the Boston Consulting edition of von Clausewitz (2001) or management classics like Robert Greene's bestseller "Power" (Greene 2001), which explores the lessons of the great political and military strategists for everyday life.

The self-referential rationale of economics is not bound to the primacy of competition alone. It also works via narrowing the strategic perspective to the idea of *»scarcity«*. Strategic planning, we hear, means the revenue-driven organization of scarcity, of time, of capital, or of other means and resources.

Proposition 4: Economic strategies organize scarcity to increase commercial revenue.

With this focus on making profit from scarcity, the economic rationale misses one important fact: Profit, as the symbol of success, is only ever a consequence of something, not a suitable goal for strategies. If we put profit first, and not its causes, i.e. the benefit that a customer acquires by buying a product or service and thereby creating profit for the company, scarcity-driven strategies get caught in their own *value traps*. They cannot see the actual value drivers in the business, and they work with the wrong levers. The *strategic trap is sprung*.

It has an internal and an external dimension. The external dimension forgets that profit and success are the product of the company producing a certain benefit that cannot be captured in revenue targets or indicators. The internal dimension is the result of this mistake, that is, the fixation with revenue and profit, with simply quantitative figures that make us miss the qualitative basis for profitability—in the sense of our ability to make a profit.

Let us try to understand the basic notion of strategy that is at work behind this economic rationale of strategy development. From the point of view of business economics, corporate strategies try to organize scarcity with the aim of increasing revenue. For that purpose, they align the strategic goals and operational means in such a way that the company can thrive in its market. Considering the link between our notions of strategy, competition, and scarcity from a meta-perspective, we get a glimpse of the values determining the economic rationale at work:

- Drawing on the annals of military strategy, it is the value of dominance (von Clausewitz 1832; SunZi 1988; Musashi 1645) or, in economic terms, the idea of absolute market dominance.
- Drawing on the wealth of political strategies, we see the values of deception, tactics, and strategic cooperation with "enemies" (Machiavelli 1531, 1532; Abu Ali al-Hasan Nizamulmulk 1959; Carl Schmitt 1932) or, in economic terms, the idea of absolute dominance over the value chain.
- Drawing on the body of economic strategies, it is the value of self-interest or, economically speaking, the idea of unlimited revenue streams based on a monopoly over the product.

We can use these three dimensions of economic strategy development (that is, the wish to dominate the market, the value chain, or the ownership over the product) as a three-dimensional strategic space. At its heart, we will find the ideal of the monopoly. Even if our laws stand in its way: *The economic rational of strategy development will always pursue the greatest possible dominance over the market (consumers and competitors), the value chain (suppliers and customers), and* *products and prices (monopolies in a seller's market). Strategy and tactics are then the means of achieving purely self-interested goals.*

As more and more parts of our lives are becoming economized, these strategies and actions have two grave consequences, which incite our call for more sustainable and responsible strategic and economic principles: The first consequence concerns the interactions of the deceptively "rational" homo oeconomicus; the second concerns the interactions of companies with the societies and nature around them.

Mental Models: The Economization of Our Lives

The trading of goods and services, powered by the pursuit of profit and constrained by scarcity, has become the dominant concept with which we describe human interactions and people's motives. It has also become the reason behind the increasing economization of our lives. We can see it in the economic idea that the market economy is the baseline of economic life. However, when we consider trading from an anthropological perspective (Mauss 1925; Starobinski 1994), the trading of gifts has historically been less a means of distributing scarce goods with a view to gaining the greatest personal profit from it and more a means of stabilizing social relationships. Archaic ideals of honor and credit (Mauss 1925, 59ff) and the related duties of give, take, and reciprocate (l.c. 71ff) still hold sway in our social and national economic institutions, such as cooperatives (l.c. 130ff). These institutions are governed by a deeply ingrained set of morals that offset taking with giving. Even the inherently commercial idea of the honorable merchant has this component, as the honorable merchant works with relationships of trust that make, keep, and strengthen the honorable market in the first place.

In reality, such social ties and commercial relationships have always been influenced both by virtues like fairness, compassion, cooperation, collectivism, trust, and responsibility and by vices like selfishness, vanity, greed, and the pursuit of power. The *mental model of who and what man is* not only affects our relationships, but also the self-fulfilling prophecy of expectation, perception, and visible action: *Fiction determines reality; our mental models of the world determine our actions and our actions determine our social reality.* We can see opposite ideas of the nature of humankind: Hobbes' homo homini lupus, assuming that our bio-psycho-social conditioning makes us inherently evil and make our actions selfish, uncivilized, and self-interested (Duerr 1988; Dawkins 1976). Or the emancipated enlightenment idea of Rousseau and Kant, who considered man to be empathetic and good by nature with behavior that is normally civilized and cooperative (Elias 1939; Bauer 2006, 2008).

If we follow the economic concept of mankind and assume that the homo oeconomicus is a rational self-interested actor pursuing the greatest good for

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himself, and if we then combine this concept with the concept of free markets distributing scarce goods in the best possible manner and producing individual profit at the same time, this scarcity-driven competitive model of individual wealth creation cannot but lead to a spiral of all market relations being increasingly subject to actors trying to outsmart each other in the pursuit of greater profit. More and more aspects of our world are being pulled into this spiral of economization, and the forces of concentration in collective competition are beginning to undermine the very basis of our existence.

The double impact of the currently dominant mental models in the economic sciences can be seen in the *spiral of resource exploitation* that is sustained by the economic fiction of wealth created by disruptive business models.

Exploited Resources

If we believe the economic narrative of wealth creation, the idea of creative destruction (Schumpeter 1942), that is, the idea that the better will kill the good and that even good business models will have to give way to better models, leads us to also believe that creative destruction is a way of creating wealth and opportunities for everyone. However and as outlined above in »Princedoms and Empires«, what we see is that the vast aggregation of wealth resembles an ever quicker turning spiral of concentration and the formation of "The winner takes it all" structures. The effect of our economic mental model on our world can be seen as a process of widespread impoverishment and disenfranchisement, both in terms of the broader participation in wealth and in terms of the wide-ranging erosion of the human and natural resources that are the fuel of our current wealth.

This becomes plain when we combine the consequences of technological evolution with the key premises of the economic worldview in a causal chain:

Premise 1: People and enterprises are rational maximizers of their own good.
Premise 2: Goods and resources are scarce.
Premise 3: In the fight for scarce goods and resources, people and enterprises are in competition.
Premise 4: The optimal form of managing scarce goods is competitive forums (liberalized markets) governed by the free rules of supply and demand.
Premise 5: An advantage in the profit-driven competition for scarce goods and resources generates greater profit, which can again be used to gain more competitive advantage.
Premise 6: Creativity and intelligence can overcome scarcity in means, goods, and equity, so that the invention of novel, disruptive business models can make long-established "top dogs" obsolete.

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Let us combine these premises of the economic mental model with the developments caused by the technological changes we saw in Chap. 1. If we compare this with the business models of e.g. UBER, Apple, or Amazon, we can see the following feedback spiral forcing the hand of the economic actors and accelerating the economization of our world:

- Competition for scarce goods in an iterative process of profit and loss is leading to the concentration of assets in the hands of a few selected players, which is globalizing and accelerating technological evolution.
  - The concentration creates additional competitive advantages for the big players (economies of scale and horizontally or vertically integrated value chains), which are being reinforced with dominance strategies closing off their markets.
    - Competitors in markets closed off by dominance strategies are forced to find disruptive business models as the only way forward for smaller or less established players.
      - Globally disruptive business models (such as Industrie 4.0) are leading to new concentration.
        - This wave of concentration is putting countless jobs and a broad and diverse enterprise landscape at risk.
          - The erosion of a broad, small-scale employment and enterprise landscape is leading to increased pressure on the prices for the products and services of the remaining actors.
            - The increasing pressure on prices for products and services can only be balanced with new disruptive business models or even more cutting cost-reduction measures in production (reducing the labor and resource costs, outsourcing the costs down the supply chain, production in cheap labor countries with low or no social or environmental standards)
              - The increasing pressure on prices echoes around the world and is putting the resources and the income of a broad landscape of suppliers and their employees under pressure.
                - The pressure on resources is again accelerating the spiral.

If we want an example to show how this spiral of concentration and resource erosion is working, we can look at the global wealth index published recently by Boston Consulting (BCG 2015). According to the index, private wealth has increased by 11.9 % in 2014, after having grown by 12.3 % in 2013—two years with historically low interest rates. For comparison: In the same time, the global GDP grew by 3.41 % in 2013 and 3.39 % in 2014. We

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can assume that the increased wealth recorded by Boston Consulting is the product of a disproportionate increase in the value of highly unequally distributed wealth. Without wanting to get into the old debate about the pros and cons of Thomas Piketty's criticism of capitalism (Piketty 2013), we should also remember the stark message of the OXFAM report published on 19 January 2015 »Wealth: Having It All And Wanting More«: The 80 richest multi-billionaires own as much as 3.5 billion of the poorest people taken together. That is: a mere 80 people equal the wealth of half of humankind (OXFAM 2015).

More relevant than the individual distribution of wealth, from the company's point of view, is the fact that the spiral of the concentrated creation of wealth kicked into action by creative destruction is increasingly becoming a threat to the biodiversity of the commercial landscape. That threat is only made worse by the prevalent mental model of "same-old same-old". One example: As Umair Haque wrote in »The New Capitalist Manifesto: building a disruptively better business« (Haque 2011), disparity in real incomes and wealth in imperfect markets can indeed represent an opportunity for extremely successful disruptive business models. His example is the automotive market and the fact "[that] the global rich had plenty of choice in autos, while the global poor had none" (Haque 2011, 124). The response of American car markers was that it would not be possible to build cars for the world's poor, when Tata stepped in and used the imperfect nature of the market for something completely different. "It focused on inequity—an incomplete marketplace for autos—like a laser beam. Tata asked, 'How can we serve people, communities, and societies that are chronically and consistently underserved, marginalized, or ignored by automakers?' Its simple, world-changing answer was, 'What if we can make a low-cost car for the poor?'" (l.c. 124).

The key here is not that Tata completed the market in accordance with the economic rationale of competition by producing cars for those consumers who could not afford any before. Instead, Tata gave the concentration spiral another spin, using mostly automated production processes to make products for people who have no share in the wealth created at any link in this value chain.

Tata's story shows us that such disruptive business models live off the same logic that we see at work in the lottery winner or dishwasher-turned-millionaire narratives. There can only be one or a few winners, and there have to be millions and millions of losers, who will stay losers as the jackpot has been won. The technological change powered by our current economic mental models is leading to an ever-faster spiral of concentration that is threatening vast swathes of our current business and consumer landscape, without actually increasing the wealth of nations. This underlines what we

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have said: An economized world is increasingly becoming an industrialized world of fiefdoms and empires whose inhabitants are either courtiers or the 'great unwashed' serving the court without getting even the crumbs of the rich man's table. The mental model of current economics makes us believe that creative destruction leads to new wealth for everybody, but the reality says otherwise. The two directors of the MIT Center for Digital Business, Erik Brynjolfsson and Andrew McAffe, call this split the separation of winners and losers in the second machine age. Referring to Ed Wolff and Sylvia Allegretto (2011), they diagnose that "superstars ... in the winner-take-all economy [of the United States]" (Brynjolfsson and McAfee 2014, 150) are skimming wealth off the top at an exponential rate, while the rest of the community is losing out. "Between 1983 and 2009, Americans became vastly wealthier overall as the total value of their assets increased. However, as noted by economists Ed Wolff and Sylvia Allegrette, the bottom 80 percent of the income distribution actually saw a net decrease in their wealth. Taken as a group, the top 20 percent got not 100 percent of the increase, but more than 100 percent. ... The top 5 percent got 80 percent of the nation's wealth increase; top 1 percent got over half of that, and so on forever-finer subdivisions" (l.c. 131). "In other words, the top 0.01 percent now get a bigger share of the top 1 percent of income than the top 1 percent get of the whole economy" (l.c. 149).

This disenfranchising spiral of concentration, price wars, and resource exploitation is no horror story of leftwing agitators, as a recent study on the »Work crisis—a divided tale of labor markets« (Kocic 2015), published by Aleksandar Kocic, the Managing Director Research at the Deutsche Bank in New York, and its counterpart, a book published already in 1996 by the McKinsey consultants Lowell Bryan and Diana Farrell »Market Unbound. Unleashing global capitalism« (Bryan and Farrell 1996) reveal. The core message of the Deutsche Bank study is stark: "For the first time since the industrial revolution new technology is destroying more jobs that it is able to remobilize. And as ever less labor is needed to produce the same output, it is becoming clear in some countries that growth is now possible without rising employment and wages. Such a profound change is bound to have immense economic and social implications" (l.c. 47). In its implications, this fulfills what sociologist Horst Afheld predicted in his 1997 book »Wohlstand für niemand?: Die Marktwirtschaft entlässt ihre Kinder«: Labor is becoming dirt-cheap. But dirt-cheap labor is only accelerating the feedback spiral of concentration and the erosion of many human and natural resources. The study confirms what Lowell and Farrell still considered a less probable future: "As the market becomes unbound from the constraints of national governments, it is creating the potential of a tidal wave of global capitalism that could drive rapid growth and highly beneficial integration of the world's real economy well into the next century." "There is also," they admit: "a somewhat less

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probable, but nonetheless significant, chance that the power of this market could turn destructive and unleash financial instability and social turmoil such as the world has not seen since the 1920s and 1930s" (quoted in Elkington 1997, 107).

For the future viability of companies, this means that they need to free themselves from the shackles of the economic mental models. Only then can they develop business models that can escape this spiral and become sustainable enough to enable wider participation in wealth by creating and augmenting resources sustainably. If fiction informs reality, future viability needs the strategic development of new fictions to bear the business models for the markets of tomorrow.

As more and more of our world is becoming economized, the economic rationale of the self-interested pursuit of profit is affecting human behavior, at a cost. If everything has a price and personal success is defined by what's in our wallet, we are losing the very basis of what social communities, companies, families, or entire societies, are living of. Three facts show us what is happening. Let's consider the ethical beliefs of young students at the start of their courses. The social values—fairness, trust, support, compassion, justice...—are distributed about equally in the group. When we ask the same students again at the end of their courses, we will see that these values have all but disappeared among students of economics, and they have been replaced by self-centered values, such as personal success, mistrust, and uncompromising self-assertion (Godwyn 2014, 2015).

Erosion of Character: The Self-Fulfilling Prophecy of Loosening the Shackles of Morality

We have no reason to doubt that our mental models of ourselves and of our world shape our actions. What we need to understand, however, is that they also affect our mental genome, that is, our notion of ethics and humanity. As Juan Elegido found in his study »Business education and erosion of character«, referencing Simon (1985), Jensen and Meckling (1994), and Tetlock (2000), our mental models and attributions of what human beings are and how they act have major consequences. If people understand themselves as rational maximizers of self-interested benefits, they will change their behavior to match the expectations triggered by our economic concepts of scarcity and competition: Whenever a win-win outcome is impossible, the mission is to maximize your gains at the expense of the others involved. Since we cannot ever be absolutely certain that the other side will be cooperative, every economic relationship suffers from an inherent lack of trust. This is made worse by the mental models of economics, such as the principal-agent problem in contractual relations put forward by Jenkins (Jensen and Meckling 1976). Almost all facets of competitive thinking are governed by the idea that

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human beings will follow their own good first. Selfishness abounds. In the case of the economics undergraduate: "Students will come to expect that other people will act that way [i.e. selfishly, FG]. This has clear practical consequences because it is well established in prisoner dilemma experiments that most subjects will defect if they are told that their partners are going to defect (Dawes 1980). In other words, the mere fact that people expect that others will behave selfishly will tend to make them behave selfishly (Miller, 1999)" (Elegido 2009, 18).

The erosion of ethical values in economics students is mirrored in the everyday experience in companies. Paul Babiak and Robert D. Hare (2006) revealed in a study published in 2006 that three or four percent of all higher executives can be considered sociopaths. They define them as people who feel no commitment to social relations when pursuing their own interests and who would force through their goals at other people's expense or at any cost. As such sociopaths normally account for only about one percent of the general population, the study shows that our current economic system and the companies operating in it tend to put people into power that would act as expected according to the prisoner's dilemma. They seek to maximize their gains at the expense of everybody else.

A third fact reveals how the idea of the homo oeconomicus affects our behavior. In the regular Gallup surveys on engagement or loyalty, we see that few employees are indeed loyal or engaged. What is particularly interesting in the most recent figures is not that about 15 % of German employees have already mentally resigned, costing the economy about €73 to €95 billion (Gallup 2015), but the fact that 70 % of employees would only work to the book. One interpretation would be that they only do their work as far as their self-interest would carry them. They only work as much as is necessary to not be noticed and to still get the full pay package at the end of the month. Doing any more, working for the team does not pay off in the very strict sense. The negative effect of this will surely go far beyond the damages caused by those 15 % of people who have long resigned in their minds and are only physically present.

The economic rationale of a scarcity-driven focus on revenue is not just getting individual people to pursue self-interested advantages. It is affecting the systemic behavior of companies and entire markets. We can see how this happens in two ways: First, there are strategies of concentration and dominance, as companies are trying to reign supreme and unchallenged in their markets.[3] We have already spoken about princedoms and empires and seen examples of how all markets evolve

[3] In general terms, this would include the strategies of companies like Apple, Google, Facebook and others of that ilk. By building up their own closed product landscapes, they are trying to circumscribe their markets in a way that stops their customers from leaving these "fiefdoms" because of the transaction costs and loss of data. On a smaller scale, we see the same strategy in some hidden champions (Simon 2007), such as Truma Gerätetechnik GmbH & Co.KG, the virtually only player in Europe's market for gas heaters for mobile homes.

certain forces of concentration that thin out and finally destroy their biodiversity. This unmasks the fiction of free enterprise. The second problem is even more disconcerting: *In purely self-interested revenue-fixated management, companies will use any means when the opportunity arises that do not come with a market price tag attached and that cost nothing.* These means are the ideal levers for exponential profit. There are well-known examples to the opposite effect, like Interface, Hilti, HIPP, Patagonia, or Icebreaker, but the figures tell a different story, a story of global resource exploitation and the risks and costs of enterprise being passed down the supply chain. Costly health and safety standards are undermined by outsourcing to India, Bangladesh, or Vietnam. Corporate profit often comes from companies using resources that belong to the common good, that is, that belong to people who have no say and get no gain from its their exploitation, but are too often lumbered with the later costs.

Proposition 5: The economic rationale of the scarcity-driven pursuit of profit pushes companies into strategies of short-term thinking and the self-interested exploitation of resources.

Following this rationale, companies are particularly successful if they manage to privatize profits, but collectivize or otherwise externalize costs. It is the buccaneering logics of making profit at the expense of everybody else.

4 The CSR Rationale of Strategy Development: Responsibility

The call for a new holistic sense of responsibility in business (Corporate Social Responsibility) wants to break free from the constraints of short-termist, exploitative corporate strategies. It encourages enterprises to stop measuring their success solely in terms of the primacy of short-term financial return and to remember long-term sustainability. From this standpoint of sustainability, we are dealing with not one monetary bottom line, but the triple bottom line of economic, ecological, and social effects of our commercial and social life, as defined by section 8 of the Johannesburg Declaration on Sustainable Development (A/CONF.199/20; http://www.un-documents.net/jburgdec.htm) and, in its wake, Elkington (1997) and Fisk (2010).

Even if we imagine that we could say on which basis or with which metrics[1] we can measure ecological and social sustainability with as much certainty as we have

[1] Using the definition of sustainability from the Brundtland report, the extremely vague term "needs" leaves us in the dark about the deeper meaning of sustainability: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs." (Brundtland report: Report of the World Commission on Environment and Development: Our Common Future, http://www.un-documents.net/our-common-future.pdf, p. 42). The additional clarification proposed by the World Bank economist Herman Daly also does not help with its distinction of three criteria in sustainable societies: "A sustainable society needs to meet three conditions: its rates of use of renewable resources should not exceed their rates of regeneration; its rates of use of non-renewable resources should not exceed the rate at which sustainable renewable substitutes are developed; and its rates of pollution emission should not exceed the assimilative capacity of the environment" (quoted in Elkington 1997, 55f). This again leaves undecided where, how, and with which means we could measure such sustainability—on the local level, in individual societies, or on a global level—and how any such measurement could link up with concrete commercial practice.

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when measuring economic success,[2] it would not tell us why companies should accept the triple bottom line. We could play devil's advocate and argue—as Luhmann does—that the economic system follows other rules than the political system, or the legal system, or the ethical system (Luhmann 1997, 595ff). There is nothing to say that any one system should be held to the standards of the others. If we follow Karl Homann (Homann and Blome-Drees 1992; Homann and Lütge 2005) or the rationale of corporate governance,[3] everything done by companies that is legal is also legitimate. Companies are in their right to reject all other expectations.

What then is the strategic rationale of CSR, and why doesn't it seem to "stick" with companies? Put briefly, it is the idea that companies are actors of civil society. According to habitual corporate ethics (Hemelet al. 2012), this means that they have the same responsibility for their actions as all other actors.

Why then does the call for corporate responsibility fall short of its purpose? Let's imagine a company in a highly competitive market. It has the option of letting go expensive workers and relocating to a country with much lower wages and HSE standards. In most cases, the company would take that maybe unethical, but legal option to reduce costs. If the company has its back up against the wall, it will do so automatically in order to survive. The gap between management practice and the sustainability expectations of politics, society, and the proponents of CSR shows to us that CSR does not work on this level, and for two reasons: First, the claim comes from the outside, and second, it addresses problems on the meso and macro-level, that is, it concerns the relationship between companies, the economy, and society at large. As we will see later on, companies and their strategic and tactical considerations remain fixated on the micro-level of corporate reasoning.

Proposition 6: CSR does not stick with companies, because it does not use the same notion of responsibility that the economic rationale dictates.

We ironically find proof for the assumption that CSR comes to companies from the outside in the shining beacons of CSR-driven management, such as dm, Hilti, or Hipp. They are beacons because they are exceptions in the murky lands of businessmen following only their economic rationale. Their sense of responsibility begins and ends on the micro-level, that is, in the pursuit of revenue. If ethical practice helps this end, it is still only a pleasant side-effect and never the primary purpose of enterprise. If ethical practice indeed costs money, it is usually considered dead weight, as we frequently see when companies up-sticks and move their

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[2] In business management terms, success can be read in the figures in a company's balance statements or P&L accounts or in the detailed indicators of EFQM or Balanced Score Card models (Kaplan and Norton 1996). For national economies, the relevant indicators can be the annual growth of the GDP (cf. Lepenies 2013) or national debt, employment figures, or the trade surplus.

[3] Following the logics of corporate governance, the state and business together define how companies should behave: "The German Corporate Governance Code (the "Code") presents essential statutory regulations for the management and supervision (governance) of German listed companies and contains internationally and nationally recognized standards for good and responsible governance." (Foreword of the German Corporate Governance Code, http://www.dcgk.de/en/code//foreword.html).

production facilities. Neither the historical ideal of the honorable merchant nor an employer brand as a charitable business nor the sharing of profit opportunities can hide the ugly truth of Berthold Brecht's saying:

First comes a full stomach, then comes morality.

The simple fact that CSR is something external to companies, we could say, shunted onto companies, that has no counterpart on their micro-level becomes evident dialectically if we look at the evolution of CSR concepts and superimpose these onto the economic rationale. If we apply Thomas Walker's maturity model of CSR generations, the idea of CSR has evolved in four phases (Walker 2013, p. 66; Walker and Schmidpeter 2015). In its first incarnation, it is something companies do as uncoordinated, disjointed activities. In its second generation, companies begin to internalize a more expansive notion of responsibility. On top of the interests of their stakeholders, they start to reflect the needs of other relevant groups in their strategies and actions. In the third generation, companies begin to consciously shape the circumstances in society. In its fourth and most mature incarnation, companies engage in CSR to gain mutual benefits for themselves and for the world around themselves.

Why do these four generations emphasize the assumption that CSR does not stem from within the inherent logics of business management? For each different generation of CSR, there is a different answer. For first-generation CSR, it would be: this type of CSR is grounded in the personal ethical considerations of individual entrepreneurs or managers without any claim to universal validity and without coming from commercial reasoning. This is expressed in the idea of the honorable merchant that Walker includes in the first generation (Walker 2013, p. 66). The merchant's honor can refer to many different things. The Hanseatic League or similar trading unions or the habits and traditions of the Arabic bazar use the idea of honor to refer to the relations between two personally acquainted merchants, but not to merchant and customer, merchant and supplier, or merchant and the world at large. As a primary source for profit, these are systematically excluded, as the merchant lives off the asymmetric value of goods—e.g. trading glass beads for gold.

Second-generation CSR would also not aim for the type of sustainability that the triple bottom line would pursue. It is actually a tactical instrument that companies use in interactions with relevant stakeholders. It only considers the demands and needs of stakeholders that the companies would consider important for their own survival. Groups without that potential power are safely ignored.

These tactical considerations are prevalent too in third and fourth-generation CSR. Let's see how companies influence the state of society and try to understand the propaganda at work.

This can be seen in the EU regulation (EG) Nr. 1907/2006 (REACH), governing the emission of chemical substances. Before the REACH regulations came into force, the usual suspects, multinational enterprises in the chemical industry like BASF, Bayer, DuPont etc. worked hard to come up with a persuasive idea to sell the new regulations. That idea was: Protecting the consumer. The EU parliament's thinking behind REACH was that every chemical substance that people can come into contact with, be it food additives, colors and dyes in clothes or household items, detergents, hygiene products or cosmetics, should have full clearance before it is released into the wild. The lobby of the chemical enterprises knew full well how complex the issue was, so they decided to use REACH for their own purposes. The regulations were to be used as a Trojan horse, a subtle means of ring-fencing their market: the required clearance could only be given for substances that can be synthesized and isolated in their pure form. Any naturally occurring substances, like those used in organic cosmetics, would be barred from REACH clearance and could not achieve conformity. For instance, the sap of an aloe plant has over 1000 trace elements and other substances in it. Nobody could say with any certainty which substance has which effect, so it is completely at odds with the strict rules of REACH. From the point of view of the organic cosmetics industry, their entire market—as well as the market for organic food additives—had the carpet pulled from underneath it. By upholding the flag of consumer protection and corporate social responsibility, the established industry pushed out one rising newcomer who was really living the idea of sustainability. The language of consumer protection and responsibility were simply a means of building new walls in the market.

The REACH example also shows us: Whether a company engages in CSR for sincere reasons or only for strategic considerations (masking ulterior motives) depends on the managers and entrepreneurs at the top. That is why CSR tends to appeal to reason, that is, to self-commitments, such as the Global Compact program. If such commitments do not work, it usually falls to the law to prevent the worst excesses.[4] We can state: By trying to hold companies and the economy in general accountable on the meso- and macro-level, CSR is shooting past the micro-level of the actual entrepreneurial decisions that matter.

Proposition 7: CSR's emphasis on responsibility misses the essence of entrepreneurial action, because the entrepreneur is responsible primarily for the business in accordance with the rationale of economics, and not for society.

If we want to convince companies according to their inherent logics that sustainable management also needs to take concerns into account that go beyond the economic rationale, we need to find other arguments than simply appealing to ethics or reason. What we need is a set of arguments for sustainability that come from within the micro-logics of management themselves. We will find the right source for these and develop a coherent strategic notion of sustainability when we consider the rationale and dynamics of values in businesses.

[4] "We look to *regulatory policy* to frame the market in a way that is as conducive as possible to life and to society; to make the price signals of the market and their incentives and disincentives on economic agents as harmless to humans and as socially and environmentally compatible as possible." (Ulrich 2013, p. 4)

The Purpose of Values in Social Systems: Viability

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Companies are social systems. People form them in order to make complex products and services that no single person could create, such as automobiles, televisions, mobile phones, or heart surgery, spaceflight, a stage production of King Lear, or a concert of Beethoven's Fifth. The foundation of a company happens because there are people who need to work together to overcome a complex need, that is, create substantive value.

We can see how all commercial activities are inherently bound to certain values in the benefits the company is planning to create. Who is to benefit and in what way depends on the values that sustain the company's purpose and form the core of its business model. Recall how corporate values operate (as revealed in Fig. 3.1). According to the economic rationale, the primary purpose is to generate revenue for the shareholders (Rappaport 1986). This primacy of revenue underlies all strategic decisions: A company needs to analyze the main competitive forces around it (Porter 1996) and develop and sustain core strategic competences (Hamel and Prahalad 1990) that enable it to put out products or services unique enough to capture and keep a sustainable competitive advantage (Porter 1985). This formation of competitive advantages is itself governed by the primacy of revenue. We see that the self-absorbed pursuit of revenue makes us forget what has made revenue possible in the first place and what cannot be measured with commercial indicators—the sense for the quality of the benefit and value created for others.

In order to avoid this trap, Porter and Kramer (2011) have come up with the concept of "shared value" in strategic development. It adds a new element to the primacy of revenue—the idea of sharing. By not watering down, but indeed expanding the profit-centric understanding of strategies, "shared value" becomes a counterweight to the simple self-serving pursuit of profit. With its sharing topos, the concept, however, only becomes another expression of third or fourth generation CSR concepts, that is, the attempt to go beyond the purely economic rationale and consider the interests of all stakeholders, not just shareholders, because one feels committed to one's responsibilities in this sense. At the same time, speaking of shared value and, by implication, of shared commercial value only underlines the

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unbroken economic primacy: The focus on revenue. We can see: The fundamental values that determine how the business is understood are replicated in its strategy. In economic terms, this means that commercial strategy development remains essentially self-referential, if not self-serving, in its fixation with profit. This takes us to the key aspect of how business models are bound to values.

Proposition 8: The fundamental values of the business concept are replicated in the development of its strategy. They become self-reinforcing filters of perception. If they are correctly aligned with the actual reality around the business, they strengthen the business. If they are skewed, the entire edifice will crumble.
We learn that and why the fundamental values replicate themselves in this way in the company's strategies if we look at how values work in social systems (Glauner 2013, p. 29ff). In social systems, values have three essential functions:

- With their **identity function**, values first determine the identity of the system. They qualify how the system functions, what it stands for, and with which activities it ensures its survival.
- With their **heuristic function**, the values determine how the social system perceives itself and its environment.
- With their **operational function**, the system's values then reduce the complexity of the environment and make the system more efficient.

The system's values funnel down into the performance of the system. Values filter the perception of reality and select the problems that can be noticed. This also means that they select the number of solutions that can be found. In turn, this limits the number of products and services that can be developed. How these are produced is a matter of culture. A company's culture becomes the frame and expression of its value funnel. The circular interaction between value filters and corporate cultures makes them feed back onto each other and creates the inherent blind spot in strategy development. The systemic values remain unchallenged in this feedback loop, which means that all strategic decisions and the entire strategic process come from values that are not visible in the process, because the strategy is caught between the long-term normative purpose of the business model and the underlying value filters (Fig. 5.1). As the link between long-term goals and the short-term, operational and tactical rationale of individual moves, the strategic process replicates the value perspective of the business concept and business model. For strategy development, this means:

Proposition 9: Strategy development remains unaware of its own values.
In its value blindness, strategy development becomes the neuralgic point for the lasting viability of companies. We can see this by considering the function of values in social systems from the cybernetic point of view. They are not just the filters of perception that funnel down to govern the performance of the business and define how and where the company is going. What is more important is that the

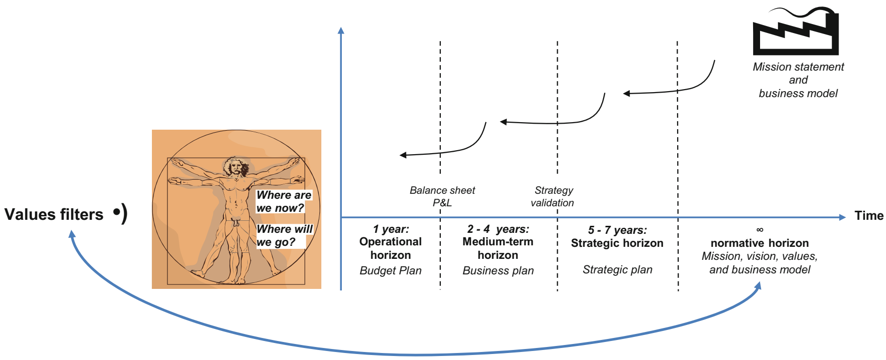

Fig. 5.1 Values perspectives in corporate planning

fundamental systemic values determine the direction, degree, and quality of its ability to learn and change and, as a consequence, the limits of its evolution.[1] By determining the preferred options, they create stable patterns that, as Heinz von Foerster says, "are maintained by the constant flow of their constituent factors" (von Foerster 1987, p. 75). They determine the conclusions we draw from our interpretation of the world.[2] When we are not aware of how our worldview in strategy development is determined by values, the strategic process can fall into the trap of self-referentiality (Glauner 2016a). The strategic process can be based on values that are replicated in strategy development; unreflected values then select the strategic goals that serve to fulfill their original meaning.

From the systemic perspective of the value funnel, unreflected values can be a trap in the sense that the values underlying the strategy kick a self-referential, closed feedback loop into action. With its blindness to itself, this loop determines the strategic and operational actions of the company. Humberto Maturana explains this with the metaphor of instrument flight.[3] Speaking cybernetically, the values of a company are inward navigation instruments that steer the company without caring about the world around it. If the values remain unreflected, the company stays caught in its own value space. Its actions remain self-referential, a company flying blind. If the values are completely at odds with reality, the company is set to crash into the mountainside of reality.

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[1] What Gerhard Roth states about the human brain, that is, "that the average adult is only marginally receptive to change in their personality and emotional makeup" (Roth 2007, p. 276), also applies to complex systems like companies. Their ability to change is also dependent on the DNA of their values (Glauner 2013, p. 32) which determines the extent of their evolution (l.c. 44ff; and Glauner 2015a).

[2] "The informative contents of a description depend on the ability of the observer to draw conclusions from the description" (von Foerster 1972, p. 122).

[3] In instrument flight, the pilot is virtually "cut off from the outside world" (Maturana 1976, p. 251, cf. 1970, p. 51, 1978, p. 105; Maturana and Varela 1975; Luhmann 1984).

In order to resolve the problem of the neuralgic role and function of values in companies, we need to get to work on a key point of the economic rationale of strategic development shown in Fig. 2.1. The motto "form follows function" (Sullivan 1896) shows us what needs to be done: From the strategic point of view of organizational development, a company needs to find a form that allows it to fulfill its function—the creation of value—in the best possible way. The evolutionary principle that function, the purpose of the company, determines form, i.e. the nature of its processes and structure, still holds true. It is exactly this function, i.e. the specific value that a company is expected to create, which is shaped by values that are usually not questioned. When people sit down to write a strategy paper, they would normally already see the purpose of their company as given: according to the economic rationale, it is creating revenue; according to the CSR rationale, it is ethical management in line with the triple bottom line. The cascade goes on from there to the definition of competitive advantages, core competences, and controlling tools used en route towards fulfilling the company's purpose. Simply by answering the question of what the purpose of a company is, we already make the economic, operational, strategic, and organizational decisions that define the company as system. That means:

Proposition 10: Companies are determined by values. The values expressed in the business concept and business model determine the function of the company and, by implication, its form: *Form follows function, function follows values*.
The values perspective expressed in the business model forms a bracket that holds together the substantive and economic sides of the company's purpose (Fig. 5.2).

With corporate values as the bracket holding everything together, we arrive at the focus of lastingly viable value creation: Its purpose is to increase the substantive value of the company in a constant dialogue with its underlying values.

When we hold the mirror up to our faces and ask the critical question "What would happen if our company ceased to exist today?", we see that substantive value creation is not primarily reliant on the revenue side of the equation, and it is not determined by the sustainability targets imposed by legislators or chosen as a voluntary commitment. Instead, it cares about creating substantive value for its environment, which precedes all other value creation and makes the survival of the company possible in the first place (Fig. 5.3).

Proposition 11: Sustainable strategy development is focused on creating substantive value.
The foremost question we have to ask when developing viable strategies for the future is: "For whom does the company produce which substantive value?" A viable answer to this question would use neither the economic shortcut thinking of pursuing purely self-referential revenue targets nor the triple bottom line of the claims and demands coming from external stakeholders. Instead, it is based on the systemic responsibility for keeping the company viable for the future. This becomes possible when we turn the strategic perspective upside down. The self-referential

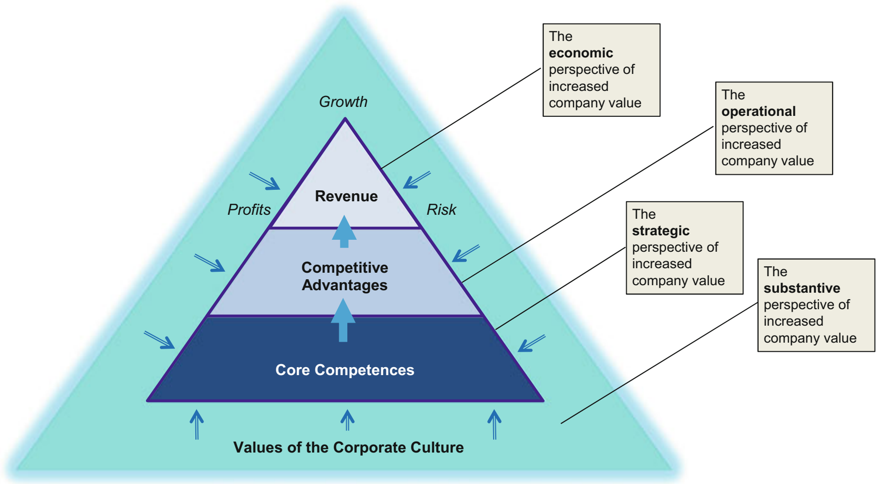

Fig. 5.2 The economic perspective of increased company value

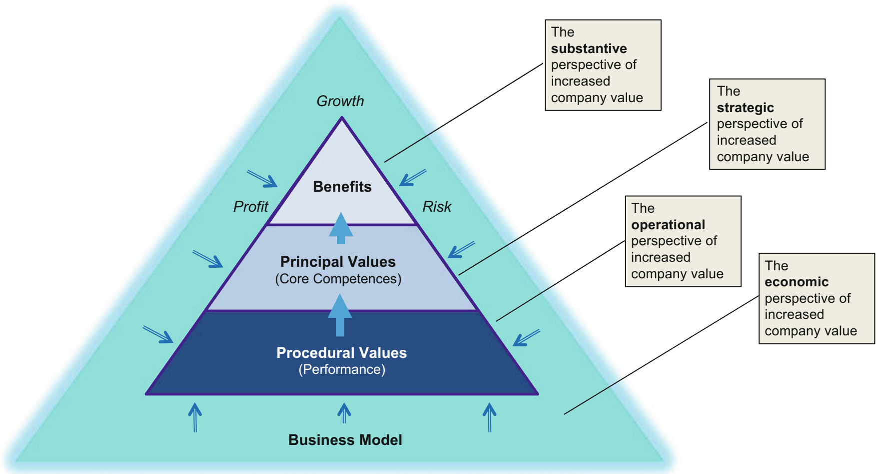

Fig. 5.3 The substantive perspective of increasing company value

revenue focus is replaced by a focus on substantive value creation as the primary purpose of the enterprise.

Proposition 12: The strategic road to the competitive advantages of tomorrow goes past substantive value creation and follows the logic of lastingly viable values. They are grounded in a values-oriented corporate culture.
The following chapter will take us on a tour of this path.

The Rationale of Strategy Development for Future Viability: Creating Resources

6

Let us recapitulate what we have learned: If we want to convince companies to be sustainable, we need something other than simple appeals to their good will clothed in the ideals of CSR or the triple bottom line. Economic arguments for ethically sustainable enterprise also fall short of our goal.[1] We have explained why: They are caught in a *double category mistake*. First, they mix up the systemic impulses that govern how people and enterprises act. Second, the appeals miss the relevant level where entrepreneurial action would be triggered. What we now need for our arguments is a closer look at these category mistakes.

6.1 Category Mistakes in Enterprise Ethics

The category mistake in enterprise ethics lies in the fact that we attribute an ethical capacity to companies that they simply do not possess. They operate in a different type of self-referentiality than—we would hope—rational human beings. If we look at people, their ethical capacities come from their cognitive ability to decide consciously against inherited values or morals in moral dilemmas, which can occur when individuals are placed in a situation in which they have to pick one of several options that clash in terms of the values justifying each option.[2]

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[1] Commercial arguments in favor of ethical management come from the belief that sustainably responsible practices will reduce the transaction costs and produce greater profits, eg by avoiding the later costs of breaking with social or environmental standards or by improving the product brand or employer brand (cf. Gray and Balmer 1998; Hutton et al. 2001).

[2] One dramatic example is the abduction of Jakob von Metzler. To find out where the kidnapped boy was kept, the deputy police commissioner of Frankfurt, Wolfgang Daschner, threatened the kidnapper Magnus Gäfgen with torture in the hope of rescuing the child alive. With the life of Jakob von Metzler at stake, Wolfgang Daschner decided against his oath to uphold the law. As an expression of the dilemma of conscience and his own responsibility for his decision, he noted in the official files that his decision was questionable. By this, he laid the grounds for his own prosecution over the matter.

F. Glauner, *Future Viability, Business Models, and Values*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-34030-2_6

Irrespective of the question of whether there are neutral and not-circular ways to resolve such ethical conflicts, we can say that people act ethically when they are aware of the dilemma and when they take their decision after careful deliberation. Ethical decisions are always and essentially individual decisions. They are bound to our personal conscience. In critical instances, it can call upon us to go against the socially accepted norms or the values and ethics sustained by our cultures or religions. It can even mean going against our own convictions (Glauner 2014).

Proposition 13: Ethical action means the ability to decide, with good reason, against socially accepted or personally internalized moral standards in moral dilemmas

What is needed for this ethical capacity is critical self-awareness—Luther's "Here I stand, I can do no other."—which enables an individual to consciously break with the prevalent morals and values. Companies lack just this self-awareness. They are not cognitive systems. As self-referentially closed systems, they are neither observers (cf. Maturana 1970, 34, 1976, 240; 1978, 110ff) nor guided by values that lie outside of their systemic purpose, that is, the economic rationale of survival.

Proposition 14: Businesses are not ethically capable. They lack the required self-awareness. Like other non-cognitive social systems, their behavior is determined by opportunism

As our example of the relocation shows, this opportunist outlook has no ethical value. If we could force a business to decide whether it would act ethically, but suffer losses, or act legally, but unethically, and be successful, it will always choose the latter option if all else fails. Economy demands that it is only concerned with such criteria as revenue, performance, competitiveness, or the general pursuit of the greatest performance for the least effort. This is the inherent impulse that powers modern commercial dynamics.

This impulse also explains the second category mistake we make when we expect companies to be ethical. The call for ethical integrity in business simply misses the actual level where entrepreneurial action is triggered. Let us return to the purpose of businesses:

We remember: People found companies to develop complex products and services that they could not produce on their own. The purpose of the company is then to create benefits that no individuals could create on their own. This is done for two types of stakeholders: the shareholders that found and sustain the company (typically entrepreneurs, investors, and employees) and the stakeholders that consume the benefits produced by the company (typically its customers, that is, the key audience and beneficiaries of the business model). Both types of stakeholders are part of the company's ability to fulfill its purpose. Enterprise is therefore primarily aimed at the micro-level of fulfilling individual needs. Companies are, in a sense, complex monads that aim their efforts at the people with whom and for whom they work and at other companies with whom they share their market. The catch is that entrepreneurial action is only geared towards the effects it has on this micro-level of working for the internal stakeholders of its purpose. *Internal stakeholder* means all groups that need to be considered if the company wants to fulfill its purpose. Specifically, this includes the proprietor, the investors, employees, customers, suppliers, business partners, or legislators as relevant forces influencing the nature of its business.

In fact, this practice exclusively oriented towards internal stakeholders not only affects the developments on the micro-level, that is, state of the market in which the company and the individuals it is engaging with exist, but also the local or even global meso, macro, and supra-levels of communities, states, societies, and our natural world. Commercial practice always affects *external stakeholders* as well, the groups and people whom a company can ignore from within its own logic, because they play no part in producing the work that is its purpose. These external stakeholders are usually the ones who come in with the normative ethical demand that the company should consider its effect on them as well, especially when those effects mean a negative impact on the meso-level of companies and society, the macro-level of economy and society, or the supra-level of business/economy and nature.[3] As already mentioned, companies are, however, only interested in the micro-level of people, companies, and markets. The established ways of developing strategies lead them to prefer business models with which to produce revenues, while shunting the costs over to society at large, eg when exploiting natural resources. According to this economic rationale of strategy development, external stakeholders and their claims are excluded as irrelevant factors. That reminds us that *CSR claims are not based on economic principles, but on the principles of society and, by implication, on those of ethically conscious individuals. This is why humanistic business ethics come up with philosophical arguments that refer to human beings as the responsible actors in companies*.[4] But the fact remains: As a human being, one can reasonably argue in favor of responsible management practices, but this call for a holistic culture of responsibility will remain detached and foreign to the intrinsic logics of economic enterprise, however many positive examples of seriously ethical management practice we encounter.

The key question we need to ask is: Why do most companies believe their actions are ethically sound—ie that they add to the common good according to the mental model of economics—*all the while considering the ethical demands of the meso, macro, and supra-level as actually irrelevant for their practices*? That is the basic

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[3] We can name the normative principles proposed by Otto et al. (2007) for ethically constrained competition: "Competition *should* not intend or pursue the destruction of the competitor… *should* not be violent, but peaceful… *should* not be aggressive, but – if possible – based on inner calm … *should* not be degrading… *should* not be hidden, but transparent "(l.c. 43; italics by the author). This intensive emphasize on what *should* be done shows that companies actually tend to do the opposite, a frequent cause for scandal for the followers of ethical management.

[4] This is where the arguments of value (Hemel 2007, 2013; Leisinger 2014), responsibility (Ulrich 1986, 1997), and governance-oriented company ethics (Wieland 2001, 2002) and the virtue ethical concepts of humane management (Dierksmeier 2011, 2012, 2013; von Kimakowitz et al. 2010; Dierksmeier et al. 2011) coincide. Even economic ethics that remain committed to the idea of the homo oeconomicus believe in trust and the people perspective as the basis for commercial practice (cf. Suchanek 2001, 186ff, 2012).

failing of all CSR and business ethics discourse, which we need to overcome. Today's ethical concepts have no answer to give us, as they remain beholden to their mental model of responsibility, that is, the responsibility towards the company from an economic perspective, and the responsibility towards society from a social perspective. *We need to find a way to reconcile economic responsibility on the micro-level with the greater demands of the meso, macro, and supra-level to get a really meaningful lever for changing business practice*. But this needs different mental models on both the economic side and the side of economic or business ethics.

As long as this lever, a new paradigm of sustainable business, has not been fully thought through and established in our economy, ethical business practice will always remain the project of individual humanistic entrepreneurs, the early adopters and trailblazers of sustainability who consider ethical management as part of their essential value creating business for no other reason than their own convictions.[5]

Proposition 15: Appeals to entrepreneurial responsibility will not work, because the processes of strategy development beholden to the micro-level will systematically ignore all effects that the business will have on external stakeholders

This systematical ignoring of the effects of business practice on external stakeholders is the result of a notion of strategy that remains caught up in the economic rationale of revenue above all. When companies become aware of this fact, they can use this shortcoming as an *Archimedean point* to leverage value strategies that can take them to lastingly viable competitive advantages.

Proposition 16: The shortcoming of the economic rationale in strategy development is the Archimedean point for value strategies that lead to the competitive advantages of tomorrow

We will now try to trace that path with a view to the essence of developing strategy that will be and remain viable.

6.2 Strategies of Excellence: Managing Awareness

We have seen how lastingly viable strategies need a new understanding of key drivers to enable sustainable value creation. This is possible when we look at the developments and evolutions outlined at the start of this book and understand their implications in terms of the major challenges they create for businesses today.

[5] In Germany, one can name Claus Hipp, Karl-Ludwig Schweisfurth, or Götz Werner; on the international stage, we would include Ray Anderson, the founder of Interface, Douglas Tompkins, founder of The North Face and Esprit, or Jeremy Moon, the founder of Icebreaker.

6.2.1 Roads to the Competitive Advantages of Tomorrow: Markets of Excess and Markets of Responsibility

Companies today are caught up in the wake of several megatrends surging through our markets and societies, including the acceleration of all processes, the blurring of old market or service boundaries, the loss of familiar business areas and business models, and the loss of unique selling points (Glauner 2016a). A McKinsey study published in September 2014 revealed how much of these trends is due to technology. As all areas of our economy are becoming more intricately connected all the time, such technological change affects even companies and markets that are not inherently technology-driven: "Technology and connectivity have disrupted industries and transformed the lives of billions. . . . In the years ahead, acceleration in the scope, scale, and economic impact of technology will usher in a new age of artificial intelligence, consumer gadgetry, instant communication, and boundless information while shaking up business in unimaginable ways." (Dobbs et al. 2014, 1)

Let us take a step back from this confusing tableau of different forces pulling, pinching, and changing our markets. We can now see the central *paradox of modern management* (Glauner 2015c): Companies need to develop two opposite skills to stay alive in a market subject to transformation and the loss of old certainties. They need to become more flexible and pliant in everything they are and do. And they need to become unmistakable in what they do and produce.

Proposition 17: Sustainable strategies find ways for companies to become more flexible and unmistakable at the same time in their forms, functions, and business models

When executives sit down to develop viable strategies for the future, they need to try to make their companies flexible and to keep them unique at the same time in order to capture competitive advantages in the future. Their job is to develop a corporate culture that seizes the potential for flexibility and the potential for a meaningfully unique identity. This does not concern primarily the establishment of sustainable social capital (cf. Dahrendorf 1995; Dasgupta and Serageldin 2000; Ostrom 2000; Sennett 2007; Badura et al. 2013) or the feelings of loyalty and engagement in the workforce, nor does it concern the "sense" that the Generation Y expects from their work[6] in order to activate the performance capacities in the

[6] "Millennials overwhelmingly believe that business needs a reset in terms of paying as much attention to people and purpose as it does products and profit. Seventy-five percent of Millennials believe businesses are too fixated on their own agendas and not focused enough on helping to improve society "(Deloitte Millenium Survey 2015, Executive Review, 1). On its German web pages on the study, Deloitte explains: "Social involvement is becoming important: A majority of people (Germany 62 % /Worldwide 75 %) is criticizing the profit thinking of companies. Their social relevance is given considerable attention—43 % of German respondents think that companies have more impact on social issues than the government. The behavior of companies is considered an ethical statement by a majority of respondents (Germany 39 %/Worldwide 53 %); they demand that executives help improve the state of society." (http://www2.deloitte.com/de/de/pages/innovation/contents/millennial-survey-2015.html; translation from the German).

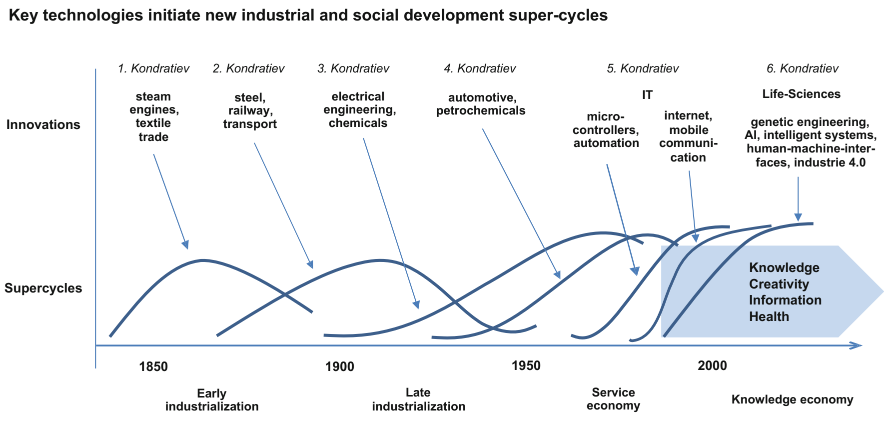

Fig. 6.1 Technology drivers of the future

organization. It is something completely different: Establishing a culture of this type means activating the key resource for the markets of the future: *»awareness« as a resource*.

Proposition 18: Lastingly viable strategies try to create »awareness capital« by forming cultural strategies to create awareness and develop the »awareness markets« of tomorrow

We can see how important such awareness strategies for forming awareness capital are when we consider the technology drivers powering the long-term cycles in the evolution of our markets (Fig. 6.1).

Seen from a meta-perspective, the so-called Kondratiev cycles appear as a continual process of boundaries blurring and everything becoming faster and more fluid. It is currently culminating in the life sciences and in knowledge-based systems and technologies, eg man–machine interfaces, artificial intelligence, and intelligent systems in robotics, logistics, data processing, and data mining.

Just like coal, steel, or later oil were the basic fuels of the second and fourth Kondratiev cycles, awareness is today's basic fuel for the key technologies of the sixth Kondratiev cycle, that is, for the business models in life science, knowledge, or creative services markets. As a resource and currency of these markets, awareness is the actual driving force behind the megatrends we discovered, including the revolutions affecting non-knowledge markets.

»Awareness« as the basic resource of the markets of the future is acting as a driver of innovation on the supply and the demand side. This is due to the fact that companies will still have to adjust their business models to highly competitive markets and sell often interchangeable, commoditized products in a global competition for the consumer's attention. Awareness is a Janus-headed beast:

For companies still caught up in the logics of unbounded markets, awareness can become the means of enacting their sense-making function, that is, the promises of authenticity, happiness, or uniqueness, and consolidating these in emotionally charged brands. This emotionalized enacting of sense helps captivate consumers and create new needs—and new demand.

For companies that have opened up to the necessities of the markets of tomorrow, awareness is far more than a means of enacting sense to power consumer spending. Awareness is the motor and medium for completely new business models that engage with the principal issues of the future. We need to distinguish between this type of awareness and the knowledge that is the currency in our knowledge economy. That knowledge (as yet) remains part of the economic rationale of strategy development, as we can see in the current life sciences or in IT—just think of the big data mining by Google and others. Our term awareness goes beyond this economized understanding of knowledge. It is grounded in the insight that the current rationale of the economy forces us to transform the quality of even knowledge capital to make knowledge meaningfully effective for lastingly viable business models. The concept is embedded in a holistic *awareness economy* which will shape the responsible markets of the future.

The Awareness Economy

The evolutionary leap from the knowledge to the awareness economy becomes clear when we combine the forces driving the sixth Kondratiev cycle—the potential of knowledge capital and knowledge markets—and the self-reinforcing dynamics of concentration and resource exploitation as explained above in »*Mental models: The economization of our lives*«. The formation of knowledge markets, powered by technology, is not just keeping the spiral of concentration and resource exploitation going. As our part on »*Princedoms and empires*« has shown, the world's population is splitting apart into the hemisphere of the knowledge elite that develops, holds, and sells the products and services of the knowledge economy, and the hemisphere of all the people reduced to consumerhood without any stake in the value creation process. The irony of this split is that the consumers removed from value creation pay for it dearly with their personal data. Knowledge (the possession of data) and consumption split apart. Filtered by big data technology, consumers are becoming exploitable data resources whose behavior is tracked, monitored, and recorded by content and platform providers to develop even more perfectly designed offers. The economic rationale of the knowledge economy is leading to the mental self-disenfranchisement of vast parts of the consuming masses. Their knowledge about their wishes, ambitions, and opportunities is being filtered through a *semblance of reality* by the providers of their content. As in the movie »The Truman Show«, this make-believe reality has two purposes. It guides the protagonists, in this case Truman Burbank (Jim Carry), in line with the stage directions of the invisible

(continued)

director and producer of the Truman Show, Christof (Ed Harris), and it televises that make-believe real life of Truman to become a marketable product. As a semblance of reality of the second order, it shapes the reality of the audience as well. To some degree at least, the knowledge economy creates markets for sense surrogates, semblances of reality, and products with no actual added value, other than convincing the consumer that they need to have them.

The business models of the awareness economy, on the other hand, revolve around substantive benefit and value that does not disenfranchise consumers, but empowers them according to their individual potential. The principle of the awareness economy is active participation as the basis for more holistic, multi-dimensional value creation. One example for this is the cooperation project on building materials for the future launched by the **HILTI AG**. Working with the Homeless People's Federation Philippines (HPFPI) and the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP), HILTI is designing a house made from ecological materials (bamboo and adobe bricks) that is affordable, but durable. A second example would be the Hamburg-based, but internationally active **Dialogue Social Enterprise GmbH**, an organization working with disabled people to change their perception by their able-bodied peers. For instance, the "Dialogue in the Dark" project invites visitors to a blacked-out restaurant, where they are served by blind waiters. The usual tables are turned, and both sides get new experiences. Both projects show that empowerment-oriented business models can still be economically sustainable models, ie models that create a multi-dimensional benefit: added value in the commercial and the more general sense.

In more drastic terms, the difference between the knowledge and the awareness economies is that the former represents the most advanced and radical expression of the mental model of neo-classical economy with all its consequences, whereas the latter breaks with and transforms that neo-classical model based on the micro-logics of sustainable management. We need to emphasize that the line between the two forms is blurred, as we can see in the life sciences in particular. We have one way of deciding whether any given business model of the life sciences belongs to the knowledge economy and powers the destructive spiral of acceleration and exploitation or to the awareness economy enabling multi-dimensional value creation. That is the substantive value created by the business model. Let us consider the business model of the Aachen-based start-up **Psyware GmbH**.

Psyware is a specialist for automated voice analysis. It uses its technology to produce psychological profiles from 15-minute phone recordings, for use in HR management, healthcare and prevention, and customer management or sales. The PRECIRE application was designed by a team of psychologists, mathematicians, linguists, computer scientists, and business managers and is based on the findings of acoustic voice analysis and formal-quantitative textual analysis, a medical, sociological, and psychological avenue of

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research that is particularly popular in the United States. PRECIRE is a self-learning AI system that calibrates itself by comparing the profiles of individual subjects with the sample pool of older profiles to produce increasingly accurate statements about the correlations between language profiles, personal attitudes, and behavioral preferences. The clients of Psyware include large companies that use phone recordings of customer or recruitment calls for a quick and efficient pre-selection and shortlist a candidate for an assessment center or interview or respond in a certain way to a customer's complaint. Looking at the technology and the business model of Psyware, we have to ask four basic questions:

1. Who is the client and who is the beneficiary?
2. Who owns the data and the profiles?
3. How and for what purpose are the profiles used?
4. What does the application achieve?

Looking at the homepage of Psyware, we find our answers:

Ad1. The clients and beneficiaries of Psyware are companies that use PRECIRE for a quick and cheap screening of applicants, clients, employees, or patients.

Ad2. Big data screening is used to make predictions from the profiles about the attitudes and the prospective behavior of the subjects.

Ad3. We do not know precisely who owns the data or the profiles. It might be the clients or Psyware itself, as the learning software continues to calibrate itself and create increasingly valid profiles to become increasingly powerful.

Ad4. The application contributes to a development that we have already outlined in » *Mental models: The economization of our lives*« and »*Princedoms and empires*«. It adds to what Shoshona Zuboff calls "surveillance capitalism", i.e., the most advanced form of the present day knowledge economy.[7]

(continued)

[7] As Shoshana Zuboff argues in her article "The Secrets of Surveillance Capitalism" (Zuboff 2016) the internet and content driven business models of Google, Facebook and Co are based on the gathering of information about how individuals move and behave. "In its thirst for knowledge of and influence over the most detailed nuances of our behavior" they venture on "the significance of behavioral surplus". Veiled with the argument that the knowledge about individual attitudes and behaviors would serve as basis for delivering individually customized and optimized products and services these data are not used in favor of the customer but rather in favor of those who want to use these data to influence the customer. As Facebook did show with an experiment in 2013 every user individual and all users as a dynamic group can be influenced and manipulated easily by changing the algorithm of the newsfeeds. By doing this on large scale not only markets could be

We can sum up: Psyware's PRECIRE is a continuation of the knowledge economy, as it sees the subjects from the point of view of their customers, as a matter of fact, a means for the purely self-serving ends of economic profit. Fully in line with the economic rationale of the knowledge economy, Psyware's homepage needs only two sentences to state that it is pursuing market leadership in the field of automatic language analysis for psychological purposes (http://www.psyware.de/de/home).

The knowledge and awareness economies differ in that the substantive value produced by the business models in the former is limited to self-serving commercial pursuits. In the awareness economy, business models want to create more multi-dimensional value via participative empowerment that enable subjects to actively develop themselves further, such as the Gallup Strenghthfinder model (Buckingham and Clifton 2001). The implied message of Psyware's business model is that we betray ourselves with our language (Hummel 2015), the implied message of the Strengthfinder model is that we can empower ourselves. Attributing their substantive value to the two economies, we see that Psyware's business model sides with the knowledge economy and helps power the spiral of concentration and resource exploitation, whereas Gallup's model stands on the side of awareness business models that add multi-dimensional value to empower and create new value.

Our terms of awareness capital and the awareness economy are not just meant to go beyond the current understanding of knowledge capital and the knowledge economy, but also to go against the often esoteric ideas of transhumanism (Huxley 1957; FM-2030 1989; Bostrom 2005; More 2013). Its fictions assume that people will be using technological means, such as prosthetics, neural implants, or other technical applications to become cyborgs, living man-machines (Hughes 2004) or that computers will evolve to a point called the technological singularity, when artificial intelligence will become self-aware and attain the next level of evolution. "Within thirty years, we will have the technological means to create superhuman intelligence. Shortly after, the human era will be ended" (Vinge 1993, 1). Apart from the many ethical and political questions posed by these visions (Savulescu and Bostrom 2009), our idea of an awareness economy would challenge them in that they continue to abide by the current mental model of economic thinking. The shortcomings of man and the "Promethean shame" of transhumanists about the fact that we are not as good or as durable as our technical products (Anders 1956) are used as foils to denigrate humanity as we know it, with all its failings. For transhumanists, improving humanity means committing to technology as the

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manipulated but even the outcome of political elections as the recent discussion of Facebook on how to deal with Donald Trump in the presidential election campaign does unveil (Lobe 2016).

panacea. It is a radicalized version of the economic concept of self-optimization, closely linked to mental concepts of competition, scarcity, efficiency, and effectiveness. This only keeps powering the wheel of technological acceleration and continues the exploitation of natural and human resources. While the knowledge economy is promoting the self-disenfranchisement of a large swathe of the population and making human beings a readily exploitable information resource, a consumer product, and while transhumanism wants us to leave humanity behind and begin the post-anthropocene (Ferrando 2013), our model of the awareness economy understands that the man-made problems of our economy can only be solved by ourselves. This means creating awareness resources. We see: Awareness will be the leitmotif of the future.

The potential for activating awareness resources also becomes clear when we turn away from the drivers of technology and have a look at how our markets developed over time (Fig. 6.2).

Up to the 1960s, the markets still used to be seller's markets, but that all changed with the coming of saturated markets and the impact of the 1970s oil crisis. In the 1990s, the markets had turned into pure buyers' markets. Another radical change has taken place since then. Scarcity is no longer a factor on the supply side, but it is on the demand side. Consumers oftentimes lack the time and the money to do their job, to consume. But even with enough time and money, nobody would be able to take in and process the sheer flood of options available. The constantly increasing number of market comparison sites shows us how the supply side has become stuffed to capacity, far beyond what the demand side can take in.

This affects how we develop sustainable strategies. We have reached an impasse in a business world that produces only commoditized, replaceable products and services or meaningless innovations bereft of real functional sense. What does it matter whether our razor has three blades or five? Add another two and hail the advent of a new generation of shaving—the new product has no substantive added value. For truly durably viable strategies, the rule has to be:

Proposition 19: Lastingly viable strategies develop sustainable business models for markets of affluence

The market for generic drugs shows: Generics are the same products and substances, sold via the same channels to the same patients. Whenever one company changes its conditions even in the slightest, the others will follow suit within hours. The only thing left in the market is the hard sell, the personal interaction between the sales reps and the retailers, ie the chemists and drug stores on the ground. What makes a difference? Relationships. What matters? People.

Proposition 20: Lastingly viable strategies concentrate on building a culture of trusting relationships

Establishing a culture of trust in relationships needs us to produce substantive value for all internal stakeholders, that is, the owners or investors of a company, its

	1950	1975	1990	2005	2020
Conditions	**Scarcity** *(Sellers' market)*	**Saturation** *(Oil crisis, 1st wave of unemployment)*	**Demand** *(Buyers' market)*	**Excess** *(Buyers' market)*	**Responsibility** *(Buyers' market)*
Market Paradigm	**Supply-oriented**	**Product-oriented**	**Demand-oriented**	**Customer-oriented**	**Benefit-oriented**
Strategy / Goals *)	**Production with cost focus**	**Design** *Cost* *Time* δ *Quality*	**Segmentation** *new product segments*	**Customization** *Custom mass production*	**Connection** *Added value chains*
Focus Benefits	**Reliable supplies**	**Products' distinctiveness**	**Innovation** *(=> innovating demand)*	**Consumer experience** *(=> event, story)*	**Sustainability** *(=> meaning, value)*
Organization	**Taylorismus** (Dividision of labor, hierarchical labor)	**Division driven** (Specialized departments and hierarchies)	**Matrix-drive** (specialized by function and segments)	**Customer-driven** (bottom up customer focus)	**Network-driven** (flexible multidimensional integration)
Leadership	**Hieracchical** *(instruction and control)*	**Top-down connected**	**Top-down / bottom-up networked**	**bottom-up** *(team-driven, leaders as coaches)*	**integrated** *(networked, managers as mediators)*
Communication	**Frontal, top-down**	**Top-down networked**	**Cross-functional and departmental**	**Bottom-up connected**	**individual, multidimensional**
Brand proposition	**Price, Quality**	**Differentiation**	**Specialization**	**Customization**	**Added Value**

**) solving crucial customer problems (demands) apparently better*

Fig. 6.2 Evolving markets

employees and its customers, by integrating them into the positive feedback loops of value creation. For this purpose, we need a type of internal and external conduct that reconciles shaping perceptions in a people-oriented manner with forming durable business models in markets of affluence.

6.2.2 The Global Ethos as Modus Operandi of Lastingly Viable Strategy Development: Human Systems Development for High-Performance Teams

When we set out to develop and embed such value-adding practices in a company, we can use a concept that is not yet on the broad agenda of current CSR, strategy, or business ethics thinkers. I am speaking of the concept of the global ethos as analyzed by Hans Küng (2012), based on a set of rules and values that are shared by all cultures and great religions. Its abstract canon includes two principles and four basic dimensions of human action. The *principle of humanity* means that every human being has inalienable and inviolable dignity and deserves to be treat humanely. The second principle is the *Golden Rule* or categorical imperative, according to which "I ought never to act except in such a way that I could also will that my maxim should become a universal law" (Kant 1785, 51). In other terms: "Do unto others as you would have do to you." These two basic principles are expressed in the four basic global ethos dimensions: First, by the values of peace and respect for life; second, by the values of justice and solidarity; third, by the values of truthfulness and tolerance; and fourth, by the values of mutual respect and partnership.

This basic canon for social interactions is the result of the anthropological constants in dealing with conflicts, ie the result of a culture-independent coping strategy that people use when they experience an existential conflict between the values of individuals and their environments or between rival groups. These differences in values are caused by the bio-psycho-social nature of the human condition, that is, by the simply fact that we are determined by the groups we affiliate with and the belief systems we adhere to (cf. Fig. 6.3). In *biological terms,* we all live in and off small-scale group affiliations, such as our families, our peer groups, our clan, our tribe, our office, our company, our club, our team, and so on. This affiliation with certain groups, eg as an employee of Daimler-Benz, Audi, or BMW, shapes our bio-social identity. In *psychological terms,* we live in and off larger-scale belief systems. These are higher-level systems of meaning, such as religious, political, and cultural belief systems or worldviews or, in the case of companies, brand concepts with their strong identity appeal. They transcend individuals on a higher level of meaning, which we experience as the ties of the existential values that we live by. This does not just define the roles we occupy in our social systems; it also forms our perception of the world and of ourselves and informs our being and actions. As social beings, every human being belongs to a set of groups and creeds, and from these we draw our fundamental wants and needs and our understanding of the world. To stop contradictory wants and needs from

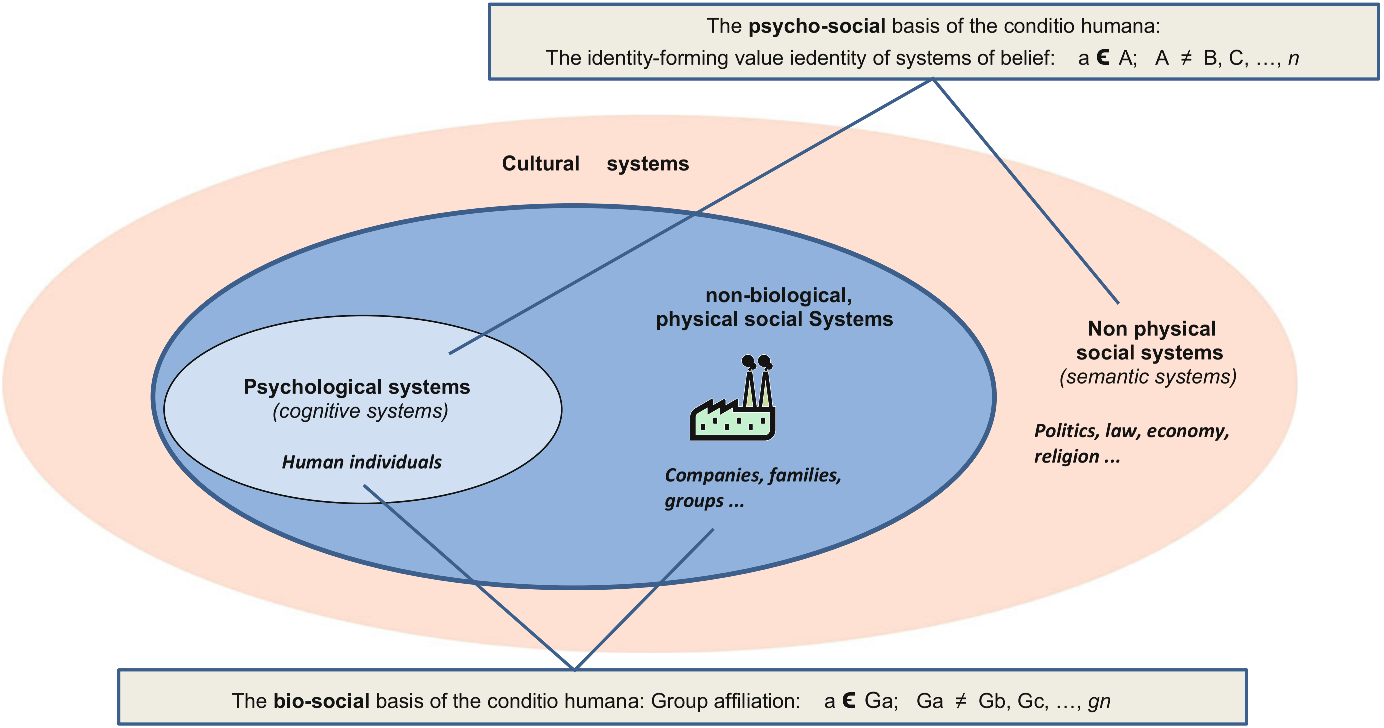

Fig. 6.3 The bio-psycho-social conditio humana. In *biological terms*, individual people (a) live in groups organized on a small scale (Ga, Gb, . . .), while they inhabit larger-scale systems of belief in *psychological terms* (A, B, . . .). Friction occurs in this bio-psycho-social nexus whenever individuals clash with their groups (a ⚡ GA) or groups with belief systems (A ⚡ B).

descending into a spiral of mutually destructive conflict,[8] every age and every culture has come up with a normative canon of essentially similar values—the values depicted by Global Ethos—that appeases the existential conflicts.[9]

The relevance of the global ethos values for companies lies less in their potential to *reduce the costs of friction* eg when forming team structures, when dealing with clients or suppliers, or when engaging in the dialogue with the other stakeholders in society. Rather, they offer a canon of values that can be activated globally to master the change processes we surveyed in the first chapter. We can see how this works by comparing the global ethos canon with the traditional notions of morals, ethos, and ethics.

A Global Ethos between Ethics—Ethos–Morals

Defining morals: **Morals** means the totality of the relevant values and norms with which a community judges the individual behavior of its members and which the members of the community accept as binding for themselves. In practical terms, morals underlie the formation of social systems. They are the regulatory force and yardstick by which our actions are measured.

Under these terms, moral behavior can be defined as follows: Moral and moral values are usually subconscious. As such a subconscious guideline of our behavior, moral values are particular to a certain time and place and passive in their practical orientation. Moral values—eg in our attitudes about sexuality, nutrition, property—are grounded in the practical existence of a culture, and they are subject to constant evolution.

Defining ethos: An **ethos** consists of consciously reflected values and norms accepted as binding by a specific community, with which individual people align their actions.

This definition of ethos draws our eye to the following qualities: An ethos refers to a set of consciously applied values and virtues. As frequently very specific values of a concrete group (such as the professional ethos of medical doctors, judges, police personnel, or the military), the ethos has particular normative force and is actively action-oriented. Considering the opposing value dynamics in social systems, every ethos defined by its specific historical time and geographic place is subject to permanent change.

Defining ethics: **Ethics** is the science of the values and norms of moral action. As a philosophical discipline, ethics concerns the conditions, the scope, and the extent as well as the universal rationale of the rules that our moral actions are based on. Ethics deal with the exploration of the

(continued)

[8] Friedrich Glasl calls this last step of escalation “Together into the abyss” (Glasl 1980, 302).

[9] Considering Glasl’s model with the global ethos values in mind and comparing them to international conflict research, we see that all conflict resolution models put forward, such as the Harvard Negotiation Model of Fischer and Ury (1981), Ury (1991), and Fisher and Shapiro (2005) or the Human Dignity Modell of Donna Hicks (2011), also rely on that canon of global ethos values.

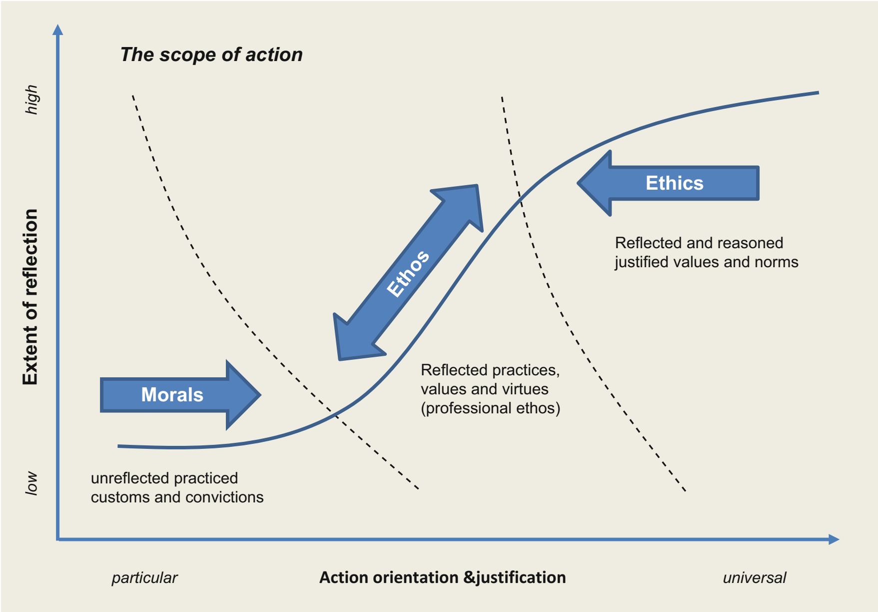

Fig. 6.4 Morals—Ethos—Ethics

fundamentals of human existence and intend to understand and resolve the conflicts of our existence.

This definition again reveals the key qualities of ethics: Ethics means the exploration of the appropriate (universal) explicability and validity of the values guiding our actions. Ethics reflects on our applied values and virtues, in particular, in critical cases and in questions of what life is the good life. Ethics asks about the universally justifiable rationale of our actions. Its primary topic is justice. As the science of values, ethics is reflectively action-oriented, and ethical values claim universal normative force.

Our definitions of morals, ethos, and ethics show that we can distinguish between these expressions of the nature of human action in terms of how reflective they are, how action-oriented, and how explicable and reasonable (cf. Fig. 6.4). Morals and ethos as the regulatory forces acting on individual action are reflected (ethos) or unreflected (morals) internal systems of concrete groups at a concrete time and place (families, companies etc.). Ethics as the exploration of the conditions, scope, extent, and explicability of moral rules, on the other hand, represent the critically reflected regulatory counterweight to such internal moral systems.

In this phenomenology of good actions and of the philosophical strive for universal justification of good actions, the global ethos takes a special role since we encounter in the case of the global ethos values a canon of values

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with universal validity on the one hand, a canon that was formed and accepted at all times and in all cultures. On the other hand, we also encounter a canon with pre-cognitive impact on practice, as it has grown from a mass of specific incidents and experiences in life and history. Using Kohlberg's model of audit moral development: the global ethos values appear as a canon with a *level-six* effect, that is in Kohlberg's terms, a universally explicable deontological canon of ethical values (Kohlberg 1995, 351ff). This is relevant when we consider two facts: First, this sixth and highest level of moral development is achieved by only 4 % of all adults according to Kohlberg (l.c. 59, cf. 302ff). Second, the great philosophical ethical debates, be they deontological (Kant), discourse-ethical (Apel, Habermas), justice-ethical (Rawls), utilitarian (Bentham, Mill, Singer), or even pragmatic (James, Dewey, Rorty) in their arguments, all happen on this sixth level. That explains why such philosophical concepts too often hold no currency in what Nietzsche calls the all-too-human. They do not fit in the mental sphere and experience of most human beings, whose emotional and cognitive capacities remain stuck in the lower levels of Kohlberg's model. This is where the global ethos can come in as a relevant canon of values below the sixth level: It arises from the manifold everyday habits and experiences of human interaction, which gives it force and relevance even before entering the philosophical rationalities of the sixth level reasoning. At the same time, the global ethos canon also covers those concepts of values and justice that form the core of the philosophical discourse on the sixth level of moral development (l.c. 351ff).

The importance of the global ethos values therefore comes from the fact that—by contrast to the many ethical controversies—they have practical relevance without any concern for final reasons. They affect real life before and beyond any philosophical explication and rationale. This is possible because the global ethos values, speaking semantically, have no intension or extension. By contrast to the historically or geographically particular values of a culture-specific ethos, they have no single and conceptually final message. They are the abstract denominator of all of the many religious and social rules for human interactions. This gives them a regulating force that can be applied to even very different ways of living (or doing business) without preferring or discriminating against any one expression of them. In terms of Kant's distinction between normative and reflective values, the global ethos values are reflective values (Kant 1799, XXVf): They do not impose an unbending rule of what constitutes fairness or equity in any given social or commercial situation, and they do not tell us how a concrete situation has to be resolved. Instead, they help us reflect on whether a concrete rule or sequence of actions is fair and equitable from the point of view of the actors involved—and that means all (!) actors involved.

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As universal principles for human interaction, the global ethos values therefore stand in between the historically or geographically formed morality on the one side and the abstract reflective search for universally reasoned ethics on the other. As said before, we must not try to force a normative material interpretation on them. They should be understood as regulatory vessels that can contain different meanings without being limited to any single concrete content. Read in this line of understanding, we can interpret the global ethos values according to Immanuel Kant's distinction between determining judgements ('bestimmende bzw. subsumierende Urteilskraft') and reflective judgements ('reflektierende Urteilskraft') (Kant 1799, XXVf). Understood as functions for reflective judgement, the power of the global ethos values stems from their functioning as regulative ideas, ie as concepts which determine the process of reflective judgements. They should be understood as regulative ideas that can contain different meanings without being limited to any single concrete content. Following Kant's distinction between an imagined "noumenal world" and the many ways to describe it (cf. Glauner 1997, 156f), the global ethos values are abstract "dispositions" of our reflective faculties. As such, they are not immediate representations of the historically and geographically formed life practices they cover. We need this distinction between abstract disposition and concrete practices in actual time and space to be able to keep both the ideal of a canon of values with universal validity for all cultures and scenarios and the diversity of concrete cultures (which the global ethos canon accommodates explicitly). By difference to Kant's rationally necessary ideas of theoretical reason, the global ethos values are therefore *concepts with practical effect in the living world.* They represent procedural scripts (Gohl 2011) to assess the specific rules and sequences of actions with which a company fulfills its value proposition.

After this brief tour of the place of the global ethos concept in ethics, we can return to the potential for entrepreneurial value creation that these values can offer. Even if the global ethos concept is important also for conflict management inside companies or any organization, its values are even more relevant in terms of their potential for strategy development:

Proposition 21: Activating the global ethos values gives us the key to a comprehensive strategy of future viability

This key is for all aspects of a company, in particular its innovative capacities, its flexibility, and its uniqueness in the substantive values and benefits it creates. If we follow Emile Durkheim and Marcel Mauss into the concepts of structuralist sociology (Durkheim and Mauss 1901/1902; Durkheim 1912), people's affiliation to groups leads to distinctions, that is, to the dynamics of the small differences (Bourdieu 1982) with which companies and their products and services get their potential for differentiation. Actively applied global ethos values make it possible for companies to use this potential within and between groups for the good of their operational portfolios.

Proposition 22: The core strategic use of the global ethos lies in the activation of differentiation potential as a positive source for future viability
Examples of this potential can be found in the activation of intercultural teams, the development of culturally specific markets, or the building of high performance teams. All three activities force us to juggle very diverse values and personal differences. This can only work if the global ethos values are applied. As the basic grammar of the peaceful and constructive interaction of diverse actors, they are the engines for the formation of high performance teams (Glauner 2015b), teams whose results are better than the sum of individual expert solutions, because they can pick up on elements that individual experts would consider irrelevant or not part of their expertise.

Return on Motivation: High Performance Teams and Human Systems Development
The value potential of a corporate culture committed to the global ethos values can be seen in two areas: First, in the external relationship of companies. Here, the global ethos values enable companies to shape the relationship between company, markets, and business models in such a way that their confrontation with diversity actually activates productive value potential. Value creation in this case refers to the *»constructive management of complexity«*, the *»maintenance of diversity«* and *»innovation and growth«*. Second, the productive confrontation with differences concerns the internal relations, that is, the systemic relationship between company and people.

Looking at the *micro-rationale of entrepreneurial action* (Glauner 2014), that is, the fact that all entrepreneurial decisions are taken from the point of view of greater competitiveness, a corporate culture committed to the global ethos values then also offers the following value potential:

1. The management of complexity and diversity,
2. The formation of high performance teams,
3. The positive use of human and cultural differences as potential for innovation and growth,
4. The formation of intercultural teams,
5. The creation of unique corporate cultures, and
6. The reduction of friction costs by channeling the potential for conflict.

All of this potential revolves around a creative management of diversity: It demands the open and trusting management of people with different backgrounds and abilities. It is the precondition for a company to act and decide appropriately in the many different local situations it encounters on the global level. Applied diversity then becomes a motor for commercial success. In their recent McKinsey study, Hunt et al. (2015) comment "[that] the likelihood that companies in the top quartile for diversity financially

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outperform those in the bottom quartile" (l.c. 1). For companies with gender diversity, this likelihood was 15 %; for ethnically diverse companies, it rose to 35 %. The frame of reference here is the likelihood "of financial performance above the national industry median. Analysis is based on composite date for all countries in the data set. Results vary by individual country" (l.c. 1). Diversity becomes an explicit factor of production. We can see this when we recall the developments, in particular the problem of making decisions in complex situations, we discovered in Chap. 1. Overcoming this problem needs a different notion of people and targets, with the global ethos values playing an important part in this. As the complexity of the commercial world keeps increasing, companies and their executives are forced to take decisions in increasingly confused and confusing circumstances. If they want to expand the horizons of their decision-making process beyond the limits of their own field of vision, they need the input of people with a different vantage point. This additional input, of course, again complicates the matter. Coping with this needs a multi-dimensionally open management of the different sources of information, employees, customers, suppliers, or other stakeholders. For this to be actually productive, it needs to be based on shared values, like partnership, respect, fairness, mutuality, openness, and honesty. A corporate culture which can achieve this is the invaluable basis for conceptual and operational decisions that will reduce the transaction costs even if the information still remains limited and fragmented. Seizing the potential hidden in diversity needs us to actively promote the global ethos values in our businesses. Only diversity promoted proactively in global ethos terms can enable companies to be flexible, adaptive, unmistakable, and more productive at the same time, by reducing the transaction costs (the costs of complexity and friction) and seizing the potential for creativity, innovation, and growth. Put more briefly: The value potential of the global ethos values lies in the *return on motivation*, ie the increased performance achieved by increasing the quality of human and systemic interactions and exchange processes.

When we recall the change processes we discussed before, this tells us: If companies want to stay viable, they need to think in two different directions. First, they need to become more flexible in order to be able to respond to the acceleration of all processes, the loss of old business models, and the loss of horizontal and vertical boundaries in all markets (Glauner 2016a). At the same time, they need to retain the unique and unmistakable quality of their products and services. Reconciling this paradox of modern management needs *human systems development* (Glauner 2016b) qualified by the global ethos values. This would govern how we deal with the differences between individuals, between individuals and groups, and between groups, be they differences in cultures, in worldviews and perceptions of reality, or simple differences in abilities and competences. Companies can harness the power of these differences if all people involved act in accordance with the global ethos canon.

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In order to cope with complexity, manage diversity, and stay innovative, we need to treat other people on the basis of trust, grounded in a form of communication and cooperation that adds to the social capital of loyalty, trust, and shared knowledge (Sennett 2007, 52). All forms of communication and cooperation cultures that increase social capital are, essentially, bound to the global ethos values. As the most important process of management, establishing a communication and cooperation culture that is qualified by the global ethos canon is the basis for establishing teams who can turn diversity and motivation into high performance. Forming high performance teams or intercultural teams becomes the key skill for dealing successfully with the challenges of complexity, diversity, and innovation.

As the modus operandi of high performance teams, a corporate culture sustained by the global ethos values is the basis and precondition for companies to achieve their greater purpose: fulfilling their independent, highly flexible, and substantively unique value proposition. This can be seen both in strategy development and in an aspect that is relevant for everyday management practice: the question of *leadership styles and systems*.[10] Depending on the situation, mission, and form of organization, different *situationally appropriate* leadership styles are called for. For instance, situations in which a large group of people with very different levels of expertise, knowledge, and understanding need to be guided through major transformations might need a rather authoritarian leadership style. In turn, solving creative tasks in a highly complex environment calls for small-scale social systems (teams, workgroups) with low systemic complexity, ie high performance teams with laissez-faire leadership, left to organize themselves and act and react as they see fit.

[10] To help us distinguish between the terms leading, leadership, leadership styles, and leadership systems, the following definitions can be useful (Glauner 2016c):

Leading means taking decisions in instances of incomplete knowledge. It is the process of structuring complex incidents by selecting the means, ways, and goals (factual focus) and organizing and motivating people (people focus) with the aim of getting the involved actors to solve the tasks and reach the goals on their own accord.

Leadership means the ability to inspire people for a cause so that they are themselves motivated to pursue it. Good leadership pursues voluntary and active work on the assigned duties, not blind obedience. Leading means activating values that are shared on an interpersonal level. They follow the idea of people as sense-oriented beings.

Leadership styles are concrete approaches used to activate the people being led. From the point of view of the leader, these are systemic practices that help employees find, coordinate, and introduce solutions for complex circumstances. Leadership styles form leadership systems.

Leadership systems are systems of values that organize the actual interaction between leading and being led. Leadership systems are expressions of historical and socio-cultural concepts that define the view of man and the roles of the leader and the follower.

Leadership responsibility means the comprehensive responsibility for the people who are being led (mistakes made by employees are mistakes of the leader).

Situationally appropriate leadership styles can only be effective if the management system itself is sustained by the global ethos values. Any leadership style, be it laissez-fair or autocratic, bureaucratic or charismatic, democratic, cooperative or whatever else, can be qualified in global ethos terms, if the management system on the *organizational level* remains open, transparent, and coherent, if fairness, reliability, appreciation, and respect are given on the *functional level,* and if trust, responsibility, and commitment are there on the *social level*. If these values are actively applied in the specific management system, the individual leadership style of a manager will be in line with the global ethos values. Openness, transparency, coherence, fairness, reliability, appreciation, respect, trust, responsibility, and commitment are the visible expression of that seemingly abstract canon of values proposed by the global ethos concept.

Qualifying a company's management systems in line with the global ethos shows the role of the global ethos values in the many other corporate values that we encounter in the wild. They play a subsidiary role in this respect, which means that they are not the primary values of a corporate culture, but the subsidiary values supporting strategies of excellence (Glauner 2016b). Still, they are indispensable for overcoming the paradoxes of modern management—making a company unique with a highly flexible, but substantively meaningful value proposition.

Primary and Secondary Values of a Corporate Culture

The primary values of a corporate culture are all substantive—that is, conceptually defined—values that specify the value proposition of the company. As ill. 5 shows, these values include the core value proposition of the business model and the related principal and procedural values of the culture (cf. Glauner 2013, 2016a). The *principal values* of the culture are all those values that express how the company delivers the benefits of its value proposition. They express the specific value proposition in meaningful values terms concerning the product and service dimensions. Looking outward, they help develop the brand claim; looking inward, they form the core competences with which the company fulfills its value proposition in its market. This can be described as a pull effect—people who are interested the benefits expressed by the principal values are attracted, pulled in by these values. The *procedural values* of the corporate culture are the values that govern interactions at the company. They align the culture in such a way that it can develop its principal values in the best possible manner in order to fulfill its value proposition effectively in the market. The procedural values distinguish between the primary and secondary norms of the corporate culture, regulating the interactions between different business areas and processes. The primary norms are the ones that guarantee that the value proposition expressed by the principal values is fulfilled. The secondary or subsidiary norms are the global ethos norms. As the basic grammar, they need to be in

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place and complied with if the company wants to write its magnum opus, an unmistakable and unique value proposition. The *values cockpit* specifies the principal and procedural values and aligns them in such a way that the company in question gets a unique identity. The links between these values and their use in managing the business via the values cockpit can be explained by looking at the water cooler service company **Pur Aqua Services AG** founded by the author:

Pur Aqua was a start up that built its organization completely with the means of the values cockpit. According to the business model, the core benefits for the customers were “Pure Water. Pure Service”, as Pur Aqua was the only company at the time supplying water cooler bottles with pure Black Forest spring water. The claim was translated into three principal values. Asking themselves “What’s in it for me?”, the people at Pur Aqua tried to understand the benefits offered by the company from the customer’s point of view: Service and convenience. Refreshing pure natural water from the Black Forest. Health and wellbeing. These three principal values were turned into the competence profile built around four core competences: Water knowhow, customer focus, a service mindset, and sales competence. To protect these competences, a culture was created that was committed to the procedural values of openness, friendliness, consistency, quality, punctuality, speed, and efficiency in all dealings with customers, suppliers, employees, and other external partners. As the primary values of the corporate culture, these procedural values underlying the value creation process were supported by the subsidiary global ethos values, as the foundational values of a culture that sustained the business model’s value creating pyramid (cf. Fig. 6.5).

By grounding its entire business activities in values in this manner, Pur Aqua only needed two years to form a national sales network, win nine international awards in London and Seattle against stiff competition from established mineral and table water brand, and sell the business successfully to Danone S.A..

As the basic arithmetic of human interaction, the global ethos values become the precondition for companies to cope with more complex mathematics: How to create unmistakable and substantive value. The global ethos values are not just the rulebook for personal interactions, but the yardstick for whether the essential pieces of entrepreneurial work, creating a business model and defining a value portfolio, are ethically qualified. Taking inspiration from Wittgenstein’s logical truth table (Wittgenstein 1989, 40 (TLP 4.31)), the global ethos values qualify both the practices used and the value created by a company (cf. Fig. 6.6).

The ethical truth table can be used to assess the culture and business models of companies in the following way: The inward behavior of companies is considered ethical if the culture, that is, the everyday practices in interactions within the organization, is sustained by respect, fairness, and partnership, in a sense: the

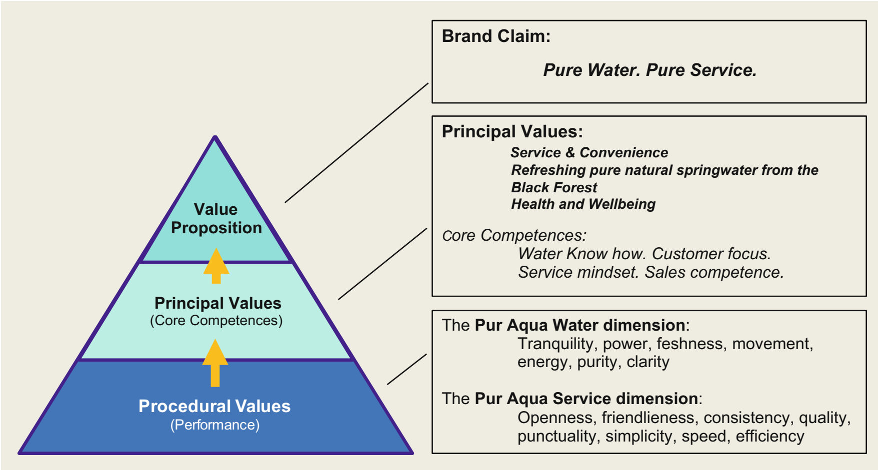

Fig. 6.5 The brand space and values cockpit of Pur Aqua Services AG

Behavior Inward-Oriented (Corporate Culture, Treatment of Internal Stakeholders)	Behavior Outward-Oriented (Goals, Business Model, Treatment of External Stakeholders)
Ethical	Ethical
Ethical	Unethical
Unethical	Ethical
Unethical	Unethical

Fig. 6.6 The ethical truth table

principles of humanity. These are built on foundations of justice, solitary, integrity, and tolerance. Their purpose is to apply these principles in a way that is appropriate for the given situation. The European market leader **dm drogerie-markt GmbH** calls this its "people orientation", committed to human beings in their totality (Glauner 2013, 164ff).

This inward-looking perspective, that is, the procedurally focused development of the corporate culture, differs from the ethical qualification of the outward-looking perspective, that is, the value-oriented definition of the strategic goals and business model. Corporate goals and business models are only ethically sustainable if they are not only aimed at profit, but also at the needs of the client, and—following the dimensions of the triple bottom line—the concerns of the other systems in the environment in which and with which the company is engaging. We

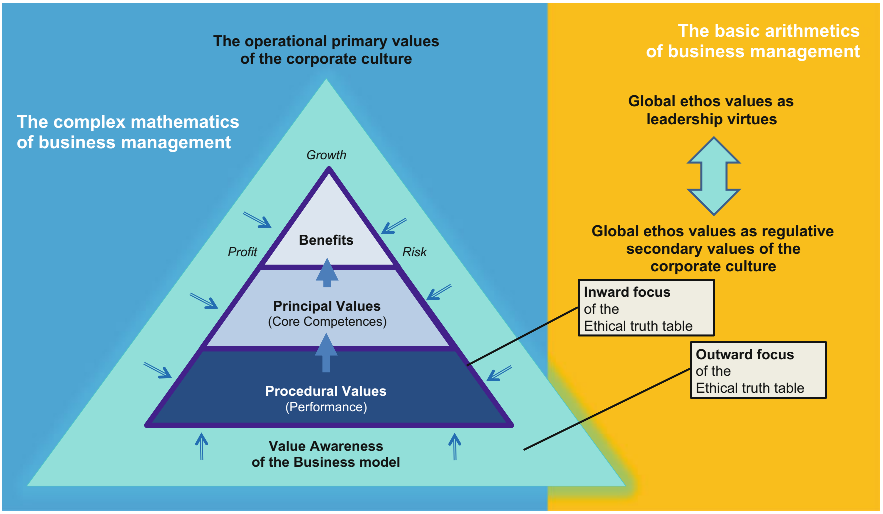

Fig. 6.7 The ethical foundations of lastingly viable business models

can only call companies ethically qualified if they have their business models grounded on an ethically sustainable culture and use it to create a sustainable substantial value not just for themselves, but for everybody they are engaged with. Declared in more formal terms, this means: »Company X is ethically qualified if and only if it maintains an ethically qualified culture and an ethically sustainable business model« (cf. Fig. 6.7).

The differences between the two ethical dimensions of entrepreneurial action become particularly clear when we look at companies that consider themselves ethical on the inside, but use unethical practices on the outside. The critical case of the **Deutsche Bank AG** is one such case. The bank can certainly claim that it had for many years been true to the heritage of people like Hermann Josef Abs or Alfred Herrhausen, promoting a banking culture of respect, fairness, mutuality, transparency, justice, and solidarity. But if we take a look at the last 20 years of the company, we can definitely doubt the ethical capacity of the bank in view of the targets, business models, and decisions that have become public. The target of a return on equity of 25 % proposed by Josef Ackermann led to a fundamental shift in the bank's practices, moving from a focus on the sustainable and customer-oriented provision of financing for the market to an attitude that cared only about profit targets and the bonuses these promised. In the end, this cultural change can be blamed for more than 7000 legal actions for fraud and manipulation, brought forward by the bank's clients, other market actors, financial authorities, and state actors. According to the Frankfurter Allgemeine Zeitung, 6000 of these still remain unresolved on 8 June 2015, even though the bank has already had to pay approx. €9 billion in fines for manipulating share prices and interest rates, tampering with market mechanisms, and outright procedural fraud (cf. "Eine Bank wird zur Rechtsabteilung", F.A.Z. on 8 June 2015, p. 19).

We can accuse the Deutsche Bank of unethical practice for the same reasons as apply to other actors in the financial market, most prominently Lehman Brothers, where one set of brokers were selling securities on whose collapse another set of brokers were betting. A win-win for them, as the bank massively increased its own returns when selling the securities to be known to falter to unsuspecting investors (Glauner 2013, 42). The Deutsche Bank also follows a business model of self-serving profit. It places its own interests over the creation of value for its clients. With its profit and bonus-driven mindset, the Deutsche Bank is another example of the mentioned principle of the irresponsible maximization of profit at others' expense (Villhauer 2015).

The opposite case also shows that ethically qualified cultures and business models do not have to go hand-in-hand. Let's consider charitable organizations or fair trade/sustainable enterprise companies. We will often find companies that only maintain their charitable/fair business model by withholding something from their staff, such as leave entitlements or overtime pay. At other companies, the culture is one of fear and vindictiveness, with everybody working against everybody else. Even companies with ethical claims and business models suffer from the envy, jealousy, greed, vanity, and lust for power that all human vice seems to stem from.

The example of the Deutsche Bank again reveals the link between values, mental models, and entrepreneurial practice. When speaking about lastingly viable strategy development, we can explain this link as a see-saw process when a specific market or corporate culture forms. Companies respond to the behavior of the other actors in the market, and their response in turn reinforces the culture they experienced. The culture is therefore the product of a feedback loop that can become a danger for companies when the market accelerates faster than their culture or when they have developed a culture that is no longer fit for the market:

- Companies align their behavior with the expected behavior of other market actors.
  - The behavior of market actors is determined by the mental model according to which the market has been organized.
    - The mental model determined entrepreneurial action.
      - Entrepreneurial action shapes the applied values in the company.
        - The applied values—decidedly not the values stated in mission statements, which most people only do lip service to—determine the thrust of the company's evolution.
          - When markets evolve faster than the given corporate culture or of the culture of values at a company does not match the values of the environment around it, the company is at risk of crashing into the cliffs and sandbanks of the changing market, like a great oil tanker failing to correct its course.

The problem of this feedback loop is that companies today are facing the challenge of creating cultures in which thought and practice are both viable for the future. Any serious attempt at changing a given corporate culture will need a commitment to a change process that will take five years or more if it can ever be successful. Given the mentioned accelerated transformation of the markets, such long-term processes will necessarily clash with the short-term, ad-hoc impact of market revolutions.

For people attempting to develop lastingly viable business models, this problem can offer two insights that should be considered when making strategic decisions. The first concerns market conformity (compliance) and swarm stupidity, the second concerns the way out of the flytrap of self-conditioning expectations.

Compliance, Or: The Swarm Stupidity of Market Conformity What goes for people goes for companies. Both align their behavior with expectations coming to them from the outside, from the surrounding social systems. Looking at human behavior: A substantial body of socio-psychological research shows us that most people have the deeply embedded will to be fully integrated members of the groups they are living in (Bauer 2006). That even applies when the need for compliance with the group's values and beliefs might go against their own personal values and convictions. As Paul Watzlawick, Solmon Asch, and Hannah Ahrendt have shown, a vast majority of people are ready to scuttle their convictions to keep in line with their groups (Watzlawick 1976; Asch 1955, 1956; Arendt 1951, 1964). It is a simple fact often exemplified in drastic forms by the behavior of soldiers in war. Sönke Neitzel and Harald Welzer conducted a large-scale study (Neitzel and Welzer 2011) that revealed that most soldiers involved in war crimes consciously acted against their own values and convictions, eg that women must not be raped or children murdered. As explanations, Neitzel and Welzer found that the soldiers did not follow real convictions, base motives, or other inclinations—like the inclination to bend to authority (Milgram 1974)—but simply believed that what they were doing was normal and expected in war.

The actions of companies are also determined by the expectations they attribute to their market, their customers, suppliers, competitors, or any other relevant stakeholders. In this sense, companies tend to conform to market expectations, that is, they behave like any other market actor. This conformity then means that market cycles can reinforce themselves and, regularly, blow up into veritable bubbles. If we see the behavior of individual people or companies as part of such cycles, we can call it swarm behavior. Swarm behavior, however, does not immediately imply swarm intelligence.[11] Rather, it often tends to be swarm stupidity.

[11] Otto et al. (2007) can find in swarm intelligence, that is, in the unreflected decisions of the many, a potential that companies can use for their competitive purposes, eg in understanding their environments (l.c. 158), but also in forming their organizations or innovating. What makes sense for fish or birds – namely, the responsive reactions of a massive group of cognitively not overly developed individuals in a not overly complex environment (eg when a seal hunts a school of herrings)—does not make as much sense for cognitively highly developed individuals in highly complex environments. History suggests that the swarm behavior of humans does not normally lead to better solutions. Instead, the outcome is often sub-par, eg the typical boom-and-bust effect in swarmed markets. Organizational research and the study of democratically inclusive decision-

Because it is market conformity that creates bubbles in the first place, and market conformity is how it goes on: Suddenly, everyone wants that one thing—that one share, that one bond, or that one brand. Basic economics dictates that prices will rise to a point when the object of desire is overpriced, and the bubble will burst. This swarm stupidity follows the lemming impulse: Everybody follow the leader. And as everybody else is running after something, even the stragglers and doubters start to think that "something has to be in it". They might miss something. So they start to run as well. Lastingly viable strategies are aware of this *lemming effect* and take their own routes.

Escaping the fly trap of self-conditioning expectations, or: Learning from birds "Learning from birds" can be a metaphor that tells us how individual companies can escape the lemming effect of market conformity. Let us travel back around 66 million years in time, to the extinction of the dinosaurs. We can see how they failed to adapt to a changing world. Their evolution had followed a single paradigm: Size matters. At the end of the Jurassic era, dinosaurs had evolved into the largest beings ever to walk the Earth. With the onset of the Cenozoic era, the beginnings of the world as we know it, this became their Achilles' heel: "*Size matters*" gives you no other option than to keep growing larger. But larger did not fit the new world. This is the biological expression of the feedback loop of "What worked yesterday, will work tomorrow": the dinosaurs had had their day. All dinosaurs? Some were not beholden to the paradigm of size. Birds, a subset of dinosaurs, did not follow it. They developed small-scale niche strategies that allowed them to adjust flexibly to whatever habitat you could imagine. They were, in Darwinian terms, much fitter than their reptile peers. Learning from them means learning to take novel and independent paths that go against the prevalent market thinking.

For companies, taking new paths means rethinking the mental models that still govern the market. They need a changed sense for their values, beginning with the simple recognition that it does not suffice anymore to respond to impending changes. Formerly effective responses only helped form self-conditioning expectations that pushed the market into a short-termist outlook and put the survival of companies at risk. Expressions of this short-term thinking include the constant call for more flexibility, the shrinking life expectancy of companies, and the constantly accelerating change dynamics that companies need to keep up with.

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making processes (Grande 2012) show us that self-constituent groups only manage to reach optimum decisions quickly or effectively in complex environments, when they only include a limited number of individuals and when these share the key values and worldviews. Specifically, this would include those ethos values that govern a smooth handling of differences and that have the potential to produce and accommodate different perspectives. As soon as the number of participants and/or the complexity of the problem to be managed and/or the differences in the values and worldviews of the group increase, swarm intelligence soon devolves into swarm stupidity. Every member of the swarm then just goes with the flow and follows only one idea, without even considering other options, and the system becomes incapable of managing itself quickly, efficiently, or effectively.

All of these forces of acceleration lead to short-term thinking that does not go beyond the next quarterly report. In order to become viable for the future, the first step towards rehabilitation will be to understand that companies do not have to respond to the immediate changes, but to the long-term consequences brought about by the spiral of change. These consequences mean the spiral of disruption, concentration, and resource exploitation as well as the resulting erosion of commercial biodiversity, a strong consumer base, and healthy participation.

The centrifugal forces of the spiral of change are splitting successful strategy designs apart into two basic categories: The first applies the economic model and launches disruptive business models to monopolize the market and create self-contained princedoms. This is the *Great Game of strategy* as played not only by the British and Czarist Empires, but by their modern successors, Apple, Monsanto, and their ilk. Our look at the spiral of disruption, concentration, and resource exploitation has shown us that such strategies in the end erode the ground they are standing on. Like the political empires before them, such commercial empires are set to collapse. They are discovering that their feet are made of clay. They are the dinosaurs of their time. Strategies that try to play the *small game,* that try to join up diverse and small-scale structures with widespread participation, are built on more solid foundations. Such sustainable strategies are not dinosaurs, but birds surviving the cataclysm. They build their business models on the awareness economy, on a notion of values that understands how creating lastingly viable values cultures is an essential value adding process. It gives them the evolutionary advantage to survive into the next age.

6.3 Strategies for Future Viability: Creating Added Value

We can now use the instrument we just developed for the business models of the awareness economy, the ethical truth table, to take a new look at the business models that are used in our current world. Following our arguments about the economic rationale in strategy development, we have seen that the modern economy lives off a constantly accelerating cycle of resource exploitation. Without wanting to get sucked into ideological debates, we can see this simple truth in the case of oil. There might be some debate about whether we have used up 60 %, or only 45 %, or maybe even 70 % of the world's oil reserves, but every schoolchild knows that it took hundreds of millions of years for that oil to be formed, and we needed a mere century of waste to burn up about half of it. We have, figuratively speaking, burned eons of the world's history in the space of a lifetime. That is not just the case for oil. It goes for many other resources as well. Combine that with what mathematics tells us about fixed-step growth, we arrive at three stark facts:

First, humanity is consuming resources faster than nature can reproduce them, exponentially and unsustainably so.

Second, the complexity of ecological systems will never allow us to predict at exactly which point the collapse of individual resources will lead to the collapse of entire ecosystems.

Third, even if we cannot predict when a collapse is imminent, we know—and that is the key take-away lesson—that the opposing forces of consumption and regeneration will inevitably lead to the collapse of the basis, with mathematical certainty (Motesharrei et al. 2014; Williams 2012), if we continue to go about our current way of doing business, not taking our foot off the accelerator and never changing our trajectory.[12]

As appeals to reason—the purpose of many CSR efforts—have so often failed, the ruthless exploitation of resources caused by our prevalent economic paradigms can only be stopped in its tracks if companies encounter new forces impelling them to pursue alternative strategies for commercial success from within their own rationale. These forces need to remember the simple, but compelling psychology of quick wins—an immediate smaller reward will always keep its appeal even if a greater reward is promised in the future (Shoda et al. 1990; Mischel 2015). A bird in the hand is always worth more than two in the bush, so companies need to find strategies to work with this thinking to, in the end, get us to catch the two from the bush. What is needed is a mental model of viable commerce that translates our current perceptions of scarcity, competition, and value creation into a new paradigm, a paradigm that does not ignore the basic principles of nature, that is, the cyclical laws of give and take by which nature operates and which are expressed in self-reinforcing cycles that create added value on more than one, more than their original dimension. This needs a new strategic outlook that does not understand sustainability as an expression of the entrepreneur's human responsibility for society or nature, but as part of an economic perspective that promises to create the competitive advantages of tomorrow. It is not enough to mention the recent findings of the Harvard study of Khan et al. (2015) that show how sustainability efforts in enterprises and investments in CSR will pay off in material terms. Rather, it needs a complete revolution of our very concepts of how markets and companies function and what makes companies viable over the long term. The rationale of lastingly viable enterprise is not one of strategies of dominance, which tries to reforge and reconnect the links of the value chain simply to sustain the old paradigm of the selfish pursuit of profit (Fung et al. 2008), but one of the value-oriented establishment of new value cycles that replace harmful, unhealthy growth of short-termist business models with an intelligent concept of growth. In its essence, it is an expression of *the principle of resource creation*.

[12] Jared Diamond (2005) and Colin Woodard (2004) have given impressive proof that such a collapse is indeed not unusual for humankind. Nico Paech argues, the only way to avoid such a collapse is to rise above the lures of excess (Paech 2012), which seems a noble ambition. A sober mind, however, knows that this goes against our nature as humans.

6.3.1 Nature's Five Principles of Economic Value Creation

The principle of resource creation is the basic principle by which our natural world operates. Let us consider the environment: All ecological processes are grounded in cyclical systems operating freely in accordance with five natural principles: *locality, freedom, sense of scale, diversity,* and *value creation*. The basic resources that are available to the cyclical system and the sum total of the value creation cycles in the system determine the system's potential for growth and differentiation.

With their forces of constant differentiation by adaptation and change, natural cycles are governed by two general laws. *The first systemic law of ecology says that only those subsystems of ecosystems will survive in the long run that contribute added value for the total system, value that goes beyond what the subsystems take out of it*. This principle of value contribution lead to the *second systemic law of ecology: Added value cycles are cycles of exchange whose basic pool of resources keep growing*. *Ecosystems live by holistic resource creation and not, as our current economic thinking has it, by constant resource consumption.*

Growth

When we speak about growth, we need to distinguish between three drives:

1. The drive for *differentiation*. It answers the question *»What drives human economic activity?«*
2. The drive for *profit*. It answers the question *»What drives capitalism?«*
3. The drive for *value creation*. It answers the question *»What drives growth in nature?«*

Symbiosis as a Driver of Enrichment: The Darwinian Trap

Consider the natural world. One fact is striking: 99 % of all species that ever lived have died out, but still humans and mice share 98 % of their genes (Otto et al. 2007, 91). These figures should make us pause and think about the mechanisms of change and preservation. How, why, and according to which criteria has our biodiversity developed? The traditional answer, that the fittest win in the game of selection and adaptation, falls short of what we need. The idea of selection and adaptation is based in the man-made idea of scarcity, competition, and conflict. But these are not the central principles of nature. Not competition, but symbiosis is the driving force of all that lives (Capra 1996). Look at the human body: It is basically a symbiosis of many different types of microbial organisms and bacteria that make it viable in the first place. As Bernhard Kegel says with a nod to Gilbert et al. (2012), the concept of individuals should be dropped in favor of the idea of holobionts, that is, of symbiotic systems that engage in value-adding interactions with other similarly symbiotic systems (Kegel 2015, 309). Another example of this would be

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the complex root systems of forests. We now know that trees not only live and thrive in symbiosis with mycorrhiza, but actually use that symbiotic network to communicate with other trees to protect each other's survival (Hachtel 1998).

The economic *Darwinian trap* lies in our tendency to describe nature according to our concept of human competition and interpret it mechanistically with the economic rationale laid out in Chap. 3. But: *The principle of nature is not scarcity, but abundance—abundance understood as the holistic feedback cycle of continuous and substantive surplus and added value creation.* What has enabled certain species to survive? The answer is not that they were fitter for their environment, but that they create greater value for the system around them than what they took out of it. Bees and mycorrhiza show us how this works: Both live in symbiosis with their hosts and the environment. They create added value for that environment that far exceeds what they get from it in return (Glauner 2013). *Symbiotic surplus and added value creation is the basic principle of nature. Only therefore are the cycles of nature cycles of growth.* They do not live of individual pieces being reused in an energetically and resource-neutral cradle-to-cradle cycle (Braungart and McDonough 2002) and not of recycling old pieces, parts, or other waste in an upcycling process (Kay 1994; Pauli 1998; Braungart and McDonough 2013). Rather, they live by applying the five principles of ecological resource creation to continuously enrich the natural resources—by enriching the available biomass and by enriching the potential for differentiation that fuels and evolves the growth cycles. *Natural growth is based on systemic added value creation, in which the value that a sub-system contributes to the greater whole is greater than the benefits it takes from it.* So what enables a company to survive in its ecosystem? *Not flexibility or adaptive fitness in a competition for scarce resources, but the creation of added value that keeps the greater system intact and helps it grow.*

To escape from the Darwinian trap, we need to open up to the basic laws of natural cycles. *Instead of seeing nature in terms of economy, that is, interpreting it with the mental models of scarcity, competition, or the fight for survival or understanding sustainability only as efficiency and the careful use of resources,* we need to *bring our economy in alignment with the resource-creating growth principles of nature. This means kick-starting value-creating cycles of surplus.* By contrast to the zero emissions ideals of the blue economy proposed by Gunter Pauli (2010), the efficiency or nutrition cycles of von Weizsäcker et al. (1995) and Braungart and McDonough (2013), or the model of closed, self-organized dynamic living systems (Capra and Luisi 2014), the key here is the open organization of surplus, added value, participation, and growth processes that protect their own survival by creating new resources. Organizing such value-creation cycles

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works neither with business models that go for bio-mimicry (Benyus 1997) nor with the concepts of a post-growth economy with its ideas of self-restriction and growth limits (Paech 2012). It goes by creating substantive added value for the responsibility markets of the future. This means the free and creative application of the five principles of natural growth to independent strategies of value and added value creation. This type of *growth is not just a qualitative, but also a quantitative process that stops today's spiral of disruption, concentration, and resource exploitation. It does so by establishing business models and structures that work with the natural and man-made social systems to form differentiated, regionally decoupled, and decentralized, autonomous value creation cycles, thereby growing and enriching the very stock of resources the complete system is living of.*

Economic Growth as a Driver of Depletion: The Growth Trap

Let us now turn to the economic philosophy of growth. It is based on two forces at its core: The first force is the human striving for differentiation, the second is the economic pursuit of profit. Together, these fuel a type of growth that is powering the spiral of resource exploitation as explained in »Mental Models: The Economization of Our Lives«, leading to a depletion of our resources. The spiral is kept going by three growth drivers: on the level of the individual, the human need for differentiation; on the level of companies, the forces of price; and on the level of the markets, the forces of capital.

Differentiation

People want to be different. They do so by symbolic action, which signals their status even without so many words or deeds. The commercialization of more and more areas of our lives is turning companies and markets into a key playground for this symbolic production of difference. Wealth and power are evolving from means of protecting one's existence into symbols of distinction and differentiation, which people pursue for their own sake. This leads to the concentration of riches and power already mentioned above (BCG 2015; Brynjolfsson and McAfee 2014; Kocic 2015) and to the constant spiral of concentration, growth, and exploitation of resources. At the top of that spiral, we find the managers and entrepreneurs who are stamping their marks on the economy with disruptive business models by developing products with which their consumers can distinguish themselves from other consumers. The human need for differentiation underlies the mechanisms of growth according to which property is pursued merely for the sake of property—that is, the sense of so many products is simply that we can show that we own them, and we covet them for no other reason.

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Prices

Companies are also caught in a current that keeps the spiral of growth and resource erosion going. This is evident when we see the pressure on prices that is affecting all products and services. It is created by competition and inflationary effects eroding the revenue basis of companies over time. If a company needs, for instance, annual profit of 10 % to maintain a capable infrastructure, to invest in new developments, or simply to keep its substance intact, and if annual inflation is 3.5 % as a result of monetary effects, rising wages, and higher commodity prices, the company can only achieve its vital profit by compensating for these effects with either price increases, efficiency improvements, cost savings, or greater output. If it keeps selling the same number of products, it either needs to force through a 3.5 % hike in prices or achieve savings of 3.5 %. If both cannot be done, it would need to increase its sales volume by 46 % in the second year, 178 % in the third, and 335 % in the fourth year. Usually prices cannot be increased beyond a certain margin for an unchanged product (Simon-Kucher Global Pricing Study 2014), and constant cost reductions and efficiency improvements of 3.5 % year on year are unrealistic, so the necessary profit can only be achieved by increasing the sales volume and qualitatively upcycled products (with a subsequent price increase). If product and brand qualities cannot be upcycled—Simon-Kucher remind us that 72 % of all new products fail—volume is the only way to go. This means, companies need to grow at exponential rates to produce the profit they need to sustain their very existence, all else being equal.

The catch-22 here is not the economic necessity to keep growing, but the inherent depreciation of all offered products and services that is powering the depletion spiral of concentration, price pressures, and resource exploitation. Today's companies are usually located in markets of excess. According to logic, growth in such markets leads to the depreciation of the products and services in the market, as more products exert pressure on prices. This spiral can be seen in the constant erosion of prices[13] and—its mirror image—the continuous

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[13] The spiral of price erosion can be seen in the hours that an average employee needs to work in order to be able to afford something. In 1960, everyday essentials cost 20 min of work (two pounds of bread), 39 min (half a pound of butter), 51 min (10 eggs), or 15 min (a bottle of beer), compared to the following work required in 1991 and 2007: for a 2-pound loaf of bread eleven/ten minutes, six/five minutes for the butter, eight/seven minutes for the eggs, and 3 min for the beer.

The rate of erosion is even more impressive when looking at higher-price commodities, such as fridges, washing machines, or television sets. For a fridge, the average employee in 1960, 1991, and 2007 had to work 156.5 h, or 30 h and 27 min, or 24 h and 12 min. In the case of washing machines, this went down from 224.5 h (1960), to 53 h and 27 min (1991) and 35 h and 34 min (2007). For TVs, it was 351 h, 38 min (1960), 79 h and 4 min (1991) or 23 h and 2 min in 2007. (cf. http://www.handelsblatt.com/politik/konjunktur/nachrichten/butter-zucker-tageszeitung-tabelle-kaufkraft-der-lohnminute/2937670.html) evolution of new product features. In the case of cars and laptops: The prices of cars and computers have not really dropped substantially when adjusted for inflation, but every new generation adds new features and better quality, which would not have been possible before without much higher prices.

The inherent need to grow therefore leads to the following spiral of self-reinforcing dynamics powering the depletion spiral of concentration and resource exploitation.

- Continuous profits need to be maintained by increasing sales volumes.
  - The continuous expansion of sales volumes leads to the erosion of prices in the competition.
    - The erosion of prices is stopped by the continuous upcycling of products and services.
      - The continuous evolution of new products leads to a depreciation of the existing products and services.
        - The depreciation of existing products leads to the new development of products and services.
          - The new development of products needs more profits.
            - More profits lead to another round of increasing sales volumes.

The growth problem of companies therefore lies in the unbending economic logic of having to keep growing to generate profits. The continuous development of existing and new products leads to growth on the supply side and, as a result, to the constant depreciation of the existing products.

Profits—From capitalism to creditism

From the point of view of the global financial markets, there is a third, again deceptively God-given driver for growth. It comes from the economic belief that capital should work. But this is also where the driving forces in classic capitalism diverge from those of today's creditism.

In capitalist systems, profit is achieved by banks bankrolling promising business models in return for interest payments. The drivers of profit in capitalism are therefore viable business models in the brick-and-mortar economy. Since the liberalization of the financial markets for investment banking and the introduction of new financing instruments, this has changed. Today's profits, eg from the cut-and-run dissolution of companies or from derivative trades far exceed the profits expected from financing old-school businesses. This has changed the financial world forever.

In a stark contrast with the situation when classic capitalism reached its zenith in the twentieth century, today's creditism has maybe 10 to 20 % of all

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financial transactions relating in some way to the so-called brick-and-mortar economy. Banks are increasingly wary about financing new or established enterprises. It is far more rewarding for them to engage in credit or security transactions within the financial market or to speculate on highly complex financial instruments, derivatives, bonds, swaps, or futures. The leverage effects that are powering this creditism mean that there is a cloud of financial capital floating far above all real value creation processes.[14] Even real value creation, as expressed in the constant growth of global GDP, is oftentimes not really real, because it blithely ignores its long-term costs, eg for obsolete nuclear power plants, for the damage to the environment, or for treating the many first-world illnesses the entire world is suffering from. These should appear as negative factors on the cost side of the ledger, but they do appear in GDP calculations as positive growth. And the financial gambling industry expects its daily profit, which means that the excess capital from the cloud blows up and inflates selected values in the real economy—in particular in the form of share prices or companies, but also in real estate or similar assets. Whether a Van Gogh painting costs 1 million € or 100 million €, a two bedroom flat in Munich Bogenhausen or New York City costs 500,000 €, 2 million €, or 10 million €—it is all fiction without real substance. Prices and valuations are only expressions of the pressure created in the market when free capital tries to make a profit and accumulate more capital. But even these inflationary markets have their limits, so people are always on the lookout for new profitable investments and powering the growth of the market and the economization of every walk of life. The effect is: the spiral of concentration and resource exploitation will keep turning.

We should remember: The economic rationale of scarcity, competition, and growth creates a spiral of depletion that is constantly accelerating the exploitation of resources and the forces of growth and concentration. This negative image of growth without purpose, sense, and morals can be replaced with a positive image of growth, a concept of natural growth based on the natural principles of local roots, freedom, small scale, diversity, and value contribution which would lead to the constant enrichment of our natural resources.

If we apply the natural principle of resource creation to companies, we can find the route towards the competitive advantages of tomorrow. Lastingly viable advantages are based on business models that are committed to the five natural principles. They fuel resource creation cycles that contribute to the awareness markets of the future in the fullest sense of the ethical truth table.

[14] Even though no reliable figures have been published by the Federal Reserve Bank since the financial crisis of 2008, we can safely assume that the global markets are currently flooded with several times more liquid capital than would be required to finance the real global economy.

Proposition 23: The route towards the competitive advantages of tomorrow leads into the awareness economy
We can see this by looking at two case studies, the U.S. market leader Interface and the new Zealand company Icebreaker:

Interface Inc. is the world market leader for modular floor coverings in the office and public facilities market. Their floor coverings are woven from synthetic fabrics. Producing the material needs enormous amounts of oil and energy. A few years ago, Interface introduced a completely new strategy for its commodity sourcing. This is not just meant to introduce sustainable recycling processes. It also tries to establish truly viable, resource-creating economic cycles on the local level. For this purpose, Interface launched the "Net-Works" project. Net-Works is a sub-project of the long-term strategy Mission Zero developed by the company's founder Ray Andersen. Mission Zero wants to source all resources needed by Interface from recycled or renewable sources. As part of this program, Interface bought up the discarded nets of local fishermen and general population, which might cause massive damage if left to float in the ocean. With its call for collecting, selling, and thus returning used nets back into the global supply chain, the company is not just preventing ecological damage, but putting the nets to a new use in a second life. Later, this might be followed by a third or fourth life, as the floor coverings themselves are again recycled. What is more important is that Interface is creating an eco-friendly source of income that is helping the global eco-systems by making the local society wealthier.

Similar effects can be found in the case of the Auckland-based **Icebreaker New Zealand LTD**. Founded about 15 years ago, the company sells technical athletics clothing. It only uses wool from merino sheep kept by local shepherds. In all production processes, dyeing, spinning, weaving, or tailoring, Icebreaker is committed to sustainability standards, health and safety, and fair compensation. Every piece of clothing comes with a number that allows the wearer to trace it back through the chain to the original flock. The merino wool itself has lots of advantages over synthetic fabrics, as old pieces can not just be recycled, but are also fully bio-degradable. The business model of Icebreaker thus looks for sustainable value to be created at all links of the value chain, shaping the cycle of its natural resources in such a way that the pool of resources keeps growing. This shows how the business model of Icebreaker follows the five natural principles.

Resource-creating business models that emulate the five natural principles are therefore squarely opposed to the three monopolistic ideals of economic strategy development: Absolute dominance over the market, the value chain, and the revenue stream on the basis of exclusive product qualities are replaced with cooperative value-adding cycles for holistic and substantive value creation. They are therefore a counterpoint to the short-term profit logics of exploitative economics that flood already saturated markets with more products and services, whose sense is often limited to the surrogate experience of meaningless consumption. In their focus on enabling, enhancing, and enriching all links of the value chain, resource-creating business models aim to achieve value-adding participation, ie an economy that applies the natural principles to the micro, meso, macro, and supra-levels of the economy. The micro-level concerns the relationships between companies and people (employees, customers, suppliers, and business partners); the meso-level concerns the relations between companies (suppliers, clients, or competitors); the macro-level covers the relationships between companies and the systems surrounding them, be they external stakeholders, politics, or society at large; and the supra-level concerns the relations between companies and the environment.

As Interface and Icebreaker, but also the cases of Hilti and the Dialogue Social Enterprise GmbH show, resource-creating business models can work on different dimensions of the economy—that is, on the micro, meso, macro, or supra-level. The focus of their value creation can also lie on different elements of the triple bottom line of economic, ecological, and social value creation. This gives companies the option of using clever niche strategies that they can find via traditional strategy development tools, such as SWOT analyses or Porter's Five Forces model. We should, however, remember that the value created for the greater good, the greater system, is the benchmark for all such resource-creating business models. It can be defined by their performance in terms of participation, networking potential, and the indicators for diversity, regionality, resource creation potential, the degree of regional decoupling and so on.

We can see how these indicators work by looking at three other companies: Schamel, the Reutberg brewery, and the mechanical engineers at Trumpf.

Managed by the fifth generation of the family, **Schamel Meerrettich GmbH & Co.KG** from Baiersdorf in Franconia employs around fifty-five members of staff. To protect its future viability, Schamel has formed the "Protection Initiative Bavarian Horseradish". With around 100 local radish farmers, the company has managed to win EU certification for Bavarian horseradish. Its thinking was to protect the Bavarian culture of horseradish cultivation, with the regionally typical smallholder structures and with a unique variety in taste and style. The entire production chain benefits from this, because the price of certified Bavarian horseradish is about twice that of comparable produce elsewhere in the global market. With its commitment to quality and value creation, Schamel was awarded a TOP brand award in 2014. The company had already been included as one of Germany's "brands of the century" in a 2007 book on the subject, joining the likes of Haribo, Mercedes, Lufthansa, Nivea, Duden, Tempo, Miele, or Persil. The business model and dedicated niche strategy of Schamel have excellent value creation scores in the areas of regional decoupling, the formation of cycles of value creation, and ecologically sound production processes.

The female convent Reutberg near Bad Tölz has a long history of brewing its own beer. In 1924, this led to the formation of the **Klosterbrauerei Reutberg eG** as a cooperative brewery. Its mission was to use the cooperative model to provide the local agricultural community with affordable beer. After a long history with many ups and downs, the brewery was facing bankruptcy in the late 1980s. The members of the cooperative met to ensure the survival of the brewery; they developed a financing concept in which every member could buy shares valued between DM 100 and DM 300, each with one voting right irrespective of the amount of shares being held by a single person. The dividends were paid in kind: four pints of beer and lunch per voting right at every annual meeting. The design of this construction was meant to stimulate the broadest possible spread of shares within the local community. The shares were soon highly sought after in the region and, in particular, among Munich's students. Calculated in cash terms, the payment in kind amounted to more than 30 % of the share value, unbeatable returns in the financial markets. What was more important, however, was the annual shareholders meeting, celebrated as a ten-day festival. Reutberg now has the honor of opening Bavaria's beer fest calendar every year (ending with the Oktoberfest). The members of the cooperative also decided that the number of invited shareholders was limited to 5,200. New members are only chosen from the waiting list if an old member leaves. This "scarcity strategy" achieves a regional premium presence, which has virtually no need for marketing, because the members themselves are the real brand ambassadors. The construct also gives Reutberg a self-sustaining value cycle that has achieved regional decoupling. The cooperative also performs exceptionally in terms of multi-dimensional value creation, even though it follows the example of the other conventional actors in the brewing industry when it comes to ecological performance.

One of the global leaders for tool making machines, power tools, and laser technology, the **TRUMPF GmbH + Co. KG** based in Ditzingen near Stuttgart, believes in decoupling despite the global thrust of all of its operations. TRUMPF created its own bank in 2014 to decouple the company from the global financial markets. The mission of the bank is to offer buyers of TRUMPF equipment equitable financing options. This has a double effect: Clients have access to sustainable financing even in economically tougher times, and they are kept loyal customers of TRUMPF. Access to funding is therefore only one more link in the chains forming the company's equitable cooperation networks, in which TRUMPF and its clients have long cooperated on the design of new products that both companies and the evolution of the technology benefit from.

If we compare these examples of added value chains, we get a good yardstick for assessing individual business models: *The more levels (micro, meso, macro) and the more spheres (economy, society, environment) a business model creates value in, the more sustainable, profitable, capable, and durable it will be*. The five principles of natural value creation determine the key aspects of viable strategies for the competitive advantages of tomorrow:

Proposition 24: Lastingly viable strategies are added value contributing values strategies that fuel cycles of resource creation

In these cycles of resource creation, the global ethos values meet the concrete meaning of substantive value, which goes beyond simply producing a profit. This value proposition comes not as the result of external appeals to corporate responsibility, but as the outgrowth of the intrinsic logics of the company, ie staying viable for the future by forming high performance teams and business models for substantive value creation. Lastingly viable values strategies are the essence of this. Considering the state of the market and the problems that our current economies suffer from on the meso, macro, and supra-levels of nature and society, companies need to understand that their pursuit of self-interest can only be maintained if that pursuit takes them via the creation of added value for the greater system around them. Forming such value-adding cycles of participation and resource growth becomes the basis for generating and securing new commercial value as well.

6.3.2 Ethicological Business Models

To describe this lastingly viable way of business conduct and economy, we need to introduce a new term: *ethicological business models*. The term refers to business models creating value in a way that strengthens the larger, overall system. We call them *ethicological*, because they are based on ethically sustainable practice in the sense of being committed to the global ethos values and the ecological principles of growth by added value creation. *Ethicologics* then are the logics of values that focus entrepreneurial practice on holistic value creation; *ethicology* means the theory of viable economy, enterprise and business management for the future. Developing and implementing ethicological business models means forming a value-oriented corporate culture, in which processes of awareness formation lead to value and added value creating business models. *Ethicological practice tries to use holistic resource-creating processes to power the creation of economic value in such a way that it does not consume, but actually adds resources to the greater 'ledger'*.

This puts ethicologically managed enterprises into a humanistic, critically enlightened tradition that sees economic practice as bound by the five natural principles of economic value creation. Forming an ethicologically sound culture of added value creation therefore means far more than sharing value as being proposed by Michael Porter and Mark Kramer (Porter/Kramer 2011). It also goes beyond Leopold Kohr's call for thinking in human dimensions (Kohr 1983) or the resulting idea that "small is beautiful" (Schumacher 1973): Not size or footprint determine whether a system is viable for the future; instead, the key is whether a company, as a sub-system of a greater whole, adds sustainable value to and benefits the overall system. In terms of ethicological practice, this means: *In the awareness economy and the awareness markets of the future, only those companies will survive that are committed to holistic resource creation (in the fullest sense of the term, as natural, social, and individual personal resources), and not those that exploit and consume resources by keeping the economic spiral of growth, concentration, and resource exploitation spinning*. To become future viable companies need to find business models and organizational structures that try to establish viable added value chains. *Durably viable added value chains are value creation processes which create more ressources than they consume. They are value chains that are decoupled from global resource exploitation, but still generate ecological, social, and—not least—economic benefit*. Forming these can be compared to the evolution of self-sustaining eco-systems.

A Taxonomy of Ethicological Business Models

We can use classic competition analysis to understand the taxonomy of ethicological business models. However, we must not let ourselves be influenced by the economic paradigms of scarcity, competition, or dominance, but rather apply effect-oriented indexes that work together in line with the ethical truth table of the global ethos values and the five principles of natural value creation.

The first index looks at the *participatory potential* of a business model. The criterion of participation asks: Who is part of the system, and who is outside the system? Looking at a typical customer relationship, we can phrase this question as follow: Does the company make its products *for* its customers or *with* its customers? In the former case, the customers are outside the system; they are a means to an end, specifically, a means of generating revenue and profit for the company. In the latter case, the company makes its products with its customers, which makes them part of the purpose—the purpose of generating shared value and benefits in a cooperative network. We can apply the same criterion to relationships with suppliers, business partners, or any other type of stakeholder relationship.

The second index we can use to assess ethicological business models is their *added value creating potential*. The key here is the question: Where, how, and for whom does the business model create substantive value? The ethical truth table and the concept of the triple bottom line help us identify potential beneficiaries on the micro-level of the company-to-people relationships, on the meso-level of company-to-company relationships, on the macro-level of company-to-other-systems relationships, and on the supra-level of the company-to-environment relationship. We can calculate the value creating potential both in material and in ideal terms by using indicators of empowerment, expansion / integration, and enrichment. This gives us a control system that now includes indicators for ethicological performance on top of the corporate cultural indicators already proposed by the values cockpit (Glauner 2013). These can include the participatory potential, the networking/integration potential, diversity, regionality, resource creating potential, the degree of regional decoupling and many more.

Our effectiveness evaluation of an ethicological business model is therefore based on a vector analysis of the company's effectiveness in the areas in which it creates resources (Fig. 6.8). These should not only look at economy, ecology, and society as three distinct areas, but also include the systemic levels (micro, meso, macro, and supra) and consider the scope and the degree of regional decoupling. By scope, we mean the number of individual elements of the total system (people, companies, and other affected parties)

(continued)

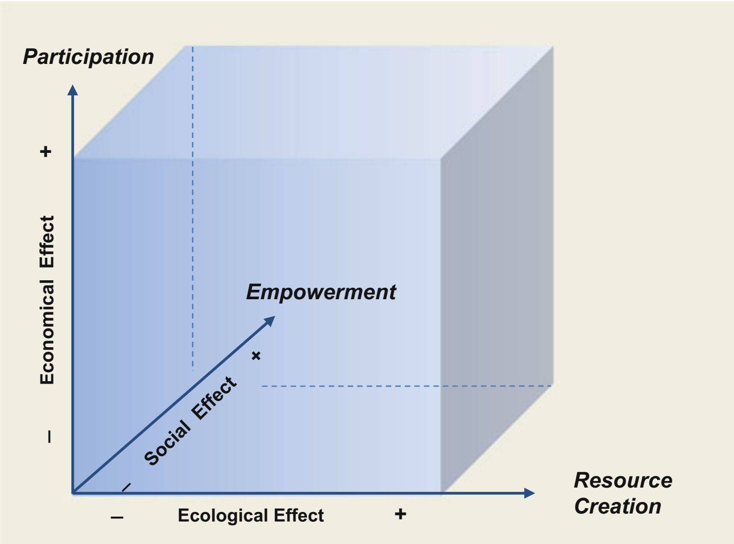

Fig. 6.8 The vectors of ethicological business models

benefit from the added value or resources created by the company. In the case of the Klosterbrauerei Reutberg brewery, only few individuals and companies do so, so its scope is limited; in the case of Interface or Icebreaker, many and many different people and companies benefit, giving the business model a substantialy broader scope.

When assessing ethicological business models with this taxonomy, we need to remember: The potential for creating resources is defined by how a company creates added value with business models that are in line with the values of the global ethos and the five principles of nature. The more added value a business model creates on more levels (micro, meso, macro, supra) and in more spheres (economy, society, environment), the greater its potential for resource creation will be and the more profitable, effective, and viable for the future it will be.

Companies that are committed to the principle of ethicological value creation can establish holistic value chains that then sustain their very survival. Companies that stick with the "same-old" of past value creation are only accelerating the general collapse and, by implication, their own demise.

Proposition 25: The path towards the competitive advantages of tomorrow lies in value strategies sustaining ethicological business models

7 Strategies for the Future: A Paradigm Shift in Management

When we put all the pieces, the arguments, case studies, and propositions together, we can finally see the complete picture: Lastingly viable enterprise and viable management need us to come up with a different mental model than the one inculcated in us by current economic theory. Like a counterpoint, it relates to the key forces powering today's accelerating spiral of globally unbound markets. We also need to reject the mental model of current responsibility thinking put forward by the scholars of business ethics in their vain attempts to stop the exploitation of our planet's resources. If we take all of this together, we are looking at a basic shift in paradigms, taking us away from today's ideas of economics and business management and leading us to new concepts of sustainability, responsibility, competitiveness, viable management, and strategy development. This paradigm shift concerns our perceptions of economic theory and of markets, of the criteria for good management, the ways to get competitive advantages, and the yardsticks and criteria for successful enterprise. The shifting paradigms case a new light on the core competences we need for our future and on the nature of an economic order and management practice with future viability.

To make sense of these points, it helps to recapitulate the key facts of our current way of enterprise and business: Our economically induced mental model is grounded in ideas of scarcity, competition, and growth, which are balanced by liberal markets to add to the common wealth. In our markets, politics plays an only regulatory function, preventing the free interaction of market forces from deteriorating and undermining the wealth of nations. In competition, the economic principles of business strategy is always to try and dominate the market (customers and competitors), the value chain (suppliers and customers), and product and price development, even if the strategy claims to pursue cooperative win-win relationships. In the end, it is about securing unique selling points, competitive advantages, and the sources of profit for as long as possible for the company alone. Strategy and tactics are a means of reaching self-interested profit goals. This inspires a competitive thinking that leads to a constantly accelerating spiral of growth, loss of boundaries, pressure on prices, disruption, concentration, and

F. Glauner, *Future Viability, Business Models, and Values*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-319-34030-2_7

resource exploitation. The very basis of a liberal, diverse, and small-scale value-creating structure is undermined—meaning the very basis of enterprise itself.

It is in this situation that we need to look for a new paradigm of lastingly viable enterprise. It believes in the micro-logics of individual entrepreneurial action and asks what makes companies viable in this sense. The answer is: The development of ethicological business models for the markets of responsibility in the awareness economy of the future. Ethicological business models work with resource-creation processes that are committed to the five principles of natural value creation. By contrast to the many business models of today with their scarcity-driven competition powering a spiral of deterioration, ethicological business models want to create spirals of enrichment. They fuel the growth that finally stops the spiral of concentration and resource exploitation by organizing a diverse landscape of value-creating participation in a spiral of holistic value creation.

The idea of ethicological business models replaces the key paradigms of economic theory and CSR thinking with the ideas that underlie a mental model of lastingly viable enterprise. The case studies we have considered show us that this can be highly successful even according to today's profit-driven economic thinking.

Specifically, it is the following paradigms that sustain the mental model of viable enterprise business and economy:

1. The paradigm of value-creating diversity and surplus affects the economic paradigms of scarcity, competition, and growth.

According to the economic mental model, the management of scarcity is one of the key drivers of enterprise, and the pursuit of growth is its consequence. The assumed liberal nature of the market creates wealth, and wealth creates growth. As the drivers of competitive thinking, the paradigms of scarcity, competition, and growth mean that all enterprise triggers a spiral of resource depletion, in turn leading to accelerating concentration, and undermining the very foundations of common wealth.

Ethicological business models replace these economic paradigms of scarcity, competition, and growth with an idea of natural value creation for tomorrow's markets of responsibility. They stop the spiral of resource exploitation that today's markets of excess suffer from by copying nature's creative processes in a counter-spiral of enrichment and empowerment with widespread, value-creating participation. Substantive value is contributed to the overall system by the actors of a sub-system, and the overall system grows with new, added resources.

The *strategic key question* of the paradigm of value-creating diversity and surplus asks: *With which processes and activities can my company initiate processes to promote value-creating diversity where, how, and for whom?*

2. The paradigm of substantive value and added value changes the managerial paradigm of differentiation and the CSR paradigm of corporate triple bottom line responsibility.

The managerial paradigm of differentiation tells us "*Be different or die!*". It believes that successful differentiation strategies are the ideal response to the ubiquitous pressure on profit margins. Caused by technological evolution and globalization, the pursuit of differentiation makes the wheels spin faster and faster, with companies rushing to flood already over-saturated markets with new products and sense surrogates. The spiral of depreciation, concentration, and resource-exploiting growth keeps turning. Companies are blamed and held to account for the damage that our economic ways are causing on the macro and supra-levels of society and the natural world.

By espousing the paradigm of substantive value, ethicological business models have one thing to say to the call for differentiation or the call for responsibility: "*Be valuable or die!*" To be valuable now means that companies use their products and services to create a type of value that means more than self-interested financial value. This commitment to creating new value leads to a process of empowerment that enriches the total system by allowing value-adding participation and forming new resources. Even actors far removed from the immediate value cycles of these companies can benefit from this enrichment process, while the companies are not burdened with any governance restrictions and expectations imposed on them from outside.

The *stretegic key question* posed by the paradigm of substantive value creation asks: *Where, for whom, how, and with which products and services does my company create substantive value?*

3. The paradigm of symbiosis changes the economic paradigm of competition.

The paradigm of competition is rooted in the idea of the contest: Even win-win strategies are understood as using the means of cooperation for self-interested ends.

Ethicological business models introduce a new understanding of cooperation to break with the dominance of competition, contest, and dominance in strategic thinking. They understand that the processes of depreciation, concentration, and resource exploitation mean that the only companies to survive in the long run will be the ones who create decoupled value cycles, which create new resources to feed the enterprises, the systems around them, and the overall system as a whole.

The *strategic key question* posed by the paradigm of symbiosis is: *Where, how, with which means and with whom can my company enter in symbiosis to create value that sustain, contribute to, and allow participation in the overall system?*

4. The paradigm of enrichment changes the economic paradigm of competitiveness.

The economic paradigm of competitiveness is grounded in a thinking of differentiation and contest, an almost military expression of the benefits of exclusive capabilities, means, and ways for profit-boosting distinction and uniqueness. Figuratively speaking, it means channeling the common river, so that it flows to one's own mills alone. The greatest advantage in the competition is not to be able to produce better products and services, have a stronger brand, or keep more durable customer relations, but to be able to use collective resources for one's own unique standing.

Ethicological business models replace this self-interested way of bartering for advantages with a participatory model that makes the people affected by it into people involved in it. Products and services are not developed for or by individuals or companies excluded from the value chain, but in real cooperation with suppliers and with customers that are themselves part of the value-creating process. The essential terms here are enabling, enhancement, integration, and enrichment. All elements in the overall system are empowered according to their purpose, and creating value for others becomes the basis for gaining value oneself. The paradigm of enrichment thus counters competitive strategies of exclusion and differentiation with strategies of inclusion.

The *strategic key question* of the paradigm of enrichment asks: *With which partners can my company use which measures, processes, and services to empower actors in which areas, markets, and levels to create value together for the creation of new resources?*

5. The paradigm of awareness creation affects the economic paradigm of core competences.

Core competences are considered the family silver of any company. As the source for lasting competitive advantages, they should not be too obviously visible, (easily) replicable, or bought and traded in the open market. Developing these competences is the backbone of competitive thinking driven by scarcity, differentiation, exclusion, and the self-interested pursuit of profit.

The paradigm of awareness creation stands against the paradigm of exclusive core competences. It says that successful business models in the responsibility markets of tomorrow need to focus on organizing exchange, value cycles, and resource creation processes. This means developing a corporate culture that makes empowerment, substantive value, cooperation, communication, and integration the key sources for both social capital and high performance teams capable of sustaining meaningfully value-creating business models. This new awareness comes from the recognition that nothing can be copied when everything is plain to see. Copying such an awareness-inducing culture only adds further to the process of awareness and resource creation, making the copier part of a self-reinforcing process in the awareness economy of tomorrow.

The *strategic key question* of the paradigm of awareness creation asks: *How and where can I and my company empower whom to create a culture of innovation, creativity, and responsibility in value creation, that makes the company an indispensable part of value-creating exchange processes?*

6. The paradigm of the awareness economy affects the economic paradigms of value and wealth creation and the commercial paradigms in business strategy.

The economic paradigms of value creation and wealth state that liberal competition in the organization (allocation) of scarce resources leads to societal success, that is, growth, progress, and common wealth. Expressed in terms of gross domestic products, this wealth comes from corporate performance (profits), and competition encourages companies to produce better products and services on better terms if they want to survive. This is the competitive thinking that underlies the economic paradigms of strategy development: In competition, only those companies will be successful that use and coordinate their means, organizations, products, and services in such a way that they can respond to changing circumstances faster, more efficiently, and better than their competitors. As all companies are trying to do so, this type of enterprise fuels the accelerating spiral that is leading to the creeping economization of more and more of our lives. Today's global economic processes feed a cycle of growth that concentrates disproportionate wealth in the hands of fewer and fewer actors (individuals and companies), while participation and diversity and the global resources are under fire on a wide front. Value and wealth creation are at risk of collapsing in on themselves.

The paradigm of the awareness economy holds up the idea of ethicological business models to stop these spirals of depletion, concentration, and resource exploitation by starting value-creation cycles committed to the five principles of natural growth. Instead of purely economic indicators, the awareness economy uses other parameters, like the happiness index, to make truly holistic resource creation and wealth measurable. It also transforms the paradigm of strategy development with its fixation with the pace of change. Successful strategies in the awareness economy do not care about the coming changes themselves, but about their consequences. The strategic focus is taken to the next level: No more reacting to symptoms (like the pressure for change in ever faster cycles in the supercharged world markets of today), but proactively anticipating the consequences of the underlying causes. Sustainably viable strategic thinking wants to know how we can develop business models to make a company lastingly viable by going below the surface of the change phenomenon. Disruptive strategies are changed into decoupling strategies that organize value-creating participation opportunities as the lifeblood of future viability.

The *strategic key question* of the paradigm of the awareness economy asks: *How and with which business models can my company develop decoupling strategies that create resources to feed not just my company, but also the systems surrounding it?*

7. The paradigm of resource creation replaces the economic paradigm of growth and the CSR paradigm of sustainability.

The economic paradigm of growth originates in the pressure on prices created by competition, which affects all products and services, and the pressure of capital, i.e. the need for all invested capital to produce a return. Reinforced by technology's change dynamics in globally unbounded markets, both growth impulses lead to the spiral of acceleration and concentration and the depletion of our world's rich resources. The paradigm of sustainability then comes from the recognition of the fact that if we keep this up, we are quite literally biting the hand that feeds us.

The problem of the economic paradigm of growth is that it cannot be fenced in with the present mental model of economic reasoning, that is, growth is the basic condition for value creation and greater wealth, according to current thinking at least. According to this thinking, growth and optimism are two sides of the same coin; a coin that has most value when creative destruction creates some new object that inspires new want. The paradigm of growth keeps feeding today's spiral of excess, putting pressure on prices and forcing us to exploit the very resources we depend on.

The inherent problem of the sustainability paradigm lies in its fixation with the past or the present. A given state deserves to be preserved as it is now or originally was. This leads to minute process interventions, making current sustainability projects extremely costly in terms of their transaction costs. Think of a boat: If it is to be kept in place on a flowing river, it needs constant and complex course corrections. And the more complex a system is, the more precisely it is to be managed, the greater the effort. Dynamic change is not used as the fuel of evolution, but as a disruptive impulse that needs to be offset.

The paradigm of resource creation holds the five natural principles of value creation up to the paradigms of growth and sustainability. Nature and its ecological processes do not follow our simple concepts of sustainability. The picture is rather one of almost excessive abundance. This natural abundance is constantly in flux, driven by feedback cycles of value creation that continually add to the resources of the whole. For this purpose, these natural systems have self-coordinating processes in place, keeping the system stable by letting it grow with its inherent and highly dynamic evolutionary capabilities. All sub-systems that contribute less than they take out of the system are expelled. The system keeps enriching itself by continuing to differentiate in tiny steps in its many symbiotic sub-systems. The stability of these systems and the change efforts needed for them to stay viable is a direct outcome of their complexity. The more complex, small-scale, and diverse the overall system, the more stable and flexible it is and the less costly adjustment and change become. The system as a whole survives, because its change is sustained by the small-scale sub-systems on the ground. Growth here does not lead to concentration and resource exploitation, but to self-sustaining enrichment of the greater whole.

The *strategic key question* of the paradigm of resource creation asks: *How should I shape the process chain to initiate self-sustained value creation on all levels and in all areas to enrich the overall system and its resources?*

8. The paradigm of ethicology replaces the paradigm of the conflict between ethics and profit.

Business economics and business ethics often suggest that there need to be certain trade-offs between the profitable choices and the ethical choices, since the different expectations coming from the outside concerning both sides cannot be reconciled. Different standpoints lead to different justifications: Companies can claim that they are responsible, first and foremost, for their commercial success. Commercial efforts are therefore already morally justified, from the economist's perspective, because they add to the common wealth. The proponents of CSR in turn claim that companies are not just liable for their immediate actions, such as compliance with environmental regulations, but also for the more remote consequences on the meso, macro, and supra-levels of markets, societies, and nature. In order for this liability to not only carry moral weight, but be legally actionable, the proponents of CSR often turn their call for ethical and responsible commerce into calls for new legislation. Morally justified business practice is to be expressed and defined by binding laws, regulations, and governance codes.

Looking at the micro-logics of entrepreneurial practice, the paradigm of ethicology overcomes this deceptive conflict between ethics and profits. It shows that sustainable management comes from value strategies that have internalized the basic grammar of the global ethos values. These strategies use the ethical truth table to ask how and with which business models they can translate this basic grammar into the great poetry of substantive value creation. Bringing such value to the market requires an awareness-inspiring culture of high performance teams that can handle tomorrow's markets of responsibility and reconcile ethics and economics in their business models.

The *strategic key question* of the paradigm of ethicology asks: *How and with which people, resources, processes, and values can I develop an awareness-inspiring culture that helps high-performance teams develop business models for tomorrow's markets of responsibility?*

9. The paradigm of the micro-logics of entrepreneurial practice replaces the CSR paradigm of corporate responsibility.

The CSR paradigm of responsibility holds companies accountable from the outside-in perspective of the meso, macro, and supra-level. According to it, companies must consider the consequences of the current system of commerce, specifically the social, societal, and ecological effects of the depreciation, concentration, and exploitation spirals they keep spinning. Too often, these calls for responsibility fall on deaf ears, as the self-referential nature of contemporary economic mental models allows companies a different rationale in terms of what constitutes responsibility: Companies hold themselves accountable for their own well-being and for the immediate consequences of their actions, not for consequences lying outside their immediate reach—such as the damage caused by the inherent dynamics of our economic practices as a whole, i.e. those not immediately attributable to a single company.

The paradigm of the micro-logics of entrepreneurial practice would reject such an external imposition of responsibility, or rather, actively turn it inward and transform it into an asset in the pursuit of competitive advantages. These advantages are gained by ethicological business models that decouple value creation cycles and make the people affected by them into the people involved in laying the basis for lasting survival by protecting the surrounding systems. The purpose of this micro-logic is survival. It needs a strategic perspective that works on a higher level than traditional strategic concepts, which it does by making the implications and the root causes of changes the strategic basis for all of its considerations. These create the business models and cooperation, value creation, and resource creation strategies that keep the company viable. The micro-logic implies a new form of enterprise, in which the visionaries of ethicological business models become early adopters of a new economy of awareness. For them, the value strategies of decoupled value creation and resource creation are what guides them to their competitive advantage of tomorrow.

The *strategic key question* posed by the paradigm of the micro-logics of entrepreneurial practice is: *How and with which business models can my company initiate decoupled value cycles that will make it an indispensable part of the systems surrounding and sustaining it?*

10. The paradigm of decoupling affects the economic paradigm of the "survival of the fittest".

The economic paradigm of the "survival of the fittest" comes from the competitive thinking which says that increased flexibility and adaptiveness are indispensable for commercial success in fast-changing markets. Describing this in simplistic stimulus-response terms means that companies need to respond as quickly as possible and ideally 'up front' to any changes on the horizons. 'Up front' in this case means responding with even more flexibility to processes of acceleration and with even greater size and scale to processes of concentration. Faced with similar changes, most companies opt for similar responses; in the best case, they try to conquer entire markets with disruptive business models. In times of faster and faster change, this swarm response leads to increasingly drastic reactions, again powering the spirals of concentration, depreciation, and resource depletion and flooding already bloated markets with sense surrogates and products without meaningful value.

The paradigm of decoupling tries to stop this accelerating spiral with a notion of enterprise that believes in regionally decoupled enrichment. It understands that collective swarm stupidity and the untrammelled dynamics of disruptive markets are a fact of life—but also that we can indeed "learn from the birds": the only companies likely to last are the ones that initiate small-scale value creation cycles in how they organize value-creating participation systems, which promote the holistic enrichment of natural and human resources and thereby add to, not take away from the basis of their own existence.

The *strategic key question* posed by the paradigm of decoupling asks: *How and with which partners and strategies can my company engage in symbiosis to develop a business model that is decoupled from the acceleration spirals of globally unbounded and boundaryless markets?*

11. The paradigm of value-creating participation affects the economic paradigm of value creation and the related concepts of shareholder and stakeholder value.

The economic paradigm of value creation states: enterprises aim to increase their competitiveness. Only competitiveness guarantees a healthy profit. A healthy profit is needed to satisfy the expectations of stakeholders, especially the demands of shareholders. If the expectations of stakeholders are not satisfied, they will take away the lifeblood of the enterprise, that is, the capital needed to engage in business. From this point of view, profit is the result of greater competitiveness, based in lasting competitive advantages that are, in turn, sustained by the core competences with which the company stands out from the crowd. However, this profit-fixated competitive thinking and the mental models underlying it inspire a behavior that is guided by the ideas of scarcity, competition, and growth alone. With all companies acting like this, we again encounter the spiral of concentration, depreciation, and exploitation.

The paradigm of value-creating participation transforms this thinking. It understands that any act of value creation is only a function of earlier values creation, values creation to be understood as the process of awareness production. According to the mental model of economy, value creation, understood as a competition-driven fixation with profit, favors strategies of self-interest, with the all to familiar consequences. By contrast, the mental model of ethicological business taps into other values. It states that only ethicological value creation is sustainable value creation. Its aim is to develop awareness resources that can empower high-performance teams to keep self-sustaining resource cycles spinning. This is no more the purely profit-driven value created to satisfy the expectations of shareholders and stakeholders, but holistic value created to make the business as a whole substantively valuable for the systems around it. Satisfying the demands of shareholders and stakeholders is just one expression of such holistic value creation. The paradigm of value-creating participation, in a sense, pursues dual resilience: Making the business viable for the future by keeping its environment sustainable. The principle of empowerment stands at its core.

The *strategic key question* posed by the paradigm of value-creating participation is: *How, where, and for whom does my business model allow value-creating participation? Who needs to be empowered with what to become an agent in an enrichment process that leads to decoupled added value cycles?*

12. The paradigm of empowerment affects the economic paradigm of performance.

The economic paradigm of performance promises that performance pays. "Performance" is, in this sense, the origin of success, with success understood as the production of revenue. Seen in input-output terms, economic success is the output of increasing qualitative performance which would try to generate the greatest possible returns with the least possible investment. That is why the economic paradigm of performance seems to rely on two levers for greater performance: A quantitative lever of efficiency and efficiencies, such as the reduction of process or transaction costs, and a qualitative lever of effectiveness, in particular in the form of disruptive business models that allow an exponential performance boost by toppling old structures and putting a new actor at the very top of the pyramid. Consider the case of UBER: It benefits from freelance drivers undermining the traditional taxicab market, while earning far less than the qualified taxi drivers they are pushing out of the market. The more pressure is put on traditional taxis, the more UBER wins, without the actual service providers benefiting from it in the form of lasting financial security. The value creation process is turned on its head: More and more income from the taxi services provided by the many is concentrated in the hands of the few. The quantitative depreciation of taxi services (from the point of view of the driver) leads to a qualitative appreciation of the performance of

UBER's disruptive business model. Silicon Valley likes to call such business models "unicorns", rare beasts that are worth a billion dollars soon after launching as start-ups. But UBER and other cases have two effects: They fuel the spiral of concentration, depreciation, and acceleration, and, which is more important from the point of view of the performance paradigm, they decouple economic ability—that is, earning potential—from real services on the ground. The end user receives virtually the same service from UBER as from any taxi company, but the providers of that service are split down the middle: the happy few who get to feast on the rewards for their genius business idea, and the many who "slave in the kitchen" and only get the crumbs of the rich man's table. The qualitative dimension of the economic performance paradigm therefore states: the best performer is the one who gets the most out of the performance of others. As part of the economic mental model, the paradigm again powers the vicious cycle of self-interest, acceleration, disruption, concentration, and resource exploitation.

The paradigm of empowerment balances out the economic paradigm of capability, as sustainable economic value creation is now based on business models that fuel processes of enrichment. This calls for a corporate culture that understands the organization as an agent in decoupled value cycles as it is trying to create awareness resources. In more specific terms, this means treating internal and external stakeholders with a new form of strategy, aligned with these 12 paradigms of ethicological enterprise. Its intention is the holistic empowerment of all actors in the various process, action, or consumption chains to turn them into active contributors to a constantly self-enriching and evolving value creation process—substantive value being the goal and purpose. Following the idea of creating value for the other, the paradigm of empowerment forces us to ask: Where, how, and at which links in the value chain or where in the systems surrounding us are there individuals or organizations that can be empowered to become an active part of the formation of substantive value? Like the other paradigms of ethicological enterprise, it is based on the recognition that creating *value* is just a function of creating *values* and that sustainable strategies are indispensable for a competitive edge in the markets of the future. The values espoused in a company do not just govern the direction the company can move in from within the system. They also influence, outside and across the systems, the thrust of our markets and our economic world as a whole.

The *strategic key question* posed by the paradigm of empowerment is: *Which practices can my company use where, how, and at which places on the value chain and in the surrounding systems to empower individuals and organizations to become active contributors in decoupled value cycles, creating value that will sustain my company and the systems around us?*

Let us stand back and look at the paradigms shifting, as the pieces are moving and forming a new picture of lastingly viable enterprise. We cannot stop the trends and developments that are under way. We cannot command the tide. The evolution is too complex and too dynamic. The swarm is moving and—as it follows the urge of their mental models of current economic thinking—it will not stop and listen, not to national politics, not to individual companies' decisions. Still, every company has the power to respond differently and not follow the "same old, same old" thinking that might undermine its very survival. We need a different thinking, and we can find this difference in the mental model of ethicological enterprise. The success stories that we saw show us the promise that lies in this difference, even from the current point of view of commercial results. Sustainable strategies need to go beyond cosmetics—trying to give the current change dynamics a nicer sheen, while not changing anything about the underlying mechanisms that keep the processes of depreciation, resource exploitation, and concentration going—and look at the causes, drivers, and implications lying below these surface symptoms. They need to break with the accepted economic mental model and with the strategic and management concepts that have been developed from it. Many companies will not dare or be able to break this wall, and many others will genuinely try, but fail, as they remain stuck in their mental models or infringe on the basic building blocks for success, such as appealing products and services, competitive organizational structures and functional processes, or corporate cultures that can form awareness and social capital. It is for these companies that this book has been looking at the early adopters who have already tried the new thinking with some success. It can also offer some hints and insights about which paradigms will guide them along the way. The road ahead is still long and winding before it takes us to a new world of the awareness economy, where business models create resources for the responsibility markets of tomorrow. But not even taking the first step is the opposite of real future viability. It is up to the companies of today to decide where the future will take them. One thing we do know: It will be values, not plain value, that will matter in that future.

Solution

Solution for footnote 1 in Chap. 2:

Question 1) 107.4 kilometers
Question 2) 2 days

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